

科通芯城
Cogobuy.com

COGOBUY GROUP 科通芯城集團

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 0400

GLOBAL OFFERING



Sole Sponsor



Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in doubt about any of the contents of this prospectus, you should obtain independent professional advice.



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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	343,800,000 Shares (subject to reallocation and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	34,380,000 Shares (subject to reallocation)
Number of International Placing Shares	:	309,420,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$4.48 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal Value	:	US\$0.0000001 per Share
Stock Code	:	400

Sole Sponsor



Joint Global Coordinators



Jefferies

Joint Bookrunners and Joint Lead Managers



Jefferies



Hong Kong Exchanges and Clearing Limited, the Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the Documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between UBS AG, Hong Kong Branch ("UBS") and Jefferies Hong Kong Limited ("Jefferies"), as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, July 11, 2014 and, in any event, not later than Thursday, July 17, 2014. The Offer Price will be not more than HK\$4.48 and is currently expected to be not less than HK\$3.20. If, for any reason, the Offer Price is not agreed by Thursday, July 17, 2014 between UBS and Jefferies, as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

UBS, as a Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by UBS, as a Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

July 8, 2014

EXPECTED TIMETABLE

Application lists open ⁽²⁾	11:45 a.m. on Friday, July 11, 2014	
Latest time to lodge WHITE and YELLOW application forms	12:00 noon on Friday, July 11, 2014	
Latest time to give electronic application instructions to HKSCC ⁽²⁾	12:00 noon on Friday, July 11, 2014	
Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽³⁾	11:30 a.m. on Friday, July 11, 2014	
Latest time to complete payment of White Form eIPO applications by effecting Internet banking transfers or PPS payment transfer(s)	12:00 noon on Friday, July 11, 2014	
Application lists close	12:00 noon on Friday, July 11, 2014	
Expected price determination date	Friday, July 11, 2014	
Announcement of:		
• the Offer Price;		
• the level of applications in Hong Kong Public Offering;		
• an indication of the level of interest in the International Placing; and		
• the basis of allocation of the Hong Kong Offer Shares,		
to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before		Thursday, July 17, 2014
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see paragraph headed "Publication of Results" in the section headed "How to Apply for Hong Kong Offer Shares") from		Thursday, July 17, 2014
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function		Thursday, July 17, 2014
A full announcement of the Hong Kong Public Offering containing the information referred to in the above announcements will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.cogobuy.com from		Thursday, July 17, 2014
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful application to be posted on or before		Thursday, July 17, 2014
Dealings in Shares on the Stock Exchange expected to commence on		Friday, July 18, 2014

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- (1) All times refer to Hong Kong local time, except as otherwise stated.
 - (2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Friday, July 11, 2014, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists" in this prospectus.
 - (3) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
 - (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS - Effect of Giving Electronic Application Instructions to HKSCC via CCASS" of this prospectus.
 - (5) The Price Determination Date is expected to be on or around Friday, July 11, 2014 and, in any event, not later than Thursday, July 17, 2014, or such other date as agreed between parties. If, for any reason, the Offer Price is not agreed between UBS and Jefferies, as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Thursday, July 17, 2014, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.
 - (6) **Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at or around 8:00 a.m. on Friday, July 18, 2014.**
 - (7) **e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the section headed “Definitions” in this prospectus.

OVERVIEW

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. We operate the largest transaction-based e-commerce platform for IC and other electronic components in China as measured by GMV in 2013, according to Analysys International. 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 customers with comprehensive online and offline services across pre-sale, sale and post-sale stages. In 2013, we fulfilled orders with a GMV of approximately RMB3.9 billion. We serve electronics manufacturers including 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, which are sourced from approximately 500 suppliers, including some of the top brand-name suppliers in key product categories.

Our Business Model

We started our sales of IC and other electronic components in 2000 with the incorporation of Comtech International (HK), our first operating subsidiary. Prior to June 2011, our business primarily consisted of offline distribution of IC and other electronic components. Since mid-2011, our Predecessor Entities started operating our direct sales platform through websites owned by Total Dynamic Limited under a cooperation arrangement. In February 2013, we acquired Total Dynamic Limited, which contributed the cogobuy.com website and other websites to our business. In July 2013, in addition to our direct sales platform, we started operating our online marketplace business through our e-commerce platform.

We generate revenue from the sales of IC and other electronic components either through our direct sales platform or marketplace platform. We sell products primarily through our direct sales platform, which has accounted for substantially all of our Group’s revenues since the inception of our Group. We also generate revenues by charging commission fees to third-party merchants who sell products and services through our marketplace platform. We started to operate our online marketplace platform in July 2013 and marketplace revenues made up approximately 1% of our total revenue in 2013. The penetration rate of online procurement in the overall IC and other electronic components procurement market in China remains low. For example, the transaction-based online procurement market was RMB7.1 billion as measured by GMV in 2013. Although online procurement represented only a small proportion of the RMB2.0 trillion market in 2013, according to Analysys International, it is expected that the penetration of online procurement by manufacturers in China will continue to grow over the coming years, which presents significant opportunities for our continued growth.

SUMMARY

We have developed an e-commerce model to streamline and complement the complex offline procurement system of the electronics manufacturing industry in China. Our business model offers a unique value proposition for key participants in China's electronics manufacturing supply chain, including SMEs, blue-chip customers and suppliers:

- ***SME customer community.*** When dealing with the highly fragmented electronics manufacturing supply chain in China, SME electronics manufacturers often lack sufficient scale to secure timely access to authentic electronic components from brand-name suppliers, bargaining power to negotiate competitive purchase terms and efficiently manage the procurement process. Our e-commerce platform provides an efficient channel for SME electronics manufacturers to access reliable and high-quality branded products. Our economies of scale enable us to offer SME customers competitive prices while maintaining an attractive profit margin.
- ***Blue-chip customer community.*** We charge major blue-chip electronics manufacturers prices comparable to those offered directly by brand-name suppliers, but we also provide them with additional online and offline value-added services at no additional fee, which are typically not offered by brand-name suppliers. Our services include integration of information on new products, supply chain management and after-sales support. We have attracted a large number of blue-chip customers and, as a result, our business scale increased significantly during the Track Record Period. Our scale helps us gain more bargaining power with suppliers and enables us to source products from top suppliers at lower prices and on more favourable terms, which in turn allows us to lower our procurement costs and price our products more competitively.
- ***Supplier community.*** In addition to purchasing large volumes of products from suppliers, we provide our suppliers with additional benefits through our integrated platform. We promote suppliers' new products and new technologies through our pre-sale services and social media marketing. With in-depth understandings of our customers' demands and buying habits, our promotion efforts are more effective and can reach more potential buyers in a customized manner. Our full-scale services also supplement our suppliers' after-sale services and reduce their after-sale costs. Furthermore, our marketplace platform allows SME suppliers to take advantage of our technology infrastructure and access our growing SME customer base and well-established blue-chip customer community.

Our E-Commerce Platform

Our e-commerce platform integrates a front-end user interface and a back-end cloud computing system. Our front-end user interface consists of a direct sales platform, on which we offer IC and other electronic components to customers directly, and a recently launched marketplace platform, on which third-party merchants sell their products to customers and pay us commissions. The back-end of our technology platform is built upon an advanced cloud computing system, supporting and integrating different aspects of our business operation and allowing us to offer various enterprise enablement services.

SUMMARY

Customers can access both the direct sales platform and the marketplace platform through our website, cogobuy.com, or our mobile application, Cogobuy Cloud. Our website and mobile application are user-friendly and help our customers conveniently find and purchase products and provide our customers with tools to track orders, review bills and invoices and manage inventories. Shenzhen Cogobuy holds the cogobuy.com domain name to conduct our marketplace business. Although we also use the cogobuy.com website as an online platform for the marketing of our direct sales business, Shenzhen Cogobuy is not otherwise involved in any aspect of our Group's direct sales business. Shenzhen Cogobuy does not (i) hold inventories, (ii) provide any pre-sale, sale or post-sale services for direct sale business, (iii) enter into any contracts with customers for direct sale business, or (iv) derive any revenue from direct sales. Rather, all of Shenzhen Cogobuy's revenue comes from service fees paid by third-party merchants for using our marketplace platform. Furthermore, all customer information and transaction data of our direct sales business are held and maintained by companies within the Group other than Shenzhen Cogobuy. Coupled with our offline logistics and fulfillment infrastructure, our e-commerce platform presents our customers a convenient solution to satisfy all their procurement needs for IC and other electronic components.

In addition, we have approximately 120 sales representatives who are well-trained through our in-house training workshops to provide our existing and potential customers, especially blue-chip customers, extensive pre-sale consultation. Our sales representatives also periodically visit our customers to help them register on our e-commerce platform and use various online tools on our website and mobile app and process customers orders.

Our Customers

Our customers are mainly electronics manufacturers based in China. We cater to the needs of electronics manufacturers of all scales, including both SME customers and blue-chip customers. On a combined basis, blue-chip customers accounted for 38.7%, 40.0%, 55.9% and 52.8% of our direct sales revenue, and SME customers accounted for 61.3%, 60.0%, 44.1% and 47.2% of our direct sales revenue, in the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. Our customer base is a diversified group of electronics manufacturers engaged in various segments, which ensures that our sales normally would not be materially affected by events influencing one or two segments. For the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, combining revenues of our Predecessor Entities and our Group, sales to our five largest customers accounted for 28.9%, 22.6%, 27.0% and 37.8%, respectively, of our total revenue, and sales to our largest customer accounted for 10.4%, 6.5%, 6.8% and 12.5%, respectively, of our total revenue.

As the electronics industry is subject to short product life cycles, fast changing product trends and constantly evolving technologies, our customers typically have to make frequent purchases. Accordingly, we conduct extensive pre-sale consultations and targeted marketing, aiming to convert most of our customers into repeat customers. Furthermore, because our customers typically purchase large volumes of IC and other electronic components with high values, we experience an average transaction value that far exceeds that of traditional B2C e-commerce companies, according to Analysys International. Our average transaction value per direct sales order in 2013 was approximately RMB147,000. Accordingly, we are able to keep our logistics costs per order at a low-level.

SUMMARY

Our Suppliers

As of December 31, 2013, we had a strong network of approximately 500 suppliers, including some of the top suppliers in key product categories, such as Freescale for automotive components, Broadcom and SanDisk for smart mobile device components and Xilinx for field-programmable gate arrays. Each supplier typically has only a handful of distribution partners in China and is often the exclusive source of certain high-end electronic components that are critical for manufacturers in relevant segments. We maintain close business relationships with our suppliers, which ensures a reliable access to high-end IC and other electronic components, many of which may run into shortage from time to time.

The scale of our business gives us strong bargaining power with our suppliers, enabling us to source a wide selection of brand-name IC and other electronic components at competitive prices and on favourable terms. For example, we have typically obtained accounts payable periods of 30 days from our major suppliers, which are longer than the credit periods we grant to most of our SME customers. Also, we have made arrangements with our major suppliers that allow us to return unsold products at their original purchase prices in exchange for other products or credit. With these terms, we are able to minimize our inventory risk and working capital requirements.

Our History and Reorganization

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 1, 2012. Our founder, Mr. Kang, has extensive experience in the electronic components industry in China. Our core business is the trading business of IC and other electronic components and has been carried out by the Predecessor Entities since their inception. The Predecessor Entities were previously owned by Viewtran, a company listed on the NASDAQ stock market, of which our Controlling Shareholder Mr. Kang is a 38.7% shareholder. We acquired the Predecessor Entities from Viewtran on November 15, 2012. For information about Viewtran, please refer to page 86 of this prospectus.

In 2013, the Company acquired certain complementary businesses. On February 1, 2013, we acquired the Total Dynamic Entities, and on November 20, 2013, we acquired the Envision Global Entities, together with their respective businesses. For more information about our acquisitions, please refer to page 89 to 93 of this prospectus.

OUR STRENGTHS

We believe that the following are our key competitive strengths that have contributed to our success and differentiate us from our competitors:

- Largest transaction-based e-commerce platform for IC and other electronic components in China;
- Fast-growing SME customer base with high average transaction value;
- Professional community enabled by sophisticated targeted online marketing capabilities;
- High entry barrier built on deep industry know-how and strong supplier network; and
- Visionary founder, experienced management team and strong corporate culture.

For details of our strengths, please refer to pages 101 to 103 of this prospectus.

SUMMARY

OUR STRATEGIES

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

- Expand the SME customer base;
- Enhance our marketplace platform to complement the existing direct sales platform;
- Further enhance customer loyalty and increase purchase per customer;
- Foster the development of an ecosystem serving the electronics manufacturing value chain; and
- Pursue strategic partnerships and acquisition opportunities.

For details of our strategies, please refer to pages 104 to 105 of this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised but taking into account Shares to be issued under the RSU Scheme), our Controlling Shareholders will be:

<u>Shareholder</u>	<u>Percentage of shareholding</u>
Mr. Kang	51.08%
Envision Global ⁽¹⁾	50.95%

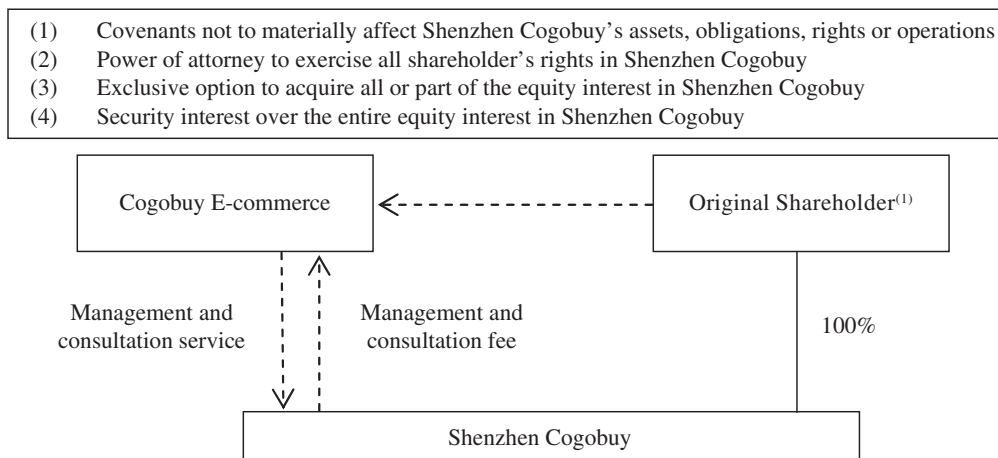
⁽¹⁾ Envision Global is wholly-owned by Mr. Kang.

CONTRACTUAL ARRANGEMENTS

Our e-commerce platform includes a direct sales platform and a marketplace platform, which we started in July 2013. On our marketplace platform, third-party merchants sell IC and other electronic components to customers and pay us commissions. Under applicable PRC laws and regulations, marketplace e-commerce falls into the category of value-added telecommunications services, which is a restricted category for foreign investors to conduct business in through directly-held equity interests. For further details of the limitations under applicable PRC laws and regulations on foreign ownership in PRC companies conducting value-added telecommunications services, please refer to section headed "Contractual Arrangements" on pages 139 to 159 of this prospectus. Due to these restrictions, Shenzhen Cogobuy holds the requisite PRC permits, licenses and approvals for developing and operating our e-commerce platform, as well as certain related intellectual property rights. The Contractual Arrangements allow Shenzhen Cogobuy's financials and results of operation to be consolidated into our financials as if it was a wholly-owned subsidiary of our Group. We did not generate any revenue from Shenzhen Cogobuy in 2011 and 2012, and generated less than 1% of our total revenue from Shenzhen Cogobuy in 2013.

SUMMARY

The following simplified diagram illustrates the flow of economic benefits from Shenzhen Cogobuy to our Group stipulated under the Contractual Arrangements:



(1) Original Shareholder is Ms. Yao.

(2) "—" denotes direct legal and beneficial ownership in the equity interest and "---->" denotes contractual relationship.

Please refer to pages 145 to 156 of this prospectus for details of our Contractual Arrangements.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Presentation of Accountants' Reports

This Prospectus includes two Accountants' Reports. In particular:

- Appendix IA sets forth the consolidated financial statements of the Group, together with the accompanying notes, for the period from February 1, 2012 (the date of the Company's incorporation) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, which include the financial results of (i) our Predecessor Entities since their acquisition by the Company on November 15, 2012, (ii) the Total Dynamic Entities since their acquisition by the Company on February 1, 2013 and (iii) the Envision Global Entities since they came under the control of the Company on November 20, 2013. Furthermore, set out in sections C and D of the Accountants' Report of the Group are the pre-acquisition financial information of (i) the Total Dynamic Entities from January 4, 2011 (the date of inception of the Total Dynamic Entities) up to the date of acquisition and (ii) the Envision Global Entities from January 1, 2011 up to the date of acquisition; and
- Appendix IB sets forth the combined financial statements of our Predecessor Entities, together with the accompanying notes, for the year ended December 31, 2011, the period from January 1, 2012 to November 15, 2012 and the years ended December 31, 2012 and 2013.

SUMMARY

Summary of Statements of Comprehensive Income

The Group

The following table sets forth a summary of the Group's consolidated statements of comprehensive income for the period from February 1, 2012 (date of incorporation) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013, December 31, 2013 and March 31, 2014. Comparisons between the Group's operating results in 2012 and 2013 may not be useful to investors because the Group did not have significant operations prior to November 15, 2012. The changes in operating results of the Group from 2012 to 2013 are primarily due to (i) the acquisition of our Predecessor Entities on November 15, 2012, (ii) the acquisition of the Total Dynamic Entities on February 1, 2013 and (iii) the acquisition of the Envision Global Entities on November 20, 2013.

The financial information for the three months ended March 31, 2013 and December 31, 2013 as set forth in the table below are extracted from the Group's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2013 and December 31, 2013, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended		
			March 31, 2013	December 31, 2013	March 31, 2014
			(unaudited)	(unaudited)	
			(RMB thousands)		
Revenue	199,306	2,417,277	387,572	1,011,920	1,354,018
Cost of sales	(145,688)	(2,215,191)	(363,047)	(920,742)	(1,251,578)
Gross profit	53,618	202,086	24,525	91,178	102,440
Profit from operations .	40,773	122,640	13,143	55,044	42,481
Profit before taxation ..	38,199	102,448	9,025	47,557	33,240
Income tax	(8,580)	(15,883)	(2,107)	(6,610)	(4,251)
Profit for the period/year	<u>29,619</u>	<u>86,565</u>	<u>6,918</u>	<u>40,947</u>	<u>28,989</u>

Our Predecessor Entities

We have provided the combined financial statements of our Predecessor Entities, together with the accompanying notes, for the year ended December 31, 2011, the period from January 1, 2012 to November 15, 2012 and the years ended December 31, 2012 and 2013 in order to give investors information about the performance of our Predecessor Entities' business during the Track Record Period. We consider that, since our Predecessor Entities operated our principal underlying business during the Track Record Period and contributed the most significant portion of the Group's operating activity, their financial results are a meaningful indication of the Group's underlying business. Furthermore, the structure of our Predecessor Entities has remained fairly stable, including after their acquisition by the Group, so we are able to present their results on a standalone basis.

SUMMARY

	For the year ended December 31, 2011	For the period from January 1, 2012 to November 15, 2012	For the year ended December 31, 2012	For the year ended December 31, 2013
	(RMB thousands)			
Revenue	1,169,948	1,369,066	1,568,372	1,788,044
Cost of sales	(1,097,451)	(1,325,408)	(1,471,096)	(1,679,949)
Gross profit	72,497	43,658	97,276	108,095
Profit from operations	39,195	10,052	51,490	72,333
Profit before taxation	35,189	6,136	45,000	56,002
Income tax	(8,365)	(2,602)	(11,187)	(12,903)
Profit for the year/period	<u>26,824</u>	<u>3,534</u>	<u>33,813</u>	<u>43,099</u>

Combined Results of Operations of Predecessor Entities and Group

In order to give investors a meaningful way to analyze the results of our performance over the entirety of the Track Record Period, we provide revenue, cost of sales and gross profits on a combined basis (collectively, the “combined results”) of the Group and our Predecessor Entities. We derived the combined results for the year ended December 31, 2012 by adding the consolidated revenue, cost of sales and gross profit of the Group for the period from February 1, 2012 (date of incorporation) to December 31, 2012 and the combined revenue, cost of sales and gross profit of our Predecessor Entities for the period from January 1, 2012 to November 15, 2012, respectively. See “Financial Information — Results of Operations — Combined Results of Operations of Predecessor Entities and Group.”

	For the year ended December 31, 2011 ⁽¹⁾	For the year ended December 31, 2012 ⁽²⁾	For the year ended December 31, 2013 ⁽³⁾
	(RMB thousands)		
Revenue	1,169,948	1,568,372	2,417,277
Cost of sales	(1,097,451)	(1,471,096)	(2,215,191)
Gross profit	72,497	97,276	202,086

- (1) Represents results of our Predecessor Entities only.
(2) Represents combined results of the Group and our Predecessor Entities.
(3) Represents consolidated results of the Group.

The Group did not carry out any business activities prior to the acquisition of our Predecessor Entities on November 15, 2012. There were no intercompany transactions between the Group and our Predecessor Entities during the period from February 1, 2012 to November 15, 2012, and therefore, there were no intercompany elimination adjustments made. Prospective investors should be aware that the combined results do not reflect our actual results. They have not been separately audited by our reporting accountants, and they are not intended to indicate any hypothetical results that could have been achieved by us.

SUMMARY

Summary Consolidated Statements of Financial Position

The following table sets forth a summary of the Group's consolidated statements of financial position as of the dates indicated:

	December 31, 2012	December 31, 2013	March 31, 2014
	(RMB thousands)		
Total Current Assets	599,697	1,520,730	1,582,535
Total Current Liabilities.....	562,683	1,373,606	1,393,066
Net current assets	<u>37,014</u>	<u>147,124</u>	<u>189,469</u>
Total Non-current Assets.....	11,921	187,306	185,604
Total Non-current Liabilities.....	386	5,164	4,851
Total Equity	<u>48,549</u>	<u>329,266</u>	<u>370,222</u>

Summary Consolidated Cash Flow Statements

The following table sets forth selected cash flows data of the Group for the period/year indicated:

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31	
			2013	2014
	(unaudited)			
	(RMB thousands)			
Net cash generated from/(used in) operating activities	<u>37,840</u>	<u>(26,269)</u>	<u>28,979</u>	<u>85,174</u>
Net cash generated from/(used in) investing activities	<u>(124,310)</u>	<u>(184,196)</u>	<u>1,464</u>	<u>(8,288)</u>
Net cash generated from/(used in) financing activities	<u>141,096</u>	<u>441,485</u>	<u>(26,409)</u>	<u>(51,853)</u>
Net increase in cash and cash equivalents	<u>54,626</u>	<u>231,020</u>	<u>4,034</u>	<u>25,033</u>
Cash and cash equivalents at the beginning of the period/year	<u>—</u>	<u>52,400</u>	<u>52,400</u>	<u>281,542</u>
Effect of foreign exchange rate changes	<u>(2,226)</u>	<u>(1,878)</u>	<u>(81)</u>	<u>7,438</u>
Cash and cash equivalents at the end of the period/year ...	<u>52,400</u>	<u>281,542</u>	<u>56,353</u>	<u>314,013</u>

SUMMARY

Key Financial Ratios

The following table sets forth the key financial ratios of the Group over the period/year indicated:

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31, 2014
Gross margin (%) ⁽¹⁾	26.9	8.4	7.6
EBIT margin (%) ⁽²⁾	19.9	4.8	3.0
Net profit margin (%) ⁽³⁾	14.9	3.6	2.1
Gearing ratio ⁽⁴⁾	10.0	2.8	2.5
Net debt to equity ratio ⁽⁵⁾	9.0	2.0	1.6
Interest coverage ratio ⁽⁶⁾	22.1	8.2	5.3
Return on total assets (%) ⁽⁷⁾	5.3	4.8	5.7
Return on equity (%) ⁽⁸⁾	66.7	25.3	27.8
Current ratio ⁽⁹⁾	1.1	1.1	1.1

- (1) Gross margin equals gross profit divided by revenue for the period/year.
- (2) EBIT margin equals profit before interest income, interest expenses and tax divided by revenue for the period/year.
- (3) Net profit margin equals profit for the period/year divided by revenue for the period/year.
- (4) Gearing ratio equals total debt divided by total equity as of the end of the period/year, including non-trade advances from related parties.
- (5) Net debt to equity ratio equals net debt divided by total equity as of the end of the period/year. Net debt includes all bank loans net of cash and cash equivalents and non-trade advances from related parties.
- (6) Interest coverage ratio equals profit before interest income, interest expenses and tax of one period/year divided by interest expenses of the same period/year.
- (7) Return on assets equals profit for the period/year attributable to equity shareholders of the Company divided by total assets as of the end of the period/year. Return on assets for the period ended December 31, 2012 and three months ended March 31, 2014 are calculated using the profit of the Company for the period from February 1, 2012 to December 31, 2012 and three months ended March 31, 2014 adjusted to an annual basis.
- (8) Return on equity equals profit for the period/year attributable to equity shareholders of the Company divided by total equity attributable to equity shareholders of the Company as of the end of the period/year. Return on equity for the period ended December 31, 2012 and three months ended March 31, 2014 are calculated using the profit of the Company for the period from February 1, 2012 to December 31, 2012 and three months ended March 31, 2014 adjusted to an annual basis.
- (9) Current ratio equals current assets divided by current liabilities as of the end of the period/year.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 343,800,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option are not exercised; (iii) 30,200,000 Shares have been issued pursuant to the RSU Scheme and (iv) 1,374,000,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK\$3.20	Based on an Offer Price of HK\$4.48
Market capitalization	HK\$4,397 million	HK\$6,156 million
Unaudited pro forma adjusted net tangible assets per Share .	HK\$0.91	HK\$1.21

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, see “Appendix II — Unaudited Pro Forma Financial Information”.

SUMMARY

RECENT DEVELOPMENTS

There has been no material change in the industry in which we operate or to our business, our business model, cost and revenue structures or financial condition since March 31, 2014 that would materially affect the information shown in our financial statements included in the Accountants' Report set forth in Appendix 1A to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

The payment and the amount of any future dividends will be at the sole discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deem relevant.

We estimate that we will receive net proceeds of approximately HK\$1,253.8 million from the Global Offering after deducting underwriting fees and commissions and estimated total expenses paid and payable by us in connection thereto, assuming that the Offer Price of HK\$3.84 per Share, being the mid-point of the proposed Offer Price range of HK\$3.20 to HK\$4.48 per Share. We intend to use such net proceeds for the following purposes over a period of three to four years after the Listing:

<u>Amount</u> (HK\$ millions)	<u>% of total estimated net proceeds</u> (%)	<u>Intended use</u>
438.8	35	expanding our marketing and promotion activities, including promoting our e-commerce platform among SME customers and third-party suppliers, hiring additional sales and marketing personnel, and continuing to host and promote the Hardeggs iFuture Hardware Competition
376.1	30	expanding and enhancing of our e-commerce platform, investing in our technology infrastructure, as well as conducting other research and development activities including improving our mobile applications and monetizing our massive customer and supplier data, which we expect to benefit both our direct sales business and our marketplace business
313.5	25	funding potential acquisition of, or investment in, technologies and complementary online business, partnerships and licensing opportunities (the types of business we may be investing in or acquiring will be companies in the e-commerce sector with good earning and growth potential)
125.4	10	providing funding for our working capital and other general corporate purposes

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised, will increase to approximately HK\$1,464.5 million or decrease to approximately HK\$1,043.1 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering

SUMMARY

will increase to approximately HK\$1,443.4 million, assuming an Offer Price of HK\$3.84 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option, will increase by approximately HK\$242.3 million or decrease by approximately HK\$242.3 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rated basis.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following:

- We rely on purchases made by Chinese electronics manufacturers for the majority of our revenue, and factors that adversely affect Chinese electronics manufacturers or the Chinese electronics manufacturing industry could have a material adverse effect on our business and results of operation;
- If we are unable to attract and retain a critical mass of buyers and purchases on our e-commerce platform, our revenue and profit could decrease materially;
- If we fail to manage our relationships with our suppliers, our business and prospects may be adversely affected;
- Our business is subject to intense competition;
- If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe penalties, including the shutting down of our website or the forced relinquishment of our interests in our operations; and
- We rely on our Contractual Arrangements with our PRC operating entity Shenzhen Cogobuy to provide certain services that are critical to our marketplace business, and our Contractual Arrangements may not be as effective in providing operational control as equity ownership.

Please refer to pages 26 to 56 of this prospectus for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares.

LISTING-RELATED EXPENSES INCURRED AND TO BE INCURRED

The estimated total listing expenses (excluding underwriting commissions) incurred in relation to the Listing are approximately RMB42.8 million. In accordance with Hong Kong Accounting Standard 32, *Financial Instruments: Presentation*, expenses that are directly attributable to the issue of new shares are accounted for as a deduction from equity and the expenses which do not relate to the issue of new shares are recognized in the consolidated statements of comprehensive income as incurred. Expenses that relate jointly to the issue of new shares and the listing of existing shares are allocated between these activities based on the proportion of number of new shares issued relative to the total number of shares in issue and listed on the Stock Exchange. For the year ended December 31, 2013 and the three months ended March 31, 2014, we recognized approximately RMB4.6 million and RMB13.9 million of listing expenses. We estimate that additional listing expenses (excluding underwriting commissions) of RMB16.1 million will be charged to our consolidated statement of comprehensive income for the year ending December 31, 2014. The balance of approximately RMB8.2 million is expected to be deducted from our share premium account upon listing. These listing expenses are mainly comprised of professional fees paid and payable to the Sole Sponsor, legal advisors and the reporting accountants for their services rendered in relation to the Listing and the Global Offering.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“Alphalink Global”	Alphalink Global Limited, a company incorporated in the BVI on November 23, 2004, a wholly-owned subsidiary of the Company
“Analysys International”	Analysys International, an independent industry consultant commissioned by the Group to prepare an independent research report
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) or GREEN Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended articles of association of our Company adopted on June 27, 2014 which shall become effective upon Listing, as amended from time to time
“Board”	the Board of directors of our Company
“Brilliant”	Brilliant Group Global Limited, a limited liability company incorporated in the BVI on June 13, 2013, a wholly-owned subsidiary of Envision Global and an associate of Mr. Kang
“Broadband Corporation”	Comtech Broadband Corporation Limited, a company incorporated in Hong Kong on March 23, 2005 and our indirect subsidiary owned as to 70%
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	The People’s Republic of China, except where the context requires otherwise excluding Hong Kong, Macau and Taiwan
“Cogobuy”	Cogobuy Limited, a limited liability company incorporated in Hong Kong on October 6, 2011 and our indirectly wholly-owned subsidiary
“Cogobuy E-commerce”	Cogobuy.com E-commerce Services (Shenzhen) Limited (庫購網電子商務(深圳)有限公司), a company established in the PRC on July 31, 2012, and our indirectly wholly-owned subsidiary
“Cogobuy Holding”	Cogobuy Holding Limited (formerly known as Total Dynamic Limited), a limited liability company incorporated in the Cayman Islands on January 4, 2011, and our directly wholly-owned subsidiary
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “the Company”	Cogobuy Group (科通芯城集團), an exempted company incorporated in the Cayman Islands with limited liability on February 1, 2012 and formerly known as Envision Global Group
“Comtech Broadband”	Comtech Broadband Holding Limited, a limited liability company incorporated in the BVI on June 27, 2013, and our directly wholly-owned subsidiary
“Comtech China”	Comtech (China) Holding Ltd., a company incorporated in the BVI on May 27, 2002
“Comtech Communication (HK)”	Comtech Communication Technology (Hong Kong) Company Limited (科通通信技術(香港)有限公司), a company incorporated in Hong Kong on August 3, 2010
“Comtech Communications (SZ)”	Comtech Communication Technology (Shenzhen) Company Limited (科通通信技術(深圳)有限公司), a company established in the PRC on July 23, 2002

DEFINITIONS

“Comtech Digital (HK)”	Comtech Digital Technology (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on February 11, 2010, and our indirectly wholly-owned subsidiary
“Comtech Digital (SZ)”	Comtech Digital Technology (Shenzhen) Limited (科通數字技術(深圳)有限公司), a limited liability company established in the PRC on June 22, 2010
“Comtech Electronic”	Shanghai Comtech Electronic Technology Company Limited (上海科姆特電子技術有限公司), a limited liability company established in the PRC on May 28, 2008
“Comtech HK”	Comtech (HK) Holding Ltd., a company incorporated in the BVI on May 27, 2002 and our directly wholly-owned subsidiary
“Comtech Industrial”	Comtech Industrial (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on April 8, 2009, and our indirectly wholly-owned subsidiary
“Comtech Industrial (SZ)”	Comtech Industrial Technology (Shenzhen) Co. Limited (科通工業技術(深圳)有限公司), previously known as Epcot Multimedia Technology (Shenzhen) Limited (奇利光電技術(深圳)有限公司), a company established in the PRC on May 24, 2005
“Comtech International”	Comtech International (Hong Kong) Limited, a company incorporated in Hong Kong on July 14, 2000 and our indirectly wholly-owned subsidiary
“Comtech Software (SZ)”	Comtech Software Technology (Shenzhen) Company Limited (科通軟件技術(深圳)有限公司), a company established in the PRC on March 18, 2004
“Contractual Arrangement(s)”	the series of contractual arrangements entered into between Cogobuy E-commerce, Shenzhen Cogobuy and Ms. Yao (as applicable), details of which are described in the section headed “Contractual Arrangements”
“Controlling Shareholder” or “Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means Mr. Kang and Envision Global. See the section headed “Relationship with Controlling Shareholders”
“Director(s)”	the director(s) of our Company
“E&T System”	Shanghai E&T System Company Ltd (上海憶特斯自動化控制技術有限公司), a limited liability company established in the PRC on June 5, 2003

DEFINITIONS

“Envision Communication (SZ)”	Envision Communication Technology (Shenzhen) Company Limited (億維迅通信技術(深圳)有限公司), a company established in the PRC on September 11, 2013
“Envision Global”	Envision Global Investments Limited, a limited liability company incorporated in the BVI on February 1, 2012 which is wholly-owned by Mr. Kang and is our immediate Controlling Shareholder
“Envision Global Entities”	Gold Tech, Mega Smart, and Comtech Broadband (together with their respective subsidiaries). Please refer to the section headed “History, Reorganization and Corporate Structure — The Reorganization” for further details
“Envision Online”	Envision Online Limited, a limited liability company incorporated in Hong Kong on March 6, 2012 and our directly wholly-owned subsidiary
“GAAP”	generally accepted accounting principles
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Gold Tech”	Gold Tech Holdings Limited, a limited liability company incorporated in the BVI on January 25, 2010, and our directly wholly-owned subsidiary
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider designated by our Company, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and Shenzhen Cogobuy (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context requires, the companies that currently comprise the subsidiaries of the Company prior to their acquisition by the Company
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKJJT”	Hong Kong JJT Limited, a company incorporated in Hong Kong on August 23, 2007 and our indirectly wholly-owned subsidiary
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 34,380,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting — Underwriters — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated July 7, 2014, relating to the Hong Kong Public Offering, entered into among, inter alia, the Hong Kong Underwriters and our Company, as further described in the section headed “Underwriting — Underwriting Arrangements And Expenses — Hong Kong Public Offering” in this prospectus
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“independent third party”	a person or entity who is not considered a connected person or associate of a connected person of our Company under the Listing Rules

DEFINITIONS

“International Placing”	the conditional placing of the International Placing Shares outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Share”	the 309,420,000 Shares being initially offered for subscription under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment and re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Purchasers”	the purchasers of the International Placing
“International Purchase Agreement”	the international purchase agreement relating to the International Placing and expected to be entered into by, among others, our Company, the International Purchasers on or about July 11, 2014. Please refer to the section headed “Underwriting — Underwriting Arrangements And Expenses — International Placing” in this prospectus
“Joint Bookrunners”	UBS AG, Hong Kong Branch, Jefferies Hong Kong Limited, CCB International Capital Limited and China Securities (International) Corporate Finance Company Limited
“Joint Global Coordinators”	UBS AG, Hong Kong Branch and Jefferies Hong Kong Limited
“Latest Practicable Date”	June 30, 2014, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about July 18, 2014, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“MDC Tech”	MDC Tech Inc. Limited, a company incorporated in Hong Kong on November 30, 2010
“Mega Smart”	Mega Smart Group Limited, a limited liability company incorporated in the BVI on April 8, 2009, and our directly wholly-owned subsidiary
“Memorandum” or “Memorandum of Association”	the amended memorandum of association of our Company adopted on June 27, 2014, as amended from time to time
“Mr. Kang”	Mr. KANG, Jingwei (康敬偉), Chairman, Chief Executive Officer and Executive Director of our Company and our Controlling Shareholder
“Mr. Wu”	Mr. WU, Lun Cheung, Allen (胡麟祥), Chief Financial Officer, Executive Director and Company Secretary of our Company
“Ms. Yao”	Ms. YAO, Yi (姚怡), our substantial shareholder, and the wife of Mr. Li Feng, one of our members of senior management
“Offer Price”	the final price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Placing Shares are to be offered pursuant to the International Placing, to be determined as described in the section headed “Structure of the Global Offering — Pricing And Allocation” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
“on a combined basis”	in the context of certain operational and financial data that we provide in the sections headed “Business” and “Financial Information”, combining the results of the Group and the Predecessor Entities, which, for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 are equivalent to (i) the combined results of the Predecessor Entities for the year ended December 31, 2011; (ii) the combined results of the Predecessor Entities and the Group for the year ended December 31, 2012; (iii) the consolidated results of the Group for the year ended December 31, 2013 and (iv) the consolidated results of the Group for the three months ended March 31, 2014 respectively

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the International Purchasers, exercisable by UBS, as a Global Coordinator on behalf of the International Purchasers for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 51,570,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to, among other things, cover over-allocations in the International Placing, if any, details of which are described in the section headed “Structure of the Global Offering — Over-allotment Option” in this prospectus
“PRC Legal Advisor”	Broad & Bright Law Firm
“Predecessor Entities”	Alphalink Global, Comtech HK and Comtech China (together with their respective subsidiaries at the time of completion of the 2012 SPA as more particularly set out in the section headed “History, Reorganization and Corporate Structure — The Reorganization”)
“Price Determination Agreement”	the agreement to be entered into between our Company and UBS, as a Global Coordinator, acting on behalf of the Underwriters, on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be July 11, 2014, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than July 17, 2014
“prospectus”	this prospectus
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Reorganization”	the reorganization of the Group in advance of the Listing, details of which are set out in the section “History, Reorganization and Corporate Structure — The Reorganization”
“Regulation S”	Regulation S under the US Securities Act
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of China
“Rule 144A”	Rule 144A under the US Securities Act
“RSU Scheme”	the scheme adopted by our Company to grant RSUs to our directors, senior management and employees and those of our subsidiaries which took effect as of March 1, 2014. Please refer to section headed “Appendix IV — Statutory and General Information — 4. The RSU Scheme” in this prospectus

DEFINITIONS

“RSUs”	Restricted share units
“Scheme Shares”	the 30,200,000 Shares to be issued to and held on trust by the Scheme Trustee pursuant to the RSU Scheme
“Scheme Trustee”	Computershare Hong Kong Investor Services Limited, the trustee appointed by us for holding all of the Shares in trust for satisfying release of shares upon vesting under RSUs granted by our Company to eligible participants of the RSU Scheme
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Shareholder(s)”	holder(s) of our Share(s)
“Shareholders’ equity”	Share capital, retained earnings and other revenue items
“Shares”	ordinary share(s) in the share capital of our company with a par value of US\$0.0000001 each
“Shenzhen Cogobuy”	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Sole Sponsor”	UBS Securities Hong Kong Limited
“Sole Sponsor’s PRC Legal Advisor”	Grandall Law Firm
“Stabilization Manager”	UBS AG, Hong Kong Branch
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Dynamic”	Total Dynamic Holdings Limited, a company incorporated in the BVI on December 4, 2012 and wholly-owned by Ms. Yao and our substantial shareholder
“Total Dynamic Entities”	Cogobuy Holding, Cogobuy and Cogobuy E-commerce
“Track Record Period”	the three financial years ended December 31, 2013 and the three months ended March 31, 2014
“Underwriters”	the Hong Kong Underwriters and the International Purchasers

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“US SEC”	Securities and Exchange Commission of the United States
“US Securities Act”	United States Securities Act of 1933, as amended
“Viewtran”	Viewtran Group, Inc., formerly known as Cogo Group Cayman, Inc., and Cogo Group, Inc., a company with limited liability incorporated in the Cayman Islands on April 12, 2011, which is listed on the NASDAQ market and an associate of Mr. Kang
“Vision Well”	Vision Well Global Limited, a limited liability company incorporated in the BVI on October 25, 2012, and our directly wholly-owned subsidiary
“White Form eIPO”	the application for Public Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO Service Provider, www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“2012 SPA”	the sale and purchase agreement entered into between Viewtran and our Company dated October 23, 2012. Please refer to the section headed “History, Reorganization and Corporate Structure — The Reorganization” for further details
“%”	percent

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option. See the section headed “Underwriting” in this prospectus.

The terms “associate”, “connected person”, “connected transaction”, and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Unless otherwise specified, translations of RMB into HK\$ in this prospectus are based on the rate of RMB1.00: HK\$1.2630, being the PBOC Rate prevailing on the Latest Practicable Date, and translations of RMB into US\$ are based on the rate of RMB1.00: US\$0.1606, being the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board on the Latest Practicable Date.

DEFINITIONS

No representation is made that any amounts in HK\$, RMB and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

If there are any inconsistencies in this prospectus between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this prospectus in connection with our business. These terms and their given meanings may not correspond to industry standard definitions or usage of these terms.

“B2B”	business-to-business
“B2C”	business-to-customer
“GMV”	gross merchandise value
“IC”	integrated circuit
“ICP License”	Internet content provider license
“SKU”	stock keeping unit
“SME”	small and medium enterprise

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our e-commerce platform;
- our capital expenditure programmes and future capital requirements;
- market demand and price of our products;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel;
- risks arising from future acquisition and/or disposal activities;
- all other risks and uncertainties described in the section in this prospectus under the heading “Risk Factors”.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this prospectus.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on purchases made by Chinese electronics manufacturers for substantially all of our revenue, and factors that adversely affect Chinese electronics manufacturers or the Chinese electronics manufacturing industry could have a material adverse effect on our business, financial condition, results of operations and prospects.

We derive substantially all of our revenue from purchases made by companies in China that engage in electronics manufacturing. As a result, factors that adversely affect Chinese electronics manufacturers or the Chinese electronics manufacturing industry could also materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others:

- a decline in demand for, or negative perception of, or publicity about, Chinese electronic products;
- a downturn in general economic conditions in China or major countries and regions that import electronic products from China;
- increasing competition from electronics manufacturers in other countries;
- the reduction or elimination of preferential tax treatments and economic incentives for electronics manufacturers in China;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting electronic products exports from China;
- appreciation in the value of the Renminbi against the currencies of other countries and regions that import electronic products from China; and
- rising material and labor costs in China relating to electronics manufacturing.

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If we are unable to attract and retain a critical mass of buyers and purchases on our e-commerce platform, our revenue and profit could decrease materially.

Our future growth depends on our ability to continue to attract new customers, as well as new purchases from existing customers. Constantly evolving technologies and products in the electronics industry have affected and will continue to affect our customers as well as customers' procurement preferences. In 2012 and 2013, our top five customers contributed to 28.4% and 26.9%, respectively, of our total revenues. We expect that our top five business customers will continue to contribute a significant portion of our revenues in the near future. If we lose any of these customers, or if a significant customer substantially reduces its spending with us, our business, financial condition and results of operations may be materially and adversely affected. Furthermore, a reduction in spending on our products and services by our existing and potential SMEs customers would harm our results of operations and financial condition. If the business models of a significant number of our SMEs customers fail to succeed, they may not continue to purchase our products and services.

We must stay abreast of emerging products and technologies that will appeal to existing and potential customers and be able to provide our customers with customized pre-sale consultations and recommendations tailored to their purchase profile. In addition, our customers choose to procure IC and other electronic components on our e-commerce platform due in part to the attractive prices that we offer, and they may choose to shop elsewhere if we cannot match the prices offered by other websites or by physical distributors. Accordingly, if we fail to identify solutions and products that our customers would be interested in or if our customers cannot find their desired products on our e-commerce platform at attractive prices, they may lose interest in us and visit our e-commerce platform less frequently or even stop visiting our e-commerce platform altogether, which in turn may materially and adversely affect our business, financial condition and results of operations.

If we fail to manage our relationships with our suppliers, our business and prospects may be adversely affected.

We source our products from approximately 500 suppliers, mainly including some of the top brand-name suppliers in key product categories. Maintaining good relationships with these suppliers and procuring products from suppliers on favorable terms are important to the growth of our business. There can be no assurance that our current suppliers will continue to sell IC and other electronic components to us on terms acceptable to us, or that we will be able to establish new or extend current supplier relationships to ensure a steady supply of IC and other electronic components in a timely and cost-efficient manner. If we are unable to develop and maintain good relationships with suppliers, we may not be able to offer products demanded by our customers, or to offer them in sufficient quantities and at prices acceptable to them. In addition, if our suppliers cease to provide us with favorable pricing or payment terms or exchange privileges, our working capital requirements may increase and our operations may be materially and adversely affected. Furthermore, during the Track Record Period, we received pricing adjustments, rebates and discounts credited to us by certain suppliers from time to time, which effectively reduced our costs of sales. Such pricing adjustments, rebates and discounts were non-recurring incentives granted to us at the sole discretion of the suppliers, and as such we cannot assure you that we will continue to receive them in the future, and if we do receive them, in an amount that is consistent with the past. Such pricing adjustments, rebates and discounts may cause our results of operations to fluctuate. Any deterioration in our relationship with major suppliers, or a failure to timely resolve disputes with or complaints from our major suppliers, could materially and adversely affect our business, prospects and results of operations.

RISK FACTORS

Our business is subject to intense competition, and we may fail to compete successfully against existing or new competitors, which may reduce demand for our services and products.

The electronic components procurement market in China is intensely competitive. Our main competitors with direct sales e-commerce platforms include Alibaba, Made-in-China.com and Global Resources. In addition, we face competition from: (1) offline distributors and manufacturers of IC and other electronic components, many of which possess significant brand recognition, sales volume and customer bases, and some of which currently sell, or in the future may sell, products or services through their online service platforms, and (2) information based B2B e-commerce companies. Some of our current and potential competitors have significantly greater financial, technical or marketing resources than we do. In addition, some of our competitors or new entrants may be acquired by, receive investment from or enter into strategic relationships with, well-established and well-financed companies or investors which would help enhance their competitive positions. Some of our competitors may be able to secure merchandise from suppliers on more favorable terms, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory availability policies and devote substantially more resources to website and system development than we do.

In addition, we anticipate that China's electronic components procurement market will continually evolve. As we further develop our e-commerce platform, we will face increasing competitive challenges competing for new customers and retain loyal customers, including:

- sourcing products efficiently;
- pricing our products competitively;
- maintaining the quality of the products sold on our e-commerce platform;
- anticipating and quickly responding to changing technologies and product trends;
- providing quality customer services; and
- conducting effective marketing activities.

There can be no assurance that we will be able to compete successfully against current and future competitors, or that we will be able to address the challenges we face. Our failure to properly respond to increased competition and the above challenges may reduce our operating margins, market share and brand recognition, or force us to incur losses, which will have a material adverse effect on our business, prospects, financial condition and results of operations.

Our continued growth depends on our ability to maintain our e-commerce platform as a trusted medium for buyers to procure IC and other electronic components.

We believe that the market recognition and reputation of our e-commerce platform as a trusted procurement medium have significantly contributed to the recent growth of our business. Many factors, some of which are beyond our control, could harm our reputation, impair our ability to attract new customers and retain existing customers, such as:

- our ability to maintain a convenient and reliable user experience as consumer preferences evolve and as we expand into new product categories and new business lines;

RISK FACTORS

- our ability to increase brand awareness among existing and potential customers through various marketing and promotional activities;
- the efficiency, reliability and quality of our customer service and order fulfillment;
- the quality of the products we offer on our online platform;
- the effectiveness of our supplier authentication and verification procedures to screen out counterfeit or pirated, as well as faulty or defective products; and
- any negative media publicity about e-commerce in general or security or product quality problems of other e-commerce websites in China.

If our e-commerce platform's reputation as a trusted procurement medium is harmed, it may be more difficult to maintain and grow our base of registered users, which would in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Evaluating our business and prospects may be difficult because we have a short history operating our e-commerce platform.

We only started operating our direct sales platform in June 2011 through websites owned by Total Dynamic Limited under a cooperation arrangement. However, prior to June 2011, the sales of our Predecessor Entities were conducted primarily using traditional sales models. Accordingly, we have a limited history operating our business in its current form upon which you can evaluate the viability and prospects of our business. See the section headed "History, Reorganization and Corporate Structure" in this prospectus for more information about the history and development of our business. As a result, we may not be able to achieve similar results or growth as shown in our financial reports in future periods. You should not rely on our results of operations for any prior periods as an indication of our future performance. It is also difficult to evaluate our prospects, because we may not have sufficient experience to address the risks frequently encountered by companies operating in new and rapidly evolving markets, including the online sales market. We may not be able to successfully address these risks and difficulties, which could materially harm our business, financial condition and results of operations.

The financial results of our Predecessor Entities may not be directly comparable to our Group's financial data, and the results of our Predecessor Entities may not be indicative of the results of our Group.

Our Predecessor Entities came under the control of our Group on November 15, 2012. Our Predecessor Entities' operating results are not directly comparable to the results of our group in the following aspects:

- the assets acquired and liabilities assumed by our Group from our Predecessor Entities were recorded at fair value which resulted in recognition of certain intangible assets and related amortisation expenses in our Group's financial statements whereas our Predecessor Entities recorded their assets and liabilities prior to the acquisition at historical cost;

RISK FACTORS

- the costs charged by Viewtran to our Predecessor Entities for certain services and functions may not be indicative of the costs that our Predecessor Entities would have incurred had our Predecessor Entities been a stand-alone entity;
- some products and services that were previously provided by our Predecessor Entities have been discontinued; and
- as a result of our acquisition of the Total Dynamic Entities and the Envision Global Entities in 2013, our Group's consolidated financial results including our operating expenses in 2013 may not be directly comparable to those of our Predecessor Entities in prior periods.

Accordingly, the historical results of our Predecessor Entities may not be indicative of those of our Group, and investors should use caution when evaluating our Company on the basis of the historical results of our Predecessor Entities. See the section headed "Financial Information — Basis of Presentation" in this prospectus.

If we are unable to manage our growth or execute our growth strategies effectively, our business and prospects may be materially and adversely affected.

We have experienced rapid growth in our revenues and expansion of our customer base that have placed, and continue to place, significant strain on our management and resources. Our growth strategy includes expanding our customer base, and enhancing community features and other applications to further improve customer loyalty. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to continue to expand, train, manage and motivate our workforce and manage our relationships with customers, suppliers and third-party service providers. Our strategies also include broadening our product offerings, which will require us to introduce new product categories and work with different groups of suppliers and address different buyer's needs. Given our relative unfamiliarity with many of these new product offerings, we may incur significant costs in trying to expand our offerings into these new product categories or fail to successfully execute the roll-out of these new product offerings. Moreover, we may have to expand our logistics centers and fulfillment network to accommodate more customer orders, which will require us to lease suitable facilities at commercially acceptable terms, which in turn may put pressure on our managerial, financial, operational and other resources. In addition, in order to improve our online marketplace, we will need to compete for and retain high quality third-party merchants. We may have to invest heavily in the marketplace to control the product and service quality of third-party merchants and to monitor their service performance. All of these endeavors involve risks, and will require substantial management effort and significant additional expenditures. We cannot assure you that we will be able to manage our growth or execute our strategies effectively, and any failure to do so may have a material adverse effect on our business and prospects.

We may fail to manage our sales and marketing efforts effectively.

We rely on a variety of different targeted sales and marketing efforts tailored for our existing and potential customers to increase sales of our products. Our marketing activities, which may involve significant costs, may not be well received by customers and may not result in the levels of product sales that we anticipate. Marketing approaches and tools in the e-commerce industry in China are evolving.

RISK FACTORS

This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new effective marketing approaches in a cost-effective manner could reduce our market share, cause our net revenues to decline and negatively impact our profitability.

If we are unable to provide superior customer service, our business and reputation may be materially and adversely affected.

The success of our business hinges on our ability to provide superior customer service. We had over 50 customer service representatives who support our sales force as of March 31, 2014. As we continue to grow in the future, we may have insufficient staff at our customer service centers, and there is no assurance that we will be able to hire more qualified staff or provide sufficient training to them to meet our standards of customer service or that an influx of relatively inexperienced personnel will not dilute the quality of our customer service. If our customer service representatives fail to provide satisfactory service timely, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brand and reputation which in turn may cause us to lose customers and market share.

We may not be able to efficiently manage our inventory risks.

Our scale and business model require us to manage a large volume of inventory effectively. Although we try to minimize our inventory risk by placing orders with our suppliers after consolidating order received from our customers, our customers may cancel orders with us, and we may not be able to resell those products. In addition, we depend on our demand forecasts for various IC and other electronic components to make purchase decisions and to manage our inventory. Demand for products, however, can change significantly between the time inventory is ordered and the date by which we hope to sell it, and as such our customers may not order products in the quantities that we expect. Our inventories have increased significantly in recent periods, from RMB107.2 million as of December 31, 2012 to RMB243.8 million as of December 31, 2013. As we plan to continue expanding our product offerings, we expect to include more SKUs in our inventory, which will make it more challenging for us to manage our inventory effectively.

If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition. Although many of our suppliers currently grant us exchange privileges that allow us to exchange unsold products for credit or newer models, we cannot assure you that we will be able to retain those privileges in the future. If we fail to resell products from cancelled orders or exchange those products with suppliers for credit or newer models, our financial condition and results of operation may be materially and adversely affected.

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Our success depends substantially on the continuing efforts of our senior management team and other key personnel as well as our ability to attract additional senior executives or other key personnel.

Our future success depends heavily upon the continuing services of the members of our senior management team and in particular, our Founder, Mr. Kang, who has been our leader since the inception of our predecessors, Comtech China and Comtech HK, in 2002. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for experienced management personnel in the Internet and e-commerce industry is intense, the pool of qualified candidates is limited, and we may not be able to retain the services of our senior executives or other key personnel, or attract and retain additional high-quality senior executives or other key personnel in the future.

Furthermore, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, our business could be severely disrupted. Each of our executive officers and key employees has entered into a confidentiality and non-competition agreement with us as part of their respective employment agreement with us. These confidentiality and non-compete agreements are governed by either Hong Kong or PRC laws and any disputes would be resolved in accordance with Hong Kong or PRC legal procedures. The enforcement of new competition agreements is subject to material uncertainty in Hong Kong. Similarly, uncertainties in the PRC legal system could limit our ability to enforce agreements governed by PRC laws. For example, prior court decisions may be cited for reference but have limited precedential value in the PRC, and the PRC arbitration tribunals and courts have significant discretion in interpreting, implementing or enforcing relevant PRC laws. In addition, it usually takes approximately a year to obtain judgment and ruling upon the first trial for any dispute, and the court of appeal has the right to indefinitely delay the proceedings upon appeal. Furthermore, upon receiving relevant applications, the courts require additional time to enforce any judgment obtained. It is thus difficult to predict the outcome of any arbitration awards or court proceedings or gauge the level of legal protection that such awards or proceedings may provide. Accordingly, if any disputes arise between any of our senior executives or key personnel and us, it may be difficult to enforce these agreements against these individuals.

We rely on third-party courier service providers to deliver our products, and their failure to provide high-quality courier services to our customers may negatively impact the procurement experience of our customers, damage our market reputation and materially and adversely affect our business and results of operations.

We rely on third-party courier service providers to deliver products to our customers. Interruptions to or failures in these couriers' shipping services could prevent the timely or successful delivery of our products. These interruptions may be due to unforeseen events that are beyond our control or the control of these third-party couriers, such as inclement weather, natural disasters or labor unrest. If our products are not delivered on time or are delivered in a damaged state, customers may refuse to accept our products and have less confidence in our services. Thus, we may lose customers, and our financial condition and market reputation could suffer.

RISK FACTORS

The proper functioning of our e-commerce platform is essential to our business and any failure to maintain the satisfactory performance, security and integrity of our e-commerce platform will materially and adversely affect our business, reputation, financial condition and results of operations.

The satisfactory performance, reliability and availability of our website, our mobile applications and our network infrastructure are critical to our success and our ability to attract and retain customers and maintain adequate customer service levels. Our net revenues depend significantly on the number of customers who are registered on our e-commerce platform and the volume of orders we fulfill. For orders processed on our e-commerce platform, any system interruptions caused by telecommunications failures and natural disasters that result in the unavailability or slowdown of the platform or reduce order fulfillment performance may reduce the volume of products sold and negatively impact the user experience on our website. Our servers and data centers may also be vulnerable to computer viruses, hacking, vandalism, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays, loss of data or the inability to accept and fulfill customer orders. Occurrence of any of those incidents could damage our reputation and result in a material decrease in our revenues.

We use our own cloud computing system and another provided by a third-party cloud service provider to support our e-commerce platform and substantially all aspects of transaction processing, including enterprise resource planning, customer relationship management, order management, payment management, logistics management and database management. We periodically upgrade and expand our cloud computing system, and in the future, we may further upgrade and expand our system to support increased transaction volume. Any inability to add additional software and hardware or to develop and upgrade our existing technology, cloud computing system or network infrastructure to accommodate increased traffic on our e-commerce platform or increased sales volume through our cloud computing system, or any failure by the third party service provider to develop, maintain or upgrade its system, may cause unanticipated system disruptions, slower response time, degradation in levels of customer service and impaired quality and speed of order fulfillment, which would have a material adverse effect on our business, reputation, financial condition and results of operations.

Uncertainties regarding the growth and sustained profitability of e-commerce in China could adversely affect our net revenues and business prospects and the trading price of our Shares.

The continued growth in our revenue and profit is substantially dependent upon the widespread acceptance and use of the Internet as a medium for commerce by businesses. In particular, rapid growth in the use of and interest in the Internet and other online services is still a relatively recent phenomenon, and we cannot assure you that this acceptance and use will continue to develop or that a sufficiently broad base of buyers will adopt, and continue to use, the Internet as a medium of commerce. A decline in the popularity of purchasing on the Internet in general, or any failure by us to adapt our e-commerce platform and improve the online shopping experience of our customers in response to trends and consumer requirements, will adversely affect our net revenues and business prospects. As a result, growth in our customer base is dependent on attracting buyers who have historically used traditional channels of commerce to procure IC and other electronic components. For our company to be successful, these buyers must accept and adopt new ways of conducting business and exchanging information.

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Moreover, concerns about fraud, privacy, lack of trust and other problems may discourage businesses from adopting the Internet as a medium of commerce. If these concerns are not adequately addressed, they may inhibit the growth of online commerce and communications. In addition, if a well-publicized breach of Internet security or privacy were to occur, general Internet usage could decline, which could reduce the use of our services and products and impede our growth. Our business, financial condition, results of operations and prospects will suffer to the extent the Internet, e-commerce and online marketing industries in general, and uses of the Internet as a medium of commerce in particular, do not continue to grow.

Failure to protect confidential information of our customers and our network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.

A significant challenge to online commerce and communications is the secure transmission of confidential information over public networks. Currently, details of our customers and their product orders are transmitted through our e-commerce platform. Accordingly, maintaining complete security for the confidential information on our e-commerce platform, such as customers' corporate information, key personnel contact information, product development objectives and browsing and purchasing records, is essential to maintain user confidence. We may not be able to prevent third parties, such as hackers or criminal organizations, from stealing information provided by our customers to us through our e-commerce platform. Any compromise of our security or third-party service providers' security could have a material adverse effect on our reputation, business, prospects, financial condition and results of operations. In addition, significant capital and other resources may be required to protect against security breaches or to alleviate problems caused by such breaches. The methods used by hackers and others engaged in online criminal activity are increasingly sophisticated and constantly evolving. Even if we are successful in adapting to and preventing new security breaches, any perception by the public that online commerce and transactions, or the privacy of user information, are becoming increasingly unsafe or vulnerable to attack could inhibit the growth of e-commerce and other online services generally, which in turn may reduce the number of orders we receive.

We may be subject to liabilities incurred prior to the Reorganization, which may harm our business and reputation or cause negative publicity that could impact the trading price of our Shares.

Ownership or control over the entities that now comprise our Group were acquired during the course of the Track Record Period from Viewtran, Ms. Yao and Envision Global. The parties from which we acquired these entities may from time to time expose us to potential risks, including litigation or dispute relating to assets or performance of our Predecessor Entities, the Total Dynamic Entities and the Envision Global Entities which occurred before our acquisition of them, and risks associated with unforeseen or hidden liabilities, change of laws and policies or interpretations of regulatory compliance that affect the operations or the license of the acquired businesses, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, relationships with employees, customers, suppliers and business partners as a result of integration of the acquired businesses. If any of these claims names us as a co-defendant in litigation or involves us as a party in a dispute or otherwise affects our assets, regardless of whether or not it is successful, our involvement in the litigation or dispute could cause us to incur significant expenses as well as divert management and other resources and result in negative publicity, which in turn could harm our business and reputation. In addition, if we were found liable in any such litigation or dispute, we could be required to pay significant damages.

RISK FACTORS

Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

All of our offices, warehouses and data centers are presently located on leased premises. At the end of each lease term, we may not be able to negotiate an extension of the lease and may therefore be forced to move to a different location, or the rent we pay may increase significantly. This could disrupt our operations and adversely affect our profitability. In addition, we may not be able to obtain new leases at desirable locations on acceptable terms to accommodate our future growth, which could materially and adversely affect our business.

Our legal right to lease certain properties could be challenged by property owners, government authorities or other third parties, which may cause interruptions to our business operations.

We lease all of the premises used for our offices, warehouses and data centers. Some of our lessors have not been able to provide the relevant housing ownership certificates for the properties leased by us. Two of our leases of the properties, accounting for approximately 24.0% of the total gross floor area of our leased office space, have not been filed for registration with the relevant government authorities, as required under PRC law. As of the Latest Practicable Date, we were not aware of any actions, claims or investigations being contemplated by the competent government authorities with respect to the defects in our leased real properties or any challenges by third parties to our use of these properties. However, if third parties who purport to be property owners or beneficiaries of the mortgaged properties challenge our right to lease these properties, we may not be able to protect our leasehold interest and may be ordered to vacate the affected premises, which could incur an estimated relocation cost of approximately RMB846,000 or otherwise materially and adversely affect our business operations and results of operations.

We have authorized a share award plan, which may materially impact our future results of operations.

We have adopted the RSU Scheme, which is a share award plan that permits the granting of RSUs to the directors, executive officers, senior managers and employees of our Group. Each RSU is a conditional right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the RSU Scheme. We will allot and issue 30,200,000 Shares to the Scheme Trustee prior to the Listing, representing 2.20% of the issued share capital upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). These Shares will be held in escrow by the Scheme Trustee and will be released to beneficiaries upon vesting of each RSU under the RSU Scheme. For a more complete description, see the section headed “Appendix IV — The RSU Scheme” in this prospectus. As a result of the Shares to be issued under the RSU Scheme, we expect to incur significant share-based compensation expenses in the future. The amount of these expenses will be based on the fair value of the share-based awards. We have adopted HKFRS 2 (*Share-based Payment*) for the accounting treatment of the RSU Scheme. As a result, we will need to account for compensation costs for all RSUs using a fair-value based method and recognize expenses in our consolidated statement of comprehensive income in accordance with HKFRS 2, which may have a material adverse effect on our net income. The expenses associated with share-based compensation will decrease our net profit and the additional shares issued will dilute the ownership interests of our Shareholders. On the other hand, if we reduce the amount of RSUs or other share-based compensation awards, we may not be able to attract or retain key personnel by offering them incentives linked to the value of our Shares. The financial impact of share-based compensation expenses in respect of the RSU Scheme is expected to be approximately RMB36.6 million, RMB11.0 million and RMB4.4 million for the years ending December 31, 2014, 2015 and 2016, respectively.

RISK FACTORS

We may encounter difficulties in protecting our intellectual property rights.

We regard our trademarks, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark law, trade secret protection and confidentiality and license agreements with our employees, suppliers, partners and others to protect our proprietary rights. As of the Latest Practicable Date, we registered 13 copyrights in China and 13 domain names in China and abroad. We also had six registered trademarks and pending applications for three additional trademarks in China, as well as pending applications for nine trademarks in Hong Kong. Our trademarks may be invalidated, circumvented, or challenged. Trade secrets are difficult to protect, and our trade secrets may be leaked or otherwise become known or be independently discovered by competitors. Confidentiality agreements may be breached, and we may not have adequate remedies for or be able to detect any breach.

It is often difficult to create and enforce intellectual property rights in China. Even where adequate laws exist in China, it may not be possible to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a court judgment or an arbitration award delivered in another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights or enforce agreements in China. Policing any unauthorized use of our intellectual property is difficult and costly and any steps taken may be inadequate to prevent the misappropriation of our technologies.

We may be exposed to infringement or misappropriation claims by third parties that, if determined adversely against us, could cause us to pay significant damages.

Our success depends largely on our ability to use and develop our technology, trademarks, copyrights, know-how and other intellectual property without infringing the intellectual property rights of third parties. As we continue to increase our user base and expand our business in China, and as litigation becomes more common in China, we face a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification relating to other parties' proprietary rights. Our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, may have or may obtain patents or other intellectual property rights that will prevent, limit or interfere with our ability to offer our services and products in either China or other jurisdictions. The validity and scope of any claims relating to our intellectual property rights involve complex legal and factual questions and analyses and, therefore, the outcome may be uncertain. In addition, the defense of these claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and technical personnel. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party could cause us to:

- pay damages;
- seek licenses from third parties on unfavorable terms;
- pay ongoing royalties;
- redesign our services and products; or
- be restricted by injunctions.

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Any of these factors could prevent or restrict us from pursuing some or all of our business and result in suppliers and buyers limiting their use of our services and products, which could have a material adverse effect on our business, financial condition and results of operations.

We may incur liability for defective IC and other electronic components we sell and products or content displayed on our marketplace platform that infringe on third-party intellectual property rights.

We sell IC and other electronic components manufactured by third parties, some of which may be defectively designed or manufactured. We allow third-party merchants to sell their products and services on our marketplace platform. As purchases by our customers are mostly for industrial purposes, we may be exposed to product liability claims if the electronics manufactured by our customers are defective due to the IC or electronic components sold by us. Third parties subject to injury or damage caused by the such defective electronics may also bring claims or legal proceedings against us. Although we would have legal recourse against the suppliers of such IC and other electronic components under PRC law, attempting to enforce our rights against the suppliers may be expensive, time-consuming and ultimately futile. In addition, we do not currently maintain any third-party liability insurance or product liability insurance in relation to products we sell. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

Failure to manage our liquidity and cash flows may materially and adversely affect our business, results of operations and financial condition.

Although we had positive cash flow from operating activities for the period from February 1, 2012 to December 31, 2012, we had negative cash flow of RMB26.3 million in 2013. A key factor that negatively affected our operating cash flow in 2013 was an increase in trade and other receivables of RMB391.4 million. Our ability to generate adequate cash inflows from operating activities in the future will depend in large part on our ability to collect receivables from our customers in a timely manner and the credit terms that we can obtain from suppliers. If we are not be able generate sufficient cash flows from our operations or obtain sufficient financing to support our business operation, our growth prospects may be materially and adversely affected.

Products we sell may be subject to U.S. export controls, which could subject us to liability or impair our ability to compete in the market.

Products we sell may be subject to U.S. export controls, specifically the Export Administration Regulations, and economic sanctions enforced by the Office of Foreign Assets Control. These regulations provide that certain products may be exported outside of the U.S. only with the required export authorizations, including by license, license exception or other appropriate government authorizations. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments, and persons targeted by U.S. sanctions. In October 2012, we filed a Voluntary Self Disclosure with the U.S. Department of Commerce's Bureau of Industry and Security concerning certain semiconductor devices sold to one customer, with a total sales value of US\$22,746. In the Voluntary Self Disclosure, we informed the U.S. Department of Commerce of such transactions and stated the basis upon which we believe that the exports occurred in accordance with the Export Administration Regulations and requested that the office of export enforcement at the U.S. Department of

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Commerce close this matter without action. We received a letter from the U.S. Department of Commerce's Bureau of Industry and Security dated April 1, 2014 indicating that it would take no further action and would be closing its file with respect to this Voluntary Self Disclosure. The potential penalties for violations of the Export Administration Regulations include a monetary fine of up to US\$250,000 or twice the value of the transaction, whichever is greater, for any violation and/or a denial of export privileges under the Export Administration Regulations. Although we did not have any penalty assessed against us in connection with the Voluntary Self Disclosure made in 2012, we cannot ensure you that we will not be found to be in violation of such export laws in the future, despite the precautions we take, especially if such laws change. If we fail to comply with these laws, we may be adversely affected by reputational harm or loss of access to certain markets. For the precautions and policies we have established to prevent selling products exported from the U.S. in violation of export control laws and regulations, please see the section headed "Business — Internal Control Over Business Operations — Exports Compliance Procedures" in this prospectus.

We may enter into strategic alliances or undertake investments, acquisitions, licensing arrangements and partnerships which may not be successful and may have a material adverse effect on our ability to manage our business.

We may in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counter-party, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions. To the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, although we have no current acquisition plans, if we are presented with appropriate opportunities, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business through investments, acquisitions, licensing arrangements and partnerships. These transactions could require that our management develop expertise in new areas, manage new business relationships and attract new types of customers. We may also experience difficulties integrating any investments, acquisitions, licensing arrangements and/or partnerships into our existing business and operations, which would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect and could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from the relevant government authorities in the PRC for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased costs and delay.

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We have limited insurance coverage, which could expose us to significant costs and business disruption.

As of the Latest Practicable date, we maintained various insurance policies, including risk property insurance, social security insurance, group accident insurance and cargo transit insurance. As the insurance industry in China is still in an early stage of development, insurance companies in China currently offer limited business insurance products. We do not maintain business interruption insurance or product liability insurance, nor do we maintain key-man life insurance. There is no assurance that the insurance policies we maintain are sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

Substantial uncertainties and restrictions exist with respect to the interpretation and application of PRC laws and regulations relating to online commerce and the distribution of Internet content in China. If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe penalties, including the shutting down of our website or the forced relinquishment of our interests in our operations.

Foreign ownership of Internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates Internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership in PRC companies that provide Internet content distribution services. According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》, the “**FITE Regulations**”) issued by the State Council on December 11, 2001 and amended on September 10, 2008, foreign investors’ ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50%. The Ministry of Industry and Information Technology (工業和信息化部, the “**MIIT**”) issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》, the “**MIIT Circular**”) in July 2006. The MIIT Circular reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign invested enterprises and obtain a license for Internet content provision to conduct any value-added telecommunications business in China (the “**ICP License**”). Under the MIIT Circular, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the ICP License to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local ICP License holder or its shareholders. The circular further requires each ICP License holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. Due to a lack of interpretative materials from the regulator, it is unclear what impact this circular will have on us or the other Chinese Internet companies that have adopted the same or similar corporate and contractual structures as ours.

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In or around September 2011, various media sources reported that the China Securities Regulatory Commission (中國證券監督管理委員會, the “CSRC”) had prepared a report proposing regulating the use of variable interest entity (“VIE”) structures, such as ours, in industry sectors subject to foreign investment restrictions in China and overseas listings by China-based companies. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide.

In addition, there has been media coverage on a PRC Supreme Court decision and two VIE structure-related arbitration decisions in Shanghai, which casted doubt on the validity of the Contractual Arrangements for the VIE structure. The said PRC Supreme Court decision in 2012 involved Chinachem Company (華懋公司, “Chinachem”) (the “Chinachem Case”) whereby implementation of certain trust investment arrangements were deemed illegal by the PRC Supreme Court. In the Chinachem Case, Chinachem as a settlor paid certain fees to China Medium Enterprise Investment Company (中國中小企業投資有限公司) as a trustee (the “Trustee”) for the purpose of investment into China Minsheng Bank (民生銀行) (the “Bank”), and the parties signed a trust agreement and a loan agreement. The intention of the arrangement was that Chinachem, as a foreign investor, would invest in the Bank through the Trustee, notwithstanding that investment into banks by foreign investors is highly restricted under PRC laws. Therefore, the trust arrangements and related agreements were considered as a means of circumventing relevant PRC laws and finally determined illegal and void by the court. Relevant articles also reported, without providing sufficient details, that two arbitration decisions by Shanghai International Economic and Trade Arbitration Commission invalidated the Contractual Arrangements used in a VIE structure in 2010 and 2011 on the ground that the VIE structures were “concealing illegal intentions with a lawful form”. Such court rulings and arbitral decisions may increase (i) the possibility of the PRC courts taking similar action on VIE structures commonly adopted by foreign investors to engage in restricted businesses in the PRC; and (ii) the incentive for VIE’s PRC owners to renege on their contractual obligations to the structured contracts.

We are incorporated in Cayman Islands and, as such, we are classified as a foreign enterprise under PRC laws, and our wholly-owned PRC subsidiary, Cogobuy E-commerce, is a foreign-invested enterprise. One of our PRC operating entities, Shenzhen Cogobuy, is a PRC limited liability company that we control by virtue of the Contractual Arrangements and holds the licenses and permits that are essential to the operation of our marketplace platform through our website, cogobuy.com. Shenzhen Cogobuy also holds the cogobuy.com domain name, which is also used as the online information platform for the direct sales business transacted by companies within our Group other than Shenzhen Cogobuy. To comply with PRC laws and regulations, we conduct our operations in China through a series of Contractual Arrangements entered into between (a) Cogobuy E-commerce, (b) Shenzhen Cogobuy and (c) the sole shareholder of Shenzhen Cogobuy, Ms. Yi Yao. As a result of these Contractual Arrangements, we exert control over Shenzhen Cogobuy and consolidate its operating results in our financial statements under HKFRS. For a detailed description of our Contractual Arrangements, see the section headed “Contractual Arrangements” in this prospectus.

In the opinion of our PRC Legal Advisor, and as confirmed by the competent PRC authorities, (i) our ownership structure, including the Contractual Arrangements, is in compliance with all existing PRC laws and regulations, and (ii) each contract under Cogobuy E-commerce’s Contractual Arrangements with Shenzhen Cogobuy and Ms. Yao and the Contractual Arrangements as a whole are valid and binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect, except for certain terms of our contractual agreements regarding the power of the arbitral tribunal to grant

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injunctive relief and issue winding up orders against Shenzhen Cogobuy, and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we cannot assure you that we will not be found in violation of any current or future PRC laws and regulations. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations. Accordingly, we cannot assure you that the PRC regulatory authorities will ultimately take a view that is consistent with the opinion of our PRC Legal Advisor. If we are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income, revoking the Cogobuy E-commerce's business license or Shenzhen Cogobuy's business or ICP license, requiring us to restructure the relevant ownership structure or operations, and requiring us to discontinue all or any portion of our online operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations.

We rely on our Contractual Arrangements with our PRC operating entity Shenzhen Cogobuy to provide certain services that are critical to our business, and our Contractual Arrangements may not be as effective in providing operational control as equity ownership.

To comply with PRC regulations on Internet-based business, we have relied and expect to continue to rely on our Contractual Arrangements with Shenzhen Cogobuy to operate our marketplace platform through our website cogobuy.com. Although our income is primarily derived from the profits of our subsidiaries of which we hold equity interest rather than Shenzhen Cogobuy, Shenzhen Cogobuy's operation of our website is essential to both our marketplace (which is carried out by Shenzhen Cogobuy) and our direct sales business (which is transacted by companies within our Group other than Shenzhen Cogobuy). For a description of our Contractual Arrangements, see the section headed "Contractual Arrangements" in this prospectus. Our Contractual Arrangements may not be as effective in providing us with control over Shenzhen Cogobuy as equity ownership. If we had equity ownership of Shenzhen Cogobuy, we would be able to exercise our rights as a direct or indirect shareholder to effect changes in the board of directors of Shenzhen Cogobuy, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. Under our Contractual Arrangements, we would need to rely on the Cogobuy E-commerce's rights under the Business Cooperation Agreement, the Master Exclusive Service Agreement and the Proxy Agreement and Power of Attorney to effect such changes, or designate new shareholders for Shenzhen Cogobuy under the Exclusive Option Agreement. If Shenzhen Cogobuy or its sole shareholder, Ms. Yao, fails to perform their respective obligations under our Contractual Arrangements, we cannot exercise shareholders' rights to direct corporate actions as direct ownership would otherwise entail. If the parties under such Contractual Arrangements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over Shenzhen Cogobuy's operation of our cogobuy.com platform. If we were to lose effective control over Shenzhen Cogobuy, certain negative consequences would result, including our being unable to conduct our current business model, which may negatively impact our operational efficiency and brand image. As a result, our financial position would be materially and adversely impacted.

If we should need to resort to a formal dispute resolution process to enforce our rights under our Contractual Arrangements, we may incur substantial costs and expend significant resources. In addition, all of our Contractual Arrangements are governed by PRC law and provide that any dispute arising from these arrangements will be submitted to the Shenzhen Court of International Arbitration for arbitration, the ruling of which will be final and binding. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures.

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The legal environment in the PRC is not as developed as in certain other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce our Contractual Arrangements. In the event that we are unable to enforce our Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing our Contractual Arrangements, our ability to conduct our business and our financial conditions and results of operations may be materially and adversely affected.

The shareholder of Shenzhen Cogobuy may have conflicts of interest with us, and she may breach her contracts with us or cause such contracts to be amended in a manner contrary to our interests, which may materially and adversely affect our business and financial condition.

A substantial portion of our customer orders are processed through the website maintained by Shenzhen Cogobuy, which is critical to our business. Our control over Shenzhen Cogobuy is based upon our Contractual Arrangements with Shenzhen Cogobuy and its sole shareholder, Ms. Yao. Ms. Yao also owns equity interest in our Company, but her equity interest in our Company is less than her equity interest in Shenzhen Cogobuy. Ms. Yao is the second largest shareholder of the Company. Our Controlling Shareholder, Mr. Kang, is not a PRC citizen, and therefore is restricted from investing in Shenzhen Cogobuy, which operates a marketplace platform, under the FITE Regulations. In addition, Ms. Yao's equity interest in our Company will be further diluted as a result of this offering as well as future offerings of our Company's equity securities. Therefore, Ms. Yao may potentially have conflicts of interest with us, and she may breach her contracts with us, if she believes it would further her own interest or if she otherwise acts in bad faith. We cannot assure you that when conflicts of interest arise between us and Shenzhen Cogobuy, Ms. Yao will act completely in our interests or that the conflicts of interest will be resolved in our favor.

We have some existing protections over potential conflicts of interest between Ms. Yao and our Company. Pursuant to the Exclusive Option Agreement entered into on Shenzhen Cogobuy, we have the option to purchase or to designate a third party to purchase Ms. Yao's equity interest in Shenzhen Cogobuy when and to the extent permitted by law at the lowest price allowable under PRC laws and regulations. Ms. Yao has entered into and executed the Proxy Agreement and Power of Attorney on the same day of the execution of the Exclusive Option Agreement to authorize Cogobuy E-commerce or any individual(s) appointed by Cogobuy E-commerce to exercise all of her rights as the sole shareholder of Shenzhen Cogobuy. In addition, each of our Company's directors owes a duty of loyalty and a duty of care to our Company and shareholders as a whole under Cayman Islands law.

We cannot assure you, however, that when conflicts of interest arise, Ms. Yao will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, Ms. Yao may breach or cause Shenzhen Cogobuy to breach or refuse to renew our Contractual Arrangements that allow us to effectively control Shenzhen Cogobuy. If we cannot resolve any conflict of interest or dispute between us and Ms. Yao should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce our Contractual Arrangements with Shenzhen Cogobuy and Ms. Yao. Because we depend on Shenzhen Cogobuy to provide certain services that are critical to our business, if we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

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Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.

Our Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Shenzhen Court of International Arbitration in the PRC. Our Contractual Arrangements contain provisions to the effect that the arbitral body may award injunctive relief and/or remedies over the shares or land assets of Shenzhen Cogobuy and winding up orders against Shenzhen Cogobuy. In addition, our Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, we have been advised by our PRC Legal Advisor that the abovementioned provisions contained in our Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Shenzhen Cogobuy in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in Shenzhen Cogobuy in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief against Shenzhen Cogobuy as interim remedies to preserve the assets or shares in favour of any aggrieved party. Our PRC Legal Advisor is also of the view that, even though our Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favor of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that Shenzhen Cogobuy or Ms. Yao breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Shenzhen Cogobuy and conduct our business could be materially and adversely affected.

We may lose the ability to use and enjoy assets held by Shenzhen Cogobuy that are important to the operation of our business if Shenzhen Cogobuy declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Shenzhen Cogobuy holds certain assets, primarily including the ICP Licence, certain intellectual property rights and the cogobuy.com domain name, that are important to our business operations. Our Contractual Arrangements with Shenzhen Cogobuy and its sole shareholder, Ms. Yao, contain terms that specifically obligate Ms. Yao to ensure the valid existence of Shenzhen Cogobuy. However, in the event the Ms. Yao breaches this obligation and voluntarily liquidate Shenzhen Cogobuy, or Shenzhen Cogobuy declares bankruptcy or is otherwise dissolved, we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if Shenzhen Cogobuy undergoes a voluntary or involuntary liquidation proceeding, Ms. Yao or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

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The Contractual Arrangements between Cogobuy E-commerce and Shenzhen Cogobuy may be subject to scrutiny by the PRC tax authorities and any finding that we or Shenzhen Cogobuy owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under the Contractual Arrangements, Shenzhen Cogobuy is required to pay to Cogobuy E-commerce service fees at the sole discretion of Cogobuy E-commerce based on content, complexity, labor cost and commercial value of the services and with reference to the working capital requirements of Shenzhen Cogobuy. Such service fee payments to Cogobuy E-commerce will substantially reduce Shenzhen Cogobuy's taxable income. They are also related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees to Cogobuy E-commerce by Shenzhen Cogobuy under the Contractual Arrangements may be challenged and deemed not in compliance with such tax rules. We could face material and adverse tax consequences if the PRC tax authorities determine that the Master Exclusive Service Agreement between Cogobuy E-commerce and Shenzhen Cogobuy was not entered into on an arm's-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust Shenzhen Cogobuy's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Shenzhen Cogobuy for PRC tax purposes, which could in turn increase its tax liabilities. In addition, the PRC tax authorities may impose punitive interest on Shenzhen Cogobuy for the adjusted but unpaid taxes at the rate of 5% over the basic RMB lending rate published by the People's Bank of China for a period according to the applicable regulations. Our financial position could be materially and adversely affected if our variable interest entities' tax liabilities increase or if they are required to pay punitive interest.

Our exercise of the option to acquire the equity interests of Shenzhen Cogobuy may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

Foreign direct investment in the telecommunications services industry in the PRC is regulated under the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "FITE Regulations"). Under the FITE Regulations, a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate a good track record and experience in providing value-added telecommunications services overseas (the "Qualification Requirement"). According to our PRC Legal Advisor, to date, no applicable PRC laws, regulations or rules have provided clear guidance on the interpretation of the Qualification Requirement. We have been gradually building our track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Shenzhen Cogobuy, when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in value-added telecommunications services business are lifted. For details of such steps taken or to be taken, please refer to the section headed "Contractual Arrangements — Background" in this prospectus. However, we cannot assure you that the steps we have taken or plan to take will be ultimately sufficient to satisfy the Qualification Requirement. If the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted, we may be required to unwind the Contractual Arrangements before we are in a position to comply with the Qualification Requirement.

Furthermore, our exercise of the option to acquire the equity ownership of Shenzhen Cogobuy may incur substantial costs on our part. Pursuant to our Contractual Arrangements, Cogobuy E-commerce has

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the exclusive right to require the sole shareholder of Shenzhen Cogobuy to transfer any and all the shares of Shenzhen Cogobuy to Cogobuy E-commerce and/or a third party designated by it, in whole or in part at any time and from time to time, at the lowest price allowable under PRC laws and regulations at the time of transfer. If the relevant PRC authorities determine that the purchase price for acquiring Shenzhen Cogobuy is below the market value, they may require Cogobuy E-commerce to pay enterprise income tax for ownership transfer income with reference to the market value. The amount of the tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

If Shenzhen Cogobuy fails to obtain and maintain the requisite assets, licenses and approvals required under the complex regulatory environment for Internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected.

The Internet industry in China is highly regulated by the PRC government and numerous regulatory authorities of the central PRC government are empowered to issue and implement regulations governing various aspects of the Internet industry. These Internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violations of applicable laws and regulations. For more information regarding the PRC laws and regulations governing our Internet-based businesses, see the section headed “Regulatory Overview” in this prospectus. Shenzhen Cogobuy is required to obtain and maintain certain assets relevant to its business as well as applicable licenses or approvals from different regulatory authorities in order to provide its current services. These assets and licenses are essential to the operation of our business and are generally subject to annual review by the relevant governmental authorities. Furthermore, Shenzhen Cogobuy may be required to obtain additional licenses. Although Shenzhen Cogobuy complied with all the PRC laws and regulations governing our Internet-based business as of the Latest Practicable Date, we cannot assure that it will be able to do so in the future. If Shenzhen Cogobuy fails to obtain or maintain any of the required, assets, licenses or approvals, its continued business operations in the Internet industry may subject it to various penalties, such as fines and the discontinuation or restriction of its operations. Any such disruption in the business operations of our Shenzhen Cogobuy will materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in the economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

Substantially all of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China as a whole. China’s economy differs from the economies of most developed countries in many respects, including with regard to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese

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government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth in the past 30 years, growth has been uneven among various sectors of the economy, geographically and during different periods. We cannot assure you that the Chinese economy will continue to grow or that, if there is growth, such growth will be steady and uniform, or that, if there is a slowdown, such slowdown will not have a negative effect on our business. Although the Chinese government has been carefully curtailing its economic policies, it is unclear whether the policies adopted will be effective in maintaining stable economic growth in the future. Any slowdown in the economic growth of China could lead to slowdown in the Chinese export as well as domestic trade markets and reduced demand for the services we provide, which could materially and adversely affect our business, as well as our financial condition and results of operations.

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

We conduct a significant proportion of our business through our subsidiaries in China and Hong Kong, including our consolidated affiliated entity Shenzhen Cogobuy. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. We may not become aware of our violation of such governmental policies and rules with retroactive application until some time after the potential violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Regulation and censorship of information distribution over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from or linked to our website.

China has enacted laws and regulations governing Internet access and the distribution of products, services, news, information, audio-video programs and other content through the Internet. The PRC government has prohibited the distribution of information through the Internet that it deems to be in violation of PRC laws and regulations. See the section headed "Regulatory Overview" in this prospectus for more information. If any of the content on our cogobuy.com platform were deemed to violate any content restrictions by the PRC government, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions

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of our customers or users of our website or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be prevented from operating our website in China.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the prospectus based on Hong Kong or other foreign laws.

We are a company incorporated under the laws of the Cayman Islands, we conduct a significant portion of our operations in China and many of our assets are located in China. In addition, a substantial number of our senior executive officers reside within China for a significant portion of the time and many are PRC nationals. As a result, it may be difficult for our Shareholders to effect service of process upon us or those persons inside mainland China. In addition, our PRC legal counsel has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. For more information regarding the relevant laws of the Cayman Islands and China, see the section headed “Appendix III — Summary of the Memorandum and Articles of the Company” in this prospectus.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the PRC and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

Restrictions on currency exchange under PRC laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a majority of our revenues in U.S. dollars. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC and Hong Kong subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, conversion of Renminbi is permitted, without prior approval from the State Administration of Foreign Exchange (the

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“SAFE”), for current account transactions, including profit distributions, interest payments and expenditures from trade-related transactions, as long as certain procedural requirements are complied with. However, approval from and registration with the SAFE and other PRC regulatory authorities are required where Renminbi is to be converted into foreign currency and remitted out of China for capital account transactions, which includes foreign direct investment and repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining Hong Kong dollars or other foreign currencies as required, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders, or pay the salaries of our non-PRC employees in currencies other than Renminbi. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiaries’ ability to obtain foreign exchange or conversion into Renminbi through debt or equity financing, including by means of loans or capital contributions from us.

A failure by the beneficial owners of our shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The SAFE has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》, “SAFE Circular 75”), issued in November 2005, and Circular on Further Improvement and Amendment of Foreign Exchange Control Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》, “SAFE Circular 59”), issued by SAFE on November 19, 2012 and effective December 17, 2012. In the event that a PRC shareholder with a direct or indirect stake in an offshore parent company fails to make the required SAFE registration, the PRC subsidiaries of that offshore parent company may be prohibited from making distributions of profit to the offshore parent and from paying to the offshore parent proceeds from any reduction in capital, share transfer or liquidation of the PRC subsidiaries. Furthermore, failure to comply with these SAFE registration requirements could result in liability under PRC law for foreign exchange evasion.

Currently, one of our shareholders is a PRC resident and is required to register with the local branch of the SAFE according to the above-mentioned rules. In addition, in the future, we may not at all times be fully aware or informed of the identities of all our shareholders or beneficial owners that are required to make such registration, and if or when we have such shareholders or beneficial owners, we may not always be able to compel them to comply with SAFE Circular 75 and SAFE Circular 59 requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, SAFE Circular 75, SAFE Circular 59 or other related regulations. Failure by any such shareholders or beneficial owners to comply with SAFE Circular 75 or SAFE Circular 59 could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries’ ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

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We face uncertainty with respect to tax effects on indirect transfers of equity interests in our PRC subsidiaries through their non-PRC holding companies.

In December 2009, the State Administration of Taxation (the “SAT”) issued Circular on Strengthening the Administration of Enterprises Income Tax for Shares Transfer by Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》, “Circular 698”) to strengthen the PRC tax authorities’ scrutiny over any indirect transfer of equity interests in a PRC tax resident enterprise by a non PRC-resident enterprise, which became effective retroactively on January 1, 2008. Circular 698 specifies that, by adopting the “substance over form” principle, the SAT is entitled to redefine the nature of an indirect equity transfer, disregard the existence of an offshore intermediary holding company if it lacks business objectives and was established for the purpose of avoiding tax, and impose PRC withholding tax at the rate of up to 10% to gains derived from such indirect transfer. Although several issues related to Circular 698 were clarified through the Public Notice dated March 28, 2011 by the SAT (《國家稅務總局公告2011年第24號》), there is little guidance and practical experience regarding the application of Circular 698. In recent cases, some intermediary holding companies were actually looked through by the PRC tax authorities, consequently, the non-PRC resident investors were deemed to have transferred the PRC subsidiaries and assessed PRC corporate taxes. In view of the above, if and when we or our non-PRC resident investors transfer the equity interests of our PRC resident subsidiaries indirectly via disposing of the equity interests of an offshore intermediary holding company, it is possible that we or our non-PRC resident investors may become at risk of being taxed under Circular 698 and may be required to expend valuable resources — for example, to file detailed materials to the relevant tax bureau — to comply with Circular 698 or to justify that we or our non-PRC resident investors should not be taxed under Circular 698. We may be required to file may include the relevant equity transfer agreements, the explanation of the relationship between the non-PRC resident investors and the offshore intermediary holding company and the relationship between the offshore intermediary holding company and PRC resident subsidiaries in terms of capital, operation and sales and purchases and others, and the details of our business and operation. Accordingly, our business, financial condition and operating results may be materially and adversely affected if we are subject to Circular 698 in the future.

Failure to transfer trademark(s) to the holder of the ICP License may subject us to penalties.

Our PRC Legal Advisor has advised us that, under relevant PRC laws and regulations, holders of the ICP License must also hold trademarks and domain names used for conducting the value-added telecommunication service. We applied for registration of certain PRC trademarks through our Hong Kong subsidiary, Cogobuy. Since the date on which Shenzhen Cogobuy obtained the ICP License and up to the Latest Practicable Date, certain trademarks (including one pending trademark application) used for conducting Shenzhen Cogobuy’s value-added telecommunication service had not been transferred to Shenzhen Cogobuy from Cogobuy. We are in the process of transferring the trademarks and pending application to Shenzhen Cogobuy. We are using our commercially reasonable best efforts to complete the transfer as soon as practicable. However, we cannot assure you that all transfer steps will be completed and Shenzhen Cogobuy will be able to hold the relevant trademarks and the trademark application before the Listing. See the section headed “Business — Legal Compliance and Proceedings” in this prospectus for a more detailed description.

Under relevant PRC laws and regulations, a competent telecommunication authority has the discretion to revoke the ICP License owned by Shenzhen Cogobuy, if it orders us to transfer the trademark(s) to Shenzhen Cogobuy within a given period, while we fail to do so. We have obtained a

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confirmation letter from Guangdong Telecommunication Bureau, in which it confirmed that Shenzhen Cogobuy had not been punished for any breach of applicable laws and regulations governing telecommunication businesses during the period from July 16, 2013 to March 21, 2014. Our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor are of the opinion that it is unlikely that local telecommunication authorities to revoke Shenzhen Cogobuy's ICP License. However, we cannot assure you that competent PRC regulatory authorities will ultimately take a view that is consistent with the opinion of our PRC Legal Advisor. If a competent PRC regulatory authority is of the view that our rectification actions are not adequate or untimely, it may revoke Shenzhen Cogobuy's ICP License, which could materially and adversely affect our business, financial condition and results of operations.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on fixed rates set by the People's Bank of China (the "PBOC"). The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2% on that date. On September 23, 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. As a consequence, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On March 14, 2014, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 1% to 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. However, it remains unclear how this flexibility might be implemented. Further, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of Renminbi against the Hong Kong dollar.

A significant portion of our revenues, costs and financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes if we translate our Hong Kong dollar denominated financial assets into Renminbi, which is the functional currency of our PRC and Hong Kong subsidiaries and Shenzhen Cogobuy. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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Any requirement to obtain prior approval from the CSRC, could delay this offering; and failure to obtain this approval, if required, could have a material adverse effect on our business, operating results and reputation as well as the trading price of our Shares.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce (the “MOFCOM”), the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which became effective on September 8, 2006 and were amended by the MOFCOM on June 22, 2009. The M&A Rules, among other things, include provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of interest in a PRC domestic company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

The application of the M&A Rules with respect to this offering remains unclear. We believe, based on the advice of our PRC Legal Advisor, that the M&A Rules or the CSRC approval required under M&A Rules is not applicable in the context of this Global Offering because (i) except for Shenzhen Cogobuy and E&T System, none of our PRC subsidiaries was a PRC domestic company as defined under the M&A Rules since its establishment; (ii) we did not acquire any equity interest or assets of a PRC domestic company in the manner as defined under the M&A Rules, in particular, by way of share exchange; and (iii) there is no specific regulation specifying that the Contractual Arrangements between Cogobuy E-Commerce and Shenzhen Cogobuy should be governed by the M&A Rules. However, we cannot assure you that the relevant PRC government agency, including the CSRC, would reach the same conclusion as our PRC legal counsel. If the CSRC or other PRC regulatory agency subsequently determines that we need to obtain the CSRC’s approval for this offering or if CSRC or any other PRC government authorities will promulgate any interpretation or implementing rules before our listing that would require CSRC or other governmental approvals for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, and prospects, as well as the trading price of our Shares. The CSRC or other PRC regulatory agencies may also take actions requiring us to halt this offering before settlement and delivery of the Shares offered by this prospectus.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules discussed in the preceding risk factor and recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold under the Provisions on Thresholds for Prior

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Notification of Concentrations of Undertakings, or the Prior Notification Rules, issued by the State Council in August 2008 is triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted restricted shares, restricted share units or options will be subject to these regulations when our company becomes an overseas listed company upon the completion of this offering. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries’ ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

In addition, the State Administration for Taxation has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

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RISKS RELATING TO THE GLOBAL OFFERING

The interests of our Controlling Shareholder may differ from your interests and its vote may disadvantage our minority Shareholders.

Immediately following the completion of the Global Offering, Mr. Kang will indirectly control approximately 52.09% of our total issued share capital (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued pursuant to the RSU Scheme). Accordingly, Mr. Kang will, for the foreseeable future, through his voting control, be able to exercise substantial influence over our operations and business strategy, such as matters related to the composition of our Board of Directors, selection of our senior management, amount and timing of dividends and other distributions, our overall strategic and investment decisions, issuance of securities and adjustment to our capital structure, amendment to our Memorandum and Articles of Association, and other corporate actions requiring approval of our Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may affect our other shareholders generally. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. In the event that there is a divergence of our strategic and other interests from those of Mr. Kang in the future, Mr. Kang may exercise control over our Company in ways that conflict with the interests of our other Shareholders, and minority shareholders could be disadvantaged.

There has been no prior public market for our Shares and there can be no assurance that an active market will develop.

Prior to the Global Offering, there has been no public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The initial Offer Price range for our Shares was the result of negotiations between us and the Underwriters and the Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied for the listing of, and permission to deal in, the Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for the Shares will develop. If an active market for the Shares does not develop after the Global Offering, the market price and liquidity of the Shares may be adversely affected. There can be no assurance as to the ability of Shareholders to sell their Shares or the prices at which Shareholders would be able to sell their Shares. Consequently, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares in the Global Offering.

The liquidity and market price of our Shares following the Global Offering may be volatile.

The market price and trading volume for our Shares may be volatile and subject to wide fluctuations in response to factors such as actual or anticipated fluctuations in our quarterly operating results, changes in financial estimates by securities research analysts, changes in the economic performance or market valuations of other e-commerce companies, announcements by us or our competitors of material acquisitions, strategic partnerships, joint ventures or capital commitments, addition or departure of our executive officers and key personnel, fluctuations of exchange rates between Renminbi and the Hong Kong dollar, intellectual property litigation, release of lock-up or other transfer restrictions on our Shares, and economic or political conditions in China. In addition, the performance, and fluctuation in market prices, of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes of our Shares. Furthermore, the securities market has from time to time experienced significant price and volume

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fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

Because the initial public offering price is substantially higher than the pro forma net tangible book value per share, you will experience immediate and substantial dilution.

If you purchase Shares in this offering, you will pay more for each Share than the corresponding amount paid by existing shareholders for their ordinary shares. As a result, you will experience immediate and substantial dilution of approximately HK\$2.78 per Share (assuming that no outstanding options to acquire ordinary shares are exercised). This number represents the difference between our pro forma net tangible book value per Share as of March 31, 2014, after giving effect to this offering, and the assumed initial public offering price of HK\$3.84 per Share, the midpoint of the range shown on the front cover of this prospectus.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Future sales of a significant number of our Shares by our Controlling Shareholder in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares.

We cannot assure you that our Controlling Shareholder will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue Shares granted to our Directors upon the expiration of restrictions described in the section headed “Appendix IV — Statutory and General Information — Written resolutions of the Shareholders passed on June 27, 2014” in this prospectus. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholder, or the availability of Shares for sale by our Controlling Shareholder, or the issuance of Shares by us may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholder or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

We may need additional capital, and the sale of additional Shares or other equity securities could result in additional dilution to our shareholders.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the net proceeds from this offering will be sufficient to meet our anticipated cash needs for the near future. We may, however, require additional cash resources to finance our continued growth or other future developments, including any future investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on factors such as investments in and/or acquisitions of businesses from third parties and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

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Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of e-commerce companies;
- conditions in Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- general market conditions for capital raising activities by Internet, e-commerce and IC and other electronic component distribution;
- PRC governmental regulation of foreign investment in e-commerce companies in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under Hong Kong law, you may have less protection of your shareholder rights than you would under Hong Kong law.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and provides significantly less protection to investors. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands does. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

RISK FACTORS

You should only rely on the information included in this prospectus to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. These include news articles in Beijing Commercial Daily, China Business News, Oriental Daily News, Sing Tao Daily, Hong Kong Daily News, Wen Wei Po and Apple Daily for the period from February 2014 to the Latest Practicable Date. We have not authorized the disclosure of any information concerning the Global Offering in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any forecasts, views or opinions expressed by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the section headed “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around July 11, 2014 and, in any event, not later than July 17, 2014 (unless otherwise determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before July 17, 2014, the Global Offering will not become unconditional and will lapse immediately.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and Shares to be issued pursuant to the RSU Scheme.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and our Hong Kong register will be maintained by Computershare Hong Kong Investor Services Limited.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us, the Sole Sponsor, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
KANG Jingwei (康敬偉)	Flat B, 3/F Belgravia 57 South Bay Road Hong Kong	Chinese (Hong Kong)
WU Lun Cheung Allen (胡麟祥)	Flat F, 17/F, Tower 7 Laguna Verde Hung Hom Hong Kong	Chinese (Hong Kong)
Independent Non-Executive Directors		
ZHONG Xiaolin, Forrest (鍾曉林)	Building 452 2388 Hongqiao Road Shanghai, PRC	Chinese (Hong Kong)
YE Xin (葉忻)	1379 Petal Way, San Jose, CA95129	American
YAN Andrew (閻焱)	House 9, 39 Deep Water Bay Road Hong Kong	Chinese (Hong Kong)

Further information is disclosed in the section headed “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	UBS Securities Hong Kong Limited 42/F One Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	UBS AG, Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	Jefferies Hong Kong Limited 22/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Joint Bookrunners and Joint Lead Managers	UBS AG, Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	Jefferies Hong Kong Limited 22/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	China Securities (International) Corporate Finance Company Limited Suites 1301–1305, Two Exchange Square 8 Connaught Place Central Hong Kong
Advisors to the Company	<i>As to Hong Kong law and United States law</i> Skadden, Arps, Slate, Meagher & Flom and Affiliates 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	<i>As to PRC law</i> Broad & Bright Law Firm 701 CBD International Plaza 16 Yong'andongli Jianguomenwai Avenue Chaoyang District Beijing, 100022 People's Republic of China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands law</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Legal Advisors to the Underwriters	<p><i>As to Hong Kong law and United States law</i> Kirkland & Ellis 26th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong</p> <p><i>As to PRC law</i> Grandall Law Firm 45/F Nanzheng Building 580 West Nanjing Road Shanghai, 200041 People's Republic of China</p>
Reporting Accountants and Independent Auditor	<p>KPMG <i>Certified Public Accountants</i> 8th Floor Prince's Building 10 Chater Road Central Hong Kong</p>
Receiving Banks	<p>Bank of China (Hong Kong) Limited 1 Garden Road Central, Hong Kong</p>
Principal Place of Business	<p>9th Floor Skyworth Building Tower C High-Tech Industrial Park Nanshan, Shenzhen 518057, PRC</p>
Registered Office in the Cayman Islands	<p>Offices of Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance	Block A, 5th Floor Goodman Kwai Chung Logistics Centre 585-609 Castle Peak Road Kwai Chung New Territories Hong Kong
Company Website	<u>www.cogobuy.com</u> <i>(the information contained on the website does not form part of this prospectus)</i>
Company Secretary	WU Lun Cheung, Allen (CPA) Flat F, 17/F, Tower 7 Laguna Verde Hung Hom Hong Kong
Authorised Representatives	KANG Jingwei WU Lun Cheung, Allen
Audit Committee	ZHONG Xiaolin, Forrest (Chairman) YE Xin YAN Andrew
Remuneration Committee	ZHONG Xiaolin, Forrest (Chairman) YE Xin YAN Andrew
Nomination Committee	ZHONG Xiaolin, Forrest (Chairman) YE Xin YAN Andrew
Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Compliance Advisor

Guotai Junan Capital Limited
28F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
HSBC Building
1 Queen's Road Central
Central, Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower, 1 Garden Road, Hong Kong

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4-4A Des Voeux Road
Central, Hong Kong

INDUSTRY OVERVIEW

Except as otherwise provided in this prospectus, the information and statistics set out in this section have been extracted from various official government publications and other publications as well as industry report we commissioned from independent industry consultant, Analysys International. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted rendering such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers, representatives, affiliates or other advisors or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. The Company has engaged Analysys International to prepare the reports for use in whole or in part in this prospectus.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned Analysys International, an independent market research consulting firm, to conduct an analysis of the IC and other electronic components industry and its related e-commerce marketplace in China, and produce the industry report for this prospectus.

Analysys International mainly provides independent and objective services on data collection, industry research, market research and competition research. Analysys International is the leading provider of information products, services and solutions in the China Internet market, and it also has rich experience in industry research and has provided similar consulting services to various companies in their listing processes.

The industry report was issued in March 2014 by Analysys International who has specific knowledge of the PRC IC and other electronic components industry and the China Internet market, and the forecasts and major assumptions were based on Analysys International's analysis of historical data and trends. Such information was obtained by Analysys International from a variety of official industry sources, including using data published by relevant PRC government departments and established PRC industry organizations as well as interviewing various industry players. Analysys International has conducted interviews with market participants and industry experts in order to support, verify and cross check the consistency of relevant data and estimates.

Analysys International's projections on the electronics manufacturing market size, as well as the IC and other electronic components procurement demand and e-commerce procurement market size take into consideration various factors including (i) historical data of market size and procurement demand, (ii) the public filings of major electronics manufacturers, IC and other components suppliers and other market participants, as well as those companies' projections of their own prospective results of operation during Analysys International's interviews with them; (iii) industry experts' projections; and (iv) Analysys International's estimation of industry development. Based on the review and analysis of such basis and assumptions, nothing has come to the attention of Directors and Sole Sponsor to indicate that such information is misleading.

We paid a fee of approximately RMB280,000 to Analysys International for the industry report. Except for this report, we did not commission any other customized research report in connection with the Listing or this prospectus.

INDUSTRY OVERVIEW

The Directors confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Analysys International which may qualify, contradict or have an impact on the information set out in this section.

ELECTRONICS MANUFACTURING MARKET IN CHINA

The global electronics industry has experienced remarkable growth over the last decade, primarily driven by mass adoption, as well as increasing product diversity and manufacturing segmentation. China is the world's leading manufacturing hub of electronic products. Driven by the strong demand from approximately three million electronics manufacturers, China has become the largest IC and other electronic components procurement market with transaction value of over RMB2.0 trillion in 2013, according to Analysys International.

While approximately 3,000 blue-chip manufacturers in China can obtain high-quality branded IC and other electronic components from large suppliers directly or through large distributors, SME manufacturers often lack an efficient channel to access reliable branded products at competitive pricing. Blue-chip manufacturers refer to companies with annual revenue of RMB400 million or greater and SME manufacturers refer to companies with revenue below RMB400 million. This market dynamic has presented a unique market opportunity for the emergence of innovative online e-commerce platforms to serve the growing market of SME electronic manufacturers in China.

China is the world's leading manufacturing centre of electronic products. Nearly 80% of the mobile phones in the world were produced in China in 2013. Electronic products, ranging from smartphones, smart TVs and other consumer electronics to telecom network equipment and automotive electronics, have become an integral part of people's daily life. These products are generally characterized by short life cycles which generally upgrade or change model every six months.

According to Analysys International, the electronics manufacturing market in China is expected to continue to grow strongly over the next five years, mainly driven by continued economic growth, an increase in disposable income across the population, as well as strong government support in the form of financial incentives. This is expected to create an enormous procurement market demand for raw materials, in particular IC and other electronic components, as well as other ancillary services such as IT and financial services.

The procurement demand of an enterprise often encompasses every aspect of its daily operation, spanning from raw materials, equipment and tools, software and IT solutions (such as enterprise resource planning and software as a service), as well as other services (such as financing, third-party logistics, marketing and human resources). IC and other electronic components procurement demand is only part of the enormous enterprise procurement demand. As solutions and services are becoming increasingly imperative for enterprises, the procurement of solutions and services is driven by a growing need of cost reduction and function specification.

IC AND OTHER ELECTRONIC COMPONENTS MARKET IN CHINA

Large and fast growing market

All electronic products require a large amount of IC and other electronic components to produce, so that manufacturers tend to make repeat purchases in large volume with high purchase values per order. This has translated into a huge and fast growing IC and other electronic components procurement market in China, with a market size of over RMB2.0 trillion in 2013, which is expected to reach RMB2.2 trillion, RMB2.5 trillion and RMB3.4 trillion in 2014, 2015 and 2016, respectively, representing a CAGR of 19% from 2013 to 2016, according to Analysys International.

Relatively concentrated high-end supplier market and highly fragmented downstream market with a large and underserved SME segment

Upstream supplier market

The IC and other electronic components value chain is dispersed around the globe. The high-end components manufacturing market is dominated by a few US and Europe-based players, namely Xilinx, Intel and Broadcom. These global branded suppliers sell their products directly to blue-chip manufacturers through a limited number of large distributors.

Innovation in the upstream activities is a key driver of and has a direct impact on the innovation of the downstream electronics market. Upstream activities mainly include the design, manufacturing, and testing of IC and other components. Design is primarily conducted in the US and certain European countries. Manufacturing mainly takes place in Asia and, to a limited extent, in Europe and the US. Testing primarily take place in Asia, particularly in Taiwan and China. The three stages of upstream activities have different requirements for resources. The design stage has higher technological requirements compared with the other two stages; the testing stage is particularly labor intensive; and the manufacturing stage requires substantial investment in fixed assets, which in turn requires significant capital expenditure.

Downstream electronics manufacturing market

Of the approximately 3 million electronics manufacturers, i.e. the components buyers, only about 3,000 are large, blue-chip companies, with the remaining being SME manufacturers. As the market continues to evolve, new product segments such as wearables and smart home emerge and new SME manufacturers continue to grow. SME electronics manufacturers have been resilient to ongoing market evolution and consolidation, and are expected to continue to play a key role in the industry.

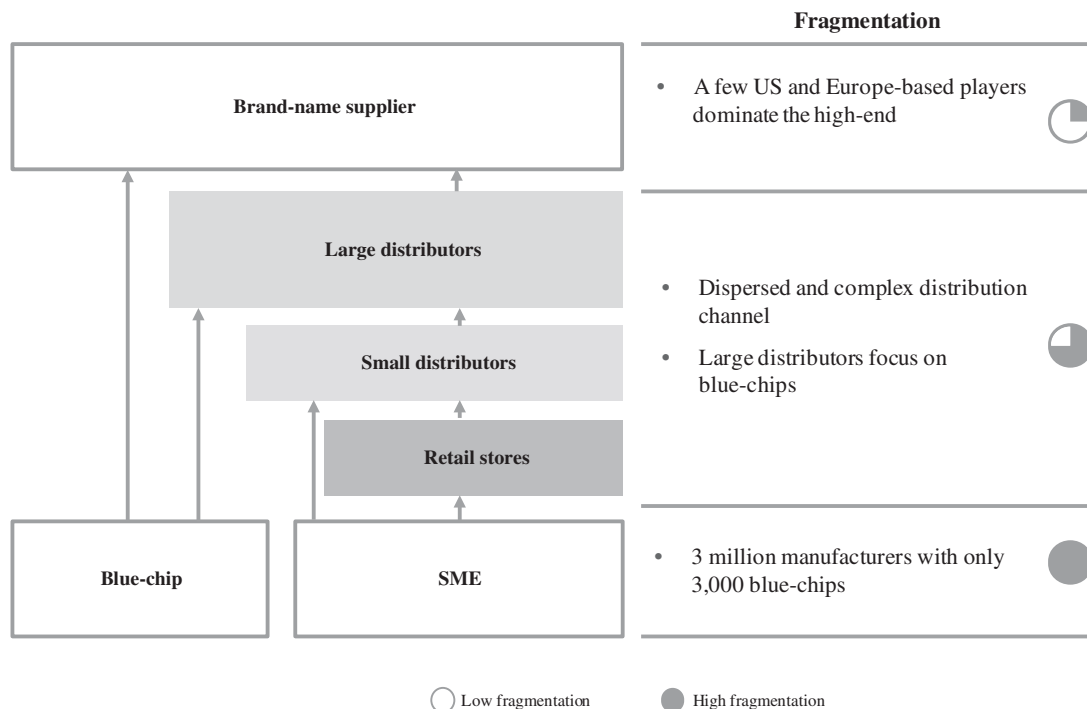
The impact of downstream electronics manufacturers on upstream IC and other components manufacturers is primarily reflected in their role as a guide for innovation with their in-depth understanding of end users. Upstream components manufacturers have increasingly focused on finding effective ways to control the downstream long-tail market, hardware innovation has been the main contribution by downstream electronics manufacturers. Today, however, the upgrade of the electronics manufacturing industry calls for an ecosystem that integrates both hardware and software innovation. Although most electronics manufacturers in China are still playing the role of original equipment manufacturers for large multinational corporations, China has a cost advantage and has built up infrastructure that is friendly to hardware innovation.

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Blue-chip manufacturers tend to negotiate supply contracts with the components vendors directly or through large distributors. SME manufacturers, on the other hand, purchase such components through other intermediaries, such as smaller distributors or retail stores. Therefore, SME manufacturers are usually not entitled to the same competitive pricing, level of service, product range, or product quality or quantity assurance as the blue-chip manufacturers. All of these manufacturers are served by a fragmented array of distributors.

Large distributors such as US-based Avnet, Inc., Arrow Electronics, Inc., Future Electronics, and Taiwan-based WPG Holdings usually focus on serving blue-chip manufacturers, while small distributors and retail stores which are mainly located in the areas of Zhongguancun in Beijing and Huaqiangbei in Shenzhen, usually focus on providing service to SMEs manufacturers.

The following chart illustrates the electronics manufacturing procurement system in China.



ONLINE IC AND OTHER ELECTRONIC COMPONENTS DISTRIBUTION IN CHINA

Strong online IC and other electronic components procurement growth in China

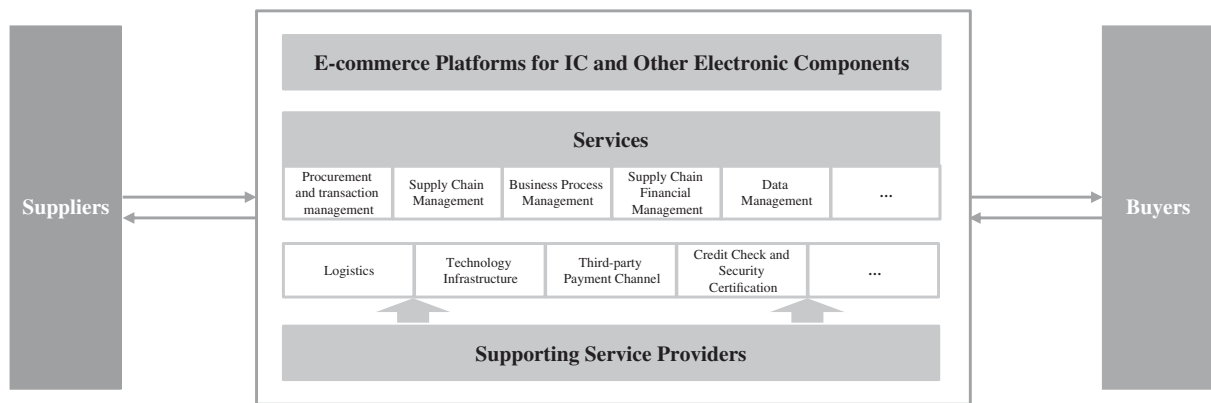
Compared to traditional offline procurement of IC and other electronic components, online procurement presents significant advantages. Electronics manufacturers can conveniently compare and select products on their computers or mobile devices anytime, anywhere. Online distribution platforms are not subject to space limitations and can offer a greater variety and number of products at the same time. Furthermore, online product listings can be updated frequently to reflect changes in supply and demand.

The IC and other electronic components market in China has undergone a pronounced shift from offline to online procurement over the past few years. According to Analysys International, the number of

INDUSTRY OVERVIEW

manufacturers that engaged in online procurement increased from approximately 4,500 in 2011 to approximately 97,000 in 2013. Although online procurement represented only a small proportion of the RMB2.0 trillion market in 2013, it is expected that the penetration of online procurement by manufacturers in China will continue to grow over the coming years.

The value chain of the online IC and other electronic components market involves various participants, including suppliers, buyers, e-commerce platform operators, as well as payment and other service providers. The e-commerce platforms provide the interface integrating all the services. Besides distributing IC and other electronic components, e-commerce platforms have also started to offer additional value-added services such as supply chain management, financing and data management. The following chart illustrates the participants and services involved in the value chain of the online IC and other electronic components market.



Fast-growing online procurement market with strong e-commerce adoption

Many factors contribute to the continued fast growth in the IC and other components online procurement market in China.

Strong government support for e-commerce

The Guiding Opinions for the Development of E-commerce in the Twelfth Five-year Period (《電子商務“十二五”發展指導意見》) issued by the Ministry of Commerce sets specific targets for the penetration of e-commerce in China. By 2015, over 80% of large-scale enterprises are expected to utilize e-commerce; over 10% of China’s total imports and exports are expected to be transacted via e-commerce platforms; and over 9% of China’s total consumer retail sales are expected to come from online retailing.

Continued improvement in internet infrastructure

According to the China Internet Information Center, the total number of internet users in China increases significantly in the past five years, from approximately 384.0 million in 2009 to 618.0 million in 2013, representing a CAGR of 12.6%. Meanwhile, the rapid penetration of broadband access has significantly enhanced the internet user experience in China. As a result, various online services have benefited from the increasing internet population and improving internet infrastructure.

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Large number of SMEs and growing presence of internet marketing

According to statistics released by the National Development and Reform Commission, the number of SMEs in China has exceeded 40 million. Owing to large-scale internet penetration and growing recognition of the effectiveness of internet marketing, more and more SMEs have adopted comprehensive B2B e-commerce platforms as an important means of promoting their products and brands. These platforms also offer various value-added applications and services. The growth in the market size of B2B e-commerce platforms have benefited from an increasing number of paying users. The wider application of B2B e-commerce platforms has not only reduced domestic and international trading costs but also brought about benefits such as more transparent procurement prices.

Improvements in online payment platforms

The Chinese government started to issue payment business licenses in May 2011. The third-party payment business has been recognized as an important supplement in the national financial system. The overall improvement in transaction security and risk management systems have helped third-party payment platform operators to tap into the B2B e-commerce market. At the same time, traditional banks have also started to introduce and promote their own payment services targeted at the B2B e-commerce market.

Increasingly mature e-commerce business models

Many providers of online B2B information services are transforming into transaction-based e-commerce platform operators. In addition to membership subscriptions, transaction-based commissions have become an important source of revenue in the B2B e-commerce market. Comprehensive B2B platforms have also developed various value-added services, which greatly diversified the revenue models in the B2B e-commerce market.

Improvement in e-commerce security certification system

E-commerce security certification is a key component in e-commerce systems. For many users, it is essential to ensure the confidentiality, integrity and security of online data transmissions. Significant resources have been invested to enhance the security of e-commerce transaction. Today, there are over 60 e-commerce security certification organizations in China.

Major business models in the IC and other components procurement market

There are two major business models in online procurement market: transaction-based model and information service model.

Transaction-Based Model. This is a relatively new business model in the online procurement market. In this model, transaction is carried out on the online platform either in the form of direct sales or through the marketplace model. In the direct sales model, the e-commerce platform operators buy IC and other electronic components from the suppliers, hold the inventory and then sell them to customers, earning a profit from the price difference. To increase customer satisfaction, direct sales platform operators generally exercise more stringent control over the selection and quality of their products. They are able to provide customers with streamlined services that include product selection, transaction, logistics, order fulfillment, and after-sales support. As such, they are better positioned to build brand recognition and industry influence. In the marketplace model, the platform facilitates third party

INDUSTRY OVERVIEW

suppliers to complete transactions with customers, but does not hold any inventory from the suppliers. Compared with the information service model, the transaction-based e-commerce platform plays a more active role in the value chain by providing supplier and customer relationship support, IT infrastructure, logistics and warehousing services. As a result, the entry barrier of the transaction-based model is significantly higher as such platform operator needs to possess much stronger know-hows about the industry.

According to Analysys International, the transaction-based market size reached RMB7.1 billion by GMV in 2013. The growth of the transaction-based market is expected to significantly outpace that of the information service market, as transaction-based platforms help the customers pre-screen the suppliers to ensure the product quality, while providing tailored pre-sales and post-sales customer services, but customers on information service platforms are often overwhelmed with product information and are required to rely on their own judgment to choose suppliers for reliable products.

GMV is a commonly used measure for transaction-based e-commerce business because revenue earned under the direct sales model is equivalent to GMV, while revenue earned under the marketplace model is typically only in the form of a commission fee based on a percentage (for example, 2%) of GMV. Because some market participants, including the Group, operate both direct sales and marketplace models, it is reasonable to use GMV instead of revenue as the primary metric for the transaction-based e-commerce market.

According to Analysys International, the largest transaction-based e-commerce platforms in terms of GMV for IC and other electronic components are Cogobuy Group, Made-in-China.com, Global Sources, Alibaba, and Hqew.com. Other than Cogobuy Group, all these major players also operate under the information service model and do not operate a direct sales platform. Through their websites, they generally provide services such as information management, product listing, product search and comparison, and price quote. They may also provide premium services such as third-party verification and advertising.

The transaction-based market reached RMB7.1 billion as measured by GMV in 2013. The following table sets forth these key players' rankings, GMVs and implied market shares in 2013.

<u>Ranking</u>	<u>Company</u>	<u>GMV in 2013</u>	<u>Market Share in 2013</u>
		<u>(RMB millions)</u>	<u>(%)</u>
1	Cogobuy Group	3,915	55.1
2	Made-in-China.com	660	9.3
3	Global Sources	625	8.8
4	Alibaba	437	6.1
5	Hqew.com	397	5.6

The profiles and key strengths of the leading transaction-based platform operators are as follows:

- *Cogobuy Group.* Cogobuy Group operates an integrated direct sales and marketplace e-commerce platform. It maintains a good relationship with major brand-name suppliers to ensure the quality and availability of its product offerings. It has deep industry know-how and provides electronic manufacturers with comprehensive pre-sales and post-sales services. It also utilizes social media applications and services to facilitate targeted user acquisition.

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- *Made-in-China.com.* Made-in-China.com aggregates information of products manufactured in China and introduces them to buyers around the world. It has over ten years of operational history and has a substantial user base of Chinese SME electronics manufacturers. It has a leading search engine among Chinese e-commerce companies.
- *Global Sources.* Global Sources is an international trade platform. It provides overseas buyers with product information and Chinese suppliers with marketing and promotional services. It mainly focuses on serving large enterprises, and it emphasizes on high quality offline services while starting to increase its online presence.
- *Alibaba.* Alibaba is the largest e-commerce platform operator in China with a large user base. It provides services to users in a wide range of industries and does not focus on IC and other electronic components. In addition to traditional trade services, it also offers financing services and data services.
- *Hqew.com.* Hqew.com benefits from the strong support of its parent company, Huaqiang Industrial Co., and enjoys rich offline resources. As the intermediary between suppliers and buyers, it provides transaction management and escrow services. It also offers an instant messenger software that helps industry participants connect with each other.

Information Service Model. In this model, the website operates like a catalog or business directory, providing suppliers and customers with information for them to connect with each other without holding any inventory. It generates revenue mainly from user membership fees and advertising fees. Membership subscription is the most developed service provided by information service providers, and membership fees are the primary source of their revenues. Membership subscription is typically targeted at suppliers. Paid members usually receive much better services and achieve better results than free users. Services to customers are typically free, as attracting a large number of high-quality customers can enhance the attractiveness of the information service platform. In addition to membership subscription, information service providers may also provide other value-added services such as paid search results and display advertisements. Most of the existing online platforms, including major platforms like Alibaba, adopt this model in the IC and other electronic components procurement market. The barriers to entry of this model are relatively low. According to Analysys International, the information service market size by revenue was RMB50.1 billion in 2013.

According to Analysys International, the largest information service platforms in terms of revenue for IC and other electronic components are Hqew.com, IC.net.cn, Made-in-China.com, Global Sources and Alibaba. The information service market size by revenue was RMB50.1 billion in 2013. The following table sets forth these key players' rankings, revenues and implied market shares in 2013.

Ranking	Company	Revenue in 2013 (RMB millions)	Market Share in 2013 (%)
1	Hqew.com	29,000	57.8
2	IC.net.cn	14,000	28.6
3	Made-in-China.com	481	1.0
4	Global Sources	441	0.9
5	Alibaba	230	0.5

INDUSTRY OVERVIEW

FACTORS AFFECTING THE COMPETITIVE LANDSCAPE OF THE IC AND OTHER ELECTRONIC COMPONENTS PROCUREMENT MARKET IN CHINA

The IC and other electronic components procurement market in China is intensely competitive and highly fragmented. In 2012, the top ten offline distributors accounted for less than 5% of the total IC and other electronic components procurement market in China. In selecting among components distributors for their procurement needs, Chinese electronics manufacturers consider a number of factors including product quality, consistency of supply, competitive pricing, favorable terms and customer service.

Product quality. Electronics manufacturers demand access to high quality branded products, but fake and low quality component products are still rampant in China's procurement market due to relatively loose regulation. Electronics manufacturers will consider and evaluate the reputation of distributors as reliable sources of authentic, high quality components.

Consistency of supply. The scattered community of small distributors that service the SME manufacturers typically do not have the necessary scale to guarantee consistent supply. Large distributors are able to benefit from their economies of scale in negotiating favorable terms with IC and other electronic components suppliers to reduce susceptibility to supply shortage.

Competitive pricing. Price is an important criteria that electronics manufacturers consider in sourcing IC and other electronic components. Large distributors generally have greater bargaining power to obtain competitive prices from components suppliers and share the cost savings to their customers.

Favorable terms. With their economies of scale and bargaining power, large components distributors are able to obtain product quality warranty and favorable return policies from components suppliers. As such, they are able to offer similarly favorable terms to electronics manufacturers without incurring significant costs.

Customer services. Electronics manufacturers often seek high level pre-sales and post-sales services that traditional distributors do not offer. Although blue-chip manufacturers have access to high-quality branded products with volume pricing, they usually need to spend significant time and efforts reaching out and dealing with overseas suppliers to receive value-added services. Customer service representatives with product expertise and industry know-how are able to provide professional guidance on product selection, price and payment to ensure an efficient and informed purchasing experience.

These factors have led to the emergence of innovative e-commerce platforms, which can leverage the partial automation of online systems to scale up operations and aggregate large number of orders to achieve economies of scale and provide competitive pricing and attractive service offerings targeting SME manufacturers. In addition, these online platforms can aggregate and process a large amount of customer information, allowing them to provide targeted online marketing solutions to suppliers seeking to a more cost-efficient way to effectively promote their products.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN THE PRC

A summary of the main PRC laws, regulations and rules applicable to our business and operations is set out below.

TELECOMMUNICATIONS SERVICES AND FOREIGN OWNERSHIP RESTRICTIONS

Telecommunications Services

Our PRC operating entity, Shenzhen Cogobuy, provides value-added telecommunications services in the PRC, which are governed by the *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), which was issued on September 25, 2000 by the State Council of the PRC (中華人民共和國國務院) (the “**State Council**”).

The Telecommunications Regulations categorize all telecommunications services in the PRC as basic telecommunications services and value-added telecommunications services and set out extensive guidelines on various aspects of telecommunications operations in the PRC. The *Catalogue of Telecommunications Businesses* (《電信業務分類目錄》) attached to the Telecommunications Regulations, which was amended on February 21, 2003 and became effective on April 1, 2003, provides that information services via public communication networks, such as fixed networks, mobile networks and the Internet are value-added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunications service provider in the PRC must obtain an operating license from the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the “**MIIT**”) or its provincial-level counterparts.

The *Administrative Measures on Internet Information Services* (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), issued by the State Council on September 25, 2000 and amended on January 8, 2011, regulate the provision of Internet information services. According to the Internet Measures, “Internet information services” refer to services that provide Internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the Internet Measures, Internet information commercial service providers shall obtain an ICP License from the relevant authorities before engaging in the provision of any commercial Internet information services in China. The *Administrative Measures for Telecommunications Businesses Operating Licensing* (《電信業務經營許可管理辦法》), which were promulgated by the MIIT and became effective on April 10, 2009, set out the procedures and requirements for obtaining the ICP License.

Shenzhen Cogobuy has obtained an ICP License issued by Guangdong Provincial Communication Administration (廣東省通信管理局) with service scope covering Internet information services.

According to the *Notice of the General Office of the Ministry of Commerce on the Relevant Issues Concerning the Examination, Approval and Administration of Projects of Foreign Investment in Internet and Vending Machine Sales* (《商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知》) promulgated by the MOFCOM on August 19, 2010, it is made clear that an ICP License is required for the conduct of marketplace e-commerce (i.e., provision of the online platform for third-party merchants), but not online direct sales (i.e., sale of goods through the Internet). Our PRC Legal Advisor and the Sole Sponsor’s PRC Legal Advisor have confirmed that foreign invested enterprises engaging in manufacturing, wholesale, retail or distribution are allowed to conduct online direct sales without being subject to further approvals or restrictions and we do not need an ICP License for our online direct sales business.

REGULATORY OVERVIEW

Based on the foregoing, our Directors are of the view that we do not need an ICP License for our online direct sales business. The Sole Sponsor has reviewed the relevant information and has obtained confirmations from the Sole Sponsor's PRC Legal Advisor as well as the Directors, and based on the foregoing, nothing has come to the attention of the Sole Sponsor which leads them to believe that an ICP License is needed for the Company's online direct sales business.

Foreign Investments in Value-added Telecommunications Industry

Foreign direct investment in the telecommunications services industry in the PRC is regulated under the *Regulations on the Administration of Foreign-Invested Telecommunications Enterprises* (《外商投資電信企業管理規定》) (the “**FITE Regulations**”). The FITE Regulations were issued by the State Council on December 11, 2001 and amended by the State Council on September 10, 2008.

Under the FITE Regulations, foreign investors may not own more than 50% of the equity interests in any entity providing value-added telecommunications services in the PRC. A foreign investor must also demonstrate a good track record and prior experience in providing value-added telecommunications services outside the PRC prior to acquiring any equity interests in any value-added telecommunications services business in the PRC (the “**Qualification Requirement**”). The *Guiding Catalogue for Foreign Investment Industries of 2011* (《外商投資產業指導目錄(2011)》) (the “**Guiding Catalogue**”) which was promulgated by the MOFCOM and the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) imposes the same restrictions on the percentage of foreign ownership in value-added telecommunication business as imposed by the FITE Regulations.

We have started taking steps, and plan to take additional steps, to build up our track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Shenzhen Cogobuy, when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in value-added telecommunications services business are lifted. For details of the specific steps we have taken and plan to take, please refer to section headed “Contractual Arrangements” in this prospectus.

The *Circular regarding Strengthening the Administration of Foreign Investment in and Operation of Value added Telecommunications Business* (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Circular**”), issued by MIIT in July 2006, reiterated the requirement for foreign-invested enterprises to obtain an ICP License before conducting any value-added telecommunications business in China. In addition, the MIIT Circular prohibits domestic companies that hold the ICP License from leasing, transferring or selling such licenses to foreign investors in any form, and from providing any assistance (e.g. providing resources, websites or facilities) to foreign investors that conduct value added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the domestic license holders (or their shareholder(s)).

The MIIT Circular further requires that each ICP License holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and Internet security in accordance with the standards set out in relevant PRC regulations. If an ICP License holder fails to comply with the requirements in the MIIT Circular and remedy such non-compliance, the MIIT or its local counterparts has the discretion to take administrative measures against such license holder, including revocation of its ICP License.

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Shenzhen Cogobuy, as the holder of the ICP License, owns the domain name (i.e., cogobuy.com) for its ICP-related services, Shenzhen Cogobuy currently does not hold the trademarks that are used in its ICP-related services. However, Cogobuy is in the process of transferring to Shenzhen Cogobuy the ICP-related trademarks. According to the compliance letter issued to Shenzhen Cogobuy by Guangdong Provincial Communication Administration dated March 26, 2014, it is confirmed that Shenzhen Cogobuy had not been punished for any breach of applicable laws and regulations governing telecommunication businesses during the period from July 16, 2013 to March 21, 2014.

INTERNET CONTENT

The content which we display on our cogobuy.com website is subject to various regulations relating to Internet content promulgated by a number of ministries and agencies, including the MIIT, the State Council Information Office of the PRC (中華人民共和國國務院新聞辦公室), the Ministry of Culture of the PRC (中華人民共和國文化部), and the former General Administration of Press and Publication (中華人民共和國國家新聞出版總署), which was later merged into the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣播電視總局).

In addition to various approval and license requirements, these measures specifically prohibit Internet activities that result in the dissemination of any content which is found to propagate obscenity, gambling or violence, instigate crimes, infringe upon the lawful rights and interests of third parties, undermine public morality or the cultural traditions of the PRC, or compromise State security or secrets. If an Internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider's violation of these prescriptions will lead to the revocation of its ICP License and, in serious cases, the shutting down of its Internet systems.

INFORMATION SECURITY AND CENSORSHIP

Shenzhen Cogobuy, as the operator of our cogobuy.com platform, is further required to comply with relevant PRC laws and regulations on Internet information security and censorship. The Standing Committee of the National People's Congress (the "NPC"), China's national legislative body, enacted the *Decision regarding the Protection of the Internet Security* (《關於維護互聯網安全的決定》) on December 28, 2000, which provides that the following activities, among others, may be subject to criminal punishment:

- gaining improper entry into a computer or system which is of strategic importance;
- disseminating politically disruptive information or obscenities through the Internet;
- stealing and divulging State or military secrets;
- spreading false commercial or other illegal information through the Internet;
- infringing third-party intellectual property rights through the Internet; or
- infringing the reputation, privacy or property rights of citizens through the Internet.

REGULATORY OVERVIEW

In 1997, the Ministry of Public Security of the PRC (中華人民共和國公安部) (the “MPS”) issued the *Administration Measures on the Security Protection of Computer Information Network with International Connections* (《計算機信息網絡國際聯網安全保護管理辦法》), which prohibit using the Internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The MPS has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

ESTABLISHMENT AND OPERATION OF COMPANIES

The establishment, operation and management of our PRC subsidiaries and consolidated affiliated entities are governed by the *Company Law of the PRC* (《中華人民共和國公司法》) (the “**Company Law**”), which was adopted by the Standing Committee of the NPC on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on October 27, 2005 and December 28, 2013 and became effective on January 1, 2006 and March 1, 2014 respectively. The Company Law applies to both domestic and foreign-invested companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Most of our PRC subsidiaries are wholly foreign-owned enterprises. The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are mainly regulated by the *Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法》), which was adopted on April 12, 1986 and amended on October 31, 2000, and the *Implementation Regulations to the Wholly Foreign-owned Enterprise Law* (《中華人民共和國外資企業法實施細則》), which was adopted by the State Council on December 12, 1990 and amended on April 12, 2001 and February 19, 2014.

Our Company is a foreign investor and therefore our investment in China shall comply with the Guiding Catalogue. Foreign-invested enterprises like most of our PRC subsidiaries shall not make investment in any sector in which foreign investment is prohibited.

INTELLECTUAL PROPERTY

Copyright

We own certain computer software copyrights in the PRC, which are protected by the *Copyright Law of the PRC* (《中華人民共和國著作權法》), which was adopted in 1991 and amended respectively in 2001 and 2010, and the *Regulations on Computer Software Protection* (《計算機軟件保護條例》), which was promulgated in 2001 and amended in 2013.

In the PRC, software developed by PRC citizens, legal person or other organizations is automatically protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the preliminary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the National Copyright Administration of the PRC (中華人民共和國國家版權局) introduced the *Measures on Computer Software Copyright Registration* (《計算機軟件著作權登記辦法》), which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Centre of China (中國版權保護中心) is mandated as the software registration agency under the regulations.

REGULATORY OVERVIEW

As of the Latest Practicable Date, we had registered 13 computer software copyrights with the Copyright Protection Centre of China in accordance with the abovementioned laws and regulations.

Trademark

We own various trademarks which are important for our operation in the PRC. The *Trademark Law of the PRC* (《中華人民共和國商標法》), adopted in 1982 and amended respectively in 1993 and 2001, protects registered trademarks. The Trademark Office of the SAIC (中華人民共和國國家工商行政管理總局商標局) is responsible for trademark registrations. Upon the registration of a trademark, the register will have the right to exclusively use the trademark. Registered trademark license agreements are required to be filed with the Trademark Office of the SAIC for record.

As of the Latest Practicable Date, we own six registered trademarks and had filed three trademark applications in China.

Domain Name

As we engage in the e-commerce business, domain names are important for our operation in China. Internet domain name registration and related matters are primarily regulated by the *Implementation Regulations on Registration of Domain Names* (《中國互聯網絡信息中心域名註冊實施細則》) issued by China Internet Network Information Centre (中國互聯網絡信息中心) (the “CNNIC”) on May 28, 2012, which became effective on May 29, 2012, the *Measures on Administration of Domain Names for the Chinese Internet* (《中國互聯網絡域名管理辦法》) issued by the MIIT on November 5, 2004, which became effective on December 20, 2004, and the *Measures on Domain Name Disputes Resolution for the Chinese Internet* (《中國互聯網絡信息中心域名爭議解決辦法》) issued by the CNNIC on May 28, 2012, which became effective on June 28, 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

As of the Latest Practicable Date, we had registered 13 domain names, including cogobuy.com.

PRIVACY PROTECTION

As an Internet content provider, we collect or otherwise have access to certain personal information about the users of our online platform, such as the business license, address and bank account information of our users. PRC government authorities have enacted legislation in recent years regarding the use of the telecommunications networks that recognizes the protection of personal information from unauthorized disclosure. Under the Telecommunications Regulations, it is prohibited to produce, copy, publish or distribute information that is humiliating or slanderous to others or that infringes the lawful rights and interests of others via telecommunications networks. Depending on the nature of the violation, anyone who violates such regulations may face criminal charges or be sanctioned by security authorities. We are committed to complying with such regulations by keeping the private information of our users in strict confidence and protecting the same from unauthorized disclosure.

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FOREIGN EXCHANGE

The foreign exchange activities of our PRC subsidiaries are governed by the *Foreign Exchange Administration Regulations of the PRC* (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 as amended on January 14, 1997 and August 5, 2008 and the *Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment* (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996 and other PRC rules and regulations on currency conversion. Our PRC subsidiaries which are foreign-invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC.

If foreign-invested enterprises require foreign exchange for transactions relating to current account items, they may, without approval of the SAFE, effect payment from their exchange account or convert and pay at the designated foreign exchange banks, upon provision of valid receipts and proof. However, convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought. The conversion of cash derived from our PRC operating activities into Hong Kong dollars or other foreign currencies is therefore subject to such regulations and requires SAFE approval.

In addition, the investment of the proceeds from this offering into our PRC subsidiaries and the conversion and use of such foreign exchange by them are governed by the *Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises* (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) promulgated by the SAFE on August 29, 2008 (the “**SAFE Circular 142**”). SAFE Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Violations of SAFE Circular 142 may lead to severe penalties including heavy fines.

Furthermore, in November 2011, the SAFE issued the *Circular on Further Clarifying and Regulating Matters Relating to Foreign Exchange Administration of Certain Capital Account Items* (《國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知》) (the “**SAFE Circular 45**”). SAFE Circular 45 requires the SAFE’s local counterparts to strengthen the control imposed by SAFE Circular 142 over the conversion of a foreign-invested company’s capital contributed in foreign currency into RMB. SAFE Circular 45 stipulates that a foreign-invested company’s RMB funds, if converted from such company’s capital contributed in foreign currency, may not be used by such company to (i) extend loans (in the form of entrusted loans), (ii) repay borrowings between enterprises, or (iii) repay bank loans it has obtained and on-lent to third parties.

SAFE Circular 75

On October 21, 2005, the SAFE issued the *Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles* (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 75**”), which became effective as of November 1, 2005. The SAFE further issued the *Circular on Further Improvement and Adjustment of Foreign Exchange Control Policies on Direct Investment* (《關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Circular 59**”) on November 19, 2012, which became effective as of December 17, 2012.

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Pursuant to the SAFE Circular 75 and the SAFE Circular 59, a PRC resident (whether a natural or legal person) is required to complete the initial registration with the local SAFE counterpart before engaging in offshore investment activities through an offshore special purpose vehicle (“SPV”), which the PRC resident incorporates or acquires control of with assets or equity interests in an onshore company located in the PRC, for the purpose of offshore equity financing. The PRC resident is also required to amend the registration or handle a filing procure upon (i) injection of the assets or equity interests in an onshore company into the SPV or undertaking of offshore financing, and (ii) a material change that may affect the capital structure of the SPV.

Under the SAFE Circular 75 and the SAFE Circular 59, the fulfillment of the initial and amended SAFE registrations as described above is a prerequisite for other regulatory approvals and registrations required for relevant cross-border investment activities and capital flows, such as the offshore entity’s inbound investment or provision of shareholder’s loans to the onshore entity and the onshore entity’s payment of dividends or repatriation of liquidation proceeds, equity interests disposal proceeds or capital reduction to the offshore entity.

SAFE Circular 75 does not apply to Mr. Kang, our Controlling Shareholder, as he had obtained his Hong Kong Identity Card and his Hong Kong Special Administrative Region Passport before SAFE Circular 75 came into effect. Thus Mr. Kang is not required to file with the local SAFE foreign exchange registration under SAFE Circular 75.

Ms. Yao is a Chinese resident and is required to file foreign exchange registrations of overseas investments with the local SAFE branch under SAFE Circular 75 for her establishment of offshore companies and conducting return investment activities. Ms. Yao has completed her foreign exchange registration of overseas investments with the local SAFE branch as required under the SAFE Circular 75 on May 19, 2014.

Stock Option Rules

We have adopted the RSU Scheme with the intention of rewarding the fidelity of the directors, executive officers, senior managers and employees of our Company and of our subsidiaries. The participation of the directors, executive officers, senior managers and employees who are PRC residents in the RSU Scheme will be subject to the *Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies* (《境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Stock Option Rules**”) promulgated by SAFE on February 15, 2012.

Pursuant to the Stock Option Rules, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer.

The PRC agents shall, on behalf of the participants who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the participants’ exercise of the employee share options. The foreign

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exchange proceeds received by the participants from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such participants.

DIVIDEND DISTRIBUTION

The ability of our PRC subsidiaries to distribute their dividends is subject to various legal restrictions in China. Under the current regulatory regime in the PRC, wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit as determined in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and Accounting Regulations issued by the Ministry of Finance of the PRC, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

TAXATION

Corporate Income Tax

Each of our PRC subsidiaries is required to pay the Corporate Income Tax in accordance with the *Corporate Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the “**CIT Law**”) which was promulgated by the NPC on March 16, 2007. Pursuant to the CIT Law and the *Implementation Regulations to the CIT Law* (《中華人民共和國企業所得稅法實施細則》) (the “**CIT Implementation Regulations**”) promulgated by the State Council on December 6, 2007, both of which became effective on January 1, 2008, the tax rate for “resident enterprises” is 25%, subject to certain exceptions.

“Resident enterprises” refer to enterprises established within the PRC or enterprises established outside China whose “de facto management bodies” are located in China. All of our PRC subsidiaries are “resident enterprises” and are subject to the Corporate Income Tax at the rate of 25% except that Cogobuy E-commerce and Shenzhen Cogobuy, being qualified software enterprises, are each granted a tax holiday for two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year.

Value-Added Tax

All of our PRC subsidiaries’ operation is subject to the payment of the value-added tax. Pursuant to the *Provisional Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例》), which was promulgated by the Stated Council on December 13, 1993 and subsequently amended on November 10, 2008 and its *Implementation Regulations to the Provisional Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例實施細則》) which were promulgated by the Ministry of Finance (the “**MOF**”) on December 18, 2008 and subsequently amended by the MOF and the State Administration of Taxation (the “**SAT**”) on October 28, 2011, unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing, repairs and replacement services in China shall be 17% and the tax rate for value added tax small-scale taxpayers shall be 3%.

According to the *Notice on the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries in Shanghai* (《關於在上海市開展交通

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運輸業和部分現代服務業營業稅改徵增值稅試點的通知》) jointly promulgated by the MOF and SAT on November 16, 2011 (which was later invalidated and superseded by *The Notice on Including Railway Transportation and Postal Services Sectors into the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax* (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》) (the “**2013 Notice**”), starting from January 1, 2012, enterprises registered in Shanghai and engaging in the businesses of research and development services, technical services, information technology services and logistic assistance services are gradually required to pay value-added tax at the rate of 6% instead of business tax. MOF and SAT subsequently promulgated a series of notices including the 2013 Notice to expand the said pilot program to another 8 provinces, including Shenzhen, from August 1, 2012 and then to the whole country from 1 August 2013.

Pursuant to the abovementioned laws and regulations, as confirmed by the Directors, E&T System and Comtech Electronic are subject to value added tax at 17%; Comtech Digital (SZ) and Comtech Industrial (SZ) are subject to value added tax at 6%; and Cogobuy E-commerce, Envision Communication Technology (SZ) and Shenzhen Cogobuy are subject to value added tax at 3%. The Directors considered that the implementation of the abovementioned laws and regulations has no material impact to the Group.

Dividend Withholding Tax

The CIT Law provides that an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. The dividends that Comtech Digital (HK), Comtech International and Cogobuy receive from our PRC subsidiaries are subject to the reduced withholding tax rate of 5% under the Double Tax Avoidance Arrangement.

LABOUR AND SOCIAL SECURITY

Employment Contracts

The labour management of our PRC subsidiaries is mainly governed by the *PRC Labour Law* (《中華人民共和國勞動法》) which was promulgated by the Standing Committee of the NPC on July 5, 1994 and subsequently amended on August 27, 2009, the *PRC Labour Contract Law* (《中華人民共和國勞動合同法》) which was promulgated by the Standing Committee of the NPC on June 29, 2007 and subsequently amended on December 28, 2012 and its *Implementing Regulations of the Employment Contracts Law* (《勞動合同法實施條例》) which was promulgated by the State Council and became effective on September 18, 2008. According to the abovementioned laws, each of our PRC subsidiaries is required to enter into labour contracts in written form with its employees. Further, our PRC subsidiaries are subject to various requirements on employers provided under the abovementioned laws in terms of, e.g., the minimum wage, open-ended employment contracts and dismissal of employees.

REGULATORY OVERVIEW

Social Insurance and Housing Funds

Each of our PRC subsidiaries is obliged to purchase social insurance and pay housing funds for its employees under applicable PRC laws, including the *Social Insurance Law* (《中華人民共和國社會保險法》) which was promulgated by the Standing Committee of the NPC on October 28, 2010 and became effective on July 1, 2011 and the *Regulations on the Administration of Housing Accumulation Funds* (《住房公積金管理條例》) which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002. Under the above mentioned laws, employers are required to contribute, on behalf of their employees, to a number of social insurance funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

M&A RULES AND OVERSEAS LISTINGS

On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the *Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and amended on June 22, 2009.

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

The application of the M&A Rules remains unclear. Based on the understandings of our PRC Legal Advisor of current laws and regulations of China, including the M&A Rules, the M&A Rules and the CSRC approval are not applicable in the context of this offering for the following reasons: (i) except for Shenzhen Cogobuy and E&T System, none of our PRC subsidiaries was a PRC domestic company as defined under the M&A Rules since its establishment; (ii) we did not acquire any equity interest or assets of a PRC domestic company in the manner as defined under the M&A Rules, in particular, by way of share exchange; and (iii) there is no specific regulation specifying that the Contractual Arrangement between Cogobuy E-Commerce and Shenzhen Cogobuy should be governed by the M&A Rules.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of our PRC Legal Advisor summarized above is subject to change. If the CSRC or relevant regulatory authorities deems that we should have obtained prior approval thereof, we might be under regulatory action or other punishment by the CSRC or relevant regulatory authorities.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN HONG KONG

The following are the principal laws and regulations that govern our business in Hong Kong.

Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (“IEO”)

We sell a wide range of IC and other electronic components which are mostly industrial products used in the manufacturing of virtually all electronic equipment and products, such as mobile devices, home electronics, medical devices, automotive electronics and surveillance systems. Some of these products are “strategic commodities” as defined in Schedule 1 of the Import and Export (Strategic Commodities) Regulations (the “**Regulations**”). Pursuant to section 2 of the IEO, a person who imports or exports these “strategic commodities” except under and in accordance with an import or export licence commits an offence and is liable:

- (a) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and
- (b) on conviction on indictment to an unlimited fine and to imprisonment for 7 years.

We import products primarily from the United States. If any of these products constitutes “strategic commodities” for the purpose of the Regulations and is shipped from the vendor to us directly, we need to ensure that we have an import licence which covers the import of the particular shipment to Hong Kong. As we then onward-sell these products to our customers in the PRC, we need to ensure that we have an export licence which covers the export of the particular shipment from Hong Kong.

An import licence is valid for six months and can be used repeatedly until it expires or until the volume of import as set out in the licence is reached. An export licence is valid for three months and can be used once for each export shipment.

Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong)

Under the Telecommunications Ordinance, a Radio Dealers Licence (Unrestricted) is required for dealing in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves whether or not the apparatus is intended, or capable of being used, for radiocommunications. However, the above requirement does not apply to licensed exempted radiocommunications apparatus (e.g. mobile phones, short-range walkietalkies, cordless phones) meeting prescribed specifications.

Under the Radio Dealers Licence (Unrestricted), the licensee is permitted to deal in radiocommunications apparatus pursuant to section 9 of the Telecommunications Ordinance. A Radio Dealers Licence (Unrestricted) is generally valid for a period of 12 months, and is renewable on payment of the prescribed fee, at the discretion of Office of the Communications Authority.

Broadband Corporation has obtained a Radio Dealers Licence (Unrestricted) which is valid for a period of 12 months and will expire in June 2014.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

We are a leading e-commerce company dedicated to serving the electronic manufacturing industry in China. We operate the largest transaction-based e-commerce platform for IC and other electronic components in China, as measured by GMV in 2013, according to Analysys International. Through our e-commerce platform, including a direct sales platform, an online marketplace and a dedicated team of technical consultants and trained sales representatives, we provide our customers with comprehensive online and offline services across pre-sale, sale and post-sale stages.

Our founder, Mr. Kang, has extensive experience in the electronic components industry in China. Our core business is the trading of IC and other electronic components, which has been carried out by the Predecessor Entities since their inception. The Predecessor Entities were previously owned by Viewtran, of which Mr. Kang is a controlling shareholder. With a view to restructuring certain businesses owned by Mr. Kang, we acquired the Predecessor Entities from Viewtran on November 15, 2012.

Information about Viewtran

Viewtran is listed on the NASDAQ. In 2004, Comtech Group (“**Comtech**”), a company incorporated in the Cayman Islands, which was formed by Mr. Kang in 2002 using his own resources for the sale of electronic components in the PRC, was merged with Trident Rowan Group, Inc. (“**TRG**”), a listed public company incorporated in the United States, in exchange for TRG issuing shares representing approximately 91.2% of the issued share capital of TRG to Comtech’s shareholders.

TRG subsequently changed its name to Comtech Group, Inc. and then to Cogo Group, Inc. (“**Cogo Group**”). On July 25, 2011 the shareholders of Cogo Group approved its merger into its indirect subsidiary, a Cayman Islands incorporated company, resulting in Cogo Group changing its domicile to the Cayman Islands. Cogo Group subsequently changed its name to Viewtran Group, Inc. in November, 2013.

As at the Latest Practicable Date, Mr. Kang held a 37.8% interest in Viewtran.

The companies now comprising our Group have undergone a number of changes since the establishment of Comtech in 2002, details of which are set out below under the section headed “The Reorganization”.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

MILESTONES

The following is a summary of our Group's key business development milestones:

<u>Date</u>	<u>Event</u>
July 14, 2000	Comtech International (HK), the first operating subsidiary of the Group, was incorporated in Hong Kong to engage in the sale of electronic components and related products
June 2011	Our Predecessor Entities started to provide customers with online services through websites owned by Total Dynamic Limited
February 2012	Our Company was incorporated in the Cayman Islands
November 2012	We acquired the Predecessor Entities from Viewtran
February 2013	We acquired the Total Dynamic Entities with its Cogobuy.com e-commerce platform
July 2013	We started to operate our online marketplace on our e-commerce platform
September 2013.....	We launched Hardeggs WeChat community
November 2013	We acquired the Envision Global Entities
December 2013	We sold our entire interest in Comtech China to Brilliant

OUR MAJOR SUBSIDIARIES

The principal business activities, date of incorporation and date of commencement of business of each member of our Group that made material contribution to our track record results are shown below:

<u>Name of company</u>	<u>Principal business activities</u>	<u>Date of incorporation and commencement of business</u>
Comtech International	Sales of electronics components and related products	July 14, 2000
E&T System	Sales of electronic components and related products	June 5, 2003

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of company	Principal business activities	Date of incorporation and commencement of business
Broadband Corporation ...	Sales of electronics components and related products	March 23, 2005
Comtech Industrial (SZ) ...	Provision of media communication and collaboration platforms and solutions	May 24, 2005
HKJTT	Provision of research and design services	August 23, 2007
Comtech Electronic	Development and sales of electronic and automation products, import and export of their supporting parts	May 28, 2008
Comtech Industrial	Sales of electronics components and related products	May 4, 2009
Comtech Digital (HK)	Sales of electronics components and related products	February 11, 2010
Comtech Digital (SZ)	Sales of electronics components and related products	June 22, 2010
Cogobuy E-commerce	Development of e-commerce software technology and provision of e-commerce services	July 31, 2012
Shenzhen Cogobuy	Holder of the Internet content provider license in the PRC to operate e-commerce business and the cogobuy.com domain name	December 13, 2012
Envision Communication Technology (SZ)	Development and sales of electronic communication products	September 11, 2013

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

THE REORGANIZATION

We have implemented the Reorganization as described below. Following completion of the Reorganization, our Company became the holding company of all our subsidiaries. The Reorganization included the principal corporate restructuring steps as set forth below.

1. Incorporation of our Company and wholly-owned subsidiaries

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 1, 2012. Upon its incorporation, the authorised share capital of our Company was US\$50,000 divided into 50,000 Shares of nominal value of US\$1.00 each. The Company issued one share of par value US\$1.00 representing the entire issued share capital of the Company to the initial subscriber of the Company which was transferred to Envision Global, a company wholly-owned by Mr. Kang.

On March 6, 2012, Envision Online was incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, one share of which was issued to the Company.

On October 25, 2012, Vision Well was incorporated in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, one share of which was issued to the Company.

2. Acquisition of our principal operating subsidiaries by our Company from Viewtran

With a view to restructuring certain businesses owned by Mr. Kang, on March 14, 2012, Mr. Kang proposed to the board of directors of Viewtran at its board meeting to acquire approximately 30% of assets of Viewtran. Subsequently, on October 23, 2012, Viewtran entered into the 2012 SPA with our Company pursuant to which Viewtran agreed to sell the following companies (together with their respective subsidiaries) to our Company for a total consideration of US\$78 million (equivalent to approximately HK\$608.4 million):

- Alphalink Global (together with Comtech Industrial (SZ), its subsidiary at the time of the transaction);
- Comtech HK (together with Comtech International and HKJJT, its subsidiaries at the time of the transaction); and
- Comtech China (together with Comtech Communication (SZ), Comtech Communication (HK) and Comtech Software (SZ), its subsidiaries at the time of the transaction).

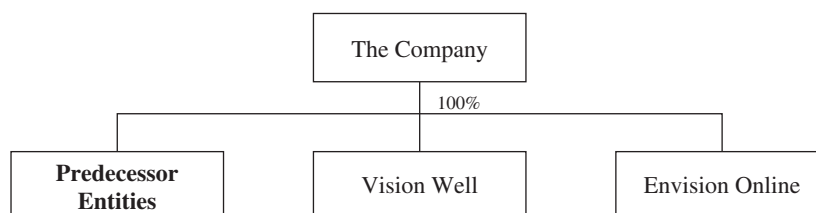
(collectively, the “**Predecessor Entities**”)

The consideration was based on the results of an independent appraisal. The transactions contemplated by the 2012 SPA were properly and legally completed and settled on November 15, 2012.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

As at the date of completion, Mr. Kang held a 30.8% interest in Viewtran. Although Mr. Kang was the controlling shareholder of Viewtran (as such term is defined in the Listing Rules), he did not own more than 50% of Viewtran and therefore, he did not have statutory control over Viewtran immediately prior to the acquisition by the Company of the Predecessor Entities. As such, the Predecessor Entities are not taken to be under his common control prior to their acquisition by the Company.

The corporate structure upon completion of the 2012 SPA is set out below:



3. Transfer from Ms. Yao to our Company of companies relating to the online platform

Pursuant to a share swap agreement dated February 1, 2013, our Company allotted and issued 99 shares of US\$1.00 each to Envision Global on March 15, 2013, following which Envision Global held 100 shares of US\$1.00 each in our Company. On the same date, Envision Global transferred at a nominal value, 30 shares of US\$1.00 each to Total Dynamic, a company wholly-owned by Ms. Yao. In return for this, Total Dynamic transferred at a nominal value to our Company the entire issued share capital (being 1 share of US\$1.00) of Cogobuy Holding.

Each of these transactions was properly and legally completed and settled on March 15, 2013.

At the time of this transfer, Cogobuy Holding had the following subsidiaries which were also transferred into the Group pursuant to such share swap agreement:

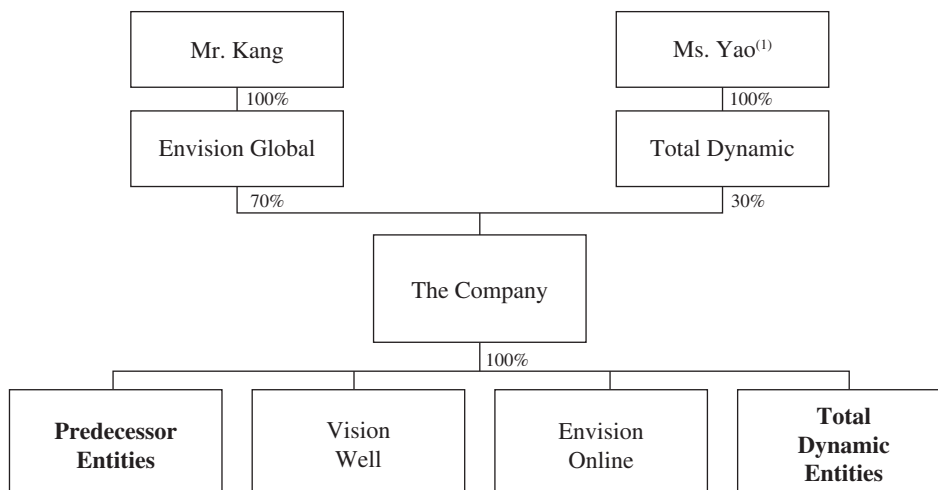
- Cogobuy; and
- Cogobuy E-commerce

(collectively, the “**Total Dynamic Entities**”). For details of the basis for the valuation of the Total Dynamic Entities, see Note 29(b) to the Accountants’ Report on the Financial Information of the Group in Appendix IA to this prospectus.

Although Shenzhen Cogobuy, a company wholly-owned by Ms. Yao, was and remains the entity that holds the ICP License for the purposes of the marketplace e-commerce together with the cogobuy.com domain name in the PRC, Ms. Yao agreed to hold her equity interest in Shenzhen Cogobuy, together with all dividends and interest, rights and privileges arising therefrom, on trust for the benefit of Cogobuy Holding by way of a deed dated February 1, 2013 in favor of Cogobuy Holding. As advised by our PRC Legal Advisor, the trust arrangement has been legally terminated and replaced with the proposed VIE arrangement as further described in the section headed “Contractual Arrangements”.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The corporate structure following completion of acquisition of the Total Dynamic Entities is set out below:



(1) Mr. Kang and Ms. Yao are not related to each other and Ms. Yao is the wife of Mr. Li Feng, one of our members of senior management.

4. Acquisition of certain companies from Envision Global

On November 20, 2013, our Company entered into an agreement with Brilliant, a company wholly-owned by Mr. Kang, through Envision Global, pursuant to which our Company acquired the entire issued share capital of the following companies (together with their respective subsidiaries and businesses) for a total consideration of US\$3 million, which was determined with reference to the fair value of the following companies (including the value of the components sales business, primarily consisting of its order fulfillment component, although the value was minimal according to the assessment by a third-party valuation firm):

- Gold Tech (together with Comtech Digital (HK), its 60% owned subsidiary at the time of the transaction, and Comtech Digital (SZ), its wholly-owned subsidiary at the time of the transaction);
- Mega Smart (together with Comtech Electronic⁽¹⁾, Comtech Industrial⁽²⁾ and E&T System, its subsidiaries at the time of the transaction); and
- Comtech Broadband (together with Broadband Corporation⁽³⁾, its 70% owned subsidiary at the time of the transaction).

(collectively, the “**Envision Global Entities**”)

This transaction was properly and legally completed and settled on March 20, 2014.

The Envision Global Entities were acquired for the purpose of acquiring certain assets held by these companies and their subsidiaries that complement the Group’s core business, including leases for the Company’s Shanghai and Shenzhen offices, and a lease to the Company’s Hong Kong warehouse and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

logistics support assets. Prior to their acquisition by our Group, the Envision Global Entities had engaged in the businesses of module design and components sales. The module design business was gradually discontinued starting in 2012 and had been entirely discontinued or disposed of by November 2013 when we acquired the Envision Global Entities. By contrast, the components sales business of the Envision Global Entities increased significantly from 2011 to 2013. Please refer to “Appendix IA Accountants’ Report on the Financial Information of the Group — D. Pre-acquisition financial information of Envision Global Entities — (1) Revenue” for further details.

Before we acquired the Envision Global Entities, our Predecessor Entities and the Group referred some component sales orders to the Envision Global Entities for order fulfillment. By the time that the Envision Global Entities were acquired by us, substantially all of their revenue from components sales were generated from orders referred to them by the Group through the cogobuy.com e-commerce platform. Therefore, when we acquired the Envision Global Entities, the core value of the Envision Global Entities’ business lay in their order fulfillment infrastructure which would provide synergy for our online sales of components on our cogobuy.com e-commerce platform. Assets contributed by the Envision Global Entities, such as logistics facilities in Hong Kong and the PRC, have strengthened the order fulfillment infrastructure in our value chain.

After we acquired the Envision Global Entities, we were able to more efficiently reallocate personnel and other resources between our Group and the Envision Global Entities. We have directly utilized more of the Envision Global Entities’ order fulfillment assets, and the Envision Global Entities have been able to benefit from our business scale and rapid growth. As a result of the synergy, and our use of the Envision Global Entities as the contracting entities for an increasing proportion of our business the Envision Global Entities have shown significant increases in revenue and profit from the date of the acquisition.

Under HKFRS 3, Business Combination, the acquisition date in a business combination is the date on which the acquirer obtains control of the acquiree. The acquirer controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An investment in a subsidiary is consolidated into the consolidated financial statements of the acquirer from the date that control commences.

Upon the execution of the sales and purchase agreement entered into between Brilliant and the Company dated and effective on November 20, 2013 and the share transfers from Brilliant to the Company on the same date, the Company obtained control of the Envision Global Entities from November 20, 2013 onwards. As a result, the Company obtained the power to direct the operational and financial activities of those entities so as to affect its returns from them. While the consideration was transferred on March 20, 2014, the Company noted that the timing of payment of the consideration was mutually agreed between the Company and Brilliant and it was never the intent of the two parties to delay the effective date of the transaction to the date the consideration was transferred.

As such, the Company concluded that it obtained control over the Envision Global Entities on November 20, 2013 and hence consolidated the results of the Envision Global Entities into the Company’s consolidated financial statements from that date.

(1) At the time of the transaction, Comtech Electronic was beneficially owned by Comtech Industrial pursuant to a deed of trust entered into between Comtech Industrial and MDC Tech (the then registered owner of Comtech Electronic) dated March 17, 2014, which took effect retrospectively from November 20, 2013.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (2) At the time of the transaction, Comtech Industrial was the registered owner of Mega Smart (Shenzhen) Limited (曼誠軟件(深圳)有限公司) (“Mega Smart Shenzhen”). However, pursuant to a deed of trust entered into between Comtech Industrial and MDC Tech dated March 17, 2014, which took effect retrospectively from November 20, 2013, Comtech Industrial was holding the equity interest in Mega Smart Shenzhen for the benefit and on behalf of MDC Tech. Please also refer to note 4 below for further details.
- (3) At the time of the transaction, Broadband Corporation was the registered owner of Comtech Broadband Technology Service (Shenzhen) Company (科博寬帶技術服務(深圳)公司) (“Comtech Broadband Shenzhen”). However, pursuant to a deed of trust entered into between Broadband Corporation and Mega Sky Industrial Limited dated March 17, 2014, which took effect retrospectively from November 20, 2013, Broadband Corporation was holding the equity interest in Comtech Broadband Technology Shenzhen for the benefit and on behalf of Mega Sky Industrial Limited. Please also refer to note 4 below for further details.
- (4) Comtech Industrial was the former shareholder of Mega Smart Shenzhen and Broadband Corporation was the former shareholder of Comtech Broadband Shenzhen. Comtech Industrial and Broadband Corporation transferred the entire equity interest of Mega Smart Shenzhen and Comtech Broadband Shenzhen, respectively, to independent third parties as part of the Reorganization of the Group. The effectiveness and completion of these transfers are subject to approval by the local branch of the MOFCOM and registration with the local administration for industry and commerce. Due to certain procedural requirements, the transfers were delayed by the changes of directors of Comtech Industrial, Broadband Corporation and the transferees. Therefore, Comtech Industrial and Broadband Corporation remained as the registered shareholder of Mega Smart Shenzhen and Comtech Broadband Shenzhen until June 30, 2014 and June 26, 2014, respectively. To ensure that the control over and the economic benefits derived from each of Mega Smart Shenzhen and Comtech Broadband Shenzhen could be enjoyed by the respective third party transferees prior to the completion of the relevant transfers on June 30, 2014 and June 26, 2014 respectively with the local administration for industry and commerce, Comtech Industrial and Broadband Corporation entered into deeds of trust with the respective transferee as a transitional arrangement.

Our PRC Legal Advisor confirms that the deeds of trust are legal and enforceable under relevant PRC law. Accordingly, Mega Smart Shenzhen and Comtech Broadband Shenzhen are not considered subsidiaries of our Company in preparing the financial information of the Group included in the Accountants’ Report on the Financial Information of the Group set out in Appendix IA to this prospectus.

5. Disposal of Comtech China to Mr. Kang

The equity interest in Comtech China was acquired as part of the acquisition of the Predecessor Entities from Viewtran on November 15, 2012 for a total consideration of US\$78 million (equivalent to approximately RMB486.5 million). See the section headed “Relationship with Controlling Shareholders — Information about Viewtran, Envision Global and Brilliant” for further details. Included in the assets and liabilities held by Comtech China that were transferred under this transaction were lease prepayments for the land use right in respect of a parcel of land located in the Shenzhen Special Economic Zone and the related construction in progress.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In accordance with HKFRS 3, the amounts of lease prepayments and construction in progress were recorded at their fair value of RMB23.0 million and RMB398,000 respectively, based on an independent appraisal, in the consolidated statement of financial position of the Group on the date of acquisition.

As the land use right and related real estate development activities were unrelated to the Group's component and e-commerce business, the land use right and related construction in progress were not intended to be retained by the Company. As such, as an arrangement contemplated as part the acquisition of the Predecessor Entities, the Company entered into an agreement with Envision Global on November 15, 2012 to transfer the risks and rewards associated with the ownership of the land use right and related construction in progress to Envision Global at their fair values, effective on the same date, while preparing for the equity interest transfer of Comtech China.

As a result, the land use right and construction in progress with carrying values of RMB23.0 million and RMB398,000 respectively (which were their fair values recognised at acquisition) were derecognised from the consolidated statement of financial position of the Group on November 16, 2012. The consideration of the sale of the land use right and construction in progress was recognized as an amount due from Envision Global and has been settled by two installments in September 2013 and March 2014, respectively.

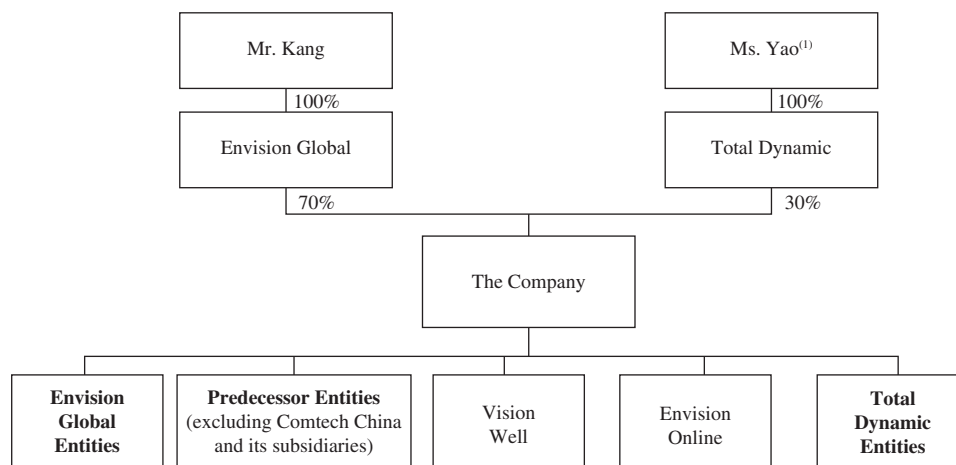
On December 1, 2013, with a view to disposing of the real estate development business that is unrelated to the core business of our Group, the entire equity interest in Comtech China was legally transferred to Envision Global for a consideration of US\$72.9 million (equivalent to RMB444.0 million) which was calculated based on the net asset value of Comtech China. In particular, the property, plant and equipment of Comtech China as at December 1, 2013 did not include the costs of the land use right and construction in progress as they were considered having been transferred to Envision Global on November 15, 2012 pursuant to the agreement as described above.

The consideration for the disposal of Comtech China to Envision Global was payable in the form of US\$92,000 (equivalent to RMB560,000) in cash and a forbearance of Cogobuy Group's payable to Comtech China in the amount of US\$72.8 million (equivalent to RMB443.4 million). The disposal of the equity interest in Comtech China was legally completed and settled on March 6, 2014. Since Comtech China did not have any significant business at the time of disposal, the Directors are of the view that the disposal was not significant to our Company.

While all trading activities of electronic components of our Group and its relationships with customers and suppliers are managed centrally, certain subsidiaries are responsible for purchases of products from external suppliers, and certain subsidiaries handle sales of products to external customers, resulting in a significant amount of intercompany transactions. Prior to the acquisition by the Company on November 15, 2012, Comtech China was engaged in the sales and purchases of electronics components and real estate development. After its acquisition on November 15, 2012 and up to the date of its disposal on December 1, 2013, Comtech China was primarily responsible for acquiring electronics components from third party suppliers and supplying them to other group companies in our Group, which gave rise to amounts due from related parties of RMB462.3 million on Comtech China's books at December 1, 2013. Out of the RMB462.3 million due from related parties at December 1, 2013, RMB443.4 million was receivable from the remaining subsidiaries of Cogobuy Group, representing the amount that was the subject of the forbearance at the time of the acquisition of Comtech China by Envision Global.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The corporate structure of our Group following completion of the disposal of Comtech China and the acquisition by our Company of the Envision Global Entities is set out below:



- (1) Mr. Kang and Ms. Yao are not related to each other and Ms. Yao is the wife of Mr. Li Feng, one of our members of senior management.

6. Contractual Arrangements

On March 13, 2014 our Company entered into the Contractual Arrangements in order to consolidate our control over Shenzhen Cogobuy. Due to applicable PRC laws and regulatory restrictions on foreign ownership in the telecommunications industry and restrictions on foreign investors to conduct value-added telecommunications services in the PRC, our Company will assert management control over the operations of, and enjoy substantially all the economic benefits of, Shenzhen Cogobuy, which in turn holds the ICP License necessary to operate our business, through the Contractual Arrangements.

By way of a deed dated February 1, 2013 entered into between Ms. Yao and Cogobuy Holding, Ms. Yao agreed to hold her equity interest in Shenzhen Cogobuy, together with all dividends and interest, rights and privileges arising therefrom, for the benefit of Cogobuy Holding. The deed was terminated following the adoption of the Contractual Arrangements by the Company. Please refer to the section headed “Contractual Arrangements” for details of the Contractual Arrangements. The entire equity interest in Shenzhen Cogobuy is currently owned by Ms. Yao. Ms. Yao, through her ownership of the entire issued share capital of Total Dynamic, is the holder of 30% of the issued outstanding share capital of the Company.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that all relevant approvals and permits in relation to the share transfers in respect of the PRC companies in our Group as described above had been obtained and the procedures involved had been carried out in accordance with PRC laws and regulations.

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. Our PRC Legal Advisor has confirmed that the M&A Rules do not apply to the Reorganization of our Group as described above.

SAFE Registration in the PRC

Under the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(匯發[2005]75號)) (the “**SAFE Circular 75**”), promulgated by the SAFE, registration with the local SAFE branch is required for domestic legal person residents or domestic natural person residents to establish or to control an offshore entity for the purposes of financing that offshore entity with assets or equity interests in an onshore enterprise. For details of the SAFE registration requirement, see the section headed “Regulatory Overview — SAFE Circular 75”.

SAFE Circular 75 does not apply to Mr. Kang as he had obtained his Hong Kong Identity Card and his Hong Kong Special Administrative Region Passport before SAFE Circular 75 came into effect. His oversea investment, reorganization and acquisition against the domestic enterprises do not constitute the oversea financing through domestic equities which is regulated by SAFE Circular 75. Thus Mr. Kang is not required to file with the local SAFE foreign exchange registration relating to fund raising by domestic residents through offshore special purpose vehicles and round-trip investment.

Ms. Yao Yi is a Chinese resident and is required to file foreign exchange registrations of overseas investments with the local SAFE branch under SAFE Circular 75 for her establishment of offshore companies and conducting return investment activities.

Our PRC Legal Advisor, advised us that Ms. Yao has completed her foreign exchange registration of overseas investments with the local SAFE branch as required under the SAFE Circular 75 on May 19, 2014.

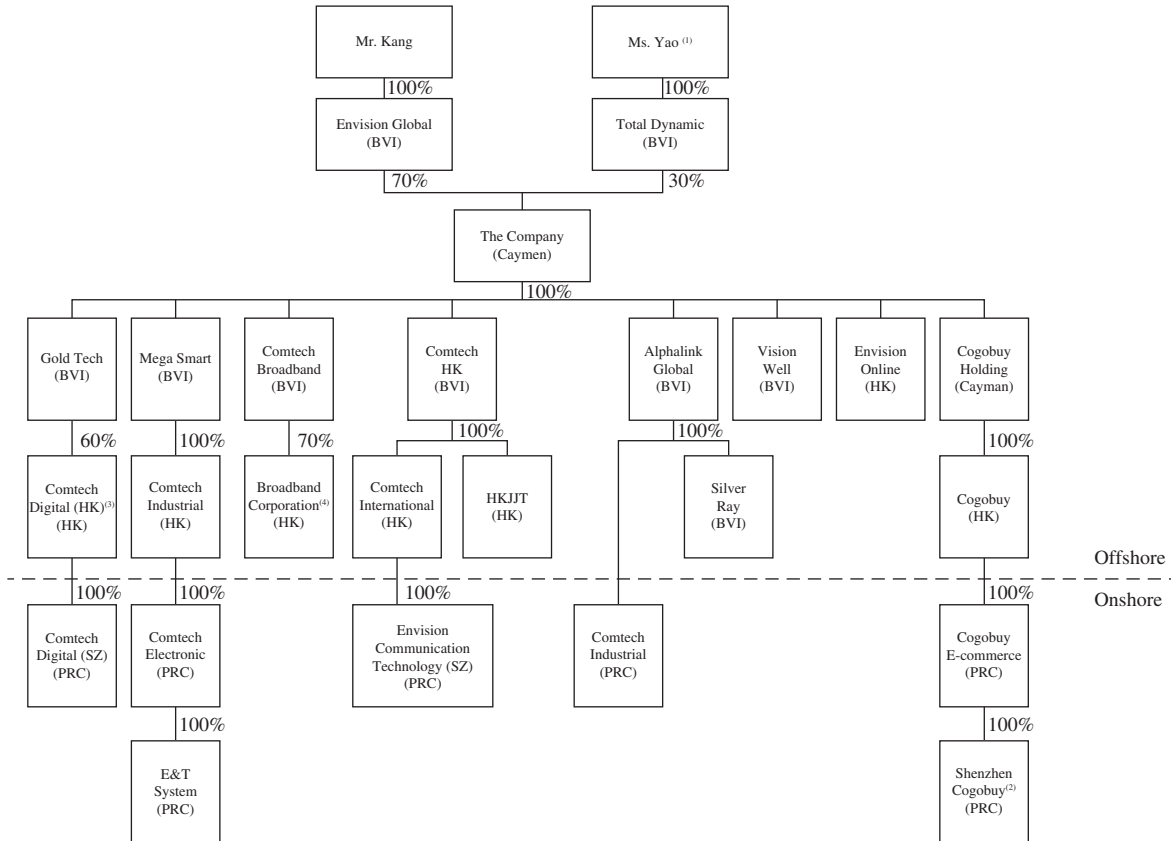
OUR RSU SCHEME

The RSU Scheme took effect on March 1, 2014 to reward the fidelity of the directors, executive officers, senior managers and employees of our Group and align their interests with those of the Shareholders. Each RSU is a conditional right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the RSU Scheme. In order to allow release of Shares to beneficiaries upon vesting of each RSU under the RSU Scheme, our Company will allot and issue 30,200,000 Shares to the Scheme Trustee immediately prior to Listing, representing 2.20% of the issued share capital upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). A summary of the principal terms of the RSU Scheme is set out in the section headed “Appendix IV — Statutory and General Information — The RSU Scheme” in this prospectus.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following diagram sets forth the shareholding structure of our Group immediately prior to the Global Offering:

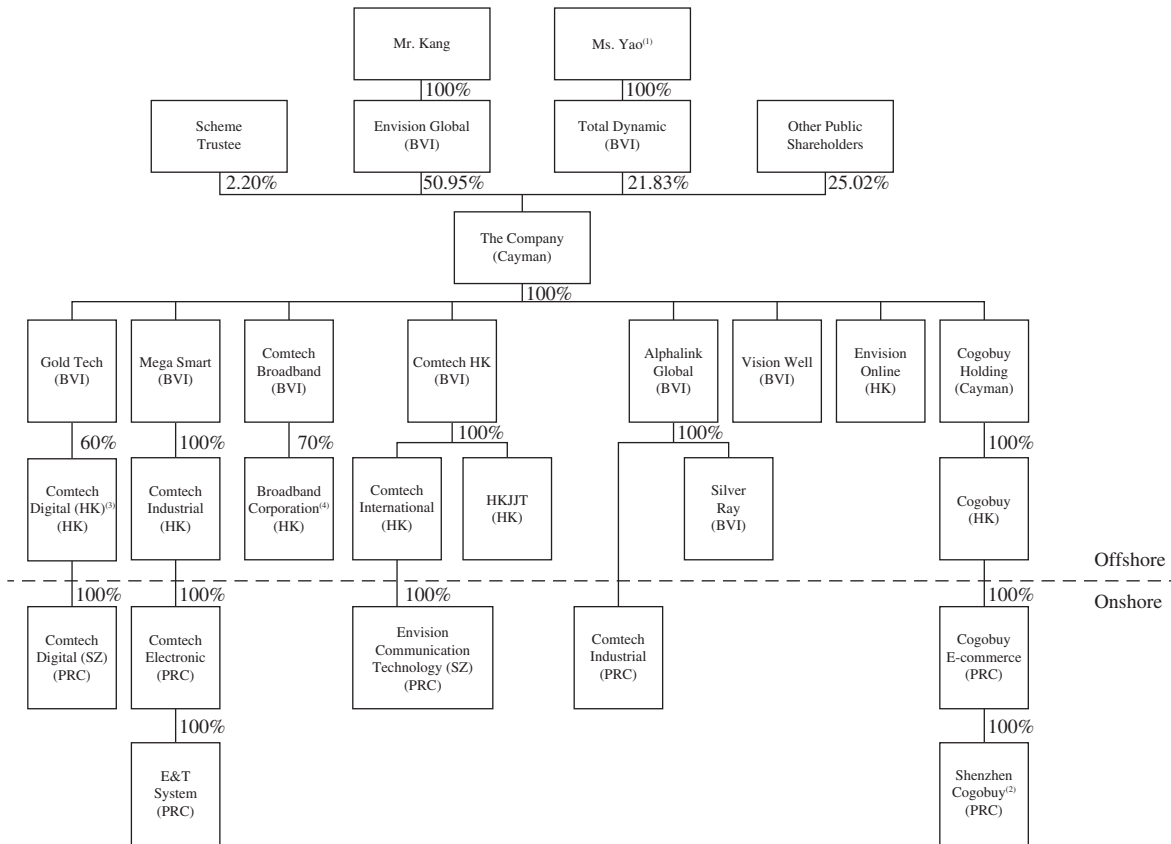


- (1) Mr. Kang and Ms. Yao are not related to each other and Ms. Yao is the wife of Mr. Li Feng, one of our members of senior management.
- (2) Shenzhen Cogobuy is owned by Ms. Yao as to 100% but it is controlled by Cogobuy E-commerce by virtue of the Contractual Arrangements and its results are consolidated into those of the Group for accounting purposes. Please refer to the section headed “Contractual Arrangements” for further details.
- (3) The remaining equity interest is owned by Boost Up Group Limited, an independent third party before it became a 40% minority shareholder in Comtech Digital (HK).
- (4) The remaining equity interest is owned by Broad Wise Holdings Limited, an independent third party before it became a 30% minority shareholder in Broadband Corporation, and which is wholly-owned by Mr. Deng Xiaokun, a director of Broadband Corporation.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram sets forth the shareholding structure of our Group immediately following completion of, the allotment and issue of Shares to the Scheme Trustee pursuant to the RSU Scheme, the Global Offering (assuming the Over-allotment Option is not exercised):



- (1) Mr. Kang and Ms. Yao are not related to each other and Ms. Yao is the wife of Mr. Li Feng, one of our members senior management.
- (2) Shenzhen Cogobuy is owned by Ms. Yao as to 100% but it is controlled by Cogobuy E-Commerce by virtue of the Contractual Arrangements and its results are consolidated into those of the Group for accounting purposes. Please refer to the section headed "Contractual Arrangements" for further details.
- (3) The remaining equity interest is owned by Boost Up Group Limited, an independent third party before it became a 40% minority shareholder in Comtech Digital (HK).
- (4) The remaining equity interest is owned by Broad Wise Holdings Limited, an independent third party before it became a 30% minority shareholder in Broadband Corporation and which is wholly-owned by Mr. Deng Xiaokun, a director of Broadband Corporation.

OVERVIEW

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. We operate the largest transaction-based e-commerce platform for IC and other electronic components in China as measured by GMV in 2013, according to Analysys International. 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. In 2013, we fulfilled orders with a GMV of approximately RMB3.9 billion. We serve electronics manufacturers including 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 500 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 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.

During the Track Record Period, we derived substantially all of our revenue 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. In the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, on a combined basis, we derived 61.3%, 60.0%, 44.1% and 47.2%, respectively, of our direct sales revenue from SME customers, and 38.7%, 40.0%, 55.9% and 52.8%, respectively, from blue-chip customers. We also operate an online marketplace that allows third-party merchants to sell their products to our customers through our e-commerce platform. A small percentage of our revenue in 2013 and 2014 represented commission fees that we charged these third-party merchants. We plan to further enhance our marketplace platform to complement our direct sales platform.

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

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

- ***SME customer community.*** When dealing with the highly fragmented electronics manufacturing supply chain in China, SME electronics manufacturers often lack sufficient scale to secure timely access to authentic electronic components from brand-name suppliers, bargaining power to negotiate competitive purchase terms and efficiently manage the procurement process. Our e-commerce platform streamlines China's complex procurement system for SME electronics manufacturers, creating an efficient channel to access reliable and high-quality branded products. Our economies of scale enable us to offer SME customers competitive prices while maintaining an attractive profit margin. In addition, we place great efforts into providing our customers with a one-stop solution to the procurement process by offering comprehensive online and offline services across pre-sale, sale and post-sale stages, supported by our dedicated team of professional sales representatives.
- ***Blue-chip customer community.*** We charge major blue-chip electronics manufacturers prices comparable to those offered directly by brand-name suppliers, but we also provide them with additional online and offline value-added services at no additional fee, which are typically not offered by brand-name suppliers. Our services include integration of information on new products supply chain management and after-sales support. We have attracted a large number of blue-chip customers and, as a result, our business scale increased significantly during the Track Record Period. Our scale helps us gain more bargaining power with suppliers and enables us to source products from top suppliers at relatively lower prices and on more favourable terms, which in turn allows us to lower our procurement costs and price our products more competitively.
- ***Supplier community.*** In addition to purchasing large volumes of IC and other electronic components from our suppliers, we provide our suppliers with additional benefits through our integrated platform. We promote suppliers' new products and new technologies through our pre-sale services and social media marketing. With in-depth understandings of our customers' demands and buying habits, our promotion efforts are more effective and can reach more potential buyers in a customized manner. Our full-scale services also supplement our suppliers' after-sale services and reduce their after-sale costs. Furthermore, our marketplace platform allows SME suppliers to take advantage of our technology infrastructure and access our growing SME customer base and well-established blue-chip customer community.

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We grew rapidly during the Track Record Period. From the year ended December 31, 2011 to 2013, on a combined basis, the revenue derived from our direct sales platform grew from RMB1,169.9 million to RMB2,391.8 million. From the three months ended March 31, 2013 to 2014, the same grew from RMB385.7 million to RMB1,350.5 million. We started to operate our online marketplace in 2013. In the year ended December 31, 2013, our online marketplace had 1,326 customers, and the total GMV and revenue derived from our online marketplace were RMB1.5 billion and RMB25.4 million, respectively. In the three months ended March 31, 2014, our total GMV and revenue derived from our online marketplace were RMB178.9 million and RMB3.5 million, respectively.

Combined Selected Income Statement Line Items⁽¹⁾

	For the year ended December 31,			For the three months ended March 31	
	2011	2012	2013	2013	2014
				(unaudited)	
				(RMB thousands)	
Revenue	1,169,948	1,568,372	2,417,277	387,572	1,354,018
Cost of sales	(1,097,451)	(1,471,096)	(2,215,191)	(363,047)	(1,251,578)
Gross profit	72,497	97,276	202,086	24,525	102,440

(1) Our Predecessor Entities, through which the principal business of the Group was conducted during the Track Record Period, came under the control of our Group on November 15, 2012. The combined results of these selected income statement line items are equivalent to (i) the results of our Predecessor Entities for the year 2011, (ii) the sum of the results of our Predecessor Entities for the period from January 1, 2012 to November 15, 2012 and the results of our Group for the period from February 1, 2012 to December 31, 2012 and (iii) the results of our Group for the year 2013 and for the three months ended March 31, 2014. See also “Financial Information — Results of Operations — Combined Results of Operations of Predecessor Entities and Group.”

OUR STRENGTHS

We believe the following are our key competitive strengths that have contributed to our success and differentiate us from our competitors:

Largest Transaction-based E-commerce Platform for IC and Other Electronic Components in China

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. We operate the largest transaction-based e-commerce platform for IC and other electronic components in China as measured by GMV in 2013, according to Analysys International. 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.

Our e-commerce platform presents a solution to streamline the complex procurement system in China for SME electronics manufacturers. China’s electronics manufacturing supply chain is highly fragmented, with the top 10 offline distributors accounting for less than 5% of the aggregated market share in 2012, according to Analysys International. As a result, SME electronics manufacturers in China often have limited resources to access authentic components and efficiently manage the procurement process. Our e-commerce platform effectively addresses SMEs’ concerns by creating an efficient channel to access authentic and high-quality branded products with reliable supply assurance.

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In the year ended December 31, 2013 and the three months ended March 31, 2014, we fulfilled orders with a GMV of approximately RMB3.9 billion and RMB1.5 billion, respectively. Our scale helps us gain more bargaining power with suppliers, which in turn allows us to offer a wide selection of brand-name products at competitive prices and secure favourable terms from suppliers. Our growing customer base and large order volume enable us to collect and maintain a vast amount of customer data, with which we can improve our inventory management, merchandising strategy and targeted marketing efforts. These customer data also help us to continue to expand our offerings to adjacent complementary services in order to offer a complete range of products and solutions to our customers. We believe that our e-commerce business model and leading market position will further strengthen our ability to attract more customers and better serve key participants in China's electronics manufacturing supply chain.

Fast-Growing SME Customer Base with High Average Transaction Value

In 2011, 2012 and 2013, on a combined basis, SMEs comprised of approximately 97.9%, 96.5% and 96.5%, respectively, of our customers. Because SMEs often lack the bargaining power to negotiate optimal purchase prices and access authentic banded components, our economies of scale enable us to offer SME customers a wide range of high quality components at competitive prices while maintaining profitability. SME customers also generally require less offline service coverage, which allows us to better leverage our e-commerce platform, and in turn enhance our operating margin.

In addition, we have experienced a high level of customer loyalty resulting from our keen focus on providing competitive prices and comprehensive services across pre-sale, sale and post-sale stages. As the electronic components industry is subject to short product life cycles, fast-changing product trends and constantly evolving technologies, our customers typically have to make frequent purchases. Accordingly, we conduct extensive online and offline pre-sale consultations and targeted marketing, aiming to convert most of our customers into repeat customers. We define repeat customers as those who, at the time of a particular transaction, had completed at least one prior transaction with us in the previous two years. During the Track Record Period, we generated a significant portion of our GMV from repeat customers.

Furthermore, because our customers typically purchase large volumes of high-value IC and other electronic components, we experience an average transaction value that far exceeds that of traditional B2C e-commerce companies. Our average direct sales transaction value, which is defined as the total direct sales GMV divided by the number of total direct sales shipments, in the year ended December 31, 2013 and the three months ended March 31, 2014 was approximately RMB147,000 and RMB168,000, respectively. In comparison, based on public disclosures of three China-based B2C e-commerce companies, JD.com, Jumei and E-Commerce Dangdang, the average transaction values of these companies were substantially less than RMB1,000 in 2013. In addition, we mainly offer components that are made compact in size, which allows us to maintain low-level capital expenditures in warehouses and fulfilment. Accordingly, we are able to lower our logistics costs per order, which in turn leads to relatively higher margin.

Professional Community Enabled by Sophisticated Targeted Online Marketing Capabilities

We utilize targeted online marketing to retain and grow a large community of engineers and technical professionals, aiming to facilitate new customer acquisition and better serve the electronics manufacturing industry. The procurement decisions of a Chinese electronics manufacturer is 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 to create and enhance the sense of community

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among them. 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 our Hardeggs WeChat community in September 2013, which is an interactive and engaging online community promoting idea and knowledge exchanges among electronics designers and engineers in China. We have benefited from effective marketing effects through online marketing activities targeted at engineers and technical professionals, as they often make word-of-mouth referrals to their colleagues and friends, many of whom are also procurement professionals.

High Entry Barrier Built on Deep Industry Know-How and Strong Supplier Network

We have accumulated an in-depth understanding of the electronics manufacturing supply chain and fast-moving technology and product trends, which we believe enable us to add value to our customers and create a substantial entry barrier for potential competitors. Such know-how has enabled us to filter the massive amount of available product information and solutions and come up with customized selections for our customers. In particular, we examine the product development objectives of SME customers and recommend solutions that they may find useful, prompting them to procure the requisite IC and other electronic components from us. We have successfully managed our inventory risks through effective pre-sale consultation, and the vast amount of customer data we have collected helps us to continually improve our inventory management and merchandising processes and strategy. We believe that our advantages in these areas can prevent new entrants from duplicating our business model.

We also have a strong network of brand-name suppliers. As of March 31, 2014, our e-commerce platform offered over 51,000 SKUs of IC and other electronic components sourced from approximately 500 suppliers, including some of the top brand-name suppliers in key product categories, such as Intel, Broadcom and SanDisk. Our suppliers are often the exclusive source of the electronic components they provide, and most of them only have a few distribution partners in China. We maintain close business relationships with our suppliers, which help ensure our reliable access to high-end IC and other electronic components, even at times when some components are in short supply. Our in-depth understanding of our customers' buying habits and needs enable us to promote our suppliers' new products and new technologies through our pre-sale services and social media marketing in an effective and customized manner, which creates additional value for our suppliers. As such, our strong network of suppliers is difficult for potential competitors to replicate.

Visionary Founder, Experienced Management Team and Strong Corporate Culture

Our founder and chairman Mr. Kang is a visionary industry veteran with extensive experience in both the Internet industry and the electronic components industry in China. Mr. Kang co-founded Viewtran, a Nasdaq listed company, and has over 18 years of experience in China's electronics manufacturing supply chain. Under Mr. Kang's leadership, we have introduced many innovative initiatives, in particular, setting up and operating our online direct sales platform.

We have a senior management team composed of professional executives with international business background and extensive experience in our business operations. Our management has nurtured a corporate culture of customer service, teamwork, learning and efficiency. These values, coupled with our leadership position and our career development and incentive programs, have contributed greatly to motivating and retaining our talented employees. We believe that our management team's collective experience and strong execution capabilities position us favourably to respond to the challenges resulting from the fast-changing IC and other electronic components industry and capture significant growth opportunities.

OUR STRATEGIES

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

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 market 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.

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.

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 fulfillment 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.

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

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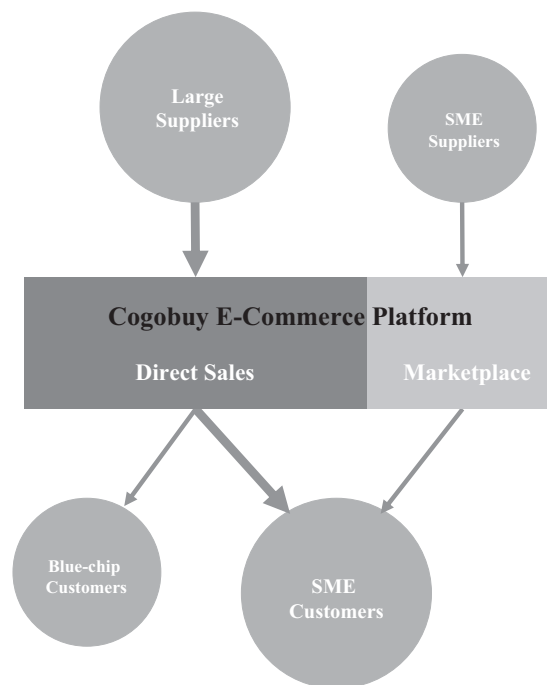
our own long-term growth. We intend to broaden our platform's value-added services by extending into related businesses that serve the electronics manufacturing value chain, such as supply chain financing, insurance and cloud computing services. As solutions and services are becoming increasingly imperative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

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.

OUR BUSINESS MODEL

Our business model can be illustrated by the following:



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- ***Large suppliers to blue-chip customers.*** Blue-chip electronics manufacturers traditionally procure IC and other electronic components from large suppliers or through other offline channels. Our online direct sales platform, supported by our dedicated team of sales representatives, provides a unique value proposition to both large suppliers and blue-chip customers. For large suppliers, in addition to purchasing large volumes of IC and other electronic components, we effectively promote their new products and new technologies through our pre-sale services and social media marketing in a customized manner. We charge blue-chip customers prices comparable to those offered directly by brand-name suppliers, and we also provide them with additional online and offline value-added services at no additional fee, which are typically not offered by brand-name suppliers.
- ***Large suppliers to SME customers.*** SME electronics manufacturers have traditionally been underserved by the highly fragmented electronics manufacturing supply chain in China. They often lack sufficient bargaining power to negotiate optimal purchase prices and have limited resources to access authentic components from brand-name suppliers and efficiently manage the procurement process. Our direct sales platform sources directly from top suppliers and creates an efficient channel for access to high-quality branded products at competitive prices. In addition, through the direct sales platform we provide SMEs with a one-stop solution to the procurement process by offering comprehensive online and offline services across pre-sale, sale and post-sale stages.
- ***SME suppliers to SME customers.*** SME suppliers of electronic components also represent an underserved segment of China's fragmented electronics manufacturing supply chain. Their small scale has typically restricted their abilities to acquire customers in a cost-effective manner. Our online marketplace platform allows third-party merchants, most of which are SME suppliers, to take advantage of our technology infrastructure and access our growing SME customer base and well-established blue-chip customer community. We launched our marketplace platform in 2013 and 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.

Through our e-commerce model, we are able to streamline the highly fragmented electronics manufacturing supply chain in China and foster the development of an open, collaborative and prosperous e-commerce ecosystem that benefits key participants in China's electronics manufacturing supply chain.

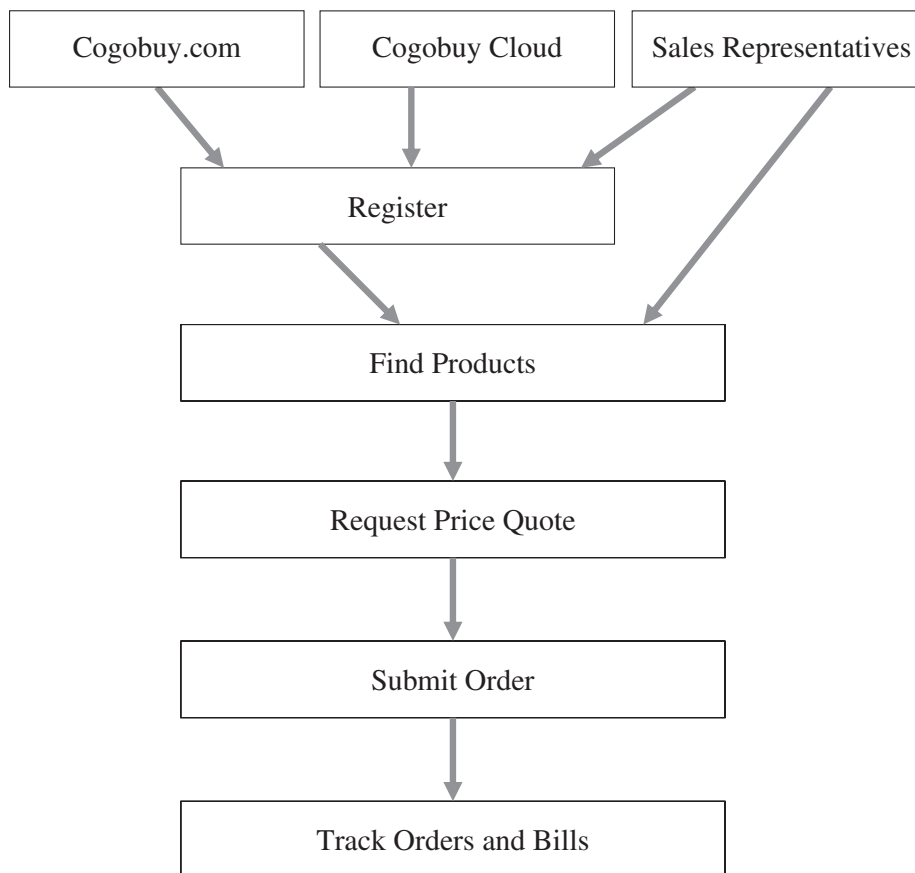
OUR E-COMMERCE PLATFORM

Our e-commerce platform is an integration of a front-end user interface and a back-end cloud computing system. Our front-end user interface consists of a direct sales platform, on which we offer IC and other electronic components to customers directly, and a recently launched marketplace platform, on which third-party merchants sell their products to customers and pay us commissions. The back-end of our technology platform is built upon an advanced cloud computing system, supporting and integrating different aspects of our business operation and allowing us to offer various enterprise enablement services. In 2013, our direct sales platform and marketplace platform accounted for 98.9% and 1.1% of our total revenue, respectively.

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Customers can access both the direct sales platform and the marketplace platform through our website, cogobuy.com, our mobile application, Cogobuy Cloud, and our dedicated team of sales representatives. Our website and mobile application are user-friendly and help our customers conveniently find and purchase products and provide our customers with tools to track orders, review bills and invoices and manage inventories. Shenzhen Cogobuy holds the cogobuy.com domain name to conduct our marketplace business. Although we also use the cogobuy.com website as an online platform for the marketing of our direct sales business, Shenzhen Cogobuy is not otherwise involved in any aspect of our Group's direct sales business. Shenzhen Cogobuy does not (i) hold inventories, (ii) provide any pre-sale, sale or post-sale services for direct sale business, (iii) enter into any contracts with customers for direct sale business, or (iv) derive any revenue from direct sales. Rather, all of Shenzhen Cogobuy's revenue comes from service fees paid by third-party merchants for using our marketplace platform. Furthermore, all customer information and transaction data of our direct sales business are held and maintained by companies within the Group other than Shenzhen Cogobuy. Supported by our sales representatives and coupled with our offline logistics and fulfilment infrastructure, our e-commerce platform is able to satisfy all our customers' procurement needs for IC and other electronic components.

The following chart illustrates the typical procurement process experienced by our customers:



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Our Website Cogobuy.com

Our website features a user-friendly and intuitive interface designed for electronics manufacturers, which allows them to conveniently find desired solutions as well as IC and other electronic components and make purchases. On the website we display product listings, solutions, brand recommendations, new product arrivals and promotions. Certified users of our website can complete the entire ordering process, access order history and track order status through “My Cogobuy,” a personalized area of the website. For information on our user certification process, see the section headed “Business — Our Customers” in this prospectus.

Since mid-2011, our Predecessor Entities started operating our direct sales platform through websites owned by Total Dynamic Limited under a cooperation arrangement. Under the strategic cooperation agreement between Cogo, Inc (being the holding company of our Predecessor Entities at the time) and Total Dynamic Limited entered into on June 16, 2011, as amended and superseded on January 1, 2012 (the “**Cooperation Agreement**”), the parties agreed to cooperate with each other to establish an e-commerce platform to serve SMEs in China’s technology manufacturing sector (the “**Cooperation**”). Under the Cooperation Agreement, Total Dynamic Limited was responsible for, among others, developing and maintaining relevant e-commerce websites including cogobuy.com, soliciting business using its e-commerce websites and assisting Cogo, Inc to maintain a database of its custom solutions on its electronic commerce websites; and Cogo, Inc was responsible for, among others, sharing its SME customer base with Total Dynamic Limited, providing product specific support, procuring inventory, arranging logistics services and paying Total Dynamic Limited a fee equal to 1% of the transaction value for the total sales generated in connection with the Cooperation. In February 2013, we acquired Total Dynamic Limited, which contributed the cogobuy.com website and other websites to our business. In July 2013, in addition to our direct sales platform, we started operating our online marketplace business through our e-commerce platform. As of December 31, 2011, 2012 and 2013 and March 31, 2014, the cogobuy.com e-commerce platform had 198, 1,305, 19,089 and 21,903 registered customers, respectively.

The following table sets forth the number of online customers, including both direct sales customers and marketplace customers, of the cogobuy.com e-commerce platform operated (i) by Total Dynamic Limited in 2011, 2012 and early 2013 prior to its acquisition by us in February 2013 and (ii) by us after our acquisition of Total Dynamic Limited in February 2013, as well as the GMV from such online customers, for the periods indicated:

	For the year ended December 31,			For the twelve months ended March 31, 2014
	2011	2012	2013	
Number of online customers ⁽¹⁾ ..	165	660	2,753	3,141
— Blue-chip customers	15	39	95	99
— SME customers	150	621	2,658	3,042

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	For the year ended December 31,			For the three months ended March 31, 2014
	2011	2012	2013	
	(RMB thousands)			
GMV from online customers ⁽¹⁾ ..	190,640	674,578	3,970,930	1,529,396
— Blue-chip customers	49,799	347,994	2,064,537	802,179
— SME customers	140,841	326,585	1,906,393	727,216

	For the year ended December 31,		
	2011	2012	2013
	(RMB thousands)		
GMV per online customers ⁽¹⁾	1,155	1,022	1,442
— Blue-chip customers	3,320	8,923	21,732
— SME customers.....	939	526	717

- (1) We define “online customers” as customers who have registered accounts at cogobuy.com and have used cogobuy.com or our mobile application, Cogobuy Cloud, to manage one or more steps in the completion of the procurement process (including browsing and searching, requesting price quote, submitting and confirming order, tracking order status, and reviewing bills and invoices). In addition to online services, we also provide online customers with offline services across pre-sale, sale and post-sale stages. Although the cogobuy.com website is maintained by Shenzhen Cogobuy, customers enter into sales contracts with and make payments to our subsidiaries other than Shenzhen Cogobuy (in the case of direct sales orders) and/or third-party merchants (in the case of marketplace orders). In 2013 and 2014, all our customers are online customers.

The following table sets forth the repeating ratio of online customers of the cogobuy.com e-commerce platform, as well as the percentage of the total GMV of the cogobuy.com e-commerce platform contributed by repeating customers, for the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
Online customer repeating ratio	64.8%	62.9%	64.7%
GMV from repeating customers ⁽¹⁾ as percentage of total GMV	97.8%	98.6%	99.2%

- (1) Repeating customers refer to the customers who made (a) at least one purchase in each of the given year and the preceding year or (b) at least two purchases in the given year.

For the three months ended March 31, 2013, December 31, 2013 and March 31, 2014, we had RMB522.3 million, RMB1,532.0 million and RMB1,529.7 million of GMV from online customers, respectively.

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The online procurement process on our website generally includes the following steps:

- *Browsing and searching.* On cogobuy.com our product offerings are organized in several ways to help users to easily find the products they need. For each listed product, our website provides detailed product specifications and other useful information, such as application areas and user manuals. Users can browse products:
 - by categories, such as microcontrollers and processors, memory components, filters and amplifiers;
 - by product makers, such as Intel, Broadcom and SanDisk;
 - by product applications, including mobile devices, medical devices, consumer electronics, telecommunication networks, automotive electronics, energy control, home appliances, industrial control and security surveillance;
 - by solutions, such as solutions based on specific processors or motherboards; and
 - by keyword search, if users have specific model names, features or specifications in mind.
- *Requesting price quote.* After finding a desired product, a certified user can click on the “I want a price quote” button on the product page. The user will then be asked to specify the model number, quantity, delivery date and, optionally, the expected price of its order. Our sales representative will then provide the user with a price quote after taking into account the user’s qualifications, credit rating, order quantity, offer price and delivery date. Should the user be dissatisfied with the quote, it can submit a request for a re-quote. If the product being inquired is listed by a third-party merchant, the merchant can negotiate the price with the user through our platform.
- *Submitting and confirming order.* After a user’s price quote is approved by our purchase order system or a third-party merchant, as the case may be, an order form will be generated with the agreed upon price, quantity and delivery date. The user will be asked to provide delivery address and other relevant information, confirm the accuracy of the order and submit it through our website. Afterwards, the user will receive an electronic order confirmation, and may request a printed confirmation bearing the company chop of the seller, which is either one of our subsidiaries that will make the direct sales and fulfil the order or a third-party merchant. An order becomes effective upon confirmation. Under the agreement that customers accept during account registration at cogobuy.com, after a customer receives our order confirmation, it may not revoke the order without our written consent. Otherwise, the customer shall pay us a cancellation and restocking fee covering all expenses incurred by us. The total amount of such cancellation and restocking fees that we received during the Track Record Period was insignificant. If a confirmed order requires a deposit, the order will be processed after the timely payment of the deposit. A user can access and view a complete history of its price quotes and orders on My Cogobuy.
- *Tracking order status.* After an order is submitted, a user can check on My Cogobuy the expected delivery date for its order. If necessary, the user can submit a request to change the delivery date. When an order is ready to be shipped, the user will receive a shipping notice and have the opportunity to review and confirm the date and address of delivery and recipient information.

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- *Reviewing bills and invoices.* After an order is delivered, the user is required to confirm delivery on My Cogobuy. Our website will generate a bill with detailed payment terms after the confirmation and an invoice after the payment is made. A user can review its bills and invoices on My Cogobuy. Our customers typically make payments by wire transfer to companies within our Group (other than Shenzhen Cogobuy) that engage in direct sales or to third-party merchants that supply the product in the marketplace sales, as the case may be. Online settlement through our e-commerce platform is not currently offered based on considerations such as customer preference and our large average transaction value.

Our Mobile Application Cogobuy Cloud

To ride on the rapid growth of the mobile Internet and offer our users cross-device experience, we launched our mobile application, Cogobuy Cloud, in January 2013 to complement our website. We embed the user interface of Cogobuy Cloud on WeChat, a mobile social networking platform operated by Tencent Holdings Limited, which has become extremely popular among Chinese mobile users in recent years. We use the same cloud computing system as our back-end infrastructure to support both our mobile application and our website. We are the first company to use WeChat as a business platform serving electronics manufacturers.

Cogobuy Cloud is an official service account verified by WeChat. It allows our website users to access account information and execute the entire procurement process on-the-go. To use Cogobuy Cloud, a certified user of our website can add the official service account to their WeChat contact list by scanning a QR code displayed on the homepage of cogobuy.com. Cogobuy Cloud simplifies the transaction process for the key personnel of our customers, especially those who do not have access to computers all the time. Cogobuy Cloud is becoming increasingly popular among our customers and attracts a significant portion of the traffic to our e-commerce platform.

Cogobuy Cloud provides a rich set of functions. For example:

- Under the “Product Information” menu, customers can browse new arrivals and promotions, request price quotes and submit orders.
- Under the “My Business” menu, customers can track orders and shipments and check payables.
- Under the “Inquiries” menu, customers can check inventories and search for coworkers and their own customers.

Our Sales Representatives

We have approximately 120 sales representatives who are well-trained through our in-house training workshops to provide our existing and potential customers, especially blue-chip customers, extensive pre-sale consultation. Our sales representatives are equipped with product expertise and industry know-how to provide professional guidance on product selection, price and payment to ensure an efficient and informed purchasing experience. Our sales representatives also periodically visit our customers, especially blue-chip customers, to help them register on our e-commerce platform and use various online tools on our website and mobile app and process customers orders.

Our Cloud Computing System

The back-end of our e-commerce platform is built upon an advanced cloud computing system, which supports and integrates different aspects of our business operation, including targeted marketing, online sales, supply chain management, fulfilment logistics and customer service. We have developed various tools and applications on our cloud system to facilitate our business operation. Our IT team is in the process of developing more tools and apps to further exploit our cloud computing system and expand our service offerings.

Our tools and applications support the following enterprise enablement services:

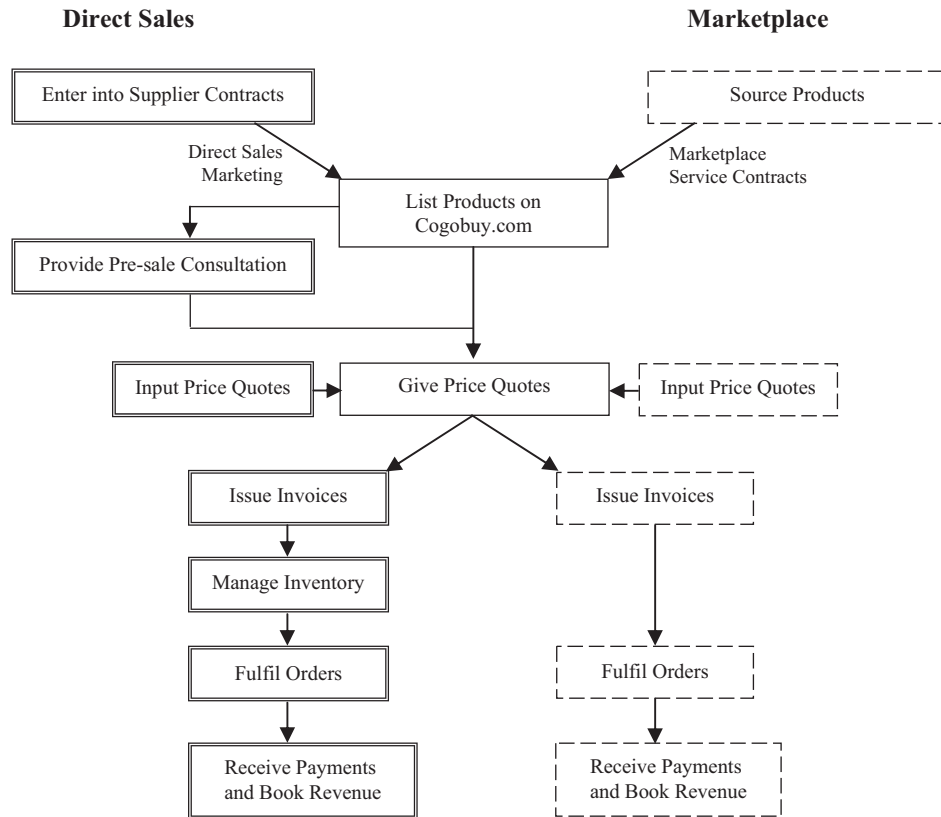
- *Enterprise resource planning.* Our enterprise resource planning system helps track and manage business resources, such as working capital and human resources, and the status of business commitments, such as procurement and payroll.
- *Customer relationship management.* Our customer relationship management system enables us to effectively gather, analyse and utilize internally-generated customer behaviour and transaction data. Accordingly, we are able to organize, facilitate, and synchronize sales, marketing, customer service and interaction with our business partners.
- *Order management.* Through our order management system, we can track and manage product information, product pricing, order entries and order processing. In particular, our order management system includes a purchase order system that can calculate the reasonable price range and profit margin for each price quote submitted by customers.
- *Payment management.* We manage payments from customers, accounts receivable, accounts payable and payments made to suppliers through our payment management system.
- *Logistics management.* Our logistics management system primarily consists of our warehouse management system, track data storage and warehouse and logistics operations. It allows us to efficiently manage our inventory and product exchanges with suppliers, track products, and deliver products to our customers on a timely basis.
- *Database management.* Our database management system administers the collection, storage, analysis, restructuring and application of data. Through data management tools we are able to expand our target user pool by extracting and restructuring useful data from customers' corporate information.

We also make available many of these tools and applications for our customers, which provide them with comprehensive enterprise enablement services to manage their own business resources, customers, and transactions generated through our online marketplace. For more information about our cloud computing system, see the section headed “Business — Technology Infrastructure” in this prospectus.

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OUR OPERATION MODEL

To comply with applicable PRC law, Shenzhen Cogobuy owns the cogobuy.com domain name and conducts our marketplace business. See the sections headed “Regulatory Overview” and “Contractual Arrangements” of this prospectus. We also use the cogobuy.com website as an online platform for the marketing of our direct sales business, which is conducted by our subsidiaries other than Shenzhen Cogobuy. The following chart illustrates our operation model and the roles played and functions undertaken by relevant companies within our Group.



Notes :

- Conducted by our wholly-owned and/or majority-owned subsidiaries
- Conducted by Shenzhen Cogobuy
- Conducted by third-party merchants

OUR PRODUCT OFFERINGS

We offer a wide range of IC and other electronic components, and we continually seek to add more products that appeal to customers. On our website, we organize our product offerings in 15 categories through an intuitive and easy-to-use directory. The number of SKUs offered on our e-commerce platform increased from approximately 20,200 as of December 31, 2012 to over 48,000 as of December 31, 2013 and further increased to over 51,000 as of March 31, 2014.

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We organize our product offerings by categories in an intuitive and easy-to-use industry directory to facilitate the browsing and viewing of listings. The 15 product categories displayed on our website include:

- Connectors
- Development tools
- Digital-to-analog converters (DACs) and analog-to-digital converters (ADCs)
- Diodes and Transistors
- Field programmable gate arrays (FPGAs) and complex programmable logic devices (CPLDs)
- Filters and amplifiers
- Memory components
- Microcontrollers and processors
- Passives
- Power management components
- Sensors and converters
- Signal and interface components
- Switches and relays
- Systems-on-a-chip (SOCs)
- Wireless and radio frequency (RF) components

IC and other electronic components are mostly industrial products used in manufacturing virtually all electronic equipments and products, such as mobile devices, home electronics, medical devices, automotive electronics and surveillance systems. They typically have a short product life cycle, and are subject to fast-changing product trends and constantly evolving technologies. Accordingly, our customers have to make frequent procurements.

We mainly offer high-end, high-value IC and other electronic components, many of which are compact in size. Many of the products we offer are the essential components for electronics manufacturers in certain industry segments, which may be in short supply from time to time.

We do not engage in the manufacturing of products. We have negotiated extensive product warranty and favourable product return terms with our suppliers. During the Track Record Period, we did not encounter any material customer complaints, product liability claims or product recalls for the products that we sold on our e-commerce platform, and we did not experience any material business disruptions.

Our customer base is a diversified group of electronics manufacturers engaged in various segments, which ensures that our sales normally would not be materially affected by events influencing one or two segments. In addition, our customers' procurement decisions are typically made after careful business planning to integrate short-term production needs with long-term strategies. As a result, we have not encountered significant seasonality for the sale of IC and other electronic components.

Product Procurement and Inventory Management

We have established an efficient system to source products from our suppliers and minimize our inventory risks. We provide extensive pre-sale consultations to our customers, ensuring that they make informed purchase decisions that are less likely to be revoked. In the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, on a combined basis, the amounts of revoked purchase orders were RMB8.6 million, RMB29.8 million, RMB28.5 million and RMB31.5 million, respectively, representing less than 2.5% of our revenue during each respective year/period. We source from suppliers after consolidating orders from customers. Accordingly, when we place an order with a supplier, we typically have customer orders or concrete demand secured. Through such a well-coordinated system, we are generally able to avoid overstocking and mitigate our inventory risks. We further reduce our inventory risks by entering into arrangements with our major suppliers that allow us to exchange unsold products at the original purchase prices for other products or credit. We

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successfully reduced the average inventory days of our products from 42 days in 2012 to 29 days in 2013. This enables us to further lower logistics costs and improve operating efficiency.

In the electronics manufacturing industry, shortage of components, especially high-end components, is not uncommon. Therefore, from time to time we encounter unavailability of certain products. In such cases, we would coordinate with both suppliers and customers to resolve the issue. As we maintain close relationships with our major suppliers, we are able to receive first-hand information on shortages and secure supply of out-of-stock components as soon as they become available.

We strive to minimize our working capital requirement through our arrangements with suppliers and clients. For SME customers, usually we either demand payments within 30 days after the delivery or demand full payment of purchase price through wire transfer before or upon delivery. This approach gives us significant latitude in settling accounts with our major suppliers, as we usually have 30 days to settle accounts payables. For blue-chip customers, we typically demand payments within 60–90 days after the delivery. We use these reliable account receivables as collateral for obtaining credit to support our business operations, further easing our burden on managing working capital. We maintain borrowing facilities with several banks and draw on these facilities to fund working capital requirements.

Product Pricing

Instead of displaying product prices on our e-commerce platform directly, we give individualized price quotes to our customers. It enables us to price our products in a customized manner to increase revenue and facilitate customer acquisition. Each of our blue-chip customers has an individually-assigned sales representative. Our blue-chip customers have the flexibility to negotiate prices through their designated sales representatives or our e-commerce platform, and to use their own procurement systems or other conventional means. They generally request printed order confirmations bearing the company chops of our subsidiary sellers that fulfil their orders. Most of our SME customers conduct the entire procurement process through our e-commerce platform, which requires them to communicate with our sales representatives by using the “I want a price quote” function. Once a price quote is submitted, our purchase order system will calculate a price range based on the product model and requested quantity to guide negotiation and ensure our profit margin. For some products, our purchase order system will automatically provide a proposed price after evaluating the price quote. For other products, our sales representative will negotiate the price with the customer, usually within the price range, taking into account a number of factors such as the customer’s business operation, procurement history and credit report. In some cases, a sales representative can agree to make a strategic sale at a price below the price range, if he or she believes that such a transaction may enable us to establish a tie with a particular customer and obtain more business from it in the future. Strategic sales must be submitted to and pre-approved by a product manager.

Because we do not publish our product prices but instead give our customers individualized price quotes, we are able to efficiently adjust our pricing in real time based on changing procurement costs. In addition, with our efficient product procurement and inventory management systems, we are able to minimize risks associated with price fluctuations and overstocking.

OUR CUSTOMERS

Our customers are mainly electronics manufacturers based in China that engage in the manufacturing of a wide variety of electronic products, including mobile devices, consumer electronics, household electronics, medical devices, automotive electronics, telecommunication devices, energy control systems, industrial control systems and surveillance systems. We cater to the needs of electronics manufacturers of all scales, including SME customers and blue-chip customers. In 2011, 2012 and 2013, on a combined basis, SMEs made up approximately 97.9%, 96.5% and 96.5%, respectively, of our customers. In 2013, our GMV from blue-chip customers and SME customers was RMB2.1 billion and RMB1.9 billion, respectively, representing 52.5% and 47.5%, respectively, of our total GMV in 2013. In the three months ended March 31, 2014 our GMV from blue-chip customers and SME customers was RMB802.2 million and RMB727.2 million, respectively, representing 52.5% and 47.5%, respectively, of our total GMV in that period.

The procurement of strategic IC and other electronic components require significant cross-functional collaboration to reach key procurement decisions, spanning across the product design, product marketing and product sales functions at the manufacturing customers. To meet the needs of this traditional offline decision process, we have a dedicated team of professional sales representatives who work closely with the customers to understand their needs, provide technical consultation, and help facilitate and streamline their procurement process by leveraging our e-commerce platform. We have experienced a high level of customer loyalty resulting from our keen focus on providing competitive prices and comprehensive online and offline services across pre-sale, sale and post-sale stages. In addition, as the electronics industry is subject to short product life cycles, fast changing product trends and constantly evolving technologies, electronics manufacturers often need to make frequent purchases. Accordingly, during the Track Record Period, we generated a significant portion of our GMV from repeat customers. We define repeat customers during a period as online customers who (i) had completed at least one online transaction with us during the current period and (ii) had completed at least one other online transaction with us since the beginning of the previous fiscal year. We had 1,898 repeat customers, or 69.3% of our total customers, in 2013, who generated a GMV of RMB3.9 billion, or 99.2% of our total GMV, in 2013. Furthermore, because our customers typically purchase large volumes of IC and other electronic components with high values, we experience an average transaction value that far exceeds that of traditional B2C e-commerce companies, according to Analysys International. On a combined basis, in 2011, 2012 and 2013, our total GMV was RMB10.2 million, RMB216.7 million and RMB3,915.0 million, respectively, and our average GMV per online customer was approximately RMB267,000, RMB512,000 and RMB1.4 million, respectively. In the three months ended March 31, 2013 and 2014, our total GMV was RMB522.3 million and RMB1,529.7 million, respectively. Our average transaction value per direct sales order in the year ended December 31, 2013 and the three months ended March 31, 2014 was approximately RMB147,000 and RMB168,000, respectively. Accordingly, we are able to keep our logistics costs per order at a low-level.

We have designed our e-commerce platform to create a reliable, secure, enjoyable and convenient online procurement experience for our users in order to promote user loyalty and repeat purchases. New users of our website can register an account on cogobuy.com at no charge. Once registered, a new user will be assigned a sales representative who can be reached online or through other conventional ways. We have a certification process to verify the corporate identity of our users. To become certified, a new user must provide basic information about its company and upload documentary proof, such as its business license and tax registration certificate. For companies incorporated in the PRC, we require them to submit copies of their business licenses that have passed the most recent annual inspection by relevant

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government authorities. For companies incorporated outside the PRC, we require them to submit copies of their business licenses issued at the places of their incorporation. We ask new users to report their business scales and demand forecasts. For publicly listed companies, we also review their recent public disclosures to gather information about their businesses and financial conditions. We use these self-reported and publicly available information to determine the payment terms and credit limits of new users. We then enter the users' information into our customer database. Furthermore, we usually pay an on-site visit to each newly registered user in order to verify whether its self-reported information is consistent with the scale of its production and other facilities. Once certified, a user can complete the entire ordering process, access order history and track order status through a personalized area of the website. Before a certified user can make its first purchase, our website requires that it agrees to the terms of a master agreement. Users who disagree with some of the terms may individually negotiate a customized master agreement.

We strive to establish an interactive user community for our customers on our e-commerce platform. To enable an active community on our platform, we provide community features and tools such as mobile applications and discussion forums. In particular, we divide our users into different groups on Cogobuy Cloud based on their common interests, such as their business focus or industrial segment. We assign a dedicated marketing staff to each group, who promotes relevant cutting-edge technologies and product advancements to such group from time to time, aiming to induce purchases and encourage discussion and communication within the group.

For the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, combining revenues of our Predecessor Entities and our Group, sales to our five largest customers accounted for 28.9%, 22.6%, 27.0% and 37.8%, respectively, of our total revenue, and sales to our largest customer accounted for 10.4%, 6.5%, 6.8% and 12.5%, respectively, of our total revenue. During the Track Record Period, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest customers. All of our five largest customers in 2013 have been our customers since 2011. During the Track Record Period, none of our customers was also our major supplier. As of the Latest Practicable Date, we did not have any long-term agreements with our customers.

SME Customers

In 2011, 2012 and 2013, on a combined basis, we had 1,762, 1,579 and 2,642 SME customers, which are defined as companies whose annual revenue is below RMB400 million. SME customers typically do not have long-term procurement agreements with us. Instead, they enter into one-time contracts with us for each procurement. Most of our SME customers choose to adopt our standard sales contract, which specifies delivery arrangements, payment terms and dispute resolution clause. We usually either demand payments within 30 days after the delivery or demand full payment of purchase prices through wire transfer before or upon delivery for SME customers.

According to Analysys International, China has approximately three million SME electronics manufacturers. The average annual procurement transaction value was over RMB21,000 for small electronics manufactures and approximately RMB5 million for medium electronics manufacturers in China in 2013, according to Analysys International. Furthermore, China's electronics manufacturing supply chain is highly fragmented, with the top 10 offline distributors only accounting for less than 5% of the aggregated market share in 2012, according to Analysys International. Accordingly, when dealing with the complex procurement system in China, SME electronics manufacturers often lack sufficient

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bargaining power to negotiate optimal purchase prices and have limited resources to efficiently manage the procurement process. We believe SMEs represent a lucrative and fast-growing segment of the IC and other electronic components market with significant demand for our services. On a combined basis, we derived 61.3%, 60.0%, 44.1% and 47.2% of our direct sales revenue from SME customers in the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. We expect that the percentage of revenue contributed by SME customers will increase in the coming years.

Our business model creates a unique value proposition for SME electronics manufacturers in China. Our e-commerce platform streamlines the highly fragmented electronics manufacturing supply chain for SMEs, providing an efficient channel to access reliable and high-quality branded products. Accordingly, SMEs can order products from us with confidence and assurance, which they usually cannot enjoy from small and less reputable distributors. Furthermore, our economies of scale enable us to offer SME customers competitive prices. Although we sell products to SME customers at higher prices than those to our blue-chip customers, our prices are still attractive to SME customers compared to prices available to them from other suppliers or small distributors, due to the SMEs' small transaction volumes and weak bargaining power. In addition, we place great efforts on providing SMEs with a one-stop solution to the procurement process by providing comprehensive services across pre-sale, sale and post-sale stages.

Blue-chip Customers

In 2011, 2012 and 2013, on a combined basis, we had 37, 57 and 95 blue-chip customers, which are defined as companies whose annual revenue is RMB400 million or greater. Although most of our blue-chip customers adopt their own procurement contract templates, the delivery and warranty terms in our agreements with them are generally similar to those with SMEs. We typically give blue-chip customers more latitude on the payment terms, allowing them to make payments through wire transfer within 60–90 days after delivery.

We quickly built up our business scale by attracting a large number of blue-chip electronics manufacturers. Our scale helps us gain more bargaining power with suppliers, which in turn enables us to source products from top suppliers at more favourable prices. As a result, we are able to lower our procurement costs, price our product offerings more competitively and enhance our profitability. On a combined basis, we derived 38.7%, 40.0%, 55.9% and 52.8% of our direct sales revenue from blue-chip customers in the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively.

We attract and retain blue-chip customers by offering them competitive prices and superior services. As blue-chip electronics manufacturers typically have substantial bargaining power, they are able to obtain favourable prices from brand-name suppliers directly. To attract blue-chip customers, we charge them prices comparable to those offered directly by brand-name suppliers, and we also provide them with additional value-added services at no additional fee, which they typically cannot enjoy from brand-name suppliers. Our services include integration of information on new products, excellent supply chain management and strong after-sale support.

OUR SUPPLIERS

As of March 31, 2014, we had a strong network of approximately 500 suppliers, including some of the top suppliers in key product categories, such as Freescale for automotive components, Broadcom and SanDisk for smart mobile device components and Xilinx for field-programmable gate arrays. A majority

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of our suppliers are based in the United States; each typically has only a handful of distribution partners in China and is often the exclusive source of certain high-end electronic components that are critical for manufacturers in relevant segments. We maintain close business relationships with our suppliers, which ensures a reliable access to high-end IC and other electronic components, many of which may run into shortage from time to time.

Our economies of scale gives us strong bargaining power with our suppliers, enabling us to source a wide selection of brand-name IC and other electronic components at competitive prices and favourable terms. For example, we have typically obtained accounts payable periods of 30 days from our major suppliers, which are longer than the credit periods we grant to most of our SME customers. Also, we have made arrangements with our major suppliers that allow us to return unsold products at their original purchase prices in exchange for other products or credit. With these terms, we are able to minimize our inventory risk and working capital requirements. Our agreements with major suppliers typically have a term of one or two years and are automatically renewable. Typically they can be terminated by either party with 30 to 90 days of prior written notice. We have not made minimum purchase commitments under these agreements.

We have also received pricing adjustments, rebates and discounts credited to us by certain suppliers from time to time, which effectively reduces our cost of sales. Such pricing adjustments, rebates and discounts are non-recurring incentives granted to us at the sole discretion of the suppliers. On a combined basis, we received RMB63.4 million, RMB85.4 million and RMB97.7 million of pricing adjustments, rebates and discounts in 2011, 2012 and 2013, respectively. Pricing adjustments, rebates and discounts are primarily based on achieving purchasing volume requirements. Under our accounting policies, these pricing adjustments, rebates and discounts are recognized as a reduction of inventory and as a reduction of cost of sales in our Group's consolidated statements of comprehensive income only when they are received or receivable and the supplier becomes obligated to credit or pay our Group. Our accounts payable accountants and senior accounts payable accountant, under the supervision of our accounting director, will verify the consistency among our purchase orders with suppliers, invoices, inventory and trade payables in a timely manner. In addition to our accounting personnel, our product management team also verifies billing information and confirms with our suppliers on a monthly basis to ensure that applicable pricing adjustments, rebates and discounts are accurately reflected in our financial statements.

In addition to purchasing large volumes of IC and other electronic components from our suppliers, we provide them additional benefits through our integrated platform. We promote suppliers' new products and new technologies through our pre-sale services and social media marketing. With in-depth understandings of our customers' demands and buying habits, our promotion efforts are more efficient and cost effective, as we can reach more potential buyers in a customized manner. Our full-scale services also supplement our suppliers' after-sale services and significantly reduce their after-sale costs.

We have been cautious in expanding our supplier base and have implemented a strict and methodical selection process for our suppliers. Our business development team is responsible for developing and expanding product categories. When a new category is proposed, our sales and marketing team will initially target only the top tier suppliers in the segment. After we build up our scale in the product category, we may then procure from other top suppliers to expand our product offerings.

Our five largest suppliers for the year ended December 31, 2013 and the three months ended March 31, 2014 have maintained business relationships with us for an estimated range of three to over seven years. For the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31,

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2014, combining purchases of our Predecessor Entities and our Group, our five largest suppliers accounted for 70.0%, 73.2%, 71.6% and 63.2%, respectively, of our total purchases, and our largest supplier accounted for 21.0%, 26.9%, 21.8% and 16.6%, respectively, of our total purchases. During the Track Record Period, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest suppliers. During the Track Record Period, none of our suppliers was also our major customers.

THIRD-PARTY MERCHANTS ON OUR MARKETPLACE PLATFORM

Starting from July 2013, we started offering a marketplace platform, through which third-party merchants can list their products on our platform and we charge commission fees for products sold. We carefully select third-party merchants who offer authentic and advanced components that are different from our product offerings. Under their agreements with us, merchants are generally committed to offer only authentic and quality electronic components through our e-commerce platform. They are also responsible to indemnify us for any losses we suffer or any costs that we incur due to their displaying of counterfeit or defective products or contents that infringe on others' intellectual property rights. We charge third-party merchants a certain percentage of the gross merchandise value of their sales through our platform as service fee.

Our third-party merchants make sales to customers through our website and mobile application and have full access to our back-end cloud computing system. We provide them with comprehensive enterprise enablement services enabled by the tools and applications we developed. For a detailed description of enterprise enablement services available to third-party merchants, see the section headed "Business — Our E-commerce Platform — Our Cloud Computing System" in this prospectus.

In the year ended December 31, 2013 and the three months ended March 31, 2014, service fees paid by our third-party merchants accounted for approximately 1% and less than 1% of our total revenue, respectively. During the Track Record Period, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest third-party merchants.

QUALITY CONTROL

We have designed effective quality control mechanisms to ensure that the products offered on our e-commerce platform are authentic and of high quality. We have rigorous procedures for selecting our suppliers and have negotiated extensive product warranty and favourable product return terms. We also carefully select third-party merchants to ensure that the products they sell on our marketplace platform are of comparable quality to products available on our direct sales platform. Please see the sections headed "Business — Our Suppliers" and "Business — Third-party Merchants on Our Marketplace Platform".

SALES AND MARKETING

We have extensive expertise in IC and other electronic components, and we strive to become a trusted advisor for product procurement to our customers, especially SME customers. Our goal is to offer our customers a carefully curated selection of high quality components from reputable suppliers with customized solutions, but not to overwhelm them with a massive grab bag of solutions and product information.

We have adopted a targeted sales and marketing strategy characterized by building a community of engineers and technical professionals and utilizing popular social networking tools, supported by a dedicated team of professional sales representatives who work closely with the customers to understand their needs, provide technical consultation, and help facilitate and streamline their procurement process by leveraging our e-commerce platform. We recognize that 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. By building interactive relationships with a large community of these professionals, we aim to achieve a high success rate of converting target users to active transaction users.

We break down our sales and marketing activities into four steps:

Identifying Target Users

We analyse relevant data collected from various sources to build a target user pool, which contains information on electronics manufacturers and contacts of their key personnel. Our data come from our suppliers, our customer database and participants of various online and offline marketing events we held for engineers, technical professionals and procurement managers. In particular, we place great efforts to create and grow a large community of engineers and technical professionals, who are able to influence the purchase decisions of potential SME customers. We hold new media marketing events, such as product launches and technology discussion forums, on various social networking platforms. We also launched Hardeggs WeChat community, which has evolved into an interactive and engaging online community to promote idea and knowledge exchanges among electronics designers and engineers in China. We have achieved significant marketing effects through online marketing activities targeted at engineers and technical professionals, as they often make word-of-mouth referrals to their colleagues and friends, many of whom are also procurement professionals.

We also hold technology competitions that aim to promote our brand name to participating SMEs. For example, in December 2013, we hosted the Hardeggs iFuture Hardware Competition in cooperation with 11 other companies, including IC component suppliers, electronics manufacturers such as Xiaomi and Internet portals such as Qihoo 360. Participating hardware developers were encouraged to submit ideas and hardware prototypes. Top entrants receive supply chain support guidance from industry leaders and angel investor financing. Our goal is to foster an innovative culture among Chinese hardware developers and incubate China's own cutting-edge start-ups, who may become the next IT giants. These hardware start-ups will in turn generate greater demand for IC and other electronic components.

Converting Target Users to Registered Users

We utilize various Internet media and social networking channels to introduce our products and services to our target users, aiming to encourage them to register on our website. We promote ourselves through technology blogs and news websites such as TechWeb, micro-blogging services such as Sina Weibo and social networking platforms such as WeChat. When product designers, engineers and technical professionals are attracted by our promotional events or product information, they will be encouraged to register on our e-commerce platform to inquire more information, particularly product prices. As of March 31, 2014, there were 21,903 registered users on cogobuy.com.

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To ascertain the identity of our registered users, before a newly registered user is able to request any price quote, we ask them to upload documentary proof, including copies of its business license and tax registration certificate.

Converting Registered Users to Transaction Users

Once registered users are attracted to our e-commerce platform, we can gain additional information about them through their registration and certification process on cogobuy.com. Such information includes the types of electronic products they manufacture, their product development objectives and what solutions and components they may need. Consequently, we can provide customized recommendations of solutions and components to key personnel of these registered users, aiming to induce them to place their first orders with us.

Increasing Purchases of Existing Transaction Users

We increase sale volumes to existing transaction users by collecting additional customer information and conducting extensive pre-sale consultation and targeted online marketing. We pay special attention to each customer's key procurement personnel who visit our website or use Cogobuy Cloud to purchase components from us. We provide them with cloud-based enterprise resource planning and customer relationship management services free of charge, which are particularly valuable to SMEs who often lack good procurement management systems. These services enable us to maintain interactive and constant communications with these key personnel, which in turn allows us to collect more information on our customers' demands and their product development objectives.

By combining such customer information with our deep technical and industry know-how, we are able to make customized marketing plans and more effectively cross-sell other products. Because we sell IC and other electronic components that are inseparable from their respective solutions, we typically provide our customers with customized selections of module-level solutions, each of which enables a defined function in electronic products and involves one to two major IC or other electronic components with other supporting parts. We filter the massive amount of available solutions and come up with customized selections for our customers. In particular, we look into the product development objectives of SME customers and recommend solutions that they may find useful, which in turn prompt them to procure the requisite IC and other electronic components from us.

CUSTOMER SERVICE

We place a high priority on providing our customers with consistently high quality service and support, which we believe is critical to our long-term success. We have invested significant financial, management and human resources to provide our customers with customized and technically sophisticated services across pre-sale, sale and post-sale stages. As of March 31, 2014, we had a team of 55 customer service representatives who support our sales force. They offer our registered users extensive pre-sale consultation on the bill of materials, technical specifications optimization and procurement management. They also work closely with our sales and marketing team in identifying potential customers and acquiring new customers. Through well-managed customer service enabled by technical and industry know-how, we have successfully retained a large number of registered users and converted many of them into transaction users.

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LOGISTICS AND FULFILMENT

We independently operate leased logistics centres in three cities in China, including Hong Kong, Shenzhen and Shanghai. We have our own logistics network and fulfilment management system, backed by our advanced cloud computing system and professional warehousing equipment. Our warehouse facilities in Hong Kong and Shenzhen are equipped with temperature and humidity controllers for the storage of certain precision components. As of the Latest Practicable Date, our logistics centres had warehouse space totalling approximately 3,000 square meters in size. Our delivery options include third-party courier delivery and customer self-pickup. Our logistics staff generally repack the components properly before they are picked up by couriers or customers.

We rely on third-party courier companies to delivery components to our customers. We leverage our business scale to obtain favourable contractual terms from third-party courier companies. We typically negotiate and enter into logistics agreements on an annual basis. Our third-party couriers generally undertake that they will take reasonable care in meeting the temperature and humidity requirements for certain precision components during shipping. Most of them also agree to use their best efforts to ensure safe and timely delivery of components. We regularly monitor and review the third-party couriers' performance and their compliance with our contractual terms.

As we mainly offer high-end components with high per-unit value and low per-unit physical size, we are able to maintain relatively low-level capital expenditures in warehouses and fulfilment. Accordingly, we are able to lower our logistics costs per order, which in turn leads to higher margin. For the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, on a combined basis, our logistics costs amounted to 0.3%, 0.2%, 0.1% and 0.1%, respectively, of our total revenue.

TECHNOLOGY INFRASTRUCTURE

We have implemented numerous website management, search, customer interaction, and order processing and fulfillment services and systems using a combination of user interface technologies and a back-end cloud computing system. We focus our internal development efforts on creating and enhancing the features and functionality of our website and order processing and fulfillment systems to deliver a high-quality customer experience.

Our front-end user interface includes our website cogobuy.com and our mobile application Cogobuy Cloud. Our user interface is supported by various modules, such as user account management, the cogobuy.com home page, search functions, category browsing, product display pages, price quote and order placing functions, order management functions and our online community.

Our back-end cloud computing system supports and integrates different aspects of our business operation and enables us to offer enterprise enablement services. It is built upon a cloud computing platform maintained by a third-party cloud computing service provider. Our cloud computing system allows us to build, deploy and manage tools and applications through a global network of datacenters managed by the third-party provider. It provides us with a large amount of computing, storage, and network resources at low cost, enabling our services to scale on demand. It also absolves us from managing IT infrastructure, and allows us to focus on our core competencies.

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We have adopted a service-oriented architecture and distributed data processing technologies in our cloud computing system. We have developed various tools and applications to perform different functions, including enterprise resource planning, customer relationship management, order management, payment management, logistics management and database management. Our research and development team is in the process of developing more tools and applications to further exploit our cloud computing system and expand our enterprise enablement service offerings.

We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information, and we back up our database, including customer data, every day with both on-site and off-site storage.

RESEARCH AND DEVELOPMENT

We have a strong in-house research and development team. As of March 31, 2014, our research and development team had 167 members, which accounted for 34.1% of our total employees. Many of our research and development team members have extensive industry experience, and over 75% hold bachelor's or higher degrees.

Our research and development team is primarily responsible for developing the technology infrastructure that supports our e-commerce platform. Please see the sections headed "Business — Our E-commerce Platform" and "Business — Technology Infrastructure" in this prospectus.

Our research and development expenses consist primarily of salaries and benefits paid to members of our research and development team. Less significant expenses include rental of research and development facilities and IT infrastructure maintenance and improvement. During the Track Record Period, we did not capitalize any costs associated with research and development.

During the Track Record Period, we did not have any cooperation agreements with third parties relating to research and development.

COMPETITION

China's electronic components procurement market is intensely competitive and highly fragmented, with the top 10 offline distributors only accounting for less than 5% of the aggregated market share in 2012, according to Analysys International. We operate the largest transaction-based e-commerce platform for IC and other electronic components in China, as measured by GMV in 2013, according to Analysys International. Our main competitors with e-commerce platforms include Alibaba, Made-in-China.com and Global Resources. In addition, we compete against companies in the electronic components procurement market:

- *Offline distributors and manufacturers of electronic components:* they typically possess significant brand recognition, sales volume and customer bases, but mainly deal with blue-chip customers. Although some of them have online service components or plan to launch online platforms in the future, they do not possess the same level of China-specific Internet marketing expertise as we do.

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- *Information-based B2B companies:* They primarily publish product catalogs and/or operate online yellow pages, targeting SME electronics manufacturers. However, they generally do not sell products directly and do not provide such comprehensive services as we provide to our customers.

For a detailed description of the electronics manufacturing supply chain and the IC and other electronic components procurement market in China, see the section headed “Industry Overview” in this prospectus.

We believe our business model is different from offline distributors and manufacturers of electronic components, as we offer blue-chip customers branded products at comparable prices and provide them with additional value-added services at no additional fee, which are typically not available through large offline distributors and manufacturers. Our online platform is also a marketing channel for suppliers to market their product offerings. Our services include integration of information on new products, excellent supply chain management and strong after-sale support.

Our business model is also different from information-based B2B e-commerce companies in China, as our core business is making direct sales to electronics manufacturers. Information-based B2B e-commerce companies in China typically do not maintain close relationship with suppliers because they do not need to source large quantities of electronic components. Similarly, as they focus on aggregating and processing product information, they generally do not have sales representative with industry know-how to support direct sales and ensure customer experience.

We anticipate that China’s electronic components procurement market will continue to evolve. We believe that we face a variety of competitive challenges including:

- sourcing products efficiently;
- pricing our products competitively;
- maintaining the quality of the products sold on our e-commerce platform;
- anticipating and quickly responding to changing technologies and product trends;
- providing quality customer services; and
- conducting effective marketing activities.
- As we further develop our e-commerce platform, we will face increasing challenges competing for new customers and retaining existing customers. In addition, some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do. For more information about the risk associated with competition we face, see the section headed “Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to intense competition, and we may fail to compete successfully against existing or new competitors, which may reduce demand for our services and products.”

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OUR EMPLOYEES

As of March 31, 2014, we had 490 employees. The following table sets forth the numbers of our employees categorized by function as of March 31, 2014:

Departments	Number of employee
Management	29
Sales and marketing	129
Customer service	55
Research and development	179
Logistics	31
General And Administrative	<u>67</u>
Total	<u><u>490</u></u>

We enter into standard labor contracts with our employees. We also enter into standard confidentiality and non-compete agreements with our senior management and key research and development personnel. The non-compete restricted period typically expires one year after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

Our success depends on our ability to attract, retain and motivate qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages initiative and self-development. We provide specific training to new employees at orientation to familiarize them with our working environment and operational procedures. We also design and implement in-house training programs tailored to each job function and set of responsibilities to enhance performance. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

As required by regulations in China, we participate in various employee social security plans that are administered by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance plans. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local governments from time to time.

We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

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FACILITIES

We are headquartered in Shenzhen, Guangdong, China and have leased an aggregate of approximately 6,078 square meters of office, warehouse and data center spaces in Shenzhen, Hong Kong and Shanghai. The following table sets forth a summary of our leased properties as of the Latest Practicable Date:

Location	Building space (sqm)
Shenzhen	
Office building and data centre	1,705
Logistics centre	400
Hong Kong	
Office building and Logistics centre	2,420
Shanghai	
Office building and data centre	1,260
Logistics centre	<u>293</u>
Total	<u>6,078</u>

As of the Latest Practicable Date, we did not own any property. The leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as office, warehouse and data center spaces.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at March 31, 2014, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We do not engage in the manufacturing of products and do not have any production facilities although we have storage and warehousing facilities that are ancillary to our business operations. Therefore, we are not subject to significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department will from time to time, if necessary and after consultation with our legal counsel, make adjustment to our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. In addition, although we do not generally dispose of electronics by ourselves because we have entered into arrangements with our major suppliers that allow us to exchange unsold products at the original purchase prices for other products or credit, we have adopted electronics waste disposal procedures to ensure compliance with relevant environmental laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

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INTELLECTUAL PROPERTY

We regard our trademarks, trade secrets, patents and similar intellectual property as critical to our success, and we rely on trademark and patent law, trade secret protection and confidentiality and/or license agreements with our employees, suppliers and others to protect our proprietary rights. As of the Latest Practicable Date, we had registered 13 copyrights in China and 13 active domain names in China and abroad. We also had six registered trademarks and pending applications for three additional trademarks in China, as well as pending applications for nine trademarks in Hong Kong. For detailed information about our intellectual property which are material to our business, see the section headed “Appendix IV — Statutory and General Information — Intellectual Property Rights of Our Group” to this prospectus.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased risk property insurance covering inventory, equipment and facilities in our main logistics center located in Hong Kong. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. Furthermore, we provide cargo insurance for the shipping of components by our third-party courier companies.

We do not maintain business interruption insurance, public liability insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man life insurance. In addition, we do not maintain risk property insurance for our logistics centers in Shenzhen and Shanghai. We consider our insurance coverage to be sufficient for our business operations and in line with the industry norm in China. However, there is no assurance that the insurance policies we maintain are sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. For more information about the risk associated with our insurance coverage, see the section head “Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage, which could expose us to significant costs and business disruption” in this prospectus.

LICENSE AND PERMITS

Our PRC Legal Advisor has advised us that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite license and permits from the relevant government authorities that are material for our business operations in China, and such licenses, approvals and permits remained in full effect, and no circumstances existed that would render their revocation or cancellation. Our PRC Legal Advisor also advised that there was no legal impediment to renew such licenses and permits as of the Latest Practicable Date. The following table sets forth details of a license that is material for our operation of the e-commerce platform:

<u>License/permit</u>	<u>Holder</u>	<u>Granting authority</u>	<u>Grant date</u>	<u>Expiry date</u>
Value-Added Telecommunication Service Business License (增值電信業務經營許可 證, the “ICP License”)	Shenzhen Cogobuy	Guangdong Telecommunication Bureau (廣東省通 信管理局)	July 16, 2013	July 16, 2018

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LEGAL COMPLIANCE AND PROCEEDINGS

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

In September 2013, which was prior to our acquisition of the Envision Global Entities from Brilliant in November 2013, Murata Company Limited ("**Murata**") filed a claim in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region against Broadband Corporation, a subsidiary of the Envision Global Entities (together with Murata, the "**Parties**"). Murata alleged that Broadband Corporation breached a certain supply contract between the Parties despite conceding that there was no formal agreement between them governing the sale and purchase of the products in question. In January 2014, Broadband Corporation filed a defence and counterclaim in the same court, asserting that there was no supply contract between the Parties, and that Murata breached a separate service agreement entered into by the Parties in or about 2010. The damage sought by Murata in the statement of claim is US\$1,368,000 plus interests and costs, which represent our maximum financial exposure in this litigation. Under the share purchase agreement dated November 20, 2013 (the "**Share Purchase Agreement**") pursuant to which we acquired the Envision Global Entities, including Broadband Corporation, the Company did not assume any liabilities incurred by the Envision Global Entities prior to the date of the share purchase agreement, and the seller, Brilliant, shall be responsible for such liabilities. On March 26, 2014, we entered into a deed of indemnity with Brilliant (the "**Deed of Indemnity**"), whereby Brilliant agreed to indemnify our Company for, among other things, damages and liabilities in connection with any claim arising on or before the date of the Share Purchase Agreement against any of Envision Global Entities, including the claim brought by Murata described above. Pursuant to a consent order dated May 30, 2014, Murata's claim and Broadband Corporation's counterclaim have been dismissed upon Broadband Corporation's payment of the settlement sum of US\$200,000 to Murata. Pursuant to the Deed of Indemnity, Brilliant will indemnify us for the full settlement sum. Based on the foregoing, our Directors are of the view that this litigation has not had and will not have any material adverse effect on our business and financial condition.

During the Track Record Period, we also did not have any non-compliance with the laws or regulations which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations. Our PRC Legal Advisor is of the opinion that, other than the non-compliance disclosed below, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and the subsequent period up to the Latest Practicable Date.

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Set forth below is a summary of our non-compliance matters during the Track Record Period, as well as rectification actions and preventive measures that we have taken in respect of such matters, including obtaining confirmations from relevant regulatory authorities that they would not impose penalties or other measures on us:

Matters of non-compliance and reasons	Legal consequences, potential maximum penalties and other financial losses	Rectification actions, current status and measures to prevent future breach and ensure ongoing compliance
<i>Trademark ownership</i>		
<p>Our PRC Legal Advisor has advised us that, under relevant PRC laws and regulations, holders of the ICP License must also hold trademarks used for conducting the value-added telecommunication service. We conduct value-added telecommunication service through Shenzhen Cogobuy, which holds the ICP License. However, we submitted applications for registration of certain PRC trademarks used for conducting Shenzhen Cogobuy’s value-added telecommunication service through our Hong Kong subsidiary, Cogobuy. Due to administrative oversight, since the date on which Shenzhen Cogobuy obtained the ICP License and up to the Latest Practicable Date, those PRC trademarks (including one pending application for the trademark “科通芯城”) had not been transferred to Shenzhen Cogobuy from Cogobuy.</p>	<p>In the opinion of our PRC Legal Advisor, a competent telecommunication authority has the discretion to revoke the ICP License owned by Shenzhen Cogobuy, if it orders us to transfer the trademarks to Shenzhen Cogobuy within a given period, while we fail to do so.</p>	<p>We have endeavored to rectify this non-compliance incident. We caused Cogobuy, the registered owner and applicant of the PRC trademarks “Cogobuy” and “科通芯城” (including one pending application for the trademark “科通芯城”), to enter into an agreement with Shenzhen Cogobuy to transfer six registered trademarks and one pending application to Shenzhen Cogobuy. Cogobuy is in the process of transferring these trademarks and pending application to Shenzhen Cogobuy. We are using our commercially reasonable best efforts to complete the transfer as soon as practicable. However, we cannot assure you that all transfer steps will be completed and Shenzhen Cogobuy will be able to hold the relevant trademarks and trademark application before the Listing. Please refer to the paragraph headed “Transfer of trademarks to Shenzhen Cogobuy” for further details.</p> <p>On March 26, 2014, we obtained a confirmation letter from Guangdong Telecommunication Bureau, in which it confirmed that Shenzhen Cogobuy had not been punished for any breach of applicable laws and regulations governing telecommunication businesses during the period from July 16, 2013 (being the date on which the ICP License was granted) to March 21, 2014 (being the date on which we requested the confirmation from Guangdong Telecommunication Bureau). Since March 21, 2014 Shenzhen Cogobuy has not been punished for any breach of applicable laws and regulations or been found liable for any penalty or fines arising from the non-compliance described above. Our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor are of the opinion that it is unlikely that local telecommunication authorities would revoke Shenzhen Cogobuy’s ICP License.</p>

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Matters of non-compliance and reasons	Legal consequences, potential maximum penalties and other financial losses	Rectification actions, current status and measures to prevent future breach and ensure ongoing compliance
<p><i>Lease registration</i></p> <p>As of April 16, 2014, we had entered into nine lease agreements as tenants in the PRC with different landlords, of which two lease agreements had not been registered with the relevant government authorities. These two unregistered lease agreements cannot be registered due to the non-cooperation of the relevant landlords. Registration of lease agreements requires the submission of certain documents that must be provided by the landlords, including their identity documentation, to relevant authorities and therefore the registration is subject to cooperation of landlords which is not within our control.</p>	<p>Our PRC Legal Advisor advised us that, under relevant PRC laws and regulations, the relevant governmental authority may ask the parties to a lease to register the lease within a given period, and a fine will be imposed on the parties to a lease for failing to rectify within the given period. For each of the lease agreements under which we are a lessee, and where the lease agreements have yet to be registered with the relevant government authorities, a fine ranging between RMB1,000 to RMB10,000 may be imposed, if we are ordered by any competent authorities to register the lease agreements within a given period, while we fail to do so.</p>	<p>We have endeavored to rectify this non-compliance incident. We are actively liaising with the landlords to provide the necessary documentation for registration. We will disclose the status of the rectification in our interim or annual reports, as the case may be. Our PRC Legal Advisor has advised us that the failure to register a lease will not affect the legality, validity or enforceability of a lease agreement. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register the lease agreements within a given period. In addition, the fine which may potentially be imposed as a result of the failure to register the relevant leases would be immaterial. In consideration of the foregoing and the rectification actions we have taken, we have not made any provision in this regard.</p>

Our PRC Legal Advisor is of the view that the above incidents, whether individually or collectively, are not material to our Group as a whole, and all the PRC governmental authorities referred to in the above table are the competent authorities for the respective matters mentioned in such table.

Our directors are of the view that these non-compliance incidents, whether individually or collectively, will not have a material operational or financial impact on us, given that (i) we are in the process of transferring the trademarks to Shenzhen Cogobuy; and (ii) the potential maximum fine for failure to register lease agreements for the two properties we leased would be no more than RMB20,000.

The Company undertakes that it will rectify all non-compliances in a timely manner and will update the progress of the rectification of the non-compliance incidents in the Company's interim and annual reports after the Listing.

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While the non-compliances in relation to the lease registration were due to reasons beyond our control, the non-compliances in relation to the trademark and domain name ownership were due to our administrative oversight. Although our Directors are responsible for the overall operations of the Group, such non-compliances were not due to lack of experience, integrity, skill, care or diligence of our Directors. Our Directors have contributed sufficient amount of time on the overall business operations and growth of our Group, have been dedicated to the daily management and the long term objects to advance the Shareholders' interests. However, given the large number of the Group's subsidiaries, it is impractical for the Directors to be heavily involved in the daily operations of each of such subsidiaries. Our Directors have been relying on the managers of our PRC and HK subsidiaries to carry out the daily operations of the Group and implement the relevant internal control measures.

Having considered the facts and circumstances leading to the above non-compliance incidents as disclosed in this section and our Group's enhanced internal control measures to avoid recurrence of these non-compliance incidents discussed above, our Directors are of the view that the above non-compliance incident does not affect their suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

Transfer of trademarks to Shenzhen Cogobuy

To rectify the non-compliance relating to trademark ownership, we are in the process of transferring six registered trademarks and one pending trademark application to Shenzhen Cogobuy. We cannot assure you that the transfer will be completed before the Listing. Nonetheless, this will not affect the validity of the ICP license held by Shenzhen Cogobuy or cause any material adverse impact on the Company's business operations in general for the following reasons:

- ***There is no impediment to the transfer being completed:*** Our PRC Legal Advisor has confirmed that the trademark transfer is purely a procedural matter, and that no objection from any third parties on the validity of the trademarks (商標異議) will be accepted and no discretion to reject such transfer will be exercised by the Trademark Bureau under State Administration for Industry and Commerce (the "**Trademark Bureau**"). That is, the transfer will be approved and registered by the Trademark Bureau unless there is evidence that the transfer itself is under dispute or is not the true intention of the parties. Given that (i) the legal interest in Shenzhen Cogobuy is held by one of the Company's substantial shareholders, Ms. Yao, (ii) Ms. Yao has entered into legally binding agreements with Cogobuy E-commerce (an indirectly wholly-owned subsidiary of the Company) with respect to the exercise of control over Shenzhen Cogobuy, (iii) as such, both the transferor and the transferee of the trademarks are under the Company's control and there is no risk of the transferring entity being unwilling to give effect to the transfer, and (iv) there is therefore no evidence that the transfer is under dispute or that it is not the true intention of the parties to give effect to the transfer. Our PRC Legal Advisor is of the view that there is no legal obstacle to the completion of the trademark transfer.

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In addition, our PRC Legal Advisor advised us that generally there is no legal ground for a third party to interrupt or stop the trademark transfer process because such transfer is a matter between Cogobuy, as the transferor, and Shenzhen Cogobuy, as the transferee. Our PRC Legal Advisor also advises that in theory, if a third-party obtained an order from a PRC court against Cogobuy regarding the seizure, attachment or freezing of Cogobuy's assets in an ongoing litigation or a pre-trial proceeding and the trademarks in question were covered under such order, the court could request the Trademark Bureau to suspend the trademark transfer process. As Cogobuy is not involved in any legal proceedings in the PRC and there is no court order against Cogobuy for any matters, no third party currently has the right to interrupt or suspend the trademark transfer between Cogobuy and Shenzhen Cogobuy based on a court order. The view of the Sole Sponsor's PRC Legal Advisor on the lack of impediment to the transfer is consistent with the opinion of the Company's PRC Legal Advisor set out above.

- ***The risk of revoking the ICP license is remote:*** Our PRC Legal Advisor has advised us that the risk of Shenzhen Cogobuy's ICP license being revoked only exists if Shenzhen Cogobuy fails to acquire the relevant trademarks after being ordered by the Guangdong Telecommunication Bureau to do so within a given period. Since the Guangdong Telecommunication Bureau has not ordered Shenzhen Cogobuy to acquire any trademarks related to its ICP license, our PRC Legal Advisor is of the view that the Guangdong Telecommunication Bureau has no current legal basis for revoking Shenzhen Cogobuy's ICP license. Furthermore, even if the Guangdong Telecommunication Bureau were to require the Company to transfer the trademarks, the Company would typically have a reasonable period within which it will be able to complete the transfer of the trademarks without revocation of the ICP license, and our PRC Legal Advisor has advised that the likelihood of the Guangdong Telecommunication Bureau imposing a deadline that is not practically achievable is extremely remote. The view of the Sole Sponsor's PRC Legal Advisor on the risk of ICP license revocation is consistent with the opinion of the Company's PRC Legal Advisor set out above.
- ***The timing of the transfer is beyond the Company's control:*** The timing of the completion of the transfer is beyond our control. In particular, the progress of the trademark transfer has been slower than originally expected due to an internal system upgrade at the Trademark Bureau. We have already submitted the application documents for the trademark transfer to the Trademark Bureau and will use our best endeavours to ensure that the transfer is completed as expeditiously as possible. However, our PRC Legal Advisor has been advised by the Trademark Bureau that due to its internal system upgrade, the Trademark Bureau has currently suspended reviews of transfer applications until the upgrade is expected to be completed in mid-June 2014. Our PRC Legal Advisor advised us that it normally takes a few months for the Trademark Bureau to review and register a trademark transfer.

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- ***If the ICP license were to be revoked, its impact on the Group's direct sales business would be de minimis:*** The Group does not require an ICP license to conduct its direct sales business. Please refer to the section headed “Regulatory Overview — Telecommunications Services and Foreign Ownership Restrictions — Telecommunications Services” of this prospectus. The Total Dynamic Entities, together with the beneficial ownership of Shenzhen Cogobuy, were acquired by the Group for the purposes of acquiring the front-end platform maintained on the cogobuy.com website that aggregates listings of products sold by companies within our Group other than Shenzhen Cogobuy (in respect of our direct sales business) and by third-party merchants (in respect of our marketplace business). As advised by our PRC Legal Advisor and confirmed by the Sole Sponsor's PRC Legal Advisor if Shenzhen Cogobuy's ICP license were to be revoked, we could continue to conduct our direct sales e-commerce business through the cogobuy.com website without the need for an ICP license; however, we would be required to discontinue our marketplace business until such time as we were able to successfully re-apply for an ICP license. Based on the foregoing, our Directors are of the view that an ICP License is not needed for our Company to continue to conduct our direct sales e-commerce business through the cogobuy.com website if Shenzhen Cogobuy's ICP license were to be revoked. The Sole Sponsor has reviewed the relevant information and has obtained confirmations from the Sole Sponsor's PRC Legal Advisor as well as the Directors, and based on the foregoing, nothing has come to the attention of the Sole Sponsor which leads them to believe that an ICP License is needed for the Company to continue to conduct its direct sales e-commerce business through the website cogobuy.com if Shenzhen Cogobuy's ICP license were to be revoked. The marketplace revenue made up approximately 1% and less than 1% of the Group's revenue for the year ended December 31, 2013 and the three months ended March 31, 2014, respectively, and we did not generate any marketplace revenue for the period from February 1, 2012 to December 31, 2012. As such, our Directors are of the view that even if Shenzhen Cogobuy's ICP license were to be revoked, its impact would be de minimis and, as a result, it would not have a material adverse effect on our financial situation or results of operations. The Sole Sponsor has reviewed the relevant information and has obtained confirmations from the Directors, and based on the foregoing, nothing has come to the attention of the Sole Sponsor which leads them to believe that even if Shenzhen Cogobuy's ICP license were to be revoked, its impact would not be de minimis or that as a result, it would have a material adverse effect on the Group's financial situation or results of operations, as the marketplace revenue only made up approximately 1% of the Group's revenue for the year ended December 31, 2013 and the Group did not generate any marketplace revenue for the period from February 1, 2012 to December 31, 2012.
- ***Similar situations are not uncommon for listed companies:*** Historically, companies with contractual arrangements often let subsidiaries hold trademarks and other intellectual properties to ensure that key assets are held by subsidiaries. After the new rules that became effective in 2006 that required ICP license holders to also own trademarks or other intellectual properties, several public companies with contractual arrangements continued to have their respective subsidiaries hold trademarks.
- ***Investors will be given the opportunity to assess the risks:*** Full disclosure of the background to the transfer of the trademarks and the associated risk to the Company has been included in this prospectus. We will keep investors updated on the progress of the transfer after the Listing (to the extent that it has not been completed by then). Investors will therefore be given opportunity to consider the risks associated with the transfer of the trademarks and, on that basis, determine whether or not to invest in our shares.

INTERNAL CONTROL OVER BUSINESS OPERATIONS

We have engaged an internal control consultant (the “**Internal Control Consultant**”) to perform certain agreed-upon procedures in connection with the internal control of the Company and its major operating subsidiaries and to report factual findings on the internal control of entity-level controls, compliance, finance and accounting process, cash management process, procurement and accounts payable process, inventory management process, sales and accounts receivable process, IT general controls, human resource management, taxation management, investment management and intangible asset management of these companies. The work performed by the Internal Control Consultant, which did not involve an assurance engagement in relation to the Company’s internal control, was conducted in January 2014 and resulted in a number of findings and recommendations. We have taken corrective actions in response to the Internal Control Consultant’s findings and recommendations. The Internal Control Consultant performed follow-up procedures on the Company’s system of internal control with regard to those actions taken by the Company and reported further commentary in March 2014.

We have adopted internal procedures to ensure regulatory compliance in our business operations both in China and in Hong Kong. Under these procedures, our management staff work closely with our external legal counsel to monitor the regulatory environment and developments in PRC laws and regulations to support our business operation and expansion.

Risk Management

We are dedicated to the establishment and maintenance of a robust internal control system. We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations such as financial reporting, information risk management, legal compliance and intellectual property rights management and human resources management.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing trainings to our finance staff to ensure that these policies are well-observed and effectively implemented.

As of March 31, 2014, our finance team consisted of 18 employees, and was headed by our chief financial officer, who is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants and has extensive experience in public company financial reporting. Other senior members of our finance department are all experienced in finance and accounting.

Information Risk Management

We have adopted measures to protect user data accumulated on our platform and prevent technical issues in our network infrastructure and information technology system. Our information technology department is responsible for protecting user data and ensuring the stability of our network infrastructure and information technology system. Our information technology team consists of 179 employees, and is led by our senior vice president, who has approximately 25 years of experience in information technology industry.

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We use various information management systems in our operations. To ensure information security, employee access to internal information is restricted and employees are not allowed to access certain internal information without authorization. We have adopted internal policies to ensure that authorization is tailored to employee seniority and department function so that certain information can only be obtained on an as-needed basis. We have adopted various policies on database operation to prevent information leakage and loss of data. Key information in the database such as user password is protected by robust encryption algorithms. We also keep records of all database operations and non-routine database operations are not permitted unless such operations are necessary and have been approved jointly by our chief operating officer, senior vice president and the heads of relevant departments. We also use monitoring systems to monitor the data operating status of the server and alert relevant departments to abnormal situation. In addition, our daily maintenance, fire protection measures, access control system and other measures help maintain the physical condition of our network infrastructure. We also have a data back-up system through which our data is stored on servers of different locations on a weekly basis to reduce the risk of data loss. Our information technology department conducts backup recovery tests regularly to examine the status of this back-up system. Further, most of our full-time employees are required to sign confidentiality and non-compete agreements, pursuant to which they undertake to keep confidential any user data and operational, financial and product information of the Company that they obtain by virtue of their employment with the Company.

Operational Risk Management

Compliance with PRC laws and regulations, especially laws and regulations governing the Internet e-commerce industry as well as trade matters, and protection of our intellectual property rights are major focus areas of our operational risk management. We have a dedicated legal team that is responsible for monitoring any changes in PRC laws and regulations and ensuring the ongoing compliance of our operations with PRC laws and regulations. Our legal team also works with our outside legal counsel to ensure that we have obtained and maintains and regulations all the necessary permits and licenses required for our operations for launching new products or entering into new business segments. To prevent similar incidents of non-compliance as disclosed in the section headed “Business Legal Compliance and Proceedings” in the prospectus from recurring, our management is committed to staying informed of the latest laws and regulations governing our business activities, and working with our legal team and outside legal advisors to take all necessary actions to ensure compliance with such laws and regulations. In situations where the relevant laws and regulations are not clear as to what action should or should not be taken, we take the conservative approach to avoid any potential compliance issues.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. Moreover, we provide a mentor program for each of the fresh graduates that we hire, which we believe is effective in equipping them with the skillset and work ethics that we require from our employees. We provide specialized trainings tailored to the needs of our employees in different departments. Our employee handbook contains guidelines regarding best commercial practice, work ethics and prevention of fraud, negligence and corruption. Our employees are required to provide a written confirmation that he or she understands and is committed to observing the requirements set forth in our employee handbook. We have also made available an anonymous reporting channel through which potential violations of our internal policies or illegal acts at all levels of the Company can be timely reported to management and appropriate measures can be taken to minimize damage.

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Corporate Governance Measures

We have established an Audit Committee on our Board, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The Audit Committee consists of three independent non-executive directors and its chairman has appropriate professional qualifications.

To ensure our effective control of our consolidated PRC operating entity, Shenzhen Cogobuy, we have implemented measures to protect against the potential conflicts of interest between the Company and Ms. Yao, the sole shareholder of Shenzhen Cogobuy. Pursuant to the Exclusive Option Agreement entered into among Shenzhen Cogobuy, Ms. Yao and Cogobuy E-Commerce, our wholly-owned subsidiary, Cogobuy E-commerce has a right to require Ms. Yao to transfer any and all of the shares of Shenzhen Cogobuy she holds to Cogobuy E-commerce and/or a third party designated by it. Under the Proxy Agreement and Power of Attorney entered into among Shenzhen Cogobuy, Ms. Yao and Cogobuy E-Commerce, Ms. Yao irrevocably nominated and appointed Cogobuy E-commerce or any natural person designated by Cogobuy E-commerce as her attorney-in-fact to exercise on her behalf, and agreed and undertook not to exercise without consensus with such attorney-in-fact, any and all rights that she has in respect of her shares in Shenzhen Cogobuy. Please refer to the section headed “Contractual Arrangements” of this prospectus. Furthermore, we have internal procedures to minimize Ms. Yao’s influence on Shenzhen Cogobuy’s business operation. According to the Group’s organization chart, Ms. Yao is not a member of its key management team. Under the Group’s policies, Ms. Yao is not authorized to approve major business or governance issues of Shenzhen Cogobuy. Nor does Ms. Yao have physical possession of or control over Shenzhen Cogobuy’s corporate stamps.

Similarly, there are mechanisms in place, and we have also adopted additional measures, to protect against Ms. Yao and her spouse from exercising any control or influence over Cogobuy E-commerce, including rights under the Contractual Arrangements. Following completion of the Global Offering, Ms. Yao will indirectly hold approximately 21.83% of the Company’s issued share capital (assuming the Over-allotment Option is not exercised), and thus will have an insufficient shareholding interest to pass any shareholders’ resolutions by herself. In addition, Ms. Yao is not a Director and has no executive role with the Company or its subsidiaries (including Cogobuy E-commerce) and thus does not have any right to participate in the decision-making process at any level within the Company and the Group (save for Shenzhen Cogobuy, with respect to which she has entered into the Proxy Agreement and Power of Attorney appointing Cogobuy E-commerce or any natural person designated by Cogobuy E-commerce to exercise any and all rights that she has). Although the spouse of Ms. Yao, Mr. Li Feng, is a member of the Company’s senior management team, he is neither a shareholder of the Company or any member within the Group nor a director of the Company or any member within the Group. In addition, Mr. Li Feng has executed a written consent in which he undertook, among other things, not to take any action with the intent to interfere with the Contractual Arrangements. Furthermore, under the Group’s policies, neither Ms. Yao nor Mr. Li Feng is authorized to approve major business or governance issues of Cogobuy E-commerce, nor does either have physical possession of or control over Cogobuy E-commerce’s corporate stamps.

Based on the above, the Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with (a) the potential conflicts of interest between the Company and Ms. Yao and (b) Ms. Yao and her spouse exercising any control or influence over Cogobuy E-commerce, including rights under the Contractual Arrangements. The Sponsor has reviewed the relevant agreements and

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information provided by our Company as well as the internal control report regarding the existing internal control measures and procedures of the Company and has obtained confirmations from our Company and the Directors. Based on the foregoing, nothing has come to the attention of the Sponsor which leads them to believe that the measures adopted by the Company are insufficient to mitigate the risks associated with (a) the potential conflict of interest between the Company and Ms. Yao and (b) Ms. Yao and her spouse exercising any control or influence over Cogobuy E-commerce, including rights under the Contractual Arrangements.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our Audit Committee and senior management monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

Export Compliance Procedures

We have developed export compliance procedures to manage our business to comply with export control laws and regulations that are applicable to our operations, including the U.S. Export Administration Regulations, and economic sanctions enforced by the U.S. Office of Foreign Assets Control. Each product that is subject to the U.S. export control is assigned a specific Export Control Classification Number (“ECCN”), which categorizes such product based on its characteristics, i.e. type of commodity, software, or technology and its respective technical parameters. All export requirements promulgated and decisions issued for any product subject to the U.S. export control are based on its ECCN. Before an order is processed, we will check whether it can be authorized based on the ECCN of the products in the order.

AWARDS AND RECOGNITIONS

<u>Award/Recognition</u>	<u>Award Date</u>	<u>Awarding Institution/Authority</u>
2012 China Top 100 E-commerce Company (中國電子商務百強企業)	September 2012	ISC.org (中國互聯網協會)
2012 Mobile Internet Innovation Star (2012年移動互聯網創意營銷之星)	November 2012	Analysys International (易觀國際)
2012 Online Retail Best Potential Award (2012年網上零售最具發展潛力獎)	November 2012	eBrun.com (億邦動力網)
2013 Best EnfoCommerce Award (2013易觀EnfoCommerce最具潛力 電子商務模式)	March 2013	Analysys International (易觀國際)
2013 Best Potential Business Model Award (2013年最具潛力商業模式獎)	April 2013	eBrun.com (億邦動力網)
2013 Mobile Internet Business Innovation Award (商業創新先鋒獎)	July 2013	Business Value (商業價值雜誌)
2013 China Best Business Model Award (2013年度中國最佳商業模式獎)	December 2013	21st Century Business Review (二十一世紀商業評論)

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BACKGROUND

To comply with the relevant PRC laws, our *cogobuy.com* platform is operated by Shenzhen Cogobuy, which was incorporated under the PRC laws. Cogobuy E-commerce in turn supervises the business operations of Shenzhen Cogobuy and derives the economic benefits from Shenzhen Cogobuy. Shenzhen Cogobuy holds the requisite PRC permits, licenses and approvals for developing and operating our e-commerce platform, including the ICP License. In addition, Shenzhen Cogobuy holds the intellectual property rights, including software copyrights and the domain name, and is in the process of acquiring the trademarks that are important for the operation of our *cogobuy.com* platform.

Investment activities in the PRC by foreign investors are mainly governed by the *Guiding Catalog for Foreign Investment Industries of 2011* (《外商投資產業指導目錄(2011)》) (the “**Catalog**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Catalog divides industries into four categories in terms of foreign investment, including “encouraged,” “restricted” and “prohibited,” and all industries not listed under any of these categories are deemed to be “permitted.” As confirmed by our PRC Legal Advisor, according to the Catalog, the marketplace e-commerce business that the Company currently operates falls into the category of “value-added telecommunications services,” which is considered “restricted.” However, as confirmed by the our PRC Legal Advisor, our direct sales business, whether conducted online or offline, does not fall into this restricted category.

On December 11, 2001, the State Council promulgated the *Regulations on the Administration of Foreign-Invested Telecommunications Enterprises* (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were amended on September 10, 2008. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must demonstrate a good track record and prior experience in providing value-added telecommunications outside the PRC prior to acquiring any equity interests in any value-added telecommunications services business in the PRC (the “**Qualification Requirement**”). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the Qualification Requirement. According to the application requirements published on the official website of MIIT, foreign investors applying for establishing foreign-invested value-added telecommunication enterprises in the PRC are required to provide, among other things, the applicant’s annual reports for past three years, proof of Qualification Requirement and a business development plan. MIIT has not provided any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirement.

Despite the lack of clear guidance on or interpretation of the Qualification Requirement, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of becoming qualified, as early as possible, to acquire the entire equity interests of Shenzhen Cogobuy when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China.

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We have four operating subsidiaries incorporated in Hong Kong whose principal business activities are sales of electronic components and related products, including Comtech International, Broadband Corporation, Comtech Industrial and Comtech Digital (HK), which were incorporated and commenced operations in July 2000, March 2005, May 2009 and February 2010, respectively. To demonstrate experience in areas related to overseas value-added telecommunications business, these Hong Kong subsidiaries have started to maintain the Group's cloud service and database, provide services that support our cogobuy.com e-commerce platform including technical support for overseas users of our e-commerce platform, including suppliers, and also engage in the operation of our online data analysis system, inventory management system and delivery tracking system.

Since no clear guidance on the interpretation of the Qualification Requirement has been provided by applicable PRC laws, regulations or rules, our PRC Legal Advisor is not in a position to give an opinion as to whether the abovementioned business activities of our Hong Kong subsidiaries would be considered by the MIIT to be operation of value-added telecommunications business outside the PRC. Nevertheless, we believe that such business activities help to demonstrate our experience in areas related to overseas value-added telecommunications business. In particular, according to the *Catalogue of Telecommunications Businesses* (《電信業務分類目錄》) attached to the *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》), value-added telecommunication services include, among others, online data and transaction handling businesses. The services provided by our Hong Kong subsidiaries are important components of our e-commerce platform and relate directly to online data and transaction handling. Going forward, our Hong Kong subsidiaries will play a greater role in serving the overseas users of our e-commerce platform, including in the provision of mobile application services.

As set out more particularly under the section headed “History, Reorganization and Corporate Structure — The Reorganization — 4. Acquisition of certain companies from Envision Global”, Broadband Corporation, Comtech Industrial and Comtech Digital (HK) were acquired in November 2013 and their results were incorporated into that of the Group since November 2013. To carry out the steps set out above, including the provision of the abovementioned services by our Hong Kong subsidiaries, to demonstrate our experience in areas related to overseas value added telecommunications business, we incurred financial resources of RMB3,713,000 for the year ended December 31, 2013 and we expect to incur financial resources of RMB8,500,000 for the year ending December 31, 2014. We incurred substantially less financial resources in the above areas in 2013 primarily because we only consolidated the financial results of the above companies since November 2013.

We will, as applicable, disclose any updates to the Qualification Requirements, our other efforts and actions taken to comply with the Qualification Requirement and our progress toward meeting the Qualification Requirement in our annual and interim reports to inform the public investors after the Listing.

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On July 13, 2006, the MIIT issued the *Circular regarding Strengthening the Administration of Foreign Investment in and Operation of Value added Telecommunications Business* (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Circular**”). The MIIT Circular reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign-invested enterprises and obtain an ICP License before conducting any value-added telecommunications business in China. Under this circular, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local ICP License holder (or its shareholder(s)). The circular further requires each ICP License holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. If the ICP License holder fails to comply with the requirements in the Circular and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take measures against such license holder, including revoking its ICP License.

On September 25, 2000, the State Council issued the *Administrative Measures on Internet Information Services* 《互聯網信息服務管理辦法》 (the “**Internet Measures**”), which were amended on January 8, 2011. The Internet Measures regulate the provision of Internet information services. According to the Internet Measures, “Internet information services” refer to services that provide Internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the Internet Measures, Internet information commercial service providers shall obtain an ICP License from the relevant authorities before engaging in the provision of any commercial Internet information services in China.

Because foreign investment in the industry in which we currently operate is subject to certain restrictions under current PRC laws and regulations, we determined that it was not viable for the Company to hold Shenzhen Cogobuy directly through equity ownership. Formerly, the entire equity interest in Shenzhen Cogobuy was owned by Ms. Yao. Ms. Yao, through her ownership of the entire issued share capital of Total Dynamic, is the holder of 30% of the issued outstanding share capital of the Company. By way of a deed dated February 1, 2013 entered into between Ms. Yao and Cogobuy Holding, Ms. Yao agreed to hold her equity interest in Shenzhen Cogobuy, together with all dividends and interest, rights and privileges arising therefrom, for the benefit of Cogobuy Holding (the “**Former Arrangements**”).

On March 13, 2014, in accordance with common practice in industries which are subject to foreign investment restrictions in the PRC, we replaced the Former Arrangements with a VIE arrangement. Thus, the Company, through Cogobuy E-commerce, Shenzhen Cogobuy and Ms. Yao entered into a series of contractual arrangements, under which the Company gained effective control over, and received all the economic benefits generated by the business currently operated by Shenzhen Cogobuy (the “**Contractual Arrangements**”). The Contractual Arrangements allow Shenzhen Cogobuy’s financials and results of operations to be consolidated into our financials and as if it was a wholly-owned subsidiary of our Group. We believe that the Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions.

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We did not generate any revenue from Shenzhen Cogobuy in 2011 and 2012, and generated less than 1% of our total revenue from Shenzhen Cogobuy in 2013. However, Shenzhen Cogobuy is important to our business operation as it holds the requisite PRC permits, licenses and approvals for developing and operating our online marketplace platform, including our ICP License, as well as certain related intellectual property rights, including the cogobuy.com domain name.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into by Cogobuy E-commerce and Shenzhen Cogobuy; (ii) by entering into the Exclusive Business Cooperation Agreement with Cogobuy E-commerce, Shenzhen Cogobuy is able to enjoy better economic and technical support from us, as well as better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose. We confirm that, in compliance with the Stock Exchange's requirement that the Contractual Arrangements should be narrowly tailored to achieve the Company's business purposes and minimize the potential for conflict with relevant PRC laws and regulations, Shenzhen Cogobuy will only engage in marketplace e-commerce business in the PRC, which is subject to foreign investment restrictions under the relevant laws and regulations.

Our Group's direct sales business is not a restricted business for foreign investors. Shenzhen Cogobuy does not engage in the direct sales business, as it does not directly sell products to its customers or derive any revenue from direct sales. Nor does Shenzhen Cogobuy enter into any contracts relating to direct sales. Instead, Shenzhen Cogobuy operates the cogobuy.com website, which acts as both a marketplace platform for third-party merchants and an online platform for the marketing of the direct sales business of our Group. Therefore, although Shenzhen Cogobuy owns the cogobuy.com domain name, it does not engage in any business that is unrestricted to foreign investors.

Under the FITE Regulations, domain names that are used in the value-added telecommunications business must be owned by the local ICP License holder or its shareholder(s). As an ICP License is required for providing value-added telecommunications services, Shenzhen Cogobuy is required to own the domain name cogobuy.com.

The online direct sales business conducted through the cogobuy.com website is operated by companies within our Group other than Shenzhen Cogobuy and, in particular, Broadband Corporation, Comtech Digital (HK), Comtech Digital (SZ), Comtech Electronic, Comtech Industrial, Comtech Industrial (SZ), Comtech International and E&T System. They can use the cogobuy.com website owned by Shenzhen Cogobuy for direct sales, and there is no requirement under any PRC laws or regulations for them to own the cogobuy.com website for such direct sales. The cogobuy.com website is principally a front-end platform that aggregates listings of products sold by our subsidiaries other than Shenzhen Cogobuy and by third-party merchants. After the customers find their desired products listed on cogobuy.com, they will enter into sales contracts with, and make payments to, such subsidiaries (in the case of direct sales) or such third-party merchants (in the case of marketplace orders), as the case may be. As Shenzhen Cogobuy is required to own the cogobuy.com domain name to conduct its marketplace business whereas our other subsidiaries are not required to own the domain name for their direct sales business, and because the domain name can only be directly owned by one company, it is necessary for the current and future business of our Group to have Shenzhen Cogobuy own the domain name. In the event that Shenzhen Cogobuy's ICP License should be revoked for any reason and as a result our Group could not continue to conduct our marketplace business in the PRC, the Cogobuy E-Commerce will be able to exercise its rights under the Contractual Arrangements to acquire all of the equity interest in Shenzhen Cogobuy, and thereby to acquire all of Shenzhen Cogobuy's assets, including the cogobuy.com

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domain name. The Contractual Arrangements will be unwound after such acquisition. If for any unlikely reason we are unable to acquire the cogobuy.com domain name, we will still be able to conduct our direct sales business through a different but similar domain name cogobuy.co, which is currently owned by a wholly-own subsidiary of our Group. Although adopting a new domain name will require a certain level of expenditure on customer education to raise their awareness about the new site, and may result in a loss of some customers during the transition phase, as the customer and supplier contracts, data and information are already held by Group companies other than Shenzhen Cogobuy it would otherwise have a minimal impact on the Group's operations.

Furthermore, it is essential for our Group to conduct both our direct sales business and our marketplace business using the same domain name and website, as we aim to provide our customers with a convenient solution to satisfy all of their procurement needs for IC and other electronic components. In 2013, 556 customers, or 20.3% of our total customers in 2013, made both direct sales purchases and marketplace purchases through the cogobuy.com website. An integrated direct sales and marketplace platform also allows us to more effectively collect and analyze customer data to improve our marketing, merchandising and inventory management.

Therefore, considering that (1) Shenzhen Cogobuy does not engage in the direct sales business, which is not restricted for foreign investors; (2) it is necessary for Shenzhen Cogobuy to own the cogobuy.com domain name for its marketplace business; and (3) the continued growth of our business is substantially dependent on our ability to operate our marketplace and direct sales ecommerce businesses through the cogobuy.com website, the Contractual Arrangements fully comply with the Listing Decision LD43-3.

The provision of internet information services in the PRC is mainly regulated by the Administrative Measures on Internet Information Services 《互聯網信息服務管理辦法》 (the “**Internet Measures**”). According to the Internet Measures, “Internet Information Services” are categorized into:

- “Operational Internet Information Services”, which are defined as services involving the provision of information or website-designing services through the internet to internet-users for a fee; and
- “Non-operational Internet Information Services”, which are defined as services involving the provision of public and sharable information through the internet to internet-users free of charge.

Pursuant to the Internet Measures, a provider of Operational Internet Information Services is required to obtain an ICP license, while a provider of Non-operational Internet Information Services is only subject to a filing requirement (i.e., the filing of the domain name with the competent bureau of telecommunications).

Our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor are of the view that only companies that charge a fee to other parties for the use of their website (e.g., as in the marketplace business model), are regarded as providing Operational Internet Information Services under the Internet Measures.

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On the basis that Shenzhen Cogobuy does not charge a fee to the companies within the Group that are engaged in direct sales, our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor are of the view that Shenzhen Cogobuy's provision of services to those companies (by allowing their access to and use of its domain name) falls within the definition of Non-operational Internet Information Services and, as such, Shenzhen Cogobuy does not require an ICP license in order to provide those services. Furthermore, as the cogobuy.com domain name has already been duly filed with the competent bureau of telecommunications in accordance with the requirements for Non-operational Internet Information Services under the Interim Measures, even in the unlikely event that Shenzhen Cogobuy's ICP license is revoked, the provision of Non-operational Internet Information Services by Shenzhen Cogobuy to the companies within the Group engaged in direct sales (by allowing their access to and use of the domain name) will not be affected. Based on the foregoing, our Directors are of the view that Shenzhen Cogobuy's provision of services to those companies (by allowing their access to and use of its domain name) falls within the definition of Non-operational Internet Information Services and, as such, Shenzhen Cogobuy does not require an ICP license in order to provide those services.

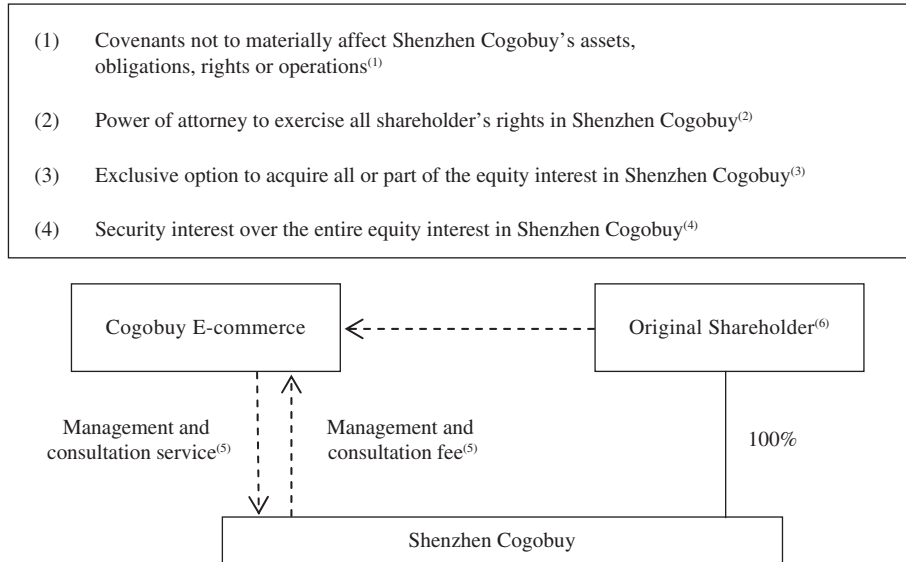
The Sole Sponsor has reviewed the relevant information including the Internet Measures and has obtained confirmations from the Sole Sponsor's PRC Legal Advisor as well as the Directors, and based on the foregoing, nothing has come to the attention of the Sole Sponsor which leads them to believe that Shenzhen Cogobuy's provision of services to those companies (by allowing their access to and use of its domain name) does not fall within the definition of Non-operational Internet Information Services or that Shenzhen Cogobuy requires an ICP license in order to provide those services.

Our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor have confirmed that the arrangements through which we operate our marketplace business and direct sales business, including with respect to the role played by the cogobuy.com domain name in both of those businesses, is legal and valid under PRC laws and regulations. Based on the foregoing, our Directors are of the view that the arrangements through which we operate our marketplace business and direct sales business, including with respect to the role played by the cogobuy.com domain name in both of those businesses, is legal and valid under PRC laws and regulations. The Sole Sponsor has reviewed the relevant information and has obtained confirmations from the Sole Sponsor's PRC Legal Advisor as well as the Directors, and based on the foregoing, nothing has come to the attention of the Sole Sponsor which leads them to believe that the arrangements through which the Company operates its marketplace business and direct sales business, including with respect to the role played by the cogobuy.com domain name in both of those businesses, is illegal or invalid under PRC laws and regulations.

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Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Shenzhen Cogobuy to our Group stipulated under the Contractual Arrangements:



- (1) Please refer to the section headed “Contractual Arrangements Business Cooperation Agreement” of this prospectus for details.
- (2) Please refer to the section headed “Contractual Arrangements Proxy Agreement and Power of Attorney” of this prospectus for details.
- (3) Please refer to the section headed “Contractual Arrangements Exclusive Option Agreement” of this prospectus for details.
- (4) Please refer to the section headed “Contractual Arrangements Share Pledge Agreement” of this prospectus for details.
- (5) Please refer to the section headed “Contractual Arrangements Master Exclusive Service Agreement” of this prospectus for details.
- (6) Original Shareholder is Ms. Yao.
- (7) “—” denotes direct legal and beneficial ownership in the equity interest and “----->” denotes contractual relationship.

Master Exclusive Service Agreement

Shenzhen Cogobuy entered into a master exclusive service agreement with Cogobuy E-commerce on March 13, 2014 (the “**Master Exclusive Service Agreement**”), pursuant to which, in exchange for a service fee, Shenzhen Cogobuy agreed to engage Cogobuy E-commerce as its exclusive provider for the following services:

- providing technology development and transfer, and technical consulting services;
- providing occupation and pre-occupation staff training services;
- providing public relation services;

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- providing market investigation, research and consulting services;
- providing mid or short-term market development and market planning services;
- providing human resource management and internal information management;
- providing network development, upgrade and daily maintenance;
- licensing of software;
- providing maintenance services in respect of computer software and hardware system, database and computer servers;
- selling and authorizing Shenzhen Cogobuy to use software; and/or
- providing other services determined from time to time by Cogobuy E-commerce according to the need of business and capacity of Cogobuy E-commerce and its designated affiliates.

Under the Master Exclusive Service Agreement, the service fee will be determined by Cogobuy E-commerce at its sole discretion after taking account of the working capital requirements of Shenzhen Cogobuy and the following factors relating to the services provided: (i) technical difficulty and complexity of the services; (ii) time spent in providing the services; (iii) contents and commercial value of the services; and (iv) the benchmark price of similar services in the market. Since Shenzhen Cogobuy's funding requirements will be satisfied by their residual operating cash after paying the service fee to Cogobuy E-commerce, we do not expect to transfer any net proceeds from the Global Offering to Shenzhen Cogobuy. The Company's PRC Legal Advisor is of the opinion that such payment of service fees is not subject to any legal or regulatory requirements in the PRC and does not violate any PRC laws.

Both Cogobuy E-commerce and Shenzhen Cogobuy have control measures in place, which primarily include the control measures with respect to accounts payables and receivables, which require the review and approval by the relevant department(s) to confirm the services provided by Cogobuy E-commerce and received by Shenzhen Cogobuy periodically. Further, to ensure that Cogobuy E-commerce will not engage in marketplace e-commerce business in the PRC, the Group has set up an internal control process, which requires the senior staff members of relevant departments to review the business to be entered into by Cogobuy E-commerce. In addition, our legal counsel will review business contracts to be entered into by Cogobuy E-commerce to ensure compliance with the PRC laws, regulations and rules.

Intellectual property rights are developed during the normal course of business of Shenzhen Cogobuy since its daily operations involve, among other things, e-commerce software research and development. Pursuant to the Master Exclusive Service Agreement, any intellectual properties developed by performance of the Master Exclusive Service Agreement, including but not limited to copyrights, trademarks, patents, technical secrets and knowhow, belong to Cogobuy E-commerce. If a development is based on the intellectual properties owned by Shenzhen Cogobuy, Shenzhen Cogobuy shall warrant and guarantee that such intellectual properties are flawless and it shall bear all damages and losses caused to Cogobuy E-commerce by any flaw of such intellectual properties. Cogobuy E-commerce has the right to recover all of its losses from Shenzhen Cogobuy for liabilities to any third party. Our PRC Legal Advisor is of the opinion that (i) such provision relating to the intellectual properties will not result in these

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agreements being challenged by the relevant government authorities in the PRC; (ii) it is legal for Cogobuy E-commerce to hold the intellectual property rights in relation to the Group's softwares; and (iii) that Shenzhen Cogobuy is not in violation of the requirements of the *Administrative Measures for Telecommunications Businesses Operating Licensing* (電信業務經營許可管理辦法) and the MIIT Notice by entering into the Master Exclusive Service Agreement.

The Master Exclusive Service Agreement can be terminated by Cogobuy E-commerce at any time upon 30 days' advance written notice to Shenzhen Cogobuy. The Master Exclusive Service Agreement shall also terminate upon the transfer of all the shares of Shenzhen Cogobuy to Cogobuy E-commerce and/or a third party designated by Cogobuy E-commerce pursuant to the Exclusive Option Agreement.

Business Cooperation Agreement

Shenzhen Cogobuy, its shareholder and Cogobuy E-commerce entered into a business cooperation agreement on March 13, 2014 (the "**Business Cooperation Agreement**"). Under the Business Cooperation Agreement, Shenzhen Cogobuy and its shareholder, jointly and severally, agree and covenant that, without obtaining Cogobuy E-commerce's written consent, Shenzhen Cogobuy shall not, and Shenzhen Cogobuy's shareholder shall cause Shenzhen Cogobuy not to, engage in any transaction which may materially affect its asset, obligation, right or operation, including but not limited to:

- any activities not within its normal business scope, or operating its business in a way that is inconsistent with its past practice;
- merger, reorganization, acquisition or restructuring of its principal business or assets, or acquisition or investment in any other form;
- offering any loan to any third party, incurring any debt from any third party, or assuming any debt other than in the ordinary course of business;
- engaging, changing or dismissing any director or any senior management officer;
- selling to or acquiring from any third party, mortgaging/pledging, licensing or disposing of in other ways any tangible or intangible assets, other than in the ordinary course of business;
- incurring, inheriting, assuming or guaranteeing any debt that are not incurred during the ordinary course of business, using its assets to provide security or other forms of guarantees to any third party, or setting up any other encumbrances over its assets;
- making any supplement, amendment or alteration to its articles of association and bylaws, increasing or decreasing of its registered capital or changing the structure of its registered capital in other manners;
- making distribution of dividend or share interest or sponsorship interest in whatever ways, provided that upon Cogobuy E-commerce's written request, Shenzhen Cogobuy shall immediately distribute part or all distributable profits to its shareholder who shall in turn immediately and unconditionally pay or transfer to Cogobuy E-commerce any such distribution;

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- executing any material contract (for purpose of this subsection, Cogobuy E-commerce may define a material contract at its sole discretion);
- selling, transferring, mortgaging or disposing of in any manner any legal or beneficial interest in its business or revenues, or allowing the encumbrance thereon of any security interest;
- dissolution, conducting liquidation and distributing the residual assets; or
- causing any of its branches or subsidiaries to engage in any of the foregoing.

In addition, Shenzhen Cogobuy agreed and covenanted to Cogobuy E-commerce that Shenzhen Cogobuy shall, and its shareholder shall cause Shenzhen Cogobuy to:

- accept suggestions raised by Cogobuy E-commerce over the employee engagement and replacement, daily operation, dividend distribution and financial management systems of Shenzhen Cogobuy, and Shenzhen Cogobuy shall strictly abide by and perform accordingly;
- maintain Shenzhen Cogobuy's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
- operate all of Shenzhen Cogobuy's businesses during the ordinary course of business to maintain the asset value of Shenzhen Cogobuy and refrain from any action/omission that may adversely affect Shenzhen Cogobuy's operating status and asset value;
- provide Cogobuy E-commerce with information on Shenzhen Cogobuy's business operations and financial condition at Cogobuy E-commerce's request;
- if requested by Cogobuy E-commerce, procure and maintain insurance in respect of Shenzhen Cogobuy's assets and business from an insurance carrier acceptable to Cogobuy E-commerce, at an amount and type of coverage typical for companies that operate similar businesses;
- immediately notify Cogobuy E-commerce of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Shenzhen Cogobuy's assets, business or revenue; and
- execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims so as to maintain the ownership by Shenzhen Cogobuy of all of its assets.

Although the Contractual Arrangements are silent as to the use of the cogobuy.com domain name by the companies within the Group other than Shenzhen Cogobuy, under the Business Cooperation Agreement, the Cogobuy E-Commerce has the right to supervise Shenzhen Cogobuy's daily operation. Our PRC Legal Advisor has confirmed that the use of the domain name by other companies within the Group is legal and valid.

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According to the Business Cooperation Agreement, the election and appointment of directors, the general manager, the chief financial officer and other senior management members of Shenzhen Cogobuy shall be subject to satisfaction of the qualification requirements put forward by Cogobuy E-commerce and shall require the explicit consent of Cogobuy E-commerce. If Cogobuy E-commerce raises any suggestions over the replacement or dismissal of any such directors or senior management members, the shareholder or Shenzhen Cogobuy shall replace or dismiss such persons upon Cogobuy E-commerce's suggestions.

Furthermore, the shareholder agrees that, unless required by Cogobuy E-commerce, she shall not make any shareholder's decision to, or otherwise request Shenzhen Cogobuy to, distribute any profits, funds, assets or property to the shareholder of Shenzhen Cogobuy, or to issue any dividends or other distributions with respect to the shares of Shenzhen Cogobuy held by the shareholder.

The Business Cooperation Agreement shall remain effective as long as Shenzhen Cogobuy exists, unless Cogobuy E-commerce terminates it upon 30 days' advance written notice or upon the transfer of all the shares held by Shenzhen Cogobuy's shareholder to Cogobuy E-commerce and/or a third party designated by Cogobuy E-commerce pursuant to the Exclusive Option Agreement.

Exclusive Option Agreement

Shenzhen Cogobuy and its shareholder entered into an exclusive option agreement with Cogobuy E-commerce on March 13, 2014 (the "**Exclusive Option Agreement**"), pursuant to which Cogobuy E-commerce has a right to require the shareholder to transfer any and all of the shares of Shenzhen Cogobuy she holds to Cogobuy E-commerce and/or a third party designated by it, in whole or in part, subject to Cogobuy E-commerce's specific requirements.

The Exclusive Option Agreement shall remain effective as long as Shenzhen Cogobuy exists, and cannot be terminated by either Shenzhen Cogobuy or its shareholder. The Exclusive Option Agreement can be terminated (i) by Cogobuy E-commerce at any time upon 30 days' advance written notice to Shenzhen Cogobuy and its shareholder; or (ii) upon the transfer of all the shares held by the shareholder to Cogobuy E-commerce and/or its designee(s).

Shenzhen Cogobuy and its shareholder, among other things, have covenanted as follows:

- without the prior written consent of Cogobuy E-commerce, they shall not in any manner supplement, change or amend the articles of association and bylaws of Shenzhen Cogobuy, increase or decrease its registered capital, or change the structure of its registered capital in other manners;
- they shall maintain Shenzhen Cogobuy's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
- without the prior written consent of Cogobuy E-commerce, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Shenzhen Cogobuy (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of Shenzhen Cogobuy, or allow the encumbrance thereon of any security interest;

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- without the prior written consent of Cogobuy E-commerce, they shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business;
- they shall always operate all of Shenzhen Cogobuy's businesses during the ordinary course of business to maintain the asset value of Shenzhen Cogobuy and refrain from any action/omission that may adversely affect Shenzhen Cogobuy's operating status and asset value;
- without the prior written consent of Cogobuy E-commerce, they shall not cause Shenzhen Cogobuy to execute any material contract, except the contracts executed in the ordinary course of business (for purpose of this subsection, Cogobuy E-commerce may define a material contract at its sole discretion);
- without the prior written consent of Cogobuy E-commerce, they shall not cause Shenzhen Cogobuy to provide any person with any loan or credit other than in the course of ordinary business;
- they shall provide Cogobuy E-commerce with information on Shenzhen Cogobuy's business operations and financial condition at Cogobuy E-commerce's request;
- if requested by Cogobuy E-commerce, they shall procure and maintain insurance in respect of Shenzhen Cogobuy's assets and business from an insurance carrier acceptable to Cogobuy E-commerce, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of Cogobuy E-commerce, they shall not cause or permit Shenzhen Cogobuy to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify Cogobuy E-commerce of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Shenzhen Cogobuy's assets, business or revenue;
- to maintain the ownership by Shenzhen Cogobuy of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- without the prior written consent of Cogobuy E-commerce, they shall ensure that Shenzhen Cogobuy shall not in any manner distribute dividends to its shareholder, provided that upon Cogobuy E-commerce's written request, Shenzhen Cogobuy shall immediately distribute part or all distributable profits to its shareholder who shall in turn immediately and unconditionally pay or transfer to Cogobuy E-commerce any such distribution;
- the engagement and replacement of directors and/or executive director of Shenzhen Cogobuy shall be carried out in accordance with the Business Cooperation Agreement; and

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- unless otherwise mandatorily required by PRC laws, Shenzhen Cogobuy shall not be dissolved or liquidated without prior written consent by Cogobuy E-commerce.

Our PRC Legal Advisor has advised us that the Exclusive Option Agreement is legal, valid and binding on the parties and is enforceable under applicable PRC laws and regulations, except for the provisions that the arbitral body may grant injunctive relief or directly issue winding up orders against Shenzhen Cogobuy and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, which may not be enforceable under PRC laws.

Share Pledge Agreement

Shenzhen Cogobuy and its shareholder entered into a share pledge agreement with Cogobuy E-commerce on March 13, 2014 (the “**Share Pledge Agreement**”). Under the Share Pledge Agreement, the shareholder of Shenzhen Cogobuy unconditionally and irrevocably pledged all of the shares of Shenzhen Cogobuy that she owns, including any interest or dividend paid for such shares, to Cogobuy E-commerce as a security for the performance of the obligations by Shenzhen Cogobuy and its shareholder under the Master Exclusive Service Agreement, the Business Cooperation Agreement, the Exclusive Option Agreement and other agreements to be executed among Shenzhen Cogobuy, its shareholder and Cogobuy E-commerce from time to time (collectively the “**Principal Agreements**”).

The pledge shall remain valid until the Principal Agreements have been fulfilled to the satisfaction of Cogobuy E-commerce or all of the Principal Agreements have expired or been terminated, whichever is the latest.

Upon the occurrence and during the continuance of an event of default (as defined in the Share Pledge Agreement), Cogobuy E-commerce shall have the right to require Shenzhen Cogobuy’s shareholder to immediately pay any amount payable by Shenzhen Cogobuy under the Master Exclusive Service Agreement, repay any loans and pay any other due payments, and Cogobuy E-commerce shall have the right to exercise all such rights as a secured party under any applicable PRC laws, including the Guarantee Law of the People’s Republic of China and the Property Law of the People’s Republic of China, as in effect from time to time, including without limitations, (i) to sell all or any part of the pledged shares at one or more public or private sales upon three days’ prior written notice to the pledgor, and any such sale or sales may be made for cash, upon credit, or for further delivery; and (ii) to execute an agreement with Shenzhen Cogobuy’s shareholder to acquire the pledged shares based on their monetary value which shall be determined by referencing their market price.

Our PRC Legal Advisor has confirmed that the Share Pledge Agreement has been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

Proxy Agreement and Power of Attorney

Shenzhen Cogobuy and its shareholder entered into a proxy agreement and power of attorney on with Cogobuy E-commerce on March 13, 2014 (the “**Proxy Agreement and Power of Attorney**”). Under the Proxy Agreement and Power of Attorney, the shareholder of Shenzhen Cogobuy irrevocably nominated and appointed Cogobuy E-commerce (as well as its successors, including a liquidator, if any, replacing Cogobuy E-commerce) or any natural person designated by Cogobuy E-commerce (including

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the director of Cogobuy Group) as her attorney-in-fact to exercise on her behalf, and agreed and undertook not to exercise without consensus with such attorney-in-fact, any and all rights that she has in respect of her shares in Shenzhen Cogobuy, including without limitation, the following rights:

- to execute and deliver any and all written decisions in the name and on behalf of the shareholder and to sign any minutes of meetings of the board or shareholder of Shenzhen Cogobuy;
- to make shareholder's decision on any matters of Shenzhen Cogobuy, including without limitation, the sale, transfer, mortgage, pledge or disposal of any or all of the assets of Shenzhen Cogobuy;
- to sell, transfer, pledge or dispose of any or all of the shares in Shenzhen Cogobuy;
- to nominate, appoint or remove the directors, supervisors and senior management members of Shenzhen Cogobuy when necessary;
- to oversee the business performance of Shenzhen Cogobuy;
- to have full access to the financial information of Shenzhen Cogobuy at any time;
- to file any shareholder lawsuits or take other legal actions against Shenzhen Cogobuy's directors or senior management members when such directors or members are acting to the detriment of the interest of Shenzhen Cogobuy or its shareholder;
- to approve annual budgets or declare dividends;
- to manage and dispose of the assets of Shenzhen Cogobuy;
- to have the full rights to control and manage Shenzhen Cogobuy's finance, accounting and daily operation (including but not limited to signing and execution of contracts and payment of government taxes and duties);
- to approve the filing of any documents with the relevant governmental authorities or regulatory bodies; and
- any other rights conferred by the articles of association of Shenzhen Cogobuy and/or the relevant laws and regulations on the shareholder.

In addition, if any share transfer is contemplated under the Exclusive Option Agreement and the Share Pledge Agreement that Shenzhen Cogobuy's shareholder enters into for the benefits of Cogobuy E-commerce or its affiliate, the attorney-in-fact shall have the right to sign the share transfer agreement and other relevant agreements and to perform all shareholder obligations under the Exclusive Option Agreement and the Share Pledge Agreement.

The Proxy Agreement and Power of Attorney shall remain effective as long as Shenzhen Cogobuy exists. Shenzhen Cogobuy's shareholder shall not have the right to terminate the Proxy Agreement and Power of Attorney or to revoke the appointment of the attorney-in-fact without Cogobuy E-commerce's prior written consent.

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Dispute Resolution

Each of the Master Exclusive Service Agreement, the Business Cooperation Agreement, the Proxy Agreement and Power of Attorney, the Exclusive Option Agreement and the Share Pledge Agreement stipulates that any dispute or claim shall be resolved by the parties in good faith through negotiations. In case no resolution can be reached, the dispute shall be submitted to the Shenzhen Court of International Arbitration for arbitration in accordance with its rules of arbitration in effect at the time of applying for such arbitration and the place of arbitration shall be in Shenzhen. The arbitral tribunal or the arbitrators shall have the authority to award any remedy or relief in accordance with the terms of the Contractual Agreements and applicable PRC laws, including provisional and permanent injunctive relief (such as injunctive relief with respect to the conduct of business or to compel the transfer of assets), specific performance of any obligation created hereunder, remedies over the shares or land assets of Shenzhen Cogobuy and winding up orders against Shenzhen Cogobuy. The arbitral award shall be final and binding upon all parties. In addition, to the extent permitted under applicable PRC laws, each of the parties shall have the right to seek interim injunctive relief or other interim relief from a court of competent jurisdiction in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances. The parties agreed that, to the extent not against applicable laws, the courts of Hong Kong, the courts of the Cayman Islands, the courts of PRC and the courts of the places where the principal assets of Shenzhen Cogobuy are located, shall all be deemed to have jurisdiction.

However, our PRC Legal Advisor has advised that the tribunal normally would not grant such kind of injunctive relief or winding up order of Shenzhen Cogobuy under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Shenzhen Cogobuy pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

Our PRC Legal Advisor has advised us that the practical consequences for the Group arising from the possible non-enforceability of provisions in the agreements underlying the Contractual Arrangements are as follows:

- (i) Should the Cogobuy E-Commerce intend to seek interim remedies in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances, the Cogobuy E-Commerce may either seek (a) the interim remedies available from a PRC arbitral tribunal described below or (b) the interim remedies before a PRC court pursuant to Articles 100 and 101 of the PRC Civil Procedure Law and Article 28 of the PRC Arbitration Law, rather than before any courts in Hong Kong or the Cayman Islands.
- (ii) Under current PRC law, the remedies that arbitral tribunals, including the Shenzhen Court of International Arbitration, are empowered to award are limited to the following:
 - cessation of infringements;
 - removal of obstacles;
 - elimination of dangers;
 - return of property;

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- restoration of original condition;
- repair, reworking or replacement;
- compensation for losses;
- payment of breach of contract damages;
- elimination of ill effects and rehabilitation of reputation; and
- extension of apology.

Because the remedies that the Shenzhen Court of International Arbitration is empowered to award do not include injunctive relief or winding up orders, under PRC law, the Cogobuy E-Commerce can only seek similar but not identical remedies, such as cessation of infringements or return of property, from the Shenzhen Court of International Arbitration. Alternatively, the Cogobuy E-Commerce may seek similar remedies from a competent court, such as interim measures (e.g., asset preservation) over the assets or shares of Shenzhen Cogobuy and winding up orders against Shenzhen Cogobuy under appropriate circumstances.

- (iii) Even if the abovementioned provisions may not be enforceable under current PRC laws, our PRC Legal Advisor has confirmed that the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreements under the Contractual Arrangements.

Succession

Each of the Master Exclusive Service Agreement, the Business Cooperation Agreement, the Exclusive Option Agreement and the Share Pledge Agreement stipulates that Shenzhen Cogobuy and/or its shareholder shall not assign their rights or obligations thereunder to any third party without the prior written consent of Cogobuy E-commerce. Further, the shareholder of Shenzhen Cogobuy executed a confirmation and guarantee letter on March 13, 2014 (the “**Confirmation and Guarantee Letter**”), in which the shareholder confirmed, represented and guaranteed that her successor, guardian, creditor, spouse or any other person that may be entitled to assume rights and interests in the shares of Shenzhen Cogobuy held by her upon her death, bankruptcy, incapacity, divorce or any other circumstances that may affect her ability to exercise her shareholder’s rights in Shenzhen Cogobuy, will not, in any manner and under any circumstances, carry out any act that may affect or hinder the fulfillment of her obligations under each of the Contractual Arrangements.

Our PRC Legal Advisor is of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of death of the shareholder of Shenzhen Cogobuy; and (ii) the death of the shareholder would not affect the validity of the Contractual Arrangements, and Cogobuy E-commerce can enforce its right under the Contractual Arrangements against the successors of the shareholder.

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In addition, the shareholder of Shenzhen Cogobuy confirmed that, subject to requirement by Cogobuy E-commerce, she will unwind the Contractual Agreements and transfer all of the shares of Shenzhen Cogobuy held by her to Cogobuy E-commerce and/or any third party designated by Cogobuy E-commerce as soon as the applicable laws of the PRC allow Cogobuy E-commerce to operate the business operated by Shenzhen Cogobuy (which includes but is not limited to the business of marketplace e-commerce) without the Contractual Arrangements. Subject to the applicable PRC laws, when the Contractual Agreements are being unwound, the shareholder must return to Cogobuy E-commerce or its designee any consideration she received from Cogobuy E-commerce during its acquisition of the shares of Shenzhen Cogobuy.

The spouse of the shareholder of Shenzhen Cogobuy executed a written consent on March 13, 2014. In the written consent, such spouse confirmed that he unconditionally consented that 100% of the shares in Shenzhen Cogobuy held by and registered in the name of the shareholder spouse will be disposed of pursuant to the arrangements under the Contractual Agreements. The spouse undertook not to take any action with the intent to interfere with such arrangements, including making any claim that such shares constitute property or community property between himself and his spouse which will give rise to hindrance over the performance by the shareholder spouse's obligation under the Contractual Agreements. In addition, the spouse unconditionally and irrevocably waived any rights or entitlements whatsoever to such shares of Shenzhen Cogobuy that may be granted to him according to any applicable laws, and undertook to be bound by the Contractual Agreements in the event that he for any reason obtains any shares of Shenzhen Cogobuy held by the shareholder spouse. Furthermore, the spouse confirmed, represented and guaranteed that, he, his successor, guardian, creditor or any other person that may be entitled to assume rights and interests in the shares of Shenzhen Cogobuy held by the shareholder spouse upon her death, incapacity, divorce or any circumstances that may affect her ability to exercise her shareholder's rights in Shenzhen Cogobuy, will not, in any manner and under any circumstances, carry out any act that may affect or hinder the fulfillment of the shareholder spouse's obligations under each of the Contractual Agreements.

Arrangements to Address Potential Conflicts of Interests

In the Confirmation and Guarantee Letters, the shareholder of Shenzhen Cogobuy undertook that, during the term of the Contractual Arrangements, (i) unless otherwise agreed by Cogobuy E-commerce in written form, the shareholder will not directly or indirectly (by herself or by entrusting any other natural person or legal entity to) engage in, own or acquire (as shareholder, partner, agent, employee or under any other circumstances) any business that competes or might compete with the business of Shenzhen Cogobuy or its affiliated companies or have any interest in such business; (ii) none of her actions or omissions will give rise to any conflict of interest between herself and Cogobuy E-commerce (including but not limited to the shareholders of Cogobuy E-commerce); and (iii) in the event of any such conflict, the occurrence of which shall be decided at the sole discretion of Cogobuy E-commerce, she will take any action as instructed by Cogobuy E-commerce to eliminate such conflict provided such action is compliant with PRC laws.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provide that the Company or its wholly-owned PRC subsidiary, Cogobuy E-commerce, is obligated to share the losses of Shenzhen Cogobuy or provide financial support to Shenzhen Cogobuy. Further, Shenzhen Cogobuy is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned

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by it. Under PRC laws and regulations, the Company or Cogobuy E-commerce, as the primary beneficiary of Shenzhen Cogobuy, is not expressly required to share the losses of Shenzhen Cogobuy or provide financial support to Shenzhen Cogobuy. Despite the foregoing, given that the Group conducts its businesses in the PRC through Shenzhen Cogobuy which holds the requisite PRC licenses and approvals, and that Shenzhen Cogobuy's financial condition and results of operations are consolidated into the Group's financial condition and results of operations under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if Shenzhen Cogobuy suffers losses.

However, due to the relevant restrictive provisions in the Exclusive Option Agreement and the Business Cooperation Agreement as more particularly set out in the paragraphs headed "Exclusive Option Agreement" and "Business Cooperation Agreement" above, the potential adverse effect on Cogobuy E-commerce and the Company in the event of any loss suffered from Shenzhen Cogobuy is limited.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Company's Confirmation

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Shenzhen Cogobuy under the Contractual Arrangements.

Internal Control

We have adopted a number of internal controls to ensure proper implementation of the Contractual Arrangements. Please refer to "Connected Transactions — B. Non-exempt Continuing Connected Transactions — 1. Contractual Arrangements" for further details about these internal control measures.

Legality of the Contractual Arrangements

Cogobuy E-commerce's right to deal with the pledged equity interest in Shenzhen Cogobuy under the Share Pledge Agreement and its option to acquire the equity interest in Shenzhen Cogobuy under the Exclusive Option Agreement are confined to be carried out in a manner as permitted by the relevant PRC laws. Further, the pledge created under the Share Pledge Agreement shall only become effective upon such pledge having been duly registered in Shenzhen Cogobuy's shareholders' register, and Shenzhen Cogobuy shall submit an application to the Market Supervision Administration Bureau of Shenzhen Municipality for the registration of the pledge as soon as practicable following the execution of the Share Pledge Agreement and obtain evidencing documents of such registration. The Share Pledge Agreement has been duly registered with the Market Supervision Administration Bureau of Shenzhen Municipality. Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisor is of the opinion that:

- (a) each of Cogobuy E-commerce and Shenzhen Cogobuy is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with the relevant PRC laws; each of Cogobuy E-commerce and Shenzhen Cogobuy has also obtained all necessary approvals and completed all registration procedures as required by the applicable PRC laws and regulations and has the capacity to carry out business operations in accordance with their respective license;
- (b) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Shenzhen Cogobuy, injunctive relief and/or winding up of Shenzhen Cogobuy, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Shenzhen Cogobuy in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China;
- (c) each of the agreements under the Contractual Arrangements does not violate any provisions of the articles of association of Shenzhen Cogobuy;
- (d) the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that the Share Pledge Agreement are subject to registration requirement with the Market Supervision Administration Bureau of Shenzhen Municipality, registration of which have been duly completed;
- (e) no approvals or confirmation on the validity and legality of the agreements under the Contractual Arrangements was required from any authorities in the PRC; and
- (f) the consummation of the contemplated listing of the Company's shares on the Stock Exchange is not a violation of the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定), which was adopted by six PRC regulatory agencies, including MOFCOM and the China Securities Regulatory Commission, and effective since September 2006.

Our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor interviewed an officer of the Guangdong Communications Administration (廣東省通信管理局) regarding the legality and validity of the Contractual Arrangements and have confirmed that (1) the Guangdong Communications Administration (廣東省通信管理局) would not interfere with the conclusion and performance of the Contractual Arrangements and the Company would not be required to register the Contractual Arrangements with or obtain approval from Guangdong Communications Administration (廣東省通信管理局); (2) the conclusion and performance of the Contractual Arrangements would not be regarded as a breach of applicable laws governing value-added telecommunications business.

We are aware of recent press articles reporting that certain PRC court rulings and arbitral decisions have invalidated certain agreements which were deemed to be for the intention of circumventing foreign

CONTRACTUAL ARRANGEMENTS

investment restrictions in the PRC, holding that the agreements violated the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for the shareholder of Shenzhen Cogobuy under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisor is of the view that the relevant terms of our Contractual Arrangements do not fall within any of these five circumstances, and in particular, would not be deemed as “concealing an illegitimate purpose under the guise of legitimate acts” under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law.

Please refer to the section headed “Business — Legal compliance and proceedings” for details of the compliance history of our Group.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions.”

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of Shenzhen Cogobuy

According to HKFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own Shenzhen Cogobuy, the Contractual Arrangements as mentioned above enable Cogobuy E-commerce to:

- exercise effective financial and operational control over Shenzhen Cogobuy;
- exercise equity shareholders’ voting rights of Shenzhen Cogobuy;
- receive substantially all of the economic interest and returns generated by Shenzhen Cogobuy in consideration for the business support, technical and consulting services provided by Cogobuy E-commerce, at Cogobuy E-commerce’s discretion;
- obtain an exclusive right to purchase the entire equity interest in Shenzhen Cogobuy from Ms. Yao Yi; and
- obtain a pledge over the entire equity interest of Shenzhen Cogobuy from Ms. Yao Yi as collateral security to guarantee performance of all of the obligations of Ms. Yao Yi and Shenzhen Cogobuy under the Contractual Arrangements.

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As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Shenzhen Cogobuy, has the ability to affect those returns through its power over Shenzhen Cogobuy, and is considered to have control over Shenzhen Cogobuy. Consequently, Shenzhen Cogobuy is considered to be a subsidiary of the Group and the financial statements of Shenzhen Cogobuy are included in the Group's consolidated financial statements from February 1, 2013, the effective date of the Contractual Arrangements.

However, there are uncertainties regarding the interpretation and application of existing and future PRC laws and regulations which could affect the Company's ability to exercise control over Shenzhen Cogobuy, its right to receive substantially all of the economic interest generated by Shenzhen Cogobuy, and its ability to consolidate the financial results of Shenzhen Cogobuy into the Group's consolidated financial statements. The Company believes that, based on the legal opinion obtained from the PRC Legal Advisor, the Contractual Arrangements are legally binding and enforceable and do not violate current PRC laws and regulations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering (without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option but taking into account Shares to be issued pursuant to the RSU Scheme), Mr. Kang will be interested in approximately 50.95% of the issued share capital of our Company through his interest in the entire issued share capital in Envision Global. Therefore, Mr. Kang and Envision Global will be our Controlling Shareholders after the Listing.

INFORMATION ABOUT VIEWTRAN, ENVISION GLOBAL AND BRILLIANT

Mr. Kang's associates under the Listing Rules include:

Name	Mr. Kang's interest as at the Latest Practicable Date
Viewtran	37.8%
Envision Global	100%
Brilliant	100%

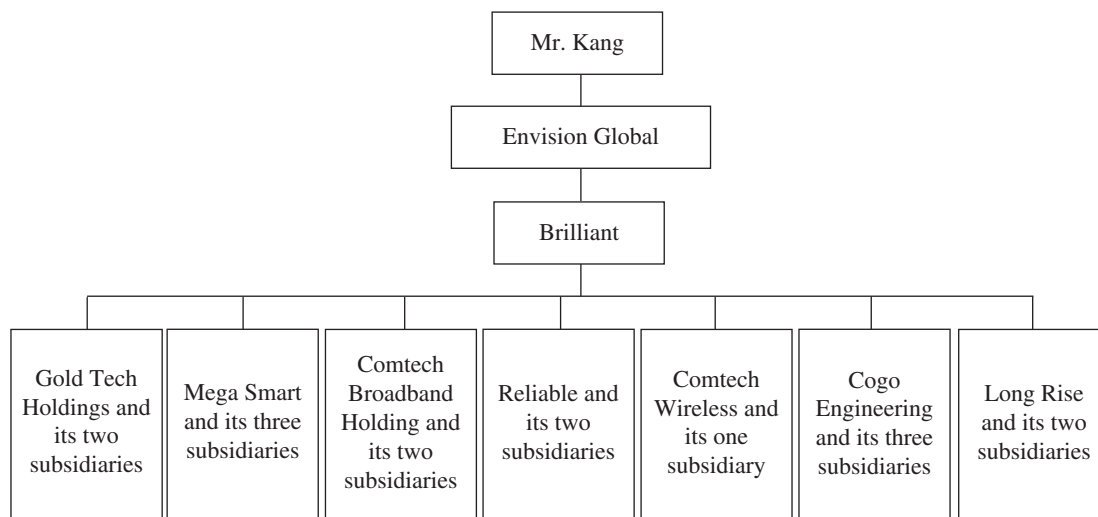
Viewtran is a company listed on the NASDAQ market. Our Company entered into the 2012 SPA on October 23, 2012 with Viewtran pursuant to which our Company agreed to acquire three holding companies (i.e. Alphalink Global, Comtech HK and Comtech China) and their then respective subsidiaries from Viewtran for a total consideration of US\$78 million which was based on the results of an independent appraisal and the transaction was reviewed and approved by the audit committee of Viewtran. Please refer to “History, Reorganization and Corporate Structure — The Reorganization — 2. Acquisition of our principal operating subsidiaries by our Company from Viewtran” for further details.

On September 23, 2013, Viewtran entered into an agreement with Brilliant pursuant to which Viewtran agreed to transfer the following holding companies which are incorporated in the BVI together with their then subsidiaries to Brilliant at a consideration of US\$80 million which was calculated based on an independent appraisal report and was approved by Viewtran's shareholders:

- Cogo Engineering Services Limited (“**Cogo Engineering**”);
- Comtech Broadband Holding Limited (“**Comtech Broadband Holding**”);
- Comtech Wireless Limited (“**Comtech Wireless**”);
- Long Rise Holdings Limited (“**Long Rise**”);
- Mega Smart Group Limited (“**Mega Smart**”);
- Reliable Group Limited (“**Reliable**”); and
- Gold Tech Holdings Limited (“**Gold Tech Holdings**”).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

A corporate chart of Brilliant upon completion of the above transaction is shown below:



On November 20, 2013, Comtech Broadband Technology Services (Shenzhen) Limited (科博寬帶技術服務(深圳)有限公司), an indirectly wholly-owned subsidiary of Comtech Broadband Holding established in the PRC (“**Comtech Broadband Shenzhen**”), was transferred to Mega Sky Industrial Limited, a limited liability company incorporated in Hong Kong which is a wholly-owned subsidiary of Reliable at a consideration of US\$3 million which was based on the investment amount of Comtech Broadband Shenzhen.

On January 31, 2014, Brilliant sold the following subsidiaries to an independent third party at a consideration of approximately US\$3.5 million which was calculated based on arm’s length negotiation:

- Reliable;
- Comtech Wireless;
- Cogo Engineering; and
- Long Rise.

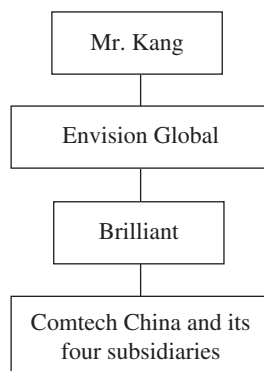
With a view to restructuring Viewtran’s business for the provision of supply chain financial services and enterprise solutions for the technology industry in the PRC, Viewtran sold all the businesses which were not related to the business of financial services to Brilliant. To further restructure the various businesses owned by Mr. Kang and to further enhance the delineation of business activities among Viewtran, Envision Global, Brilliant and our Group, further restructuring was conducted pursuant to which Brilliant transferred its businesses and assets relevant to the trading of IC and electronic components to our Group. At the time of disposal, Reliable, Comtech Wireless, Cogo Engineering and Long Rise conducted the businesses of module design. Since our Group does not engage in the business of module design, Reliable, Comtech Wireless, Cogo Engineering and Long Rise were not acquired by our Group. In addition, since Brilliant also does not intend to conduct the business of module design, Brilliant decided to dispose these companies to an independent third party to minimize any risk of potential connected transactions with our Group in the future.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

On November 20, 2013, our Company entered into an agreement with Brilliant pursuant to which our Company acquired (1) Gold Tech Holdings; (2) Mega Smart; and (3) Comtech Broadband Holding at a total consideration of US\$3 million. Please refer to “History, Reorganization and Corporate Structure — The Reorganization — 4. Acquisition of certain companies from Envision Global” for further details.

On November 30, 2013, our Company disposed of its entire equity interest in Comtech China to Brilliant for a consideration of US\$72,875,000 which was calculated based on the net book value of Comtech China and its subsidiaries. The consideration was payable by US\$92,000 in cash and a forbearance of our liability in the amount of US\$72,783,000. Since Comtech China and its subsidiaries carries on the business of real estate development which is unrelated to the core business of our Group, our Company disposed of its interest in Comtech China to Brilliant. Please refer to “History, Reorganization and Corporate Structure — The Reorganization — 2. Acquisition of our principal operating subsidiaries by our Company from Viewtran” for further details.

Upon completion of the above restructuring, the structure of Brilliant is as follows:



Following the above restructuring, the businesses conducted by each of Viewtran, Brilliant and our Company are as follows:

Name of company	Scope of business
Viewtran	Supply chain financial services and enterprise solutions ⁽¹⁾
Brilliant	Real estate development
Our Company	Trading of IC and other electronic components

(1) Viewtran works with manufacturers and distributors to provide working capital and extended-term financing programs. Through these financing programs, manufacturers and distributors can sell accounts receivables to Viewtran and outsource certain services to Viewtran, including credit administration, receivables collection and management, import and export customs clearance, finance import tax payment and tax-refund collection services.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their associates after the Global Offering.

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. We do not rely on the Controlling Shareholders for our business development, staffing or marketing and sales activities. Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that there is no operational dependence by us on our Controlling Shareholders.

Management Independence

Our Board consists of five Directors, of whom Mr. Kang and Mr. Wu are the executive Directors and the remaining Directors include three independent non-executive Directors.

Our daily management and operations are carried out by a senior management team. None of our Directors and members of our senior management team other than Mr. Kang holds any board or other executive position in, or are employed by, any entity controlled by the Controlling Shareholders outside the Group. Mr. Kang is currently the chairman and chief executive officer of Viewtran.

Based on the above, our Directors believe that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We also have our own treasury function which is operated independently from the Controlling Shareholders. We are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders.

All outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be repaid or released (as appropriate) prior to the Listing Date.

Based on the above, our Directors believe that we are able to maintain financial independence from the Controlling Shareholders upon the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, our Controlling Shareholders and Directors confirm that as at the Latest Practicable Date they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEEDS OF INDEMNITY

Mr. Kang, Brilliant and Total Dynamic have each entered into a deed of indemnity in favour of our Company, whereby they severally agreed to indemnify us for, among other things, damages and liabilities in connection with any claim arising on or before:

- (with respect to Mr. Kang and Brilliant) the date of the share purchase agreement dated November 20, 2013 against any of the Envision Global Entities; and
- (with respect to Mr. Kang and Total Dynamic) the date of the share swap agreement dated February 1, 2013 against any of the Total Dynamic Entities.

CONNECTED TRANSACTIONS

We have entered into a number of agreements with our connected persons set out more particularly below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

A. CONNECTED PERSON

The table below sets forth party who will become our connected persons upon Listing and the nature of their connection with our Group:

Name	Connected Relationship
Ms. Yao	a substantial shareholder of our Company

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which are, under Chapter 14A of the Listing Rules, subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Contractual Arrangements

A waiver application from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to Cogobuy E-commerce under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Hong Kong Stock Exchange, has been submitted to and granted by the Hong Kong Stock Exchange subject to certain conditions. If any terms of the Contractual Arrangements are altered or if we enter into any new agreements with any connected persons (within the meaning of the Rules) in the future, we must comply with the relevant requirements under Chapter 14A of the Listing Rules and obtain a separate waiver from the Stock Exchange.

Background for the Contractual Arrangements

Our Group operates its IC and other electronic components business in the PRC through a series of Contractual Arrangements entered into between Cogobuy E-commerce, Shenzhen Cogobuy and its sole shareholder Ms. Yao. Through these Contractual Arrangements, we exercise effective control over the operations of Shenzhen Cogobuy. Please refer to the section headed "Contractual Arrangements" for details. The transactions contemplated under the Contractual Arrangements are continuing connected transactions and are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Principal Terms of the Transactions

The Contractual Arrangements comprise the following agreements: Master Exclusive Service Agreement, Business Cooperation Agreement, Proxy Agreement and Powers of Attorney, Exclusive Option Agreement, and Share Pledge Agreement. Details of the continuing connected transactions (i.e. the transactions contemplated by the said agreements which constitute the Contractual Arrangements) entered into between the relevant connected person and our Group are set out in the section headed “Contractual Arrangements”.

Reasons for the Waiver Application and the View of Our Directors on the Continuing Connected Transactions

Our Directors, including our Independent Non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole.

Our Directors also believe that our Group’s structure whereby the financial results of Shenzhen Cogobuy is consolidated into our Group’s financial statements as if it was our Group’s wholly-owned subsidiary, and all the economic benefits of its business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In addition, given the Contractual Arrangements were entered into prior to the Listing and have been disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders’ approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

To ensure sound and effective operation of our Group after the adoption of the Contractual Arrangements, the management of our Group plans to take the following measures:

- (a) as part of the internal control measures, major issues arising from implementation and performance of the Contractual Arrangements will be reviewed by the Board on a regular basis which will be no less frequent than on a quarterly basis. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements;

CONNECTED TRANSACTIONS

- (b) matters relating to compliance and regulatory enquiries from governmental authorities, if any, will be discussed at such regular meetings which will be no less frequent than on a quarterly basis;
- (c) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of our Company on the compliance and performance conditions under the Contractual Arrangements and other related matters; and
- (d) our Company shall comply with the conditions prescribed under the waiver given by the Hong Kong Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements.

Application for and Conditions of Waiver

In view of the above, we have applied to the Hong Kong Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Hong Kong Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to Cogobuy E-commerce under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Hong Kong Stock Exchange subject to the following conditions:

- (a) *No Change without Independent Non-executive Directors' Approval:* No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the Independent Non-executive Directors.
- (b) *No Change without Independent Shareholders' Approval:* Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.
- (c) *Economic Benefits Flexibility:* The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Shenzhen Cogobuy through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in Shenzhen Cogobuy; (ii) the business structure under which the revenue generated by Shenzhen Cogobuy is substantially retained by Cogobuy E-commerce (such that no annual caps shall be set on the amount of services fees payable to Cogobuy E-commerce under the Master

CONNECTED TRANSACTIONS

Exclusive Service Agreement); and (iii) Cogobuy E-commerce's right to control the management and operation of, as well as, in substance, all of the voting rights of Shenzhen Cogobuy.

- (d) *Renewal and Cloning*: On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and Shenzhen Cogobuy, on the other hand, that framework may be renewed and/or cloned upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under the section headed "Contractual Arrangements." Such new wholly foreign-owned enterprise or operating company (including branch company) may be established by our Group for expansion into the market due to potential business growth. If and when the term of operation of Shenzhen Cogobuy as set out in its operating license comes to an end in future, our Group may also establish new companies as and when considered necessary, The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group's connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant laws, regulations and approvals of the PRC.
- (e) *Ongoing Reporting and Approvals*: our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
- (1) The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
 - (2) Our Independent Non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by Shenzhen Cogobuy has been substantially retained by Cogobuy E-commerce; (ii) no dividends or other distributions have been made by Shenzhen Cogobuy to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and Shenzhen Cogobuy during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTIONS

- (3) Our Company’s auditors will carry out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants on the relevant transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, at least ten Business Days before our Company bulk prints its annual report, reporting their findings whether that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Shenzhen Cogobuy to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.
- (4) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” Shenzhen Cogobuy will be treated as our connected person, and at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of Shenzhen Cogobuy and their respective associates will be treated as our Company’s “connected persons” and transactions between these connected persons and our Group (including for this purpose Shenzhen Cogobuy) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.
- (5) Shenzhen Cogobuy will undertake that, for so long as the Shares are listed on the Hong Kong Stock Exchange, Shenzhen Cogobuy will provide our Group’s management and our Company’s auditors with full access to its relevant records for the purpose of procedures to be carried out by our Company’s auditors’ on the connected transactions.

C. WAIVERS

The transactions described under paragraph (B) above constitute our continuing connected transactions, which are subject to the reporting, annual review, announcement and independent shareholders’ requirements.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and (where applicable) independent shareholders’ approval requirements under Rule 14A.105 of the Listing Rules.

CONNECTED TRANSACTIONS

D. SOLE SPONSOR'S AND DIRECTORS' VIEWS

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has participated in the due diligence and discussions with our management and our PRC Legal Advisor and has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations.

The Sole Sponsor and our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described under paragraph (B) in this section have been entered into: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of our Shareholders as a whole. The Sole Sponsor and our Directors (including our independent non-executive Directors) are also of the view that the annual caps of all of the continuing connected transactions under paragraph (B) above are fair and reasonable and are in the interests of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of five Directors, comprising of two executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

The table below contains certain information about each of our Directors.

Name	Age	Position	Roles and Responsibilities	Date of Appointment as Director	Date of Joining the Group (including the predecessor entities)
KANG, Jingwei (康敬偉)	44	Executive Director, Chairman, and Chief Executive Officer	Overall strategic planning and business direction	March 2014	July 2000
WU, Lun Cheung, Allen (胡麟祥)	39	Executive Director, Chief Financial Officer and Company Secretary	Overall financial operation, investor relations and company secretarial matters	March 2014	October 2003
ZHONG Xiaolin, Forrest (鍾曉林)	48	Independent Non-executive Director	Chairman and member of Audit, Remuneration and Nomination Committees; supervising and providing independent judgement to our Board	June 2014*	the Listing Date
YE Xin (葉忻)	50	Independent Non-executive Director	Member of Audit, Remuneration and Nomination Committees; supervising and providing independent judgement to our Board	June 2014*	the Listing Date
YAN Andrew (閻焱)	56	Independent Non-executive Director	Member of Audit, Remuneration and Nomination Committees; supervising and providing independent judgement to our Board	June 2014*	the Listing Date

* Effective from the Listing Date

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

KANG, Jingwei (康敬偉), aged 44 is the founder, and chairman of our Group, and was appointed as an executive Director of our Company in March 2014. He has been appointed as our Chief Executive Officer and such appointment will be effective from Listing. Mr. Kang is responsible for the overall strategic planning and business direction of the Group. Mr. Kang earned his bachelor of engineering degree in electrical engineering from South China Technology University in Guangzhou, China in July, 1991. Mr. Kang has over 18 years experience in the Internet multimedia and electronic component distribution industry. Prior to founding the Company, in 2002, Mr. Kang founded the predecessor of NASDAQ listed company Viewtran (ticker: VIEW), Comtech Group to act as a distribution channel for the sale of electronic components in the PRC. Mr. Kang also founded an Internet multimedia company Viewtran Inc. in 2000. Over the past three years, Mr. Kang has served as an executive director of Viewtran.

WU, Lun Cheung, Allen (胡麟祥), aged 39 is the Chief Financial Officer and Company Secretary of our Group and was appointed as an executive Director of our Company in March 2014. Mr. Wu is responsible for the overall financial operation, investor relations and secretarial matters of the Group. Mr. Wu received his bachelor of business administration degree in accounting from The Hong Kong University of Science & Technology in Hong Kong in November 1997. Mr. Wu became an associate member of the Hong Kong Institute of Certified Public Accountants in October 2000, and later became a Certified Public Accountant, after registering his practicing certificate from the Hong Kong Institute of Certified Public Accountants in May 2009. He also became a member of the American Institute of Certified Public Accountants in July 2000 and later a Chartered Global Management Accountant of the American Institute of Certified Public Accountants in August, 2012. Mr. Wu has over 15 years experience in auditing and commercial consulting. He worked at PricewaterhouseCoopers from 1997 to 2003, before becoming the vice president of finance at Viewtran from 2003 to 2013, where he was in charge of corporate finance, compliance and investment. Over the past three years, Mr. Wu has not been a director of any listed companies.

Independent Non-executive Directors

ZHONG Xiaolin, Forrest (鍾曉林), aged 49 was appointed as an independent non-executive Director of our Company and the Chairman and a member of the Audit, Remuneration and Nomination Committees of our Company taking effect on the Listing Date. Dr. Zhong is our Director who has appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through his experience listed below. Dr. Zhong received his bachelor's and masters' degrees in engineering from Huazhong University of Science and Technology in Hubei, China in April, 1986 and April, 1989, respectively, a Ph.D. degree in Robotics & Artificial Intelligence from Edinburgh Napier University, Scotland in December, 1995, and his M.B.A. from the Ivey School of Business at the University of Western Ontario, Canada in May, 2003. In July, 2010, Dr. Zhong completed the Stanford Executive Program (SEP) at the Graduate School of Business of Stanford University, United States. From 2001 to 2005, Dr. Zhong was a director in charge of investments in China and Hong Kong at JAFCO Investment (Hong Kong) Ltd.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhong has also served as the managing director and general partner at TDF Capital LLP since 2005, and as the managing partner at KPCB China Fund LLP from April, 2007 to January, 2011. Dr. Zhong was named in the Midas List by Global Entrepreneur & China Venture in 2007, and was selected as one of the best venture capitalists in China by Forbes from 2008 to 2013 consecutively. Over the past three years, Dr. Zhong has acted as an independent non-executive director of Tianyu Info (天喻信息) (SZ: 300205); and as an non-executive director of the following companies:

- Jiangxi Tianren Ecological Co., Ltd.;
- Madhouse Inc.;
- Sungrow Power Co., Ltd. (SZ: 300274); and
- Universtar Science & Technology (Shenzhen) Co., Ltd.

Dr. Zhong has been and remains responsible for the following areas in his capacity as a senior private equity professional and director of investee companies, through which he has gained the financial management expertise required under Rule 3.10(2) of the Listing Rules:

- reviewing and analyzing financial statements, business plans and financial projections of potential investee companies to determine their investment merits and identify any financial issues;
- responsible for formulating and implementing investment strategies for portfolio companies and serving on the boards of those investee companies;
- acting as a specialist in audit committees of those investee companies and involvement in the financial management of investee companies, including in annual budget meetings, periodic financial reviews, annual financial audits and reporting;
- working closely with investee companies in the preparation of their financial statements, valuation analysis; participation in pricing and negotiation of transaction terms; preparation of offer document disclosures and other related financial documents in advance of their public offerings in the Hong Kong Stock Exchange, Shenzhen Stock Exchange and NASDAQ or trade sales to other investors as well as other corporate finance transactions (“Corporate Finance Transactions”);
- in connection with the Corporate Finance Transactions discussing financial statements and other financial information with audit committees, external auditors, financial advisors and other professional parties; overseeing the implementation and evaluation of internal audit and compliance controls; and
- overseeing the financial management of fund management companies.

DIRECTORS AND SENIOR MANAGEMENT

YE Xin (葉忻), aged 50 was appointed as an independent non-executive Director of our Company and a member of the Audit, Remuneration and Nomination Committees of our Company taking effect on the Listing Date. Mr. Ye received his bachelor of engineering degree (計算機科學與技術系) from Tsinghua University, China in June, 1986, and a master of science degree in Computer Science from Marquette University in Wisconsin, United States in May 1988. From 2003 to 2006, Mr. Ye was the chief technology officer of Linktone, a top wireless entertainment service provider in China. Since 2006, Mr. Xin was the chief executive officer of CASEE Mobile Ads (架勢無線), China's leading mobile ad network for Android/iPhone applications and mobile content.

YAN Andrew (閻焱), aged 56 was appointed as an independent non-executive Director of our Company and a member of the Audit, Remuneration and Nomination Committees of our Company taking effect on the Listing Date. Mr. Yan obtained his bachelor's degree in engineering from Nanjing Aeronautic Institute (now named as Nanjing University of Aeronautics and Astronautics), China in 1982. He has also obtained a master of arts in international political economy from Princeton University in 1989. Mr. Yan is the managing partner of SAIF Partners. From 1989 to 1990. Mr. Yan worked at the Policy, Planning, and Research Division of the World Bank on several major projects on the reform of Chinese enterprise and welfare systems. From 1991 to 1994. Mr. Yan was a research fellow at Hudson Institute in Washington, D. C. From 1994 to 1995, Mr. Yan was a director of Strategic Planning and Business Development for the Asia Pacific region at Sprint International Corporation. From 1995 to 2001, Mr. Yan worked as managing director of AIG Asian Infrastructure Fund and was in charge of the investment in Northeast Asia and Greater China region before he joined SAIF Partners.

Mr. Yan currently holds directorships in the following listed companies:

Company	Stock Code	Stock exchange where the company is listed	Position
China Petroleum & Chemical Corporation	SNP (in the New York Stock Exchange and London Stock Exchange); 600028 (in the Shanghai Stock Exchange); 386 (in the Stock Exchange)	New York Stock Exchange, London Stock Exchange, Shanghai Stock Exchange and the Stock Exchange	Independent non-executive director
China Resources Land Limited	1109	Stock Exchange	Independent non-executive director
CPMC Holdings Limited	906	Stock Exchange	Independent non-executive director
Fosun International Limited ...	656	Stock Exchange	Independent non-executive director
Guodian Technology & Environment Group Corporation Limited	1296	Stock Exchange	Non-executive director
Digital China Holdings Limited	861	Stock Exchange	Non-executive director
China Huiyuan Juice Group Limited	1886	Stock Exchange	Non-executive director

DIRECTORS AND SENIOR MANAGEMENT

Company	Stock Code	Stock exchange where the company is listed	Position
eSun Holdings Limited	571	Stock Exchange	Non-executive director
Giant Interactive Group Inc. . .	GA	New York Stock Exchange	Independent director
Acorn International Inc.	ATV	New York Stock Exchange	Director
ATA Inc.	ATAI	NASDAQ	Director

Save as disclosed herein (and their respective interests or short positions (if any) as set out in the section “Statutory and General Information — D. Further Information About The Directors and Substantial Shareholders” of Appendix IV), there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is comprised of the following:

Name	Age	Position	Roles and Responsibilities	Date of Appointment	Date of Joining the Group (including the predecessor entities)
LI Feng (李峰)	48	Senior vice-president	Development of the Cogobuy.com e-commerce and social media marketing platform	March 2013	August 2010
CHAN Edward (陳劍雄)	50	Vice-president of operations	General administrative operations of the Group, including human resources, customer service, logistics and warehousing	January 2014	April 2004
YUAN Yi (袁怡)	54	Vice-president of business	The overall business and market development of the Group	January 2014	April 2008
LI Henry (李宏輝)	46	Vice-president of business	The overall business and market development of the Group	November 2012	July 2000

LI Feng (李峰), aged 48 is the senior vice president of the Company and is primarily responsible for development of the Cogobuy.com e-commerce and social media marketing platform. Mr. Li received his bachelor of science degree in computer science from Tsinghua University, China in June, 1987, and master of science degree in computer science from Marquette University in Milwaukee, United States in May 1989. Between 1990 and 1999, Mr. Li worked at Informix Software. Between 1999 and 2000, Mr. Li

DIRECTORS AND SENIOR MANAGEMENT

worked for Shanghai Siemens as its chief representative and project director. Between 2002 and 2006, Mr. Li served as chief operating officer of Viewtran Inc. Over the past three years, Mr. Li has not been a director of any listed companies.

CHAN Edward (陳劍雄), aged 50 is the vice president of operations of the Company and is primarily responsible for general administrative operations of the Group, including human resources, customer service, logistics and warehousing. Mr. Chan received his bachelor of science degree in mechanical engineering from the University of Hong Kong, Hong Kong in November 1985. Between 1987 and 2002, Mr. Chan worked and later served as a senior manager of Panasonic Shun Hing Industrial Devices Sales (Hong Kong) Co., Ltd. Between 2004 and February 2013, Mr. Chan was the vice president of operations of Viewtran, and was in charge of the company's customer administration and logistics operations. Over the past three years, Mr. Chan has not been a director of any listed companies.

YUAN Yi (袁怡), aged 54 is the vice president of business of the Company and is primarily responsible for the overall business and market development of the Group. Mr. Yuan received a bachelor of engineering degree from Shanghai Jiao Tong University, China in July 1982 from the department of actuarial equipment (精密儀器系) and obtained a master of science degree in Electronic Engineering from Northern Illinois University, United States in December 1991. Between March 2000 to August 2005, Mr. Yuan held various positions at Broadcom, including the China Country Manager and Director of Sales. Between September 2005 to February 2008, he also served as the Vice President and then the President of TCL Communication Technology. Between 2008 and 2013, Mr. Yuan served as the President of Viewtran. Over the past three years, Mr. Yuan has not been a director of any listed companies.

LI Henry (李宏輝), aged 46 is the vice president of business of the Company and is primarily responsible for the overall business and market development of the Group. Mr. Li earned his bachelor of science degree in radio technology, and master of science degree in Telecommunication and Electronic System from Tianjin University, China in July 1989 and April 1992 respectively. In 1994, Mr. Li focused on teaching and research at Tianjin University. From June 1995 to September 1996, Mr. Li worked at Samsung Electronics Co., where he served as a researcher at ASIC R&D center. Mr. Li was the General Manager (Business Unit) of Comtech Communication (SZ) from 2002 to 2013. Over the past three years, Mr. Li has not been a director of any listed companies.

COMPANY SECRETARY

WU Allen (胡麟祥), was appointed the Company Secretary of our Company in March 2014. See disclosure on "Directors and Senior Management — Directors — Executive Directors".

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors did not receive any remuneration (including any fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for each of the years ended December 31, 2011, 2012 and 2013, respectively, because our executive Directors were appointed in March 2014 and the appointment of our independent non-executive Directors will take effect as of the Listing Date. For the three months ended March 31, 2014, our Directors received remuneration of RMB0.6 million.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to the Predecessor Entities' five highest paid individuals, excluding their directors, for the year ended December 31, 2011 and the period from January 1, 2012 to November 15, 2012 was RMB1.8 million and RMB1.5 million, respectively, and to the Group's five highest paid individuals, excluding its directors (save for the three months ended March 31, 2014), for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014 was RMB0.2 million, RMB2.2 million and RMB2.3 million, respectively. Please refer to notes 6 and 7 of the Accountants' Report set forth in Appendix 1A for further details.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses and entitlement under the RSU Scheme, payable to our Directors for the year ending December 31, 2014 is estimated to be approximately HK\$3.03 million.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Save as disclosed above, no other payments have been made or are payable in respect of each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 by the Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

Please refer to Appendix IV of this prospectus for details of our RSU Scheme.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon Listing in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

DIRECTORS AND SENIOR MANAGEMENT

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely ZHONG Xiaolin Forrest, YE Xin, YAN Andrew, all being our independent non-executive Directors. ZHONG Xiaolin, Forrest has been appointed as the chairman of the audit committee and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely ZHONG Xiaolin Forrest, YE Xin, YAN Andrew. ZHONG Xiaolin, Forrest has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three independent non-executive Directors, being ZHONG Xiaolin Forrest, YE Xin, YAN Andrew. ZHONG Xiaolin Forrest, has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance 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. We do not have a separate chairman and chief executive officer and Mr. Kang currently performs these two roles. Our 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 our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have interests or short positions in our Shares or our underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of Interest	Number of Shares held after the Global Offering	Approximate percentage of shareholding in the total issued share capital of our Company at the time of filing the Listing application	Approximate percentage of shareholding in the total issued share capital of our Company after the Global Offering
Mr. Kang ⁽¹⁾⁽²⁾	Interest of a Controlled Corporation	700,000,000	70%	50.95%
	Beneficial interest	1,800,000	—	0.13%
Envision Global ⁽¹⁾	Beneficial interest	700,000,000	70%	50.95%
Ms. Yao ⁽³⁾	Interest of a Controlled Corporation	300,000,000	30%	21.83%
Total Dynamic ⁽³⁾	Beneficial interest	300,000,000	30%	21.83%

(1) Mr. Kang owns Envision Global as to 100% and is deemed to be interested in these Shares.

(2) This represents Shares Mr. Kang is entitled to under the RSU Scheme. Taking into account his interest in the Company held by Envision Global, he is deemed to be interested in the Company as to 51.08%.

(3) Ms. Yao owns Total Dynamic as to 100% and is deemed to be interested in these Shares.

Except as disclosed above, we are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering.

	<u>(Nominal Value)</u>
	US\$
Authorized Share Capital:	
500,000,000,000 Shares	50,000
Issued Share Capital as at the date of this prospectus:	
1,000,000,000 Shares	100
Shares to be issued pursuant to the Global Offering:	
343,800,000 Shares to be issued pursuant to the Global Offering	34.38
Shares to be issued pursuant to the RSU Scheme:	
30,200,000 Shares to be issued pursuant to the RSU Scheme	3.02
Total Issued Share Capital on Completion of Global Offering:	
1,374,000,000 Shares	137.40

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional but does not take into account Shares to be issued pursuant to the RSU Scheme or which may be issued or repurchased pursuant to the general mandate given to the Directors for issue and allotment of Shares referred to in Appendix IV to this prospectus or the repurchase mandate referred to in Appendix IV to this prospectus, as the case may be.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any options or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering; and
- the aggregate nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

SHARE CAPITAL

This general mandate to issue Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

Please refer to the section headed “Appendix IV — Statutory and General Information — Written resolutions of our shareholders passed on June 27, 2014” in this prospectus for particulars of this general mandate to allot, issue and deal with Shares.

REPURCHASE MANDATE

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Written resolutions of our shareholders passed on June 27, 2014” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone placing agreements with a number of investors (the “**Cornerstone Investors**”), who have agreed to subscribe at the Offer Price for such number of Shares that may be purchased with an aggregate amount of US\$50,000,000. Assuming an Offer Price of HK\$3.84, the mid-point of the Offer Price range, the total number of Shares to be subscribed for by the Cornerstone Investors would be 100,932,000 Shares, representing 7.3% of the Shares after the Global Offering (assuming that the Over-allotment Option is not exercised but taking into account Shares to be issued pursuant to the RSU Scheme). Each of the Cornerstone Investors is independent from our Company, our connected persons and their respective associates. The Cornerstone Investors will not subscribe for any Shares under the Global Offering other than pursuant to the relevant cornerstone placing agreements. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a Substantial Shareholder of our Company. The shareholdings of the Cornerstone Investors will be counted towards the public float of our Shares.

The cornerstone placing forms part of the International Placing. The Shares to be purchased by the Cornerstone Investors will not be affected by any reallocation of the Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section “Structure of the Global Offering — The Hong Kong Public Offering”. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on Friday, July 18, 2014.

OUR CORNERSTONE INVESTORS

Our Cornerstone Investors are set out below:

Blueberry Capital Limited

Blueberry Capital Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$10,000,000 at the Offer Price. It is expected that, based on the applicable exchange rate as at the Latest Practicable Date, assuming an Offer Price of HK\$3.84 (being the mid-point of the Offer Price range), the number of Shares Blueberry Capital Limited will subscribe for approximately 20,186,000 Shares, representing approximately 1.5% of the issued share capital of the Company upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised but taking into account Shares to be issued pursuant to the RSU Scheme).

Blueberry Capital Limited is a limited liability company incorporated under the laws of BVI whose registered address is at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. Blueberry Capital Limited is a management company which runs a multifamily office focusing on investing in secondary market in Hong Kong and the US.

CORNERSTONE INVESTORS

Hong Kong Huicong International Group Limited

Hong Kong Huicong International Group Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$20,000,000 at the Offer Price. It is expected that, based on the applicable exchange rate as at the Latest Practicable Date, assuming an Offer Price of HK\$3.84 (being the mid-point of the Offer Price range), the number of Shares Hong Kong Huicong International Group Limited will subscribe for approximately 40,373,000 Shares, representing approximately 2.9% of the issued share capital of the Company upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised but taking into account Shares to be issued pursuant to the RSU Scheme).

Hong Kong Huicong International Group Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of HC International, Inc., whose shares are listed in the Growth Enterprise Market (GEM) of the Stock Exchange and its stock code is 8292. HC International Inc. and its subsidiaries are domestic B2B e-commerce operators in the PRC.

Unique Golden Limited

Unique Golden Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$20,000,000 at the Offer Price. It is expected that, based on the applicable exchange rate as at the Latest Practicable Date, assuming an Offer Price of HK\$3.84 (being the mid-point of the Offer Price range), the number of Shares Unique Golden Limited will subscribe for approximately 40,373,000 Shares, representing approximately 2.9% of the issued share capital of the Company upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised but taking into account Shares to be issued pursuant to the RSU Scheme).

Unique Golden Limited is a company incorporated under the laws of British Virgin Islands with limited liability. It is an indirect wholly-owned subsidiary of Digital China Holdings Limited, a company incorporated under the laws of Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange and its stock code is 861. Digital China Holdings Limited with its subsidiaries is engaged in the sale and distribution of IT and systems products. It also operates a one-stop supply chain consultancy and offers execution services to IT and other high-value density products manufacturers and major accounts. It is also engaged in the provision of systems integration, applications software development, professional IT services and financial self-service equipment.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional and not having been terminated (in accordance with their respective original terms, as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties) by no later than the time and date as specified in such agreements;
- (2) the Listing Committee granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked;

CORNERSTONE INVESTORS

- (3) that the respective representation, warranties undertakings and acknowledgments of the relevant Cornerstone Investors and the Company under the relevant cornerstone investment agreement are accurate and true in all material respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor; and
- (4) no law having been enacted or promulgated by any governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial body of Hong Kong, Bermuda, the Cayman Islands, BVI, the United Kingdom, the United States or any other relevant jurisdiction, which prohibit the consummation of the subscription and no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of the subscription.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and UBS, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreements) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes in writing to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the restrictions on disposals imposed on such Cornerstone Investor.

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The following discussion should be read in conjunction with the consolidated financial statements of the Group, together with the accompanying notes, for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, set forth in Appendix IA to this Prospectus and the combined financial statements of our Predecessor Entities, together with the accompanying notes, for the year ended December 31, 2011, the period from January 1, 2012 to November 15, 2012 and the years ended December 31, 2012 and 2013, set forth in Appendix IB to this Prospectus. The financial statements included in the Accountants' Reports in Appendices IA and IB have been prepared in accordance with HKFRSs.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties some of which are beyond our control. Factors that could cause or contribute to such differences include those described in the section entitled "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. We operate the largest transaction-based e-commerce platform for IC and other electronic components in China as measured by GMV in 2013, according to Analysys International. 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. In the year ended December 31, 2013 and the three months ended March 31, 2014, we fulfilled orders with a GMV of approximately RMB3.9 billion and RMB1.5 billion, respectively. We serve electronics manufacturers including 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, sourced from approximately 500 suppliers, including some of the top brand-name suppliers in key product categories.

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, which is expected to grow from RMB2.0 trillion in 2013 to RMB3.0 trillion in 2016, according to Analysys International. To better serve the electronics manufacturing industry in China, we are extending beyond the IC and other electronic components procurement market and have started offering additional products and services to support various aspects of the electronics manufacturing industry. 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 have grown rapidly during the Track Record Period. On a combined basis, our direct sales revenue grew from RMB1,169.9 million in 2011 to RMB2,391.8 million in 2013. See "— Results of Operations — Combined Results of Operations of Predecessor Entities and Group". We started to operate our online marketplace in July 2013. In 2013, the total GMV and revenue derived from our online marketplace were RMB1.5 billion and RMB25.4 million, respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

History of our Company

The presentation of our financial information in this Prospectus is impacted by the acquisitions that have occurred during the Track Record Period. For a summary of the history of our Company, please see “History, Reorganization and Corporate Structure.”

Presentation of Accountants’ Reports

This Prospectus includes two Accountants’ Reports, set forth in Appendices IA and IB. In particular:

- Appendix IA sets forth the consolidated financial statements of the Group, together with the accompanying notes, for the period from February 1, 2012 (the date of the Company’s incorporation) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, which include the financial results of (i) our Predecessor Entities since their acquisition by the Company on November 15, 2012, (ii) the Total Dynamic Entities since their acquisition by the Company on February 1, 2013 and (iii) the Envision Global Entities since they came under the control of the Company on November 20, 2013. Furthermore, set out in sections C and D of the Accountants’ Report of the Group are the pre-acquisition financial information of (i) the Total Dynamic Entities from January 4, 2011 (the date of the Total Dynamic Entities’ incorporation) up to the date of acquisition and (ii) the Envision Global Entities from January 1, 2011 up to the date of acquisition; and
- Appendix IB sets forth the combined financial statements of our Predecessor Entities, together with the accompanying notes, for the year ended December 31, 2011, the period from January 1, 2012 to November 15, 2012 and the years ended December 31, 2012 and 2013.

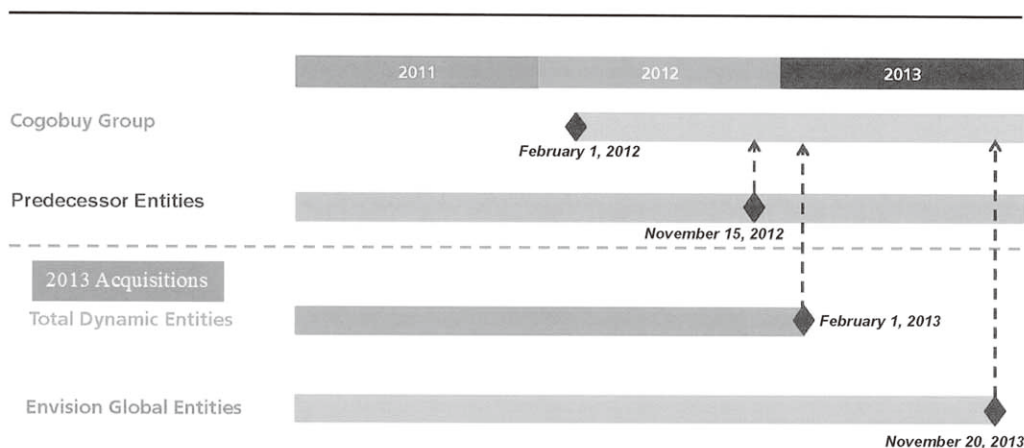
Business of the Group

Prior to November 15, 2012, the Group had no significant operations. For the period from November 15, 2012, the date of the acquisition of our Predecessor Entities, to December 31, 2012, the results of the Group included the results of our Predecessor Entities. The results for the year ended December 31, 2013 include the results of our Predecessor Entities for the entire year.

On February 1, 2013, the Company acquired the Total Dynamic Entities, and, on November 20, 2013, the Company acquired the Envision Global Entities, together with their respective businesses (collectively, the “**2013 Acquisitions**”). The results of the Group also include the results of the Total Dynamic Entities and Envision Global Entities starting from the dates that they came under the Company’s control.

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The following diagram presents the timeline of the acquisition of our Predecessor Entities and of the 2013 Acquisitions:



Business of our Predecessor Entities

Our Predecessor Entities came under our control on November 15, 2012. The combined financial statements of our Predecessor Entities for the year ended December 31, 2011 and the period from January 1, 2012 to November 15, 2012 are set forth in Appendix IB to this Prospectus. However, given the limited utility of comparing the financial results of our Predecessor Entities for the full year 2011 with the period from January 1, 2012 to November 15, 2012, and given that our Predecessor Entities' operating results are not directly comparable to the results of the Group, we offer additional financial information to help investors to analyze our financial results, as explained below.

In the combined financial statements of our Predecessor Entities, we present the financial results of those entities for the full years ended December 31, 2011, 2012 and 2013 in order to give investors information about the performance of our Predecessor Entities' business during those years. We consider that, since our Predecessor Entities operated our principal underlying business during those years and contributed the most significant portion of the Group's operating activity, their financial results, presented on a stand-alone basis, are a meaningful indication of a major part of the Group's underlying business. Furthermore, the structure of our Predecessor Entities has remained fairly stable, including after their acquisition by the Group, so we are able to present their results on a stand-alone basis and provide historical year-on-year comparisons of their results. However, prospective investors should be aware that these do not reflect actual results of the Group and are not intended to indicate any hypothetical results that could have been achieved by us. See "Risk Factors — The financial data of our Predecessor Entities is not directly comparable to our Group's financial data, and the results of our Predecessor Entities may not be indicative of the results of our Group."

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

Set forth below is a discussion of significant factors we believe may affect our results of operations in the future as well as those factors that have affected our results of operations in the past. Factors other than those set forth below could also have a significant impact on our results of operations and financial condition in the future.

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Market Conditions in China

Our results of operations and financial condition are affected by general factors driving China's IC and other electronics components industry, including levels of per capita disposable income and consumer spending in China and in markets that import significant quantities of electronics products manufactured in China. In addition, they are also affected by factors driving online sales in China, such as the growing number of online buyers, the adoption of online sales strategies by customers and suppliers and the availability of improved delivery services. For an overview of recent developments in market conditions in China, see "Industry Overview."

Our Ability to Attract and Retain Customers

Growth in the number of our customers and orders is a key driver of our revenue growth. Our ability to attract new customers and new orders from existing customers depends on our ability to provide a diverse selection of products and superior customer experience. To this end, we offer a wide range of products to maximize our market share. We also offer competitive prices on our online platform, provide speedy and reliable delivery and comprehensive before- and after-sales services. Our advanced IT system enables us to provide all of these sophisticated services to increasing numbers of customers in a scalable way and to maintain high operating efficiency. Our continued revenue growth depends on our ability to further diversify our product offerings and provide customers with superior service.

Throughout the Track Record Period, we have operated the direct sales business, which had experienced strong revenue growth during the period. Starting from July 2013, we have also operated the e-commerce marketplace platform through cogobuy.com. The tables below set forth, on a combined basis, the number of customers and revenue of each of our direct sales and marketplace businesses:

	For the year ended December 31,		
	2011	2012	2013
Customers			
Direct sales	1,799	1,636	1,967 ⁽²⁾
— Online customers ⁽¹⁾	38	423	1,967 ⁽²⁾
— Offline customers ⁽¹⁾	1,761	1,213	—
Marketplace	—	—	1,326 ⁽²⁾
Total customers	1,799	1,636	2,737

	For the year ended December 31,		
	2011	2012	2013
	(RMB thousands)		
Revenue			
Direct sales	1,169,948	1,568,372	2,391,838
— From online customers ⁽¹⁾	10,162	216,738	2,391,838
— From offline customers ⁽¹⁾	1,159,786	1,351,634	—
Marketplace	—	—	25,439
Total revenue (combined)	1,169,948	1,568,372	2,417,277

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- (1) We define “online customers” as customers who have registered accounts at cogobuy.com and have used cogobuy.com or our mobile application, Cogobuy Cloud, to manage one or more steps in the completion of the procurement process (including browsing and searching, requesting price quote, submitting and confirming order, tracking order status, and reviewing bills and invoices). We define “offline customers” as customers who do not have registered accounts at cogobuy.com or have not used cogobuy.com or Cogobuy Cloud to manage any step in the procurement process. In addition to online services, we also provide online customers with offline services across pre-sale, sale and post-sale stages.
- (2) Includes 556 customers who made purchases through both our direct sales platform and our marketplace. As such, the sum of the number of direct sales customers and the number of marketplace customers is greater than our total number of customers in 2013.

Our Mix of Customers

We sell to each of our customers at individually negotiated prices. Our profitability of sales depends on our mix of customers and the pricing that we can obtain from them. We attract and retain blue-chip customers to increase our business scale and transaction volume, which in turn help us to gain more bargaining power over suppliers. As such, we are able to leverage our business scale to attract SME customers with a wide selection of products, competitive prices and favorable terms. Our sophisticated customer data analysis allows us to make more targeted promotions of relevant products to customers, negotiate better prices with them and therefore increase overall revenue per customer. The table below sets forth, on a combined basis, our revenue from blue-chip customers and SME customers through our direct sales platform:

	For the year ended December 31,			For the three months ended March 31,	
	2011	2012	2013	2013	2014
				(unaudited)	
					(RMB thousands)
Direct sales					
— Blue-chip customers ..	452,368	627,174	1,337,318	150,403	712,454
— SME customers	717,580	941,198	1,054,520	235,247	638,033
Total	1,169,948	1,568,372	2,391,838	385,650	1,350,487

Our Ability to Expand Product Offerings and Strengthen Supplier Relationships

Our most significant expenses come from cost of sales, which is related to the amounts that our suppliers charge us for product procurements. We seek to strengthen our relationships with suppliers by procuring more product types in greater quantities. In return, our suppliers give us volume discounts. As of March 31, 2014, we source over 51,000 SKUs from approximately 500 different suppliers. Our continued success depends on our ability to aggregate larger orders, maintain good supplier relationships and keep costs of procurement low.

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Our profitability is also affected by the mix of products that we offer because different products provide different profit margins. For example, commodity items like computer memory have relatively low profit margins while items like analog devices may have relatively higher profit margins. Our continued success depends on our ability to sell more products at higher profit margins.

Our Ability to Invest in our Technology Infrastructure

Our advanced technological infrastructure is crucial to our business. Technological automation allows us to scale up our operations without a proportional increase in fixed costs. It also allows us to analyze customer data and to engage in our sophisticated form of marketing. Most importantly, it is the backbone of our e-commerce platform, which is our major interface with customers that provides them with a superior customer experience. Our continued success depends heavily on the reliable maintenance and continued upgrading of our technology systems.

Our Acquisitions

In 2013, the Company made significant acquisitions of complementary businesses. On February 1, 2013, we acquired the Total Dynamic Entities, which contributed the cogobuy.com and other websites to our business. Then, on November 20, 2013, we acquired the Envision Global Entities, which contributed logistics, warehouse and ancillary support infrastructure to our business. Altogether, the acquired entities contributed significantly to our results of operations in 2013, including 26.5% of total revenue, 26.4% of total cost of sales and 27.8% of total gross profit. Our results of operations going forward will depend on, among other things, the continued success of the acquired entities, our ability to assimilate the business of the acquired entities with the business of the Company and our ability to manage such assimilation without incurring excessive costs or diversion of management resources.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

We have identified certain accounting policies that are significant to the preparation of the Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of the Group's financial statements. We have also set out, for the benefit of investors' understanding of the financial statements of our Predecessor Entities, the same information with respect to the critical accounting policies used in the preparation of our Predecessor Entities' financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in the Accountants' Reports in Appendices IA and IB in this Prospectus, respectively.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss. The Group evaluates whether it is appropriate

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to record the gross amount of sales of goods and the related costs or the net amount earned as commission. When the Group has the primary responsibility for providing the goods to the customer or for fulfilling the order, is subject to inventory risk, has latitude in establishing prices and bears the customer's credit risk, or has several but not all of these indicators, revenues is recognized on a gross basis. When the Group does not have exposure to the significant risks and rewards associated with the sale of goods, revenues are recorded on a net basis. Revenue excludes value added taxes ("VAT") or other sales taxes and is after deduction of any sales return, trade discounts and allowances.

Sale of goods

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

Marketplace

Marketplace revenue consists of fees charged to third-party merchants that sell products on the Group's marketplace platform. These sales are generally transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices and selecting suppliers. The Group charges third-party merchants commission fee based on a fixed percentage of the sales amount. Marketplace revenue is recognized at the point of delivery of products by the merchants. We send third-party merchants billing statements on a monthly basis. To promote our recently launched marketplace business, we grant third-party merchants credit periods of up to six months from their receipt of the billing statements.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date when control is transferred to the Group.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and, if applicable, the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash-generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Motor vehicles 5 years
- Machinery 5 years
- Leasehold improvements Over the lease terms
- Furniture and office equipment 1 to 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses. Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

- Internet platform 3 years
- Customer relationship 5 to 9 years
- Domain name and trademark 11 years

Both the period and method of amortization are reviewed annually.

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Impairment of assets

Impairment of receivables

Current and non-current receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, for trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

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Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- non-current deposits and prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statements of financial position

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognized.

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Inventories

Inventories mainly comprise electronic components. Inventories are carried at the lower of cost and net realizable value.

Cost is calculated on the first in first out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent they relate to business combinations, items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

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The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

SEGMENT INFORMATION

Management considers that the Group operates in a single business segment as the revenue and profit are derived entirely from wholesales of IC and other electronic components. Accordingly, no segment information is presented in this Prospectus.

SELECTED FINANCIAL DATA

The Group

The following table sets forth a summary of the Group's consolidated statements of comprehensive income for the periods indicated. Comparisons between the Group's operating results in 2012 and 2013 may not be useful to investors because the Group did not have significant operations prior to the

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acquisition of our Predecessor Entities on November 15, 2012. The changes in operating results of the Group from 2012 to 2013 are primarily due to (i) the acquisition of our Predecessor Entities on November 15, 2012, (ii) the acquisition of the Total Dynamic Entities on February 1, 2013 and (iii) the Envision Global Entities on November 20, 2013.

The financial information for the three months ended March 31, 2013 and December 31, 2013 as set forth in the table below are extracted from the Group's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2013 and December 31, 2013, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Operating results in any historical period may not be indicative of the results that may be expected in any future period.

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended		
			March 31, 2013	December 31, 2013	March 31, 2014
			(unaudited)	(unaudited)	
			(RMB thousands)		
Revenue	199,306	2,417,277	387,572	1,011,920	1,354,018
Cost of sales	(145,688)	(2,215,191)	(363,047)	(920,742)	(1,251,578)
Gross profit	53,618	202,086	24,525	91,178	102,440
Other revenue	375	1,406	615	308	72
Other net (loss)/ income .	(11)	1,037	—	739	—
Selling and distribution expenses	(1,187)	(13,749)	(2,580)	(6,731)	(15,513)
Research and development expenses	(8,254)	(16,144)	(2,598)	(7,660)	(7,486)
Administrative and other operating expenses	(3,768)	(51,996)	(6,819)	(22,790)	(37,032)
Profit from operations .	40,773	122,640	13,143	55,044	42,481
Finance costs	(2,574)	(20,192)	(4,118)	(7,487)	(9,241)
Profit before taxation ..	38,199	102,448	9,025	47,557	33,240
Income tax	(8,580)	(15,883)	(2,107)	(6,610)	(4,251)
Profit for the period/year	<u>29,619</u>	<u>86,565</u>	<u>6,918</u>	<u>40,947</u>	<u>28,989</u>

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Our Predecessor Entities

The following table sets forth a summary of our Predecessor Entities' combined statements of comprehensive income for the year ended December 31, 2011, the period from January 1, 2012 to November 15, 2012 and the years ended December 31, 2012 and 2013. Results for the year ended December 31, 2011 and the period from January 1, 2012 to November 15, 2012 are presented in compliance with Rule 4.04(1) and 4.05A of the Listing Rules.

We have provided the combined financial statements of our Predecessor Entities, together with the accompanying notes, for the year ended December 31, 2011, the period from January 1, 2012 to November 15, 2012 and the years ended December 31, 2012 and 2013 in order to give investors information about the performance of our Predecessor Entities' business during those periods. We consider that, since our Predecessor Entities operated our principal underlying business during those periods and contributed the most significant portion of the Group's operating activity, their financial results are a meaningful indication of the Group's underlying business. Furthermore, the structure of our Predecessor Entities has remained fairly stable, including after their acquisition, so we are able to present their results on a standalone basis and provide historical year-on-year comparisons based on those results.

The operating results of our Predecessor Entities in any historical period may not be indicative of the results that may be expected by us in any future period.

	For the year ended December 31, 2011	For the period from January 1, 2012 to November 15, 2012	For the year ended December 31, 2012	For the year ended December 31, 2013
	(RMB thousands)			
Revenue	1,169,948	1,369,066	1,568,372	1,788,044
Cost of sales	(1,097,451)	(1,325,408)	(1,471,096)	(1,679,949)
Gross profit	72,497	43,658	97,276	108,095
Other revenue	14,356	11,184	11,559	11,550
Other net income	—	737	726	298
Selling and distribution expenses	(9,571)	(8,658)	(9,845)	(7,882)
Research and development expenses ...	(9,503)	(9,435)	(17,689)	(8,214)
Administrative and other operating expenses	(28,584)	(27,434)	(30,537)	(31,514)
Profit from operations	39,195	10,052	51,490	72,333
Finance costs	(4,006)	(3,916)	(6,490)	(16,331)
Profit before taxation	35,189	6,136	45,000	56,002
Income tax	(8,365)	(2,602)	(11,187)	(12,903)
Profit for the year/period	<u>26,824</u>	<u>3,534</u>	<u>33,813</u>	<u>43,099</u>

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DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

The Group

Revenue

The Group generates revenue from sales of IC and other electronic components either through its direct sale platform or marketplace platform. The Group sells products primarily through its direct sales platform, which accounted for substantially all revenues in all of the periods indicated. Marketplace revenue, which represents commission fees charged to third-party merchants from our e-commerce platform, made up approximately 1% of total revenue for the year ended December 31, 2013 and 0.3% of total revenue for the three months ended March 31, 2014. The Group did not generate any marketplace revenue for the period from February 1, 2012 to December 31, 2012.

Total revenues were RMB199.3 million, RMB2,417.3 million and RMB1,354.0 million for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively. For the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013, there was no single customer who accounted for 10% or more of total revenues. For the three months ended March 31, 2014, there was only one customer with whom transactions exceeded 10% of revenues. The total value of transactions with that customer in that period was RMB169.9 million.

Cost of Sales

Cost of sales is made up of costs of product procurement from our suppliers, which accounted for substantially all of the total cost of sales in the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014. As a result, cost of sales varies largely as a function of revenue.

Cost of sales was RMB145.7 million, RMB2,215.2 million and RMB1,251.6 million, representing 73.1%, 91.6% and 92.4% of total revenues, for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively.

Other Revenue

Other revenue consists exclusively of interest income that we earn from bank deposits of cash. We do not invest in financial products other than interest-bearing deposit accounts. Other revenue had an insignificant impact on our business in the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014.

Other revenue were RMB0.4 million, RMB1.4 million and RMB0.1 million, representing 0.2%, 0.1% and 0.01% of total revenues, for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively.

Other Net (Loss)/Income

Other net (loss)/income consists primarily of miscellaneous gains/(losses) on disposition of property, plant and equipment and gains on disposal of subsidiaries. In 2013, we experienced a RMB0.7

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million gain upon the disposal of Comtech China and its subsidiaries. Other net income had an insignificant impact on our business in the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014.

Other net (loss)/income were negligible for the period from February 1, 2012 to December 31, 2012, RMB1.0 million, representing a negligible percentage of revenues, for the year ended December 31, 2013 and nil for the three months ended March 31, 2014.

Selling and Distribution Expenses

Selling and distribution expenses consist primarily of transportation costs, custom duties and salaries and benefits for sales staff. Less significant expenses include rental of sales office space and rental of warehouse space. Our selling and distribution expenses are generally recognized as they are incurred.

Selling and distribution expenses were RMB1.2 million, RMB13.7 million and RMB15.5 million, representing 0.6%, 0.6% and 1.1% of total revenues, for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively.

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits of technical staff. Less significant expenses include rental of research and development facilities and IT infrastructure maintenance and improvement.

Research and development expenses were RMB8.3 million, RMB16.1 million and RMB7.5 million, representing 4.1%, 0.7% and 0.6% of total revenues, for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses consist primarily of salaries and benefits for administrative staff, rental of office space and also a service fee paid to Viewtran under a service agreement that was signed at the time that we acquired our Predecessor Entities, whereby Viewtran provided certain administrative functions to us. In the year ended December 31, 2013, there were also professional service fees related to our potential IPO.

Administrative and other operating expenses were RMB3.8 million, RMB52.0 million and RMB37.0 million, representing 1.9%, 2.2% and 2.7% of total revenues, for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively.

Finance Costs

Finance costs consist of interest on bank borrowings and guarantee fees. We maintain borrowing facilities with several banks and draw on these facilities to fund our working capital requirements. We pay guarantee fees to Viewtran in consideration for a US\$60 million guarantee cash facility that was established at the time that we acquired our Predecessor Entities.

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Finance costs were RMB2.6 million, RMB20.2 million and RMB9.2 million, representing 1.3%, 0.8% and 0.7% of total revenues, for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively. Of these costs, interest on bank borrowings amounted to RMB1.8 million, RMB14.1 million and RMB7.7 million, and guarantee fees amounted to RMB0.8 million, RMB6.1 million and RMB1.6 million for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively. For more information, see “— Liquidity and Capital Resources” and “— Indebtedness.”

Income Tax

Income tax were RMB8.6 million, RMB15.9 million and RMB4.3 million, representing an effective tax rate of 22.5%, 15.5% and 12.8%, for the period from February 1, 2012 to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014, respectively. The Group has paid all income taxes for the years ended December 31, 2011 and 2012, while income taxes for the year ended December 31, 2013 are expected to be paid before the end of 2014. As of the Latest Practicable Date, the Group did not have any disputes with any tax authority.

The Group is subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, BVI, Hong Kong and the PRC.

Cayman Islands and 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.

Hong Kong

The entities that are incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the period from February 1, 2012 (date of inception) to December 31, 2012 and for the year ended December 31, 2013. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

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 E-commerce and Shenzhen Cogobuy, being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations (“2+3 tax holiday”) during 2013. As a result, they are exempted from 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.

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According to the prevailing PRC CIT law and its relevant regulations, non-PRC-tax-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).

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.

Our Predecessor Entities

Revenue

Revenue of our Predecessor Entities mainly derives from sales of IC and other electronic components and module design solutions. The module design business was discontinued after the acquisition of our Predecessor Entities. Thereafter, IC and other electronic component sales became the principal activity of our Predecessor Entities and accounted for substantially all revenues in the year ended December 31, 2013.

Total revenues were RMB1,169.9 million, RMB1,568.4 million and RMB1,788.0 million for the years ended December 31, 2011, 2012 and 2013, respectively. For the year ended December 31, 2011, there was only one customer with whom transactions exceeded 10% of revenues. The total value of transactions with that customer in that period was RMB121.9 million. For the years ended December 31, 2012 and 2013, there were no customers with whom transactions exceeded 10% of revenues.

Cost of Sales

Cost of sales is made up of costs of product procurement from suppliers. Such costs accounted for substantially all of the total cost of sales during the Track Record Period. As a result, cost of sales varies largely as a function of revenue.

Cost of sales were RMB1,097.5 million, RMB1,471.1 million and RMB1,679.9 million, representing 93.8%, 93.8% and 94.0% of revenues, for the years ended December 31, 2011, 2012 and 2013, respectively.

Other Revenue

Other revenue consists exclusively of interest income earned from bank deposits of cash. Our Predecessor Entities do not invest in financial products other than interest-bearing deposit accounts. Other revenue had an insignificant impact on our Predecessor Entities’ business during the Track Record Period.

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Other revenue were RMB14.4 million, RMB11.6 million and RMB11.6 million, representing 1.2%, 0.7% and 0.6% of revenues, for the years ended December 31, 2011, 2012 and 2013, respectively.

Other Net Income

Other net income consists primarily of gains/(losses) on disposition of property, plant and equipment. Other net income had an insignificant impact on our Predecessor Entities' business during the Track Record Period.

Other net income were nil, RMB0.7 million and RMB0.3 million, representing a negligible percentage of revenues for the years ended December 31, 2011, 2012 and 2013, respectively.

Selling and Distribution Expenses

Selling and distribution expenses consist primarily of transportation costs, custom duties and salaries and benefits for sales staff. Less significant expenses include rental of sales office space and rental of warehouse space. Our selling and distribution expenses are generally recognized as they are incurred.

Selling and distribution expenses were RMB9.6 million, RMB9.8 million and RMB7.9 million, representing 0.8%, 0.6% and 0.4% of revenues, for the years ended December 31, 2011, 2012 and 2013, respectively.

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits of technical staff. Less significant expenses include rental of research and development facilities and IT infrastructure maintenance and improvement.

Research and development expenses were RMB9.5 million, RMB17.7 million and RMB8.2 million, representing 0.8%, 1.1% and 0.5% of revenues, for the years ended December 31, 2011, 2012 and 2013, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses of our Predecessor Entities consists primarily of salaries and benefits for administrative staff, rental of office space, bank charges and depreciation of fixed assets.

Administrative and other operating expenses were RMB28.6 million, RMB30.5 million and RMB31.5 million, representing 2.4%, 1.9% and 1.8% of revenues, for the years ended December 31, 2011, 2012 and 2013, respectively.

Finance Costs

Finance costs consist of interest on bank borrowings and guarantee fees. Our Predecessor Entities maintain borrowing facilities with several banks and draw on these facilities to fund working capital requirements. Guarantee fees are paid to Viewtran in consideration for a US\$60 million guarantee cash facility that was established at the time of the acquisition of our Predecessor Entities.

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Finance costs were RMB4.0 million, RMB6.5 million and RMB16.3 million, representing 0.3%, 0.4% and 0.9% of revenues, for the years ended December 31, 2011, 2012 and 2013, respectively. Of these costs, interest on bank borrowings amounted to RMB4.0 million, RMB5.7 million and RMB10.2 million and guarantee fees amounted to nil, RMB0.8 million and RMB6.1 million for the years ended December 31, 2011, 2012 and 2013, respectively. For more information, see “— Liquidity And Capital Resources” and “— Indebtedness.”

Income Tax

Income tax were RMB8.4 million, RMB11.2 million and RMB12.9 million, representing an effective tax rate of 23.8%, 24.9% and 23.0%, for the years ended December 31, 2011, 2012 and 2013, respectively. Our Predecessor Entities have paid all income taxes for the years ended December 31, 2011 and 2012, while income taxes for the year ended December 31, 2013 are expected to be paid before the end of 2014. As of the Latest Practicable Date, our Predecessor Entities did not have any disputes with any tax authority.

Our Predecessor Entities are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the BVI, Hong Kong and the PRC.

The BVI

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

Hong Kong

The entities that are incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the year ended December 31, 2011, the period from January 1, 2012 to November 15, 2012 and for the years ended December 31, 2012 and 2013. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

The PRC

On March 16, 2007, the National People’s Congress passed the Corporate Income Tax law (the “CIT law”) which revised the PRC statutory income tax rate to 25%. The CIT law was effective on January 1, 2008. The PRC subsidiaries are subject to PRC CIT at statutory rate of 25%, unless otherwise specified.

Prior to January 1, 2008, Comtech Communication (SZ), Comtech Software Technology Shenzhen and Comtech Industrial Shenzhen, being entities located in the Shenzhen Special Economic Zone (collectively, the “Shenzhen Subsidiaries”), were entitled to the preferential tax rate of 15%. In addition, the Shenzhen Subsidiaries, being production oriented foreign investment enterprises, were each entitled to 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 (“2+3 tax holiday”) under the then effective tax regulations.

The CIT law and its relevant regulations provide a five-year transition period from January 1, 2008 for the Shenzhen Subsidiaries which were established before March 16, 2007 and were entitled to

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preferential tax rates under the then effective tax regulations, as well as grandfathering certain tax holidays. The transitional tax rates are 24% and 25% for 2011 and 2012 onwards, respectively. Hence, the Shenzhen Subsidiaries are subject to tax rates ranging from 12% to 24% for 2011 and 25% for 2012 and 2013, respectively.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC-tax-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 Combined Financial Information, the directors determined that the management of the Predecessor Entities can control the quantum and timing of distribution of profits of their PRC entities included in the Predecessor Entities, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

RESULTS OF OPERATIONS

Combined Results of Operations of Predecessor Entities and Group

In order to give investors a meaningful way to analyze the results of our performance during the years ended December 31, 2011, 2012 and 2013, we provide revenue, cost of sales and gross profits on a combined basis (collectively, the “combined results”) of the Group and our Predecessor Entities. We obtained the combined results for the year ended December 31, 2012 by adding the consolidated revenue, cost of sales and gross profit of the Group for the period from February 1, 2012 (date of incorporation) to December 31, 2012 and the combined revenue, cost of sales and gross profit of our Predecessor Entities for the period from January 1, 2012 to November 15, 2012, respectively. For comparison purposes, we present below the combined results alongside the consolidated revenue, cost of sales and gross profit of the Group only for the three months ended March 31, 2013, December 31, 2013 and March 31, 2014:

	For the year ended December 31,			For the three months ended		
	2011 ⁽¹⁾	2012 ⁽²⁾	2013 ⁽³⁾	March 31, 2013 ⁽³⁾	December 31, 2013 ⁽³⁾	March 31, 2014 ⁽³⁾
				(unaudited)	(unaudited)	
	(RMB thousands)					
Revenue	1,169,948	1,568,372	2,417,277	387,572	1,011,920	1,354,018
Cost of sales	(1,097,451)	(1,471,096)	(2,215,191)	(363,047)	(920,742)	(1,251,578)
Gross profit	<u>72,497</u>	<u>97,276</u>	<u>202,086</u>	<u>24,525</u>	<u>91,178</u>	<u>102,440</u>

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- (1) Represents results of our Predecessor Entities only.
- (2) Represents combined results of the Group and our Predecessor Entities.
- (3) Represents consolidated results of the Group.

Period to Period Comparisons of Results of Operations

The Group—Three Months Ended March 31, 2014 Compared with the Three Months Ended December 31, 2013 and March 31, 2013

Revenue. Revenue for the three months ended March 31, 2014 was RMB1,354.0 million, including RMB1,350.5 million of direct sales revenue and RMB3.5 million of marketplace revenue. Revenue increased 33.8% from RMB1,011.9 million for the three months ended December 31, 2013, primarily due to organic growth in sales volume driven by our online platform and the acquisition of the Envision Global Entities. For the three months ended March 31, 2014 and December 31, 2013, the Envision Global Entities and the Total Dynamic Entities, together, contributed RMB826.0 million and RMB625.8 million of revenues, respectively.

Revenue for the three months ended March 31, 2014 increased 249% from RMB387.6 million for the three months ended March 31, 2013, primarily due to organic growth in sales volume and the 2013 Acquisitions. For the three months ended March 31, 2013 and 2014, the Envision Global Entities and the Total Dynamic Entities contributed RMB1.9 million and RMB826.0 million of revenues, respectively.

The results of the Envision Global Entities have been consolidated into the results of the Group following our acquisition on November 20, 2013. At the time that we acquired the Envision Global Entities, substantially all of their business were actually generated from orders referred to them by the Group through the cogobuy.com e-commerce platform. After the acquisition, we used the synergy between our cogobuy.com e-commerce platform and the assets contributed by the Envision Global Entities to strengthen our order fulfillment infrastructure and significantly grow our business.

Cost of Sales. Cost of sales for the three months ended March 31, 2014 was RMB1,251.6 million, representing an increase of 35.9% from RMB920.7 million for the three months ended December 31, 2013. The increase was due to increased revenues and sales to customers for the reasons described above. Cost of sales during the same periods were partially offset by supplier rebates and discounts of RMB39.6 million and RMB37.7 million, respectively.

Cost of sales for the three months ended March 31, 2014 increased 245% from RMB363.0 million for the three months ended March 31, 2013. The increase was due to increased revenues and sales to customers for the reasons described above. Cost of sales during the same periods were partially offset by supplier rebates and discounts of RMB39.6 million and RMB20.3 million, respectively.

Gross Profit. Gross profit for the three months ended March 31, 2014 was RMB102.4 million, representing an increase of 12.4% from RMB91.2 million for the three months ended December 31, 2013. The increase was primarily driven by the results of revenue and cost of sales for the reasons described above. During the same periods, the Envision Global Entities and the Total Dynamic Entities contributed RMB38.4 million and RMB41.6 million of gross profit, respectively. Gross profit margin decreased to 7.6% for the three months ended March 31, 2014 from 9.0% for the three months ended December 31, 2013, primarily because the Group stopped charging marketplace fees to the Envision Global Entities

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after their acquisition in November 2013. Before the acquisition of the Envision Global Entities on November 20, 2013, the Envision Global Entities were treated as third-party merchants, and we recognized commissions paid by the Envision Global Entities as marketplace revenue with a gross profit margin of 100%. After such acquisition, the Envision Global Entities became companies within our Group, and we recognized sales made by the Envision Global Entities as direct sales revenue with a lower gross profit margin typically less than 10%. Excluding the marketplace fees charged to the Envision Global Entities, gross profit margin for the three months ended December 31, 2013 would have been 7.6%, which would have been stable compared to 7.6% for the three months ended March 31, 2014.

Gross profit for the three months ended March 31, 2014 increased 318% from RMB24.5 million for the three months ended March 31, 2013. The increase was primarily driven by the results of revenue and cost of sales for the reasons described above. During the same periods, the Envision Global Entities and the Total Dynamic Entities contributed RMB38.4 million and RMB1.9 million of gross profit, respectively. Gross profit margin increased to 7.6% for the three months ended March 31, 2014 from 6.3% for the three months ended March 31, 2013, primarily due to:

- increased sales of higher-margin products; and
- increased sales on our marketplace platform, from which we earn 100% gross profit margin.

Other Revenue. Other revenue for three months ended March 31, 2014 was RMB0.1 million, decreasing from RMB0.3 million for the three months ended December 31, 2013. The decrease was primarily due to a reduction in RMB bank deposits after the disposal of Comtech China in December 2013.

Other revenue for three months ended March 31, 2014 decreased from RMB0.6 million for the three months ended March 31, 2013. The decrease was primarily due to a reduction in RMB bank deposits after the disposal of Comtech China in December 2013.

Selling and distribution expenses. Selling and distribution expenses for the three months ended March 31, 2014 were RMB15.5 million, representing an increase of 131.3% from RMB6.7 million for the three months ended December 31, 2013. The increase was primarily due to increase of RMB7.8 million in staff related costs.

Selling and distribution expenses for the three months ended March 31, 2014 increased by 496.2% from RMB2.6 million for the three months ended March 31, 2013. The increase was primarily due to increases of RMB7.8 million in staff related costs, RMB1.2 million in delivery charges and logistics costs and RMB1.2 million in insurance costs.

Research and development expenses. Research and development expenses for the three months ended March 31, 2014 were RMB7.5 million, representing a decrease of 2.6% from RMB7.7 million for the three months ended December 31, 2013. Research and development expenses remained fairly stable.

Research and development expenses for the three months ended March 31, 2014 increased by 188.5% from RMB2.6 million for the three months ended March 31, 2013. The increase was primarily due to increase of RMB3.9 million in staff related costs.

Administrative and other operating expenses. Administrative and other operating expenses for the three months ended March 31, 2014 were RMB37.0 million, representing an increase of 62.3% from

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RMB22.8 million for the three months ended December 31, 2013. The increase was primarily due to RMB13.9 million of expenses accrued in relation to the Global Offering in the three months ended March 31, 2014 as well as increases of RMB6.5 million in stock-based compensation costs and RMB5.4 million in staff related costs.

Administrative and other operating expenses for the three months ended March 31, 2014 increased by 444.1% from RMB6.8 million for the three months ended March 31, 2013. The increase was primarily due to RMB13.9 million of expenses accrued in relation to the Global Offering in the three months ended March 31, 2014 as well as increases of RMB5.3 million in staff related costs and RMB6.5 million in stock-based compensation costs.

Income tax. Income tax for the three months ended March 31, 2014 was RMB4.3 million, a decrease of 34.8% from RMB6.6 million for the three months ended December 31, 2013. The effective tax rate the three months ended March 31, 2014 was 12.8%, as compared to 13.9% for the three months ended December 31, 2013. The effective tax rate decreased in the three months ended March 31, 2014 because the Envision Global Entities, which were primarily subject to the lower Hong Kong profits tax rate, as compared to the PRC corporate income tax rate, were fully consolidated into our financial results in the three months ended March 31, 2014, but were consolidated into our financial results only from November 20, 2013 in the three months ended December 31, 2013.

Income tax for the three months ended March 31, 2014 increased by 104.8% from RMB2.1 million for the three months ended March 31, 2013. The effective tax rate for the three months ended March 31, 2013 was 23.3%, as compared to 12.8% for the three months ended March 31, 2014. The decrease is because the Envision Global Entities, which were primarily subject to the lower Hong Kong profits tax rate, were consolidated in our financial results in the three months ended March 31, 2014, and because Comtech China, which was subject to the higher PRC corporate income tax rate, was no longer consolidated in our financial results in the three months ended March 31, 2014 after its disposal on December 1, 2013.

Profit for the period. Profit for the three months ended March 31, 2014 was RMB29.0 million, an decrease of 29.1% from RMB40.9 million for the three months ended December 31, 2013. The profit margin decreased from 4.0% to 2.1% during the same periods, primarily due to the decrease in our gross profit margin after we stopped charging marketplace fees to the Envision Global Entities after their acquisition in November 2013, and the significant expenses accrued in relation to the Global Offering in the three months ended March 31, 2014.

Profit for three months ended March 31, 2014 increased by 320.3% from RMB6.9 million for the three months ended March 31, 2013. The profit margin increased from 1.8% to 2.1% during the same periods, primarily due to the increase in our gross profit margin, which was attributable to increased sales of higher-margin products and increased sales on our marketplace platform with 100% gross profit margin.

The Group did not carry out any business activities prior to the acquisition of our Predecessor Entities on November 15, 2012. There were no intercompany transactions between the Group and our Predecessor Entities during the period from February 1, 2012 to November 15, 2012, and therefore, there were no intercompany elimination adjustments made. Prospective investors should be aware that the combined results do not reflect our actual results. They have not been separately audited by our reporting accountants, and they are not intended to indicate any hypothetical results that could have been achieved by us.

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Combined Results—Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

Revenue. Revenue for the year ended December 31, 2013 was RMB2,417.3 million, representing an increase of 54.1% from RMB1,568.4 million for the year ended December 31, 2012. The increase was due to an increase in direct sales as well as the fact that the Company started its online marketplace business in July 2013. In particular:

- Direct sales revenue grew from RMB1,568.4 million for the year ended December 31, 2012 to RMB2,391.8 million for the year ended December 31, 2013. The business experienced an increase in the number of customers, from 1,636 to 1,967, while average revenues per customer increased from RMB1.0 million to RMB1.2 million during the same periods. These increases were due to our successful marketing efforts and the offering of more product choices that appealed to customers; and
- Revenues from the marketplace business consist of fees charged to third-party merchants that sell products on our marketplace platform. Our marketplace business began in July 2013 and served 1,326 customers during that year for total revenue of RMB25.4 million.

Cost of sales. Cost of sales for the year ended December 31, 2013 was RMB2,215.2 million, representing an increase of 50.6% from RMB1,471.1 million for the year ended December 31, 2012. Cost of sales was made up almost entirely of costs of procurement from suppliers for our direct sales, and the increase in cost of sales was due to the increase in sales from our direct sales business. Cost of sales during the years ended December 31, 2013 and 2012 were partially offset by RMB97.7 million and RMB85.4 million, respectively, of pricing adjustments, rebates and discounts credited to us by certain suppliers. Such pricing adjustments, rebates and discounts are primarily based on sales volume to customers and inventories on hand, so they increased due to the increase in sales from our direct sales business. Such pricing adjustments, rebates and discounts were non-recurring incentives granted to us at the sole discretion of the suppliers.

Gross profit. Gross profit for the year ended December 31, 2013 was RMB202.1 million, an increase of 107.7% from RMB97.3 million for the year ended December 31, 2012. The increase was primarily driven by the results of revenue and cost of sales for the reasons described above. Gross profit margin was 8.4% for the year ended December 31, 2013, rising from 6.2% for the year ended December 31, 2012. The increase in gross profit margin was due to higher profit margins from the Total Dynamic Entities, which renders high-margin services.

Combined Results—Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Revenue. Revenue for the year ended December 31, 2012 was RMB1,568.4 million, representing an increase of 34.1% from RMB1,169.9 million for the year ended December 31, 2011. The increase was due to an increase in direct sales to customers. In particular, average revenues per customer increased from RMB0.7 million in 2011 to RMB1.0 million in 2012. This was due to our successful marketing efforts and the offering of more product choices that appealed to customers.

Cost of sales. Cost of sales for the year ended December 31, 2012 was RMB1,471.1 million, representing an increase of 34.0% from RMB1,097.5 million for the year ended December 31, 2011. Cost of sales was made up almost entirely of costs of procurement from suppliers for our direct sales, and the increase in cost of sales was due to the increase in sales to customers. Cost of sales during the years ended

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December 31, 2012 and 2011 were partially offset by RMB85.4 million and RMB63.4 million, respectively, of pricing adjustments, rebates and discounts credited to us by certain suppliers. Such pricing adjustments, rebates and discounts are primarily based on sales volume to customers and inventories on hand, so they increased due to the increase in sales to customers. Such pricing adjustments, rebates and discounts were non-recurring incentives granted to us at the sole discretion of the suppliers.

Gross profit. Gross profit for the year ended December 31, 2012 was RMB97.3 million, an increase of 34.2% from RMB72.5 million for the year ended December 31, 2011. The increase was primarily driven by the results of revenue and cost of sales for the reasons described above. Gross profit margin was 6.2% for the year ended December 31, 2012, which remained stable compared to 6.2% for the year ended December 31, 2011.

Results of Operations of the Group

We present the following results of operations of the Group for the period from February 1, 2012 to December 31, 2012 and for the year ended December 31, 2013. However, we have not presented a year-on-year comparison of the results of the Group because such a comparison would not be meaningful to investors. The Group did not have significant operations prior to November 15, 2012, and the results of our Predecessor Entities are only consolidated into the Group's for the period after November 15, 2012. The results of the Group in 2013 are also impacted by the 2013 Acquisitions, further reducing the comparability of the 2012 and 2013 results.

The Group — Year Ended December 31, 2013

Revenue. The Group's revenue for the year ended December 31, 2013 was RMB2,417.3 million, which derives almost entirely from sales of IC and other electronic components. The results for this year include:

- RMB1,776.7 million of revenue from the business of our Predecessor Entities, representing direct sales of IC and other electronic components;
- RMB25.4 million of revenue from the business of the Total Dynamic Entities, representing fees that we charged to third-party merchants on our marketplace platform, earned from marketplace sales; and
- RMB615.1 million of revenue from the business of the Envision Global Entities, earned from shipments of IC and other electronic components.

Cost of sales. The Group's cost of sales for the year ended December 31, 2013 was RMB2,215.2 million, which was made up almost entirely of costs of procurement from suppliers. The results for this year include:

- RMB1,630.9 million of cost of sales from the business of our Predecessor Entities, representing sourcing costs of IC and other electronics components; and
- RMB584.3 million of cost of sales from the business of the Envision Global Entities, representing the sourcing costs of IC and other electronics components.

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Gross profit. The Group's gross profit for the year ended December 31, 2013 was RMB202.1 million. It reflected the revenue and cost of sales described above. The results for this period include:

- RMB145.8 million of gross profit from the business of our Predecessor Entities;
- RMB25.4 million of gross profit from the business of the Total Dynamic Entities; and
- RMB30.8 million of gross profit from the business of the Envision Global Entities.

Other revenue. The Group's other revenue for the year ended December 31, 2013 was RMB1.4 million. It consisted exclusively of bank interest income from deposits of excess cash gained in connection with the 2013 Acquisitions.

Selling and distribution expenses. The Group's selling and distribution expenses for the year ended December 31, 2013 were RMB13.7 million, consisting primarily of RMB3.3 million for transportation, RMB0.7 million for customs duties, RMB2.7 million for marketing and RMB3.7 million for salaries and benefits for sales staff.

Research and development expenses. The Group's research and development expenses for the year ended December 31, 2013 were RMB16.1 million, consisting primarily of RMB11.8 million for salaries and benefits of technical staff, RMB1.7 million of rental expenses for research and development facilities and RMB0.2 million for IT infrastructure improvements. The Group incurred research and development costs for certain product-related projects as well as the technology infrastructure that supports the Group's e-commerce platform. For the year ended December 31, 2013, all research and development costs were recognized as expenses and none were capitalized.

Administrative and other operating expenses. The Group's administrative and other operating expenses for the year ended December 31, 2013 were RMB52.0 million, consisting primarily of RMB11.5 million for salaries and benefits of administrative staff, RMB4.1 million for rental of office space, RMB11.4 million of service fees paid to Viewtran and RMB4.6 million of accrued professional service fees related to our potential IPO.

Income tax. The Group's income tax for the year ended December 31, 2013 was RMB15.9 million, for an effective tax rate of 15.5%. Cogobuy E-commerce and Shenzhen Cogobuy, being qualified software enterprises, are each granted a tax holiday for the year ended December 31, 2013.

Profit for the year. The Group's profit for the year ended December 31, 2013 was RMB86.6 million, representing a profit margin of 3.6%.

The Group — Period from February 1, 2012 to December 31, 2012

Revenue. The Group's revenue for the period from February 1, 2012 to December 31, 2012 was RMB199.3 million, which derives almost entirely from sales of IC and other electronic components. The results for this period consist exclusively of revenue from the business of our Predecessor Entities after their acquisition on November 15, 2012.

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Cost of sales. The Group's cost of sales for the period from February 1, 2012 to December 31, 2012 was RMB145.7 million, which was made up almost entirely of costs of procurement from suppliers. The results for this period consist exclusively of cost of sales from the business of our Predecessor Entities after their acquisition on November 15, 2012.

Gross profit. The Group's gross profit for the period from February 1, 2012 to December 31, 2012 was RMB53.6 million. It consisted exclusively of gross profit from the business of our Predecessor Entities after their acquisition on November 15, 2012, based on the revenue and cost of sales described above.

Other revenue. The Group's other revenue for the period from February 1, 2012 to December 31, 2012 was RMB0.4 million. It consisted exclusively of bank interest income from deposits of excess cash.

Selling and distribution expenses. The Group's selling and distribution expenses for the period from February 1, 2012 to December 31, 2012 were RMB1.2 million, consisting primarily of RMB0.5 million for transportation, RMB0.07 million for customs duties, RMB0.3 million for marketing and RMB0.2 million for salaries and benefits for sales staff. These represent almost exclusively the expenses of our Predecessor Entities after their acquisition on November 15, 2012.

Research and development expenses. The Group's research and development expenses for the period from February 1, 2012 to December 31, 2012 were RMB8.3 million, consisting primarily of RMB1.6 million for salaries and benefits of technical staff, RMB0.09 million of rental expenses for research and development facilities and RMB6.3 million for a one-off development of automobile module. The Group incurred research and development costs for certain product-related projects, the technology infrastructure that supports the Group's e-commerce platform and the research of certain ICs for automobile applications. For the period from February 1, 2012 to December 31, 2012, all research and development costs were recognized as expenses and none were capitalized. These represent almost exclusively the expenses of our Predecessor Entities after their acquisition on November 15, 2012.

Administrative and other operating expenses. The Group's administrative and other operating expenses for the period from February 1, 2012 to December 31, 2012 were RMB3.8 million, consisting primarily of RMB1.6 million for salaries and benefits of administrative staff, RMB0.4 million for rental of office space and RMB1.0 million of service fees paid to Viewtran. Other than the service fees paid to Viewtran, these expenses represent almost exclusively the expenses of our Predecessor Entities after their acquisition on November 15, 2012.

Income tax. The Group's income tax for the period from February 1, 2012 to December 31, 2012 was RMB8.6 million, for an effective tax rate of 22.5%. The Group did not receive any preferential tax treatment during the period from February 1, 2012 to December 31, 2012.

Profit for the period. The Group's profit for the period from February 1, 2012 to December 31, 2012 was RMB29.6 million, representing a profit margin of 14.9%.

Results of Operations of Our Predecessor Entities

We present year-on-year comparisons of the results of operations of our Predecessor Entities for the years ended December 31, 2011, 2012 and 2013. We consider that, since our Predecessor Entities operated our principal underlying business during these years and contributed the most significant

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portion of the Group's operating activity, their financial results are a meaningful indication of a major part of the Group's underlying business. However, prospective investors should be aware that these do not reflect actual results, and these are not intended to indicate any hypothetical results that could have been achieved by us. See “— Basis of Presentation — Note on Presentation of Accountants' Reports.”

Predecessor Entities — Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

Revenue. Our Predecessor Entities' revenue for the year ended December 31, 2013 was RMB1,788.0 million, representing an increase of 14.0% from RMB1,568.4 million for the year ended December 31, 2012. The increase was due to growth in sales volume, resulting from our successful marketing efforts and the offering of more product choices that appealed to our customers.

Cost of sales. Our Predecessor Entities' cost of sales for the year ended December 31, 2013 was RMB1,679.9 million, representing an increase of 14.2% from RMB1,471.1 million for the year ended December 31, 2012. Cost of sales was made up almost entirely of cost of procurement from suppliers, and the increase in cost of sales was due to increased sales to customers.

Gross profit. Our Predecessor Entities' gross profit for the year ended December 31, 2013 was RMB108.1 million, an increase of 11.1% from RMB97.3 million for the year ended December 31, 2012. The increase was primarily driven by the results of revenue and cost of sales for the reasons described above. Our Predecessor Entities' gross profit margin was 6.0% for the year ended December 31, 2013, which remained fairly stable compared to 6.2% for the year ended December 31, 2012.

Other net income. Our Predecessor Entities' other net income for the year ended December 31, 2013 was RMB0.3 million, representing a 59.0% decrease from RMB0.7 million for the year ended December 31, 2012. The decrease was primarily due to the decrease in gain on disposal of property, plant and equipment.

Selling and distribution expenses. Our Predecessor Entities' selling and distribution costs for the year ended December 31, 2013 were RMB7.9 million, representing a decrease of 19.9%, from RMB9.8 million for the year ended December 31, 2012. The decrease in selling and distribution costs was primarily a result of a decrease in delivery charges and logistics costs and a decrease in office and utility costs.

Research and development expenses. Our Predecessor Entities' research and development expenses for the year ended December 31, 2013 were RMB8.2 million, representing a decrease of 53.6% from RMB17.7 million for the year ended December 31, 2012. The decrease in research and development expenses was primarily due to a saving of RMB2.0 million from reduction of research and development staff, a reduction in technical facilities due to the move away from traditional offline distribution onto our online platform in 2013 and the discontinuation of a custom module development, which had incurred costs of RMB6.3 million in 2012.

Administrative and other operating expenses. Our Predecessor Entities' administrative and other operating expenses for the year ended December 31, 2013 were RMB31.5 million, slightly increased from RMB30.5 million for the year ended December 31, 2012.

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Finance costs. Our Predecessor Entities' finance costs for the year ended December 31, 2013 were RMB16.3 million, representing an increase of 151.6% from RMB6.5 million for the year ended December 31, 2012. Finance costs included RMB6.1 million in guarantee fees and RMB10.2 million in interest expenses on bank loans. The increase was due largely to RMB6.1 million of guarantee fees paid to Viewtran in 2013, in consideration for a US\$60 million guarantee facility that was established at the time of the acquisition of our Predecessor Entities, and an RMB4.5 million increase in bank loan interest in 2013, due to increased bank borrowing to finance the operations of the Envision Global Entities and the Total Dynamic Entities.

Income tax. Our Predecessor Entities' income tax for the year ended December 31, 2013 was RMB12.9 million, an increase of 15.3% from RMB11.2 million for the year ended December 31, 2012, due to an increase in profit before tax. The effective tax rate for the year ended December 31, 2013 was 23.0%, as compared to 24.9% for the year ended December 31, 2012. Our Predecessor Entities did not receive any preferential tax treatment during these periods.

Profit for the year. Our Predecessor Entities' profit for the year ended December 31, 2013 was RMB43.1 million, an increase of 27.5% from RMB33.8 million for the year ended December 31, 2012. The profit margin increased from 2.2% to 2.4% during the same periods.

Predecessor Entities — Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Revenue. Our Predecessor Entities' revenue for the year ended December 31, 2012 was RMB1,568.4 million, representing an increase of 34.1% from RMB1,169.9 million for the year ended December 31, 2011. The increase was due to growth in sales volume, which resulted from our successful marketing efforts and the offering of more product choices that appealed to our customers.

Cost of sales. Our Predecessor Entities' cost of sales for the year ended December 31, 2012 was RMB1,471.1 million, representing an increase of 34.0% from RMB1,097.5 million for the year ended December 31, 2011. Cost of sales was made up almost entirely of cost of procurement from suppliers, and the increase in cost of sales was due to increased sales to customers.

Gross profit. Our Predecessor Entities' gross profit for the year ended December 31, 2012 was RMB97.3 million, an increase of 34.2% from RMB72.5 million for the year ended December 31, 2011. The increase was primarily driven by the results of revenue and cost of sales for the reasons described above.' Our Predecessor Entities' gross profit margin was 6.2% for the year ended December 31, 2012, which remained stable compared to 6.2% for the year ended December 31, 2011.

Selling and distribution costs. Our Predecessor Entities' selling and distribution costs for the year ended December 31, 2012 were RMB9.8 million, representing an increase of 2.9% from RMB9.6 million for the year ended December 31, 2011. Selling and distribution costs remained relatively stable.

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Research and development expenses. Our Predecessor Entities' research and development expenses for the year ended December 31, 2012 were RMB17.7 million, representing an increase of 86.1% from RMB9.5 million for the year ended December 31, 2011. The increase was primarily due to:

- additional RMB1.2 million staff related costs in preparation for our transition onto the online platform; and
- RMB6.5 million of expenses incurred in the development of a custom module in 2012.

Administrative and other operating expenses. Our Predecessor Entities' administrative and other operating expenses for the year ended December 31, 2012 were RMB30.5 million, representing an increase of 6.8% from RMB28.6 million for the year ended December 31, 2011. Administrative and other operating expenses increased overall but fell as a proportion of revenue, from 2.4% in the year ended December 31, 2011 to 1.9% in the year ended December 31, 2012, primarily due to ongoing efforts at expense control and stability of fixed costs, such as leasing costs.

Finance costs. Our Predecessor Entities' finance costs for the year ended December 31, 2012 were RMB6.5 million, an increase of 62.0% from RMB4.0 million for the year ended December 31, 2011. The increase was primarily due to:

- A RMB1.7 million increase in bank loan interest, due to increased bank borrowing to finance expanded operations; and
- RMB0.8 million in guarantee fees paid to Viewtran, in consideration for the guarantee cash facility established in November 2012.

Income tax. Our Predecessor Entities' income tax for the year ended December 31, 2012 was RMB11.2 million, an increase of 33.7% from RMB8.4 million for the year ended December 31, 2011, due to an increase in profit before tax. The effective tax rate for the year ended December 31, 2012 was 24.9%, as compared to 23.8% for the year ended December 31, 2011.

Profit for the year. Our Predecessor Entities' profit for the year ended December 31, 2012 was RMB33.8 million, an increase of 26.1% from RMB26.8 million for the year ended December 31, 2011. The profit margin decreased from 2.3% to 2.2% during the same periods.

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ANALYSIS OF FINANCIAL POSITION

The following table sets forth the Group's consolidated statements of financial position as of the dates indicated:

	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	(RMB thousands)		
Assets			
Non-current assets			
Property, plant and equipment	7,097	1,216	1,180
Intangible assets	2,337	31,291	29,394
Goodwill	2,166	154,136	154,136
Other non-current assets	321	663	894
	<u>11,921</u>	<u>187,306</u>	<u>185,604</u>
Current assets			
Inventories	107,225	243,800	400,757
Trade and other receivables	332,266	656,766	615,987
Amounts due from related parties	25,906	105,541	—
Pledged deposits	81,900	233,081	251,778
Cash and cash equivalents	52,400	281,542	314,013
	<u>599,697</u>	<u>1,520,730</u>	<u>1,582,535</u>
Current liabilities			
Trade and other payables	42,176	433,198	464,485
Bank loans	443,858	929,388	912,237
Amounts due to related parties	66,900	1,000	1,554
Current taxation	9,749	10,020	14,790
	<u>37,014</u>	<u>147,124</u>	<u>189,469</u>
Net current assets	<u>37,014</u>	<u>147,124</u>	<u>189,469</u>
Total assets less current liabilities	<u>48,935</u>	<u>334,430</u>	<u>375,073</u>
Non-current liabilities			
Deferred tax liabilities	386	5,164	4,851
NET ASSETS	<u>48,549</u>	<u>329,266</u>	<u>370,222</u>
CAPITAL AND RESERVES			
Share capital	—	1	1
Reserves	48,549	325,027	361,416
Non-controlling interests	—	4,238	8,805
TOTAL EQUITY	<u>48,549</u>	<u>329,266</u>	<u>370,222</u>

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Inventories

Our inventories include raw materials and finished goods. Raw materials make up an insignificant portion of our inventories, while finished goods include IC and other electronics components. The following table sets forth a summary of our balance of inventories as of the dates indicated:

	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	(RMB thousands)		
Raw materials	484	—	—
Finished goods	106,741	243,800	400,757
	<u>107,225</u>	<u>243,800</u>	<u>400,757</u>

The increase in finished goods from RMB106.7 million on December 31, 2012 to RMB243.8 million on December 31, 2013 was primarily due to the increase in scale of our business following the 2013 Acquisitions. The increase in finished goods from RMB243.8 million on December 31, 2013 to RMB400.8 million on March 31, 2014 was primarily due to the further rapid growth in our direct sales business.

The following table sets forth our inventory turnover days for the period/year indicated:

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31, 2014
Inventory turnover days ⁽¹⁾	42	29	24

(1) Inventory turnover days is equal to the average of the opening and closing balances of inventories of the relevant period/year divided by cost of sales of the relevant period/year and multiplied by 46/365/89 days.

Comparison of inventory turnover days for the period from February 1, 2012 to December 31, 2012 with those for the year ended December 31, 2013 and the three months ended March 31, 2014 may not be meaningful because our Group had actual business operations only from November 15, 2012, the date of the acquisition of our Predecessor Entities, to December 31, 2012.

Inventories amounting to RMB337 million, representing 84.2% of the balance as of March 31, 2014, have been subsequently sold at June 20, 2014.

Trade and Other Receivables

Our trade receivables primarily consist of amounts payable by customers. Payments are usually due either within 30 days after delivery or before or upon delivery for SME customers and within 60 to 90 days after delivery for blue-chip customers. The creditworthiness of a customer is assessed based on their

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payment history and credit ratings from third-party rating agencies. The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
(RMB thousands)			
Trade receivables	217,065	622,691	597,179
Bills receivable	31,423	27,840	9,836
Trade and bills receivables	248,488	650,531	607,015
Deposits and prepayments	82,523	5,366	7,631
Other receivables	1,255	869	1,341
	332,266	656,766	615,987

The significant increase in trade receivables from RMB217.1 million on December 31, 2012 to RMB597.2 million on March 31, 2014 was primarily due to the increase in scale of our business following the 2013 Acquisitions.

For the year ended December 31, 2013, the Group became subject to factoring agreements on non-recourse terms with two banks after our acquisition of the Envision Global Entities. Under the factoring agreements between Broadband Corporation and the banks, the banks pay amounts to us in exchange for the transfer of rights to collect certain trade receivable balances directly from our customers. The duration of each factoring loan is dependent on how long it requires the customer to settle the corresponding trade receivables with the bank. The bank charges us a discounting charge and a service charge for the factoring loan. As of March 31, 2014, the total outstanding amount due to the banks under the factoring agreements was approximately US\$47.5 million. Set out below are some key terms relating to the above factoring agreements:

Duration	Factoring agreements will continue to be in force unless terminated by the parties in accordance with the relevant agreement.
Funds in Use Limit	Aggregate of US\$80 million.
Discounting Charge	Funds in use are subject to a discounting charge ranging from 1.25% to 1.8% over the Hong Kong Interbank Offered Rate, the Singapore Interbank Offered Rate or the London Interbank Offered Rate, as applicable.
Service Charge	Loan originations are subject to commission or service charges equivalent to a percentage, ranging from 0.4% to 0.6%, of the face value of each trade receivable.
Maximum Terms of Payment	Ranging from 120 to 150 days from the date of invoice.
Prepayment Limit	90% or as otherwise specified for each receivable.

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For any trade receivables that we transfer to banks under factoring agreements, we consider that we have transferred the contractual rights to receive the cash flows of the trade receivables and therefore record the transfers as sales of trade receivables. All of the factored trade receivables are accounted for as sales of trade receivables and derecognized upon transfer.

The following table sets forth the ageing analysis of trade and bills receivables by SME customers and blue-chip customers (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, as of the dates indicated:

	SME customers			Blue-chip customers			Total		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	(RMB thousands)			(RMB thousands)			(RMB thousands)		
Within 1 month	63,691	168,364	131,479	55,451	277,788	282,229	119,142	446,152	413,708
1 to 2 months	25,934	50,314	58,795	41,580	92,472	53,945	67,514	142,786	112,740
2 to 3 months	20,843	2,800	34,791	21,392	16,747	31,294	42,235	19,547	66,085
Over 3 months	14,149	25,550	2,504	5,448	16,496	11,978	19,597	42,046	14,482
	<u>124,617</u>	<u>247,028</u>	<u>227,569</u>	<u>123,871</u>	<u>403,503</u>	<u>379,446</u>	<u>248,488</u>	<u>650,531</u>	<u>607,015</u>

Trade receivables amounting to RMB522.6 million, representing 87.5% of the balance as of March 31, 2014, have been subsequently settled at June 20, 2014.

The following table sets forth our trade and bills receivables turnover days for the period/year indicated:

	<u>For the period from February 1, 2012 to December 31, 2012</u>	<u>For the year ended December 31, 2013</u>	<u>For the three months ended March 31, 2014</u>
Trade and bills receivables turnover days ⁽¹⁾	52	68	41

(1) Trade and bills receivables turnover days is equal to the average of the opening and closing balances of trade and bills receivables for the relevant period/year divided by revenue of the relevant period/year and multiplied by 46/365/89 days.

Comparison of trade and bills receivables turnover days for the period from February 1, 2012 to December 31, 2012 with those for the year ended December 31, 2013 and the three months ended March 31, 2014 is not meaningful because our Group had actual business operations only from November 15, 2012, the date of the acquisition of our Predecessor Entities, to December 31, 2012.

Impairment of trade and bills receivables

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

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As of December 31, 2012 and 2013 and March 31, 2014, none of the trade and bills receivables was individually determined to be impaired.

Amounts Due to/from Related Parties

Amounts due from related parties consisted of:

- RMB25.9 million and RMB4.5 million due from Envision Global as of December 31, 2012 and 2013, respectively. The amounts are in connection with the disposal of land use right and construction in progress in 2012 and certain related expenses paid on behalf of Envision Global;
- RMB101.0 million due from Brilliant Group and its subsidiaries, mainly related to sales and purchases of electronic components, as of December 31, 2013; and
- All amounts due from related parties were fully settled in March 2014.

Amounts due to related parties consisted of:

- RMB23.3 million due to Viewtran as of December 31, 2012, related to sales and purchases of electronic components;
- RMB43.6 million and RMB1.0 million due to shareholders as of December 31, 2012 and 2013, respectively, for amounts advanced for payment of operating expenses, which amounts were both fully settled as of March 31, 2014; and
- RMB1.6 million due to Viewtran as of the Latest Practicable Date for the guarantee fee payable to Viewtran for being the guarantor for the banking facilities of the Predecessor Entities, which amount will be fully settled prior to the Listing.

Trade and Other Payables

Our trade payables primarily consist of amounts payable to our suppliers for procurement of IC and other electronic components. Payment terms to suppliers are typically 30 days with our major suppliers. The following table sets forth our trade payables as of the dates indicated:

	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	(RMB thousands)		
Trade payables	35,099	412,527	430,802
Accrued staff costs	3,025	5,939	3,922
Other payables	4,052	14,732	29,761
	42,176	433,198	464,485

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The significant increase in trade payables from RMB35.1 million on December 31, 2012 to RMB430.8 million on March 31, 2014 was primarily due to the increase in scale of our business following the 2013 Acquisitions. We did not have material defaults in payments of trade and other payables during the Track Record Period.

The following table sets forth the aging analysis of trade payables, based on invoice date, as of the dates indicated:

	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
(RMB thousands)			
Within 1 month	20,841	267,144	364,588
1 to 3 months	2,198	130,119	31,074
Over 3 months	12,060	15,264	35,140
	35,099	412,527	430,802

The following table sets forth our trade payables turnover days for the period/year indicated:

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31, 2014
Trade payables turnover days ⁽¹⁾	17	37	30

(1) Trade payables turnover days is equal to the average of the opening and closing balances of trade payables of the relevant period/year divided by cost of sales of the relevant period/year and multiplied by 365/89 days.

Comparison of trade payables turnover days for the period from February 1, 2012 to December 31, 2012 with those for the year ended December 31, 2013 and the three months ended March 31, 2014 is not meaningful because our Group had actual business operations only from November 15, 2012, the date of the acquisition of our Predecessor Entities, to December 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

The Group

Cash Flows

Our business requires working capital, which is primarily used to finance the purchase of components from our suppliers. We have historically met our working capital and other capital requirements principally from cash provided by operations and loans from banks.

In the future, we believe that our liquidity and capital expenditure requirements will be satisfied by a combination of net proceeds from the Global Offering, cash generated from our operating activities, and continued banking facilities.

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The following table sets forth selected cash flows data of the Group for the period/year indicated:

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31,	
			2013	2014
			(unaudited)	
			(RMB thousands)	
Net cash generated from/(used in)				
operating activities	37,840	(26,269)	28,979	85,174
Net cash (used in)/generated from				
investing activities	(124,310)	(184,196)	1,464	(8,288)
Net cash generated from/ (used in)				
financing activities	141,096	441,485	(26,409)	(51,853)
Net increase in cash and cash				
equivalents	54,626	231,020	4,034	25,033
Cash and cash equivalents at the				
beginning of the period/year	—	52,400	52,400	281,542
Effect of foreign exchange rate				
changes	(2,226)	(1,878)	(81)	7,438
Cash and cash equivalents				
at the end of the period/year	<u>52,400</u>	<u>281,542</u>	<u>56,353</u>	<u>314,013</u>

Net cash generated from/used in operating activities

Net cash generated from operating activities was RMB85.2 million for the three months ended March 31, 2014. This amount was primarily attributable to profit before taxation of RMB33.2 million, (a) adjusted for finance costs of RMB9.2 million and certain non-cash expenses, primarily equity-settled share-based transactions of RMB6.5 million, and for changes in working capital accounts that positively affected operating cash flow, primarily a decrease in amounts due from related parties of RMB101.6 million and a decrease in trade and other receivables of RMB55.0 million, and (b) partially offset by changes in working capital accounts that negatively affected operating cash flow, primarily an increase in inventories of RMB148.7 million. The decrease in amounts due from related parties was mainly attributable to settlement of receivables from related companies. The decrease in trade and other receivables was mainly attributable to purchases settled after the new year. The increase in inventories was mainly attributable to increased orders made in anticipation of expected sales.

Net cash generated from operating activities was RMB29.0 million for the three months ended March 31, 2013. This amount was primarily attributable to profit before taxation of RMB9.0 million, (a) adjusted for finance costs of RMB4.1 million and certain non-cash expenses, primarily amortization of intangible assets of RMB1.3 million, and for changes in working capital accounts that positively affected operating cash flow, primarily a decrease in trade and other receivables of RMB124.9 million and an increase in trade and other payables of RMB43.5 million, and (b) partially offset by changes in working capital accounts that negatively affected operating cash flow, primarily an increase in amounts due from related parties of RMB134.3 million. The decrease in trade and other receivables was mainly attributable

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to purchases settled after the new year. The increase in trade and other payables was mainly attributable to more purchases made for increased orders and expected sales. The increase in amounts due from related parties was mainly attributable to more payments made by the Group on behalf of related companies.

Net cash used in operating activities was RMB26.3 million for the year ended December 31, 2013. This amount was primarily attributable to profit before taxation of RMB102.4 million, (a) adjusted for finance costs of RMB20.2 million and certain non-cash expenses, primarily amortization of intangible assets of RMB7.0 million, and for changes in working capital accounts that positively affected operating cash flow, primarily an increase in trade and other payables of RMB432.6 million, and (b) partially offset by changes in working capital accounts that negatively affected operating cash flow, primarily an increase in trade and other receivables of RMB391.4 million, an increase in inventories of RMB143.4 million and an increase in amounts due from related parties of RMB96.7 million. The increase in trade and other payables was mainly attributable to more purchases made near year end of 2013 for increased orders and expected sales in 2014. The increase in trade and other receivables was mainly attributable to more sales made near year end of 2013 as a result of the acquisition of the Envision Global Entities in November 2013. The increase in inventories was mainly attributable to increased orders in 2013 and anticipation of expected sales in 2014. The increase in amounts due from related parties was mainly attributable to more payments made by the Group on behalf of related companies for the year.

Net cash generated from operating activities was RMB37.8 million for the period from February 1, 2012 to December 31, 2012. This amount was primarily attributable to profit before taxation of RMB38.2 million, (a) adjusted for finance costs of RMB2.6 million and for changes in working capital accounts that positively affected operating cash flow, primarily a decrease in amounts due from related parties of RMB61.5 million and an increase in amounts due to related parties of RMB22.5 million, and (b) partially offset by changes in working capital accounts that negatively affected operating cash flow, primarily an increase in trade and other receivables of RMB103.9 million. The increase in trade and other receivables was mainly attributable to increase in revenue for the year. The decrease in amounts due from related parties was mainly attributable to receipt of partial outstanding balances due from Viewtran for the year. The increase in amounts due to related parties was mainly attributable to more payments made by Viewtran on behalf of the Group during the year.

Net cash used in/generated from investing activities

Net cash used in investing activities amounted to RMB8.3 million for the three months ended March 31, 2014, primarily attributable to an increase in pledged deposits of RMB12.3 million and partially offset by the second installment proceeds from the sale of lease prepayments and land use right of RMB4.0 million after the disposal of Comtech China.

Net cash generated from investing activities amounted to RMB1.5 million for the three months ended March 31, 2013, primarily attributable to proceeds from acquisitions of subsidiaries of RMB1.0 million and interest received of RMB0.6 million. The proceeds from acquisitions of subsidiaries was mainly attributable to cash gained upon the acquisition of the Total Dynamic Entities. The interest received was mainly attributable to interest received from bank deposits.

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Net cash used in investing activities amounted to RMB184.2 million for the year ended December 31, 2013, primarily attributable to an increase in pledged deposits of RMB155.9 million and net cash disposal of RMB49.8 million. The increase in pledged deposits was mainly attributable to transfer of funds back to Viewtran for the year. The net cash disposal was in connection with disposal of subsidiaries, attributable mainly to the disposal of Comtech China during the year.

Net cash used in investing activities amounted to RMB124.3 million for the period from February 1, 2012 to December 31, 2012, primarily attributable to an increase in pledged deposits of RMB81.9 million and payments for acquisitions of subsidiaries, net of cash and cash equivalents acquired, of RMB42.7 million. The increase in pledged deposits was mainly attributable to additional deposits placed into a new banking facility. The payments for acquisitions of subsidiaries was mainly attributable to the acquisition of our Predecessor Entities.

Net cash generated from/used in financing activities

Net cash used in financing activities amounted to RMB51.9 million for the three months ended March 31, 2014, mainly attributable to repayment of bank loans of RMB41.6 million and interest and guarantee fees paid of RMB9.2 million. The repayment of bank loans were mainly attributable to reduced bank borrowings. The interest and guarantee fees paid were mainly attributable to payments made for the guarantee facility with Viewtran.

Net cash used in financing activities amounted to RMB26.4 million for the three months ended March 31, 2013, mainly attributable to repayment of bank loans of RMB28.7 million and interest and guarantee fees paid of RMB4.1 million. The repayment of bank loans were mainly attributable to reduced bank borrowings. The interest and guarantee fees paid were mainly attributable to payments made for the guarantee facility with Viewtran.

Net cash generated from financing activities amounted to RMB441.5 million for the year ended December 31, 2013, mainly attributable to net proceeds from bank loans of RMB505.8 million, partially offset by a decrease in amount due to shareholder of RMB43.4 million and interest and guarantee fees paid of RMB21.0 million. The net proceeds from bank loans were mainly attributable to increased bank borrowings. The interest and guarantee fees paid were mainly attributable to payments made for the guarantee facility with Viewtran.

Net cash generated from financing activities amounted to RMB141.1 million for the period from February 1, 2012 to December 31, 2012, mainly attributable to net proceeds from bank loans of RMB80.4 million, an increase in amount due to shareholder of RMB43.6 million and capital injection from a shareholder of RMB18.9 million. The capital injection from a shareholder was the result of investments in the Company by Mr. Kang.

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Net Current Assets and Liabilities

The following table sets forth the breakdown of the Group's current assets and current liabilities as of the dates indicated:

	As of December 31,		As of March 31,	As of May 31,
	2012	2013	2014	2014
	(RMB thousands)			
Current Assets				
Inventories	107,225	243,800	400,757	475,526
Trade and other receivables	332,266	656,766	615,987	771,226
Amounts due from related parties	25,906	105,541	—	—
Pledged deposits	81,900	233,081	251,778	253,021
Cash and cash equivalents	52,400	281,542	314,013	185,969
Total current assets	599,697	1,520,730	1,582,535	1,685,742
Current Liabilities				
Trade and other payables	42,176	433,198	464,485	506,156
Bank loans	443,858	929,388	912,237	933,757
Amounts due to related parties ..	66,900	1,000	1,554	2,603
Current taxation	9,749	10,020	14,790	21,340
Total current liabilities	562,683	1,373,606	1,393,066	1,463,856
Net current assets	37,014	147,124	189,469	221,886

From December 31, 2012 to December 31, 2013, we experienced significant increases in inventory, trade and other receivables, cash and cash equivalents, trade and other payables and bank loans (to finance operations), all due to the increase in scale of our business following the 2013 Acquisitions. Net current assets increased from RMB147.1 million as of December 31, 2013 to RMB221.9 million as of May 31, 2014, primarily due to increases in inventories and trade and other receivables, partially offset by the decrease in amounts due from related parties and cash and cash equivalents.

During the Track Record Period and as of the Latest Practicable Date, we had not defaulted on the repayment of any of our borrowings, breached any financial covenants or failed to roll over short-term loans with our principal banks upon maturity of these short-term loans. We believe we will be able to roll over existing short-term borrowings upon their maturity in 2014.

Working Capital

We finance our working capital needs primarily through cash flows from operating activities, bank loans and other borrowings. Taking into account our cash flows from operating activities, presently available bank loans and other borrowings and the estimated net proceeds from the Global Offering, our Directors, after due and careful inquiry, believe that we have sufficient available working capital for our present requirements for the next 12 months from the date of this Prospectus. Our Sponsor is of the view that our Directors have prepared the working capital sufficiency statement above after due and careful inquiry.

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Operating Lease Commitments

As of the dates indicated, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As of December 31,		As of	As of
	2012	2013	March 31, 2014	May 31, 2014
	(RMB thousands)			
Within one year	1,469	4,808	6,518	6,068
After one year but within five years	13	5,114	4,240	3,494
	<u>1,482</u>	<u>9,922</u>	<u>10,758</u>	<u>9,562</u>

Our total operating lease commitments increased significantly from RMB1.5 million on December 31, 2012 to RMB10.8 million on March 31, 2014 due to more leases of office and warehousing space to accommodate the increase in scale of our business following the 2013 Acquisitions.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditure comprised expenditures on the purchase of office furniture and equipment and of motor vehicles. The following table sets forth our capital expenditures for the period/year indicated:

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31, 2014
		(RMB thousands)	
Furniture and office equipment	48	381	68
Motor vehicles	—	253	—
Total	<u>48</u>	<u>634</u>	<u>68</u>

Total capital expenditures increased significantly from RMB0.05 million for the period from February 1, 2012 to December 31, 2012 to RMB0.6 million for the year ended December 31, 2013. For the year ending December 31, 2014, we expect to incur more capital expenditures for additional office furniture and equipment and for motor vehicles.

Capital Commitments

We had no material capital commitments as of December 31, 2012 and 2013 and May 31, 2014.

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INDEBTEDNESS

Bank Loans and Other Borrowings

During the Track Record Period, our borrowings primarily consisted of bank loans. As of December 31, 2012 and 2013 and March 31 and May 31, 2014, our total indebtedness was RMB443.9 million, RMB929.4 million, RMB912.2 million and RMB933.8 million, respectively.

All of our bank loans during the Track Record Period were short-term borrowings and had maturity dates that were within one year of the drawdown.

As of December 31, 2012, the Group entered into several banking facilities including letters of guarantee, bank loans and irrecoverable letters of credit. As of December 31, 2013 and March 31, 2014, the banking facilities also included trade receivables factoring facilities.

The following table details the interest rate profile of the Group's and the Company's total interest bearing borrowings as of December 31, 2012 and 2013 and March 31, 2014:

As of December 31, 2012		As of December 31, 2013		As of March 31, 2014		As of May 31, 2014	
Effective interest rate	Principal Amount	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount

(RMB thousands, except percentages)

The Group

Fixed rate borrowing:

Bank loans	2.4%	443,858	2.3%	929,388	2.2%	912,237	2.2%	933,757
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The Company

Fixed rate borrowing:

Loan from a subsidiary ...	2.5%	423,647	2.5%	421,943	2.5%	435,648	2.5%	424,803
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The Group's and the Company's future interest expense will fluctuate in line with any change in borrowing rates. Management considers the Group's and the Company's exposure to interest rate risk is minimal as all borrowings are fixed rate borrowings.

Pursuant to the terms of an agreement with Viewtran, immediately upon completion of the acquisition of Viewtran and up to December 31, 2014, Viewtran agreed to continue to provide guarantees to the banking institutions which provide banking facilities to the Predecessor Entities. Viewtran also agreed to provide guarantees in respect of the Predecessor Entities' purchases from its suppliers and sales to its customers. The aggregate amount of the guarantees is subject to a maximum cap of US\$60 million. A guarantee fee amounting to US\$250,000 as determined with reference to the guarantee fee chargeable by banks, is charged to the Company each quarter. This guarantee will be terminated upon Listing.

Pursuant to the terms of the purchase and sale agreement in connection with the acquisition of the Envision Global Entities, Viewtran agreed to continue to provide guarantees from November 20, 2013 to December 31, 2014 to the banking institutions which provide banking facilities to the Envision Global Entities.

FINANCIAL INFORMATION

As of December 31, 2012 and 2013 and March 31, 2014, the Group had two types of banking facilities, and both were guaranteed by Viewtran:

- (a) Joint banking facilities which can be utilized by the Group and certain subsidiaries of Viewtran (the “**Joint Banking Facilities**”); and
- (b) Banking facilities which are made available solely to the Group (the “**Sole Banking Facilities**”).

We will terminate the Joint Banking Facilities before the Listing and enter into new agreements with the relevant banks without Viewtran as a party. Therefore, upon Listing, Viewtran will cease to enjoy the credit facility granted under the Joint Banking Facilities, and the credit facility granted under the new agreements will be enjoyed solely by our Group. The bank that granted us the Joint Banking Facilities has stated in a letter of intent issued to us that it will grant us the new credit facilities with the same credit limit of US\$40 million and on the same or similar terms as the original Joint Banking Facilities, and that the new credit facilities will be granted without any guarantee or security by the Company's Controlling Shareholders or their associates (including Viewtran), other than a temporary personal guarantee by Mr. Kang, which will be released upon the Listing. In addition, two banks have already granted us new credit facilities in the aggregate amount of HK\$2,500,000, without any guarantee or security by the Company's Controlling Shareholders or their associates (including Viewtran). Finally, the cross guarantee provided by Viewtran to secure the Joint Banking Facilities and the Sole Banking Facilities will also be terminated before the Listing. We are therefore able to obtain financing and will not rely on our Controlling Shareholders or their associates.

Joint Banking Facilities

Details of the Joint Banking Facilities and the borrowings drawn under such facilities as of December 31, 2012 and 2013 and March 31, 2014 are set out below:

	As of December 31,		As of March 31,	As of May 31,
	2012	2013	2014	2014
	(RMB thousands)			
Aggregate credit limit	594,975	242,148	248,656	249,884
Outstanding loans — Viewtran ..	(312,755)	—	—	—
Outstanding loans — the Group .	(200,884)	(143,001)	(228,174)	(237,159)
Unutilized facilities	81,336	99,147	20,482	12,725

As of December 31, 2012, the Joint Banking Facilities were secured by cash of RMB288.4 million pledged by Viewtran. As of December 31, 2013, the Joint Banking Facilities were secured by cash of RMB60.6 million pledged by the Group. As of March 31, 2014, the Joint Banking Facilities were secured by cash of RMB62.2 million pledged by the Group.

The Group and Viewtran are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. As of December 31, 2012 and 2013 and March 31, 2014, management of the Group does not consider it is probable that a claim will be made against the Group under any of the guarantees.

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We will terminate the Joint Banking Facilities before the Listing.

Sole Banking Facilities

Details of the Sole Banking Facilities and the borrowings drawn by the Group under such facilities as of December 31, 2012 and 2013 and March 31, 2014 are set out below:

	As of December 31,		As of	As of
	2012	2013	March 31, 2014	May 31, 2014
	(RMB thousands)			
Aggregate credit limit	311,505	1,510,399	1,265,036	1,321,263
Outstanding loans	(242,974)	(786,387)	(684,063)	(696,598)
Trade receivables factoring facilities utilized.....	—	(223,001)	(295,391)	(287,741)
Unutilized facilities	<u>68,531</u>	<u>501,011</u>	<u>285,582</u>	<u>336,294</u>

As of December 31, 2012, the Sole Banking Facilities were secured by cash of RMB81.9 million and RMB207.9 million pledged by the Group and Viewtran, respectively. As of December 31, 2013, the Sole Banking Facilities were secured by cash of RMB172.5 million and RMB484.0 million pledged by the Group and Viewtran, respectively. As of March 31, 2014, the Sole Banking Facilities were secured by cash of RMB189.6 million and RMB199.3 million pledged by the Group and Viewtran, respectively. These security provided by Viewtran will be replaced by security provided by the Group upon Listing.

Bank Covenants

On June 28, 2013, the Group and Viewtran entered into a revised banking facility agreement which contains a non-financial covenant requiring that Mr. Kang, the director of the Company, shall maintain directly or indirectly not less than 50% equity interest of Comtech International Hong Kong. See also Section B.19(c) of Appendix IA and Section B.18(c) of Appendix IB.

As of May 31, 2014, we had outstanding bank borrowings of RMB933.8 million and no other financial liabilities. We did not have any other bank loans, debt securities, borrowings, indebtedness or mortgages. As of the Latest Practicable Date, we did not have any additional extended financing plans, material defaults in payment of bank borrowings or breaches of finance covenants.

Our Directors have confirmed that there has not been any material change in the indebtedness of our Group since May 31, 2014 and up to the Latest Practicable Date.

Off-Balance Sheet Commitments and Arrangements and Material Contingent Liabilities

As of December 31, 2012 and 2013 and March 31 and May 31, 2014, the Group was among the entities covered by certain cross guarantee arrangements with Viewtran. Under these arrangements, the Group and Viewtran are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. As of December 31, 2012 and 2013 and March 31 and May 31, 2014, management of the Group did not consider it is probable that a claim will be made against the Group under any of the guarantees.

FINANCIAL INFORMATION

The cross guarantee arrangements will be terminated upon Listing.

As of December 31, 2012 and 2013 and May 31, 2014, we had no other off-balance sheet commitments and arrangements or material contingent liabilities.

QUANTITATIVE AND QUALITATIVE MARKET RISKS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Credit Risk

The Group's credit risk is primarily attributable to trade and other receivables and amounts due from related parties. Management has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are normally due within 30 to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As of December 31, 2012 and 2013 and March 31, 2014, 36.8%, 33.7% and 41.5%, respectively, of the total trade receivables were due from the Group's five largest customers. Among which, 7.3%, 9.6% and 14.9% of the total trade receivables as of December 31, 2012 and 2013 and March 31, 2014, respectively, were due from the largest customer.

Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with leading covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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The following tables show the remaining contractual maturities as of December 31, 2012 and 2013 and March 31, 2014 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

	As of December 31, 2012 Contractual undiscounted cash outflow		Carrying amount as of December 31, 2012
	Within 1 year or on demand	Total	
	(RMB thousands)		
Trade and other payables	42,176	42,176	42,176
Bank loans	448,160	448,160	443,858
Amounts due to related parties	66,900	66,900	66,900
	<u>557,236</u>	<u>557,236</u>	<u>552,934</u>

	As of December 31, 2013 Contractual undiscounted cash outflow		Carrying amount as of December 31, 2013
	Within 1 year or on demand	Total	
	(RMB thousands)		
Trade and other payables	433,198	433,198	433,198
Bank loans	935,480	935,480	929,388
Amounts due to related parties	1,000	1,000	1,000
	<u>1,369,678</u>	<u>1,369,678</u>	<u>1,363,586</u>

	As of March 31, 2014 Contractual undiscounted cash outflow		Carrying amount as of March 31, 2014
	Within 1 year or on demand	Total	
	(RMB thousands)		
Trade and other payables	464,485	464,485	464,485
Bank loans	916,340	916,340	912,237
Amounts due to related parties	1,554	1,554	1,554
	<u>1,382,379</u>	<u>1,382,379</u>	<u>1,378,276</u>

Interest Rate Risk

The Group's interest rate risk arises primarily from fixed rate borrowings that expose the Group to cash flow interest rate risk. The effective interest rate on our bank loans was 2.4% as of December 31, 2012, 2.3% as of December 31, 2013 and 2.2% as of March 31, 2014.

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The Group's future interest expense will fluctuate in line with any change in borrowing rates. Management considers the Group's exposure to interest rate risk is minimal as all borrowings are fixed rate borrowings.

Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi and United States dollars.

The Group's net exposure to currency risk through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency amounted to approximately RMB0.6 million, RMB0.9 million and RMB3.9 million for the period from February 1, 2012 to December 31, 2012, for the year ended December 31, 2013 and for the three months ended March 31, 2014, respectively. The Directors considered that the exposure to currency risk of the Company is not significant.

FINANCIAL RATIOS

The following table sets forth the key financial ratios of the Group over the period/year indicated:

	For the period from February 1, 2012 to December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31, 2014
Gross margin (%) ⁽¹⁾	26.9	8.4	7.6
EBIT margin (%) ⁽²⁾	19.9	4.8	3.0
Net profit margin (%) ⁽³⁾	14.9	3.6	2.1
Gearing ratio ⁽⁴⁾	10.0	2.8	2.5
Net debt to equity ratio ⁽⁵⁾	9.0	2.0	1.6
Interest coverage ratio ⁽⁶⁾	22.1	8.2	5.3
Return on total assets (%) ⁽⁷⁾	5.3	4.8	5.7
Return on equity (%) ⁽⁸⁾	66.7	25.3	27.8
Current ratio ⁽⁹⁾	1.1	1.1	1.1

(1) Gross margin equals gross profit divided by revenue for the period/year.

(2) EBIT margin equals profit before interest income, interest expenses and tax divided by revenue for the period/year.

(3) Net profit margin equals profit for the period/year divided by revenue for the period/year.

(4) Gearing ratio equals total debt divided by total equity as of the end of the period/year, including non-trade advances from related parties.

(5) Net debt to equity ratio equals net debt divided by total equity as of the end of the period/year. Net debt includes all bank loans net of cash and cash equivalents and non-trade advances from related parties.

(6) Interest coverage ratio equals profit before interest income, interest expenses and tax of one period/year divided by interest expenses of the same period/year.

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- (7) Return on assets equals profit for the period/year attributable to equity shareholders of the Company divided by total assets as of the end of the period/year. Return on assets for the period ended December 31, 2012 and three months ended March 31, 2014 are calculated using the profit of the Company for the period from February 1, 2012 to December 31, 2012 and three months ended March 31, 2014 adjusted to an annual basis.
- (8) Return on equity equals profit for the period/year attributable to equity shareholders of the Company divided by total equity attributable to equity shareholders of the Company as of the end of the period/year. Return on equity for the period ended December 31, 2012 and three months ended March 31, 2014 are calculated using the profit of the Company for the period from February 1, 2012 to December 31, 2012 and three months ended March 31, 2014 adjusted to an annual basis.
- (9) Current ratio equals current assets divided by current liabilities as of the end of the period/year.

Because of our acquisitions of the Predecessor Entities in 2012 and of the Total Dynamic Entities and the Envision Global Entities in 2013, the key financial ratios of our Group are not directly comparable between the period from February 1, 2012 to December 31, 2012 and the year ended December 31, 2013.

The Predecessor Entities came under our control on November 15, 2012. As such, the Predecessor Entities' revenue generated before November 15, 2012 was not consolidated into the revenue of our Group for the period from February 1, 2012 to December 31, 2012. On the other hand, our Group's cost of revenue for the same period was reduced by the Predecessor Entities' pricing adjustments, rebates and discounts. Most of these pricing adjustments, rebates and discounts, which related to the Predecessor Entities' revenue for the full year ended December 31, 2012, were received at the end of the year after November 15, 2012 and as such were consolidated into our Group's cost of revenue for the period from February 1, 2012 to December 31, 2012. Therefore, the gross margin, EBIT margin and net profit margin of our Group were substantially higher in 2012. Due to the higher profit in 2012, the interest coverage ratio of our Group was also higher in 2012.

The gearing ratio, net debt to equity ratio and return on equity of our Group decreased in 2013 primarily because our total equity increased significantly from RMB48.5 million as of December 31, 2012 to RMB329.3 million as of December 31, 2013. Such increase in equity was mainly due to our acquisitions in 2013, especially the acquisition of the Total Dynamic Entities through the issuance of new shares of the Company, which were recognized at fair value. However, our gearing ratio and net debt to equity ratio remained relatively high in 2013 and the three months ended March 31, 2014, because, as a private company recently established in 2012, we had a simple equity structure and low equity base.

SEASONALITY

We have experienced, and expect to continue to experience, seasonal fluctuations in net revenue, which have historically been lowest in the first quarter of the year due to the Chinese New Year holiday season period and are typically highest in the fourth quarter of the year due to the desire by our customers to spend remaining allocated annual budgets. Consequently, our financial position, operating results, cash flows and trends presented in this prospectus are not necessarily indicative of future results.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Subject to the Cayman Islands Company Law and our Articles of Association, we may declare dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared

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and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Islands Company Law.

Except as provided under the terms of a particular issue, or with respect to the rights attached to any Shares, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls may for this purpose be treated as paid up on the Share; and (ii) all dividends will be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any of our Shareholders or in respect of any Shares all sums of money (if any) presently payable by such Shareholder to us on account of calls or otherwise.

The Company has not paid or declared any dividend since its inception.

You should note that historical dividend distributions are not indicative of our future dividend distribution policy. After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare and we expect to pay such dividends, if any, in Hong Kong dollars. The payment and the amount of any future dividends will be at the sole discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Companies Law, including the approval of our Shareholders and that dividends can only be paid out of profits or other distributable reserves.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends.

RELATED PARTY TRANSACTIONS

The Directors consider that all related party transactions during the Track Record Period were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

Other than the cross guarantee provided by Viewtran to secure certain banking facilities provided to us which will be terminated before the Listing (see "Financial Information — Indebtedness" for further details), all the non-trade balance and guarantees from/to the Controlling Shareholders, Viewtran and their associates had been fully settled and released as at the end of March 2014. Any release of Viewtran's guarantees on the Predecessor Entities' purchases and sales will not have any material adverse impact on the Group.

Prior to the restructuring of the businesses operated by Viewtran, Brilliant and our Company, Viewtran used to conduct the business of module design and trading of IC and electronic components. As some parts of the business of Viewtran and our Group historically overlapped, we recorded trade-related related party transactions with Viewtran during the Track Record Period. However, after the

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restructuring, Viewtran has ceased its module design and IC and electronic component trading businesses and now solely conducts the business of financial services. The related party transactions we had with Viewtran have therefore ceased and will not continue after the Listing. Please refer to the section “Relationship with Controlling Shareholders — Information about Viewtran, Envision Global and Brilliant” for further details.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group as of March 31, 2014 as if the Global Offering had taken place on March 31, 2014.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of March 31, 2014 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as of March 31, 2014 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽³⁾⁽⁴⁾	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company ⁽²⁾	Unaudited pro forma adjusted net tangible assets per Share ⁽⁵⁾	
				RMB	HK\$
Based on an Offer Price of HK\$3.20 per Share.	177,887	811,165	989,052	0.72	0.91
Based on an Offer Price of HK\$4.48 per Share	177,887	1,145,326	1,323,213	0.96	1.21

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of March 31, 2014 have been compiled based on the consolidated financial information included the Accountants’ Report set out in Appendix IA to this prospectus, which is based on the consolidated net assets attributable to equity shareholders of the Company of RMB361,417,000 less goodwill of RMB154,136,000 and intangible assets of RMB29,394,000.
- (2) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2014.
- (3) The estimated net proceeds from the Global Offering are based on the indicative offer prices of HK\$3.20 and HK\$4.48 per Share, after deduction of the underwriting commissions and other listing related expenses payable by us without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For the purpose of estimated net proceeds from the Global Offering and the calculation of the unaudited pro forma adjusted net tangible assets per Share, the translation between Renminbi and HK dollars was made at the rate of HK\$1 = RMB0.7931, the central parity exchange rate for the HK dollars to the Renminbi on March 31, 2014 published by The People’s Bank of China.
- (5) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,374,000,000 Shares (including the shares in issue as of March 31, 2014 and shares that may be issued pursuant to the RSU Scheme and the Global Offering) were in issue immediately following the completion of the Global Offering. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

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NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2014, and there is no event since March 31, 2014 and December 31, 2013, respectively, which would materially affect the information as set out in the Accountants' Reports in Appendices IA and IB to this prospectus.

LISTING EXPENSES

The estimated total listing expenses (excluding underwriting commissions) incurred in relation to the Listing are approximately RMB42.8 million. For the year ended December 31, 2013 and the three months ended March 31, 2014, we recognized approximately RMB4.6 million and RMB13.9 million of such expenses. We estimate that additional listing expenses (excluding underwriting commissions) of RMB16.1 million will be charged to our consolidated statement of comprehensive income for the year ending December 31, 2014. The balance of approximately RMB8.2 million is expected to be deducted from our share premium account upon listing. These listing expenses are mainly comprised of professional fees paid and payable to the Sole Sponsor, legal advisors and the reporting accountants for their services rendered in relation to the Listing and the Global Offering.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$1,253.8 million from the Global Offering after deducting underwriting fees and commissions and estimated total expenses paid and payable by us in connection thereto, assuming that the Offer Price is set at HK\$3.84, being the mid-point of the proposed Offer Price range of HK\$3.20 to HK\$4.48 per Share. We intend to use such net proceeds for the following purposes over a period of three to four years after the Listing:

- approximately 35%, or HK\$438.8 million, will be used for expanding our marketing and promotion activities, including:
 - approximately HK\$188.0 million (approximately 15% of our total estimated net proceeds) for promoting our e-commerce platform among SME customers and third-party suppliers such as by online and offline advertisements to promote customer and supplier acquisition;
 - approximately HK\$125.4 million (approximately 10% of our total estimated net proceeds) for hiring additional sales and marketing personnel to cover new customers and to expand new supplier relationships; and
 - approximately HK\$125.4 million (approximately 10% of our total estimated net proceeds) for hosting and promoting the Hardeggs iFuture Hardware Competition, as we plan to host monthly events, and plan to expand the geographic reach of such events from Beijing and Shenzhen to additional first-tier and second-tier cities in China to continue promoting innovation and building an engineering community;
- approximately 30%, or HK\$376.1 million, will be used for expanding and enhancing of our e-commerce platform, investing in our technology infrastructure, as well as for conducting other research and development activities, which we expect to benefit both our direct sales business and our marketplace business, including:
 - approximately HK\$62.7 million (approximately 5% of our total estimated net proceeds) for improving our mobile applications, developing new mobile applications and enhancing user experience;
 - approximately HK\$188.0 million (approximately 15% of our total estimated net proceeds) for hiring additional research and development staff to do data mining and developing software to analyze and monitor our massive customer and supplier data; and
 - approximately HK\$125.4 million (approximately 10% of our total estimated net proceeds) for purchasing software to assist us in developing new applications to expand our business;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 25%, or HK\$313.5 million, will be used for funding potential acquisition of, or investment in, technologies and complementary online business, partnerships and licensing opportunities, including:
 - approximately HK\$250.8 million (approximately 20% of our total estimated net proceeds) for potential acquisitions of business or companies in the e-commerce sector with earning and growth potential; as of the Latest Practicable Date, we had not identified any specific suitable target of acquisition; and
 - approximately HK\$62.7 million (approximately 5% of our total estimated net proceeds) for exploring licensing and partnerships opportunities; and
- the remaining amount of approximately HK\$125.4 million, representing not more than 10% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised, will increase to approximately HK\$1,464.5 million or decrease to approximately HK\$1,043.1 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rate basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$1,443.4 million, assuming an Offer Price of HK\$3.84 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option, will increase by approximately HK\$242.3 million or decrease by approximately HK\$242.3 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rated basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

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Hong Kong Underwriters

UBS AG, Hong Kong Branch
Jefferies Hong Kong Limited
CCB International Capital Limited
China Securities (International) Corporate Finance Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 34,380,000 Hong Kong Offer Shares (subject to reallocation and the Over-allotment Option, and without taking into account any Shares to be issued pursuant to the RSU Scheme) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Hong Kong Underwriting Agreement (including but not limited to, the Joint Global Coordinators for themselves and on behalf of the Underwriters, and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (A) there shall develop, occur, exist or come into effect:
- (a) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity,

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- crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan or the Cayman Islands (collectively, the “**Relevant Jurisdictions**”); or
- (b) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting the Relevant Jurisdictions; or
 - (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the SEHK, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
 - (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union (or any member thereof), Japan or the Cayman Islands, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in the Relevant Jurisdictions; or
 - (e) any new law, or any change or any development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting the Relevant Jurisdictions; or
 - (f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the Relevant Jurisdictions; or
 - (g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in the Relevant Jurisdictions; or
 - (h) any litigation or claim of any third party being threatened or instigated against any member of the Group not disclosed in this prospectus; or
 - (i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
 - (j) the chairman or chief executive officer of the Company vacating his office; or

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- (k) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (l) a contravention by any member of the Group of the Listing Rules or applicable laws; or
- (m) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares under the RSU scheme) pursuant to the terms of the Global Offering; or
- (n) non-compliance of the Hong Kong Prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (o) the issue by the Company of any supplement or amendment to the Hong Kong Prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior consent of the Joint Bookrunners; or
- (p) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

which, individually or in the aggregate, in the sole opinion of UBS, as a Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering to be performed or implemented as envisaged or to deliver the Offer Shares on the terms and in the manner contemplated by the Hong Kong Prospectus; or (4) has or will have or may have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

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- (B) there has come to the notice of UBS, as a Global Coordinator:
- (a) that any statement contained in any of the Hong Kong Public Offering documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Hong Kong Prospectus, constitute omission of a material fact from any of the Hong Kong Public Offering documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Purchase Agreement (other than upon any of the Hong Kong Underwriters or the International Purchaser); or
 - (d) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties pursuant to Clause 12 of the Hong Kong Underwriting Agreement; or
 - (e) any material adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or
 - (f) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties contained in the Hong Kong Underwriting Agreement; or
 - (g) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over- Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (h) our Company withdraws the Hong Kong Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

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Undertakings Given to the Stock Exchange Pursuant to the Listing Rules

(A) Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, save as shares to be issued under the RSU Scheme, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders immediately before the completion of the Global Offering, has undertaken to the Stock Exchange that except pursuant to the Global Offering (including any transaction as contemplated under the Stock Borrowing Agreement), he/it will not, and will procure that any other registered holder (if any) of our Shares in which he/it has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (“**First Six-month Period**”), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares in respect of which he/it is shown in this prospectus to be the beneficial owner; and
- (b) in the six-month period commencing from the expiry of the First Six-month Period (“**Second Six-month Period**”) dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares referred to in paragraph (a) above, and to such extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would then cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) when he/it receives any indications, either verbal or written, from any pledgee or charge of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

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We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertaking by our Company

We have undertaken to each of the Hong Kong Underwriters and the Sole Sponsor pursuant to the Hong Kong Underwriting Agreement that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option or the issue of Shares pursuant to the terms of the RSU Scheme), we will not, without the prior written consent of the Sole Sponsor and UBS, as a Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-Month Period,

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above, or
- (d) offer to or agree to, or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the

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“**Second Six-Month Period**”), we enter into any of the transactions specified in paragraphs (a), (b), or (c) above or offer to or agree to or announces any intention to effect any such transaction, we have undertaken to take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

(B) Undertaking by our Controlling Shareholders

Each of the Controlling Shareholders, pursuant to the Hong Kong Underwriting Agreement, has undertaken to the Company, the Hong Kong Underwriters and the Sole Sponsor that none of the Controlling Shareholders will, without the prior written consent of the Sole Sponsor and UBS, as a Global Coordinator, and subject to requirements set out in the Listing Rules:

- (a) at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified paragraphs (a)(i) or (a)(ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above, in each case, whether any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (b) during the Second Six-month Period, enter into any of the foregoing transactions in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal, or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and
- (c) until the expiry of the Second Six-Month period, in the event that he/it enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announce any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of the Company.

UNDERWRITING

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Purchasers and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering and shall be payable to the Underwriters by way of deduction from the aggregate gross proceeds of the Offer Shares under the Global Offering. An additional fee equal to 0.25% of the aggregate gross proceeds of the Offer Shares under the Global Offering (including any proceeds received in relation to the exercise of the Over-allotment Option) shall be payable by our Company to UBS, upon Listing subject to its performance in its role as a Global Coordinator, Joint Bookrunner and Joint Lead Manager in the Global Offering, by way of deduction from the aggregate gross proceeds of the Offer Shares under the Global Offering. Our Company may also at its sole discretion, pay the International Purchasers an additional incentive fee of up to 0.5% of the aggregate gross proceeds of the Offer Shares under the Global Offering (including any proceeds received in relation to the exercise of the Over-allotment Option).

The aggregate commissions and fees (exclusive of any discretionary incentive fees), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other operating expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$87.9 million in total (based on the mid-point of our indicative price range for the Global Offering).

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Indemnity

Our Company and the Controlling Shareholders have agreed to jointly and severally indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us or the Controlling Shareholders of the Hong Kong Underwriting Agreement as the case may be.

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

UNDERWRITING

Stamp Taxes

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

International Placing

In connection with the International Placing, the Company expects to enter into the International Purchase Agreement with, among others, the International Purchasers and other parties named therein. Under the International Purchase Agreement, the International Purchasers will, subject to certain conditions, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares. It is expected that pursuant to the International Purchase Agreement, our Company and the Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement in the section headed “— Undertakings Pursuant to the Hong Kong Underwriting Agreement”.

The Company will grant to the International Purchasers the Over-allotment Option, exercisable by UBS (on behalf of the International Purchasers), at any time from the day on which trading of our Shares commences on the Stock Exchange until 30 days after the last day for lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 51,570,000 Shares at the Offer Price, in connection with over-allocations in the International Placing.

Over-allotment and Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, UBS, its affiliates or any person acting for it, as the Stabilization Manager, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such market purchases of Offer Shares will be affected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571 of the Laws of Hong Kong) includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell Offer Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for Shares pursuant to the Over-allotment Option (exercisable by UBS on behalf of the International Purchasers) in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Offer Shares for the sole

UNDERWRITING

purpose of preventing or minimizing any reduction in the market price, (v) selling Offer Shares to liquidate a long position held as a result of those purchases and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 51,570,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilizing actions by the Stabilization Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of our Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. Investors should be warned that, in the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Sunday, August 10, 2014. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period.

Any stabilizing action taken by the Stabilization Manager, or any person acting for them, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Stabilizing bids for or market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares.

In connection with the Global Offering, the Stabilization Manager may over-allocate up to and not more than an aggregate of 51,570,000 additional Shares and cover such over-allocations by making purchases in the secondary market at prices that do not exceed the Offer Price, or through stock borrowing arrangements, or acquiring Shares from other sources, including the exercise of the Over-allotment Option by UBS (on behalf of the International Purchasers), or a combination of these means.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

- (a) the Hong Kong Public Offering of 34,380,000 Shares (subject to reallocation) in Hong Kong as described below in the section headed “— The Hong Kong Public Offering” in this section; and
- (b) the International Placing of an aggregate of 309,420,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Purchasers are soliciting from prospective investors indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 34,380,000 Hong Kong Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Placing, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section entitled “— Conditions of the Hong Kong Public Offering”.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 17,190,000 Hong Kong Offer Shares will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. In the event of over-applications in the Hong Kong Public Offering, UBS, as a Global Coordinator, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total

STRUCTURE OF THE GLOBAL OFFERING

number of the Offer Shares available under the Hong Kong Public Offering will be 103,140,000 Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 137,520,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 171,900,000 Shares, representing 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of UBS, as a Global Coordinator. Subject to the foregoing paragraph, UBS, as a Global Coordinator, may in its discretion reallocate Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, UBS, as a Global Coordinator, will have the discretion (but shall not be under any obligation) to reallocate to the International Placing all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Placing Shares, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$4.48 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, equal to a total of HK\$4,525.15 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "— Pricing and Allocation" below, is less than the maximum price of HK\$4.48 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Placing will be 309,420,000 Offer Shares representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of our Company by the International Purchasers or through selling agents appointed by them. International Placing Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the section headed "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

UBS, as a Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered International Placing Shares and who has made an application under the Hong Kong Public Offering, to provide sufficient information to UBS, as a Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of International Placing Shares to be issued or sold may change as a result of the clawback arrangement described in the section headed "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part described in the section headed "— Over-allotment Option" below, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any International Placing Shares to the Hong Kong Public Offering at the discretion of UBS, as a Global Coordinator.

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OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to UBS which will be exercisable by UBS on behalf of the International Purchasers.

Pursuant to the Over-allotment Option, UBS has the right, exercisable by UBS on behalf of the International Purchasers at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 51,570,000 Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing, to, among other things, cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional International Placing Shares to be issued pursuant thereto will represent approximately 3.6% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, UBS, their affiliates or any person acting for them may cover such over-allocation by (among other methods) using Shares purchased by UBS, their affiliates or any person acting for them in the secondary market and/or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 51,570,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 51,570,000 Shares from Envision Global pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICING AND ALLOCATION

Determining the Offer Price

The International Purchasers will be soliciting from prospective investors' indications of interest in acquiring International Placing Shares. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

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Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, July 11, 2014 and in any event on or before Thursday, July 17, 2014, by agreement between the Joint Global Coordinators, on behalf of themselves and the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the offer price per International Placing Share based on the Hong Kong dollar price per International Placing Share, as determined by the Joint Global Coordinators, on behalf of themselves and the Underwriters, and our Company.

The Offer Price will not be more than HK\$4.48 per Offer Share and is expected to be not less than HK\$3.20 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$4.48 per each Hong Kong Offer Share (plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$3.20, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, July 17, 2014, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

UBS, as a Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.cogobuy.com, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently

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set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or, unless agreed upon by UBS, as a Global Coordinator, for itself and on behalf of the Underwriters, and our Company, the Offer Price range will under no circumstances be changed from that stated in this prospectus.

In the event of a reduction in the number of Offer Shares, UBS, as a Global Coordinator, may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of UBS, as a Global Coordinator.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, July 17, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.cogobuy.com.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and UBS, as a Global Coordinator, for itself and on behalf of the Underwriters, entering into the Price Determination Agreement.

We expect to enter into the International Purchase Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Purchase Agreement, are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares to be issued pursuant to the RSU Scheme);
- (b) the Offer Price having been duly agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

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- (c) the execution and delivery of the International Purchase Agreement on the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Purchasers under the International Purchase Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than Thursday, August 7, 2014 (*i.e.*, the 30th day after the date of this prospectus).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Thursday, July 17, 2014, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of Stock Exchange at www.hkexnews.hk and our Company at www.cogobuy.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

STRUCTURE OF THE GLOBAL OFFERING

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on July 18, 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on July 18, 2014.

The Shares will be traded in board lots of 1,000 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, July 8, 2014 until 12:00 noon on Friday, July 11, 2014 from:

- (i) the following offices of the Joint Bookrunners:

UBS AG, Hong Kong Branch

52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Jefferies Hong Kong Limited

22/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

**China Securities (International) Corporate
Finance Company Limited**

Suites 1301–1305, Two Exchange Square
8 Connaught Place
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the branches of Bank of China (Hong Kong) Limited:

	Branch	Address
Hong Kong Island	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	North Point (King's Centre) Branch	193–209 King's Road, North Point
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Shanghai Street (Mong Kok) Branch	611–617 Shanghai Street, Mong Kok
New Territories	Tuen Mun San Hui Branch	G13–G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18–24 Shan Mei Street, Fo Tan
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, July 8, 2014 until 12:00 noon on Friday, July 11, 2014 from:

- the Depository Counter of HKSCC at at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Cogobuy Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, July 8, 2014 — 9:00 a.m. to 5:00 p.m.
Wednesday, July 9, 2014 — 9:00 a.m. to 5:00 p.m.
Thursday, July 10, 2014 — 9:00 a.m. to 5:00 p.m.
Friday, July 11, 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, July 11, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Global Coordinator and the Joint Bookrunners (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company, the Global Coordinator and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, July 8, 2014 until 11:30 a.m. on Friday, July 11, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, July 11, 2014 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** Service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** Service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction

HOW TO APPLY FOR HONG KONG OFFER SHARES

under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. **Computershare Hong Kong Investor Services Limited**, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “**COGOBUY GROUP**” **White Form eIPO** application submitted via the website to support the funding of “Source of Dong Jiang — Hong Kong Forecast” Project initiated by Friends of Earth (HK”).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ipccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000, Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, July 8, 2014	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, July 9, 2014	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, July 10, 2014	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, July 11, 2014	—	8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, July 8, 2014 until 12:00 noon on Friday, July 11, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, July 11, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, July 11, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 11, 2014, instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, July 11, 2014, or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG OFFER SHARES

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, July 17, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at www.cogobuy.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.cogobuy.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. Thursday, July 17, 2014;
- from the designated results of allocations website at www.iporeresults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, July 17, 2014 to 12:00 midnight on Wednesday, July 23, 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, July 17, 2014 to Sunday, July 20, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, July 17, 2014 to Saturday, July 19, 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the

HOW TO APPLY FOR HONG KONG OFFER SHARES

fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

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- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$4.48 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, July 17, 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the

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difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first- named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, July 17, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m on Friday, July 18, 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 17, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, July 17, 2014, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, July 17, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, July 17, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in paragraph headed "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 17, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 17, 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/ e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, July 17, 2014 by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, July 17, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, July 17, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 17, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, July 17, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, July 17, 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

July 8, 2014

The Directors
Cogobuy Group

UBS Securities Hong Kong Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Cogobuy Group (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group and the statements of financial position of the Company as of December 31, 2012 and 2013 and March 31, 2014 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for the period from February 1, 2012 (the date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated July 8, 2014 (the "Prospectus").

The Company was incorporated in the Cayman Islands on February 1, 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. During the Relevant Periods, the Company completed its acquisitions of the Group's subsidiaries on November 15, 2012, February 1, 2013 and November 20, 2013. The details of the Company's subsidiaries are set out in note 1(b) of Section B below.

During the Relevant Periods and as at the date of this report, no audited financial statements have been prepared for Gold Tech Holdings Limited, Mega Smart Group Limited, Comtech Broadband Holding Limited, Comtech (China) Holding Ltd., Comtech (HK) Holding Ltd., Alphalink Global Limited, Vision Well Global Limited, Envision Online Limited, Comtech Software Technology (Hong Kong) Limited, Comtech Communication Technology (Hong Kong) Company Limited, Cogobuy Holding Limited and Silver Ray Group Limited as they primarily either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All subsidiaries of the Company have adopted December 31 as their financial year end date. Details of the subsidiaries that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 32 of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) or the relevant requirements of the Accounting Standards for Business Enterprises and Accounting Regulations (the “PRC GAAP”) issued by the Ministry of Finance of the People’s Republic of China (the “PRC”).

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with HKFRSs issued by the HKICPA. The Underlying Financial Statements for the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2014 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to March 31, 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as of December 31, 2012, December 31, 2013 and March 31, 2014 and the Group’s consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the three months ended March 31, 2013, together with the notes thereon (the “Corresponding Financial Information”), for which the directors are responsible, 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 directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 Consolidated statements of comprehensive income

	Section B Note	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	2	199,306	2,417,277	387,572	1,354,018
Cost of sales		(145,688)	(2,215,191)	(363,047)	(1,251,578)
Gross profit		53,618	202,086	24,525	102,440
Other revenue	3	375	1,406	615	72
Other net (loss)/income .	3	(11)	1,037	—	—
Selling and distribution expenses		(1,187)	(13,749)	(2,580)	(15,513)
Research and development expenses		(8,254)	(16,144)	(2,598)	(7,486)
Administrative and other operating expenses ...		(3,768)	(51,996)	(6,819)	(37,032)
Profit from operations .		40,773	122,640	13,143	42,481
Finance costs	4(a)	(2,574)	(20,192)	(4,118)	(9,241)
Profit before taxation ..	4	38,199	102,448	9,025	33,240
Income tax	5(a)	(8,580)	(15,883)	(2,107)	(4,251)
Profit for the period/year		<u>29,619</u>	<u>86,565</u>	<u>6,918</u>	<u>28,989</u>
Attributable to:					
Equity shareholders of the Company		29,619	82,099	6,918	24,777
Non-controlling interests		—	4,466	—	4,212
		<u>29,619</u>	<u>86,565</u>	<u>6,918</u>	<u>28,989</u>

Section B Note	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the period/year	29,619	86,565	6,918	28,989
Other comprehensive income for the period/year, net of nil tax				
Item that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of financial statements of entities with functional currency other than Renminbi	7	7,955	710	5,485
Total comprehensive income for the period/year	<u>29,626</u>	<u>94,520</u>	<u>7,628</u>	<u>34,474</u>
Attributable to:				
Equity shareholders of the Company	29,626	90,282	7,628	29,907
Non-controlling interests	—	4,238	—	4,567
	<u>29,626</u>	<u>94,520</u>	<u>7,628</u>	<u>34,474</u>
Earnings per share				
(note)	9			
Basic (RMB)	2.962	0.089	0.010	0.025
Diluted (RMB)	2.962	0.089	0.010	0.025

The accompanying notes form part of the Financial Information.

2 Consolidated statements of financial position

	Section B Note	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	10	7,097	1,216	1,180
Intangible assets	11	2,337	31,291	29,394
Goodwill	12	2,166	154,136	154,136
Other non-current assets		321	663	894
		<u>11,921</u>	<u>187,306</u>	<u>185,604</u>
Current assets				
Inventories	14	107,225	243,800	400,757
Trade and other receivables	15	332,266	656,766	615,987
Amounts due from related parties	16	25,906	105,541	—
Pledged deposits	19	81,900	233,081	251,778
Cash and cash equivalents	17	52,400	281,542	314,013
		<u>599,697</u>	<u>1,520,730</u>	<u>1,582,535</u>
Current liabilities				
Trade and other payables	18	42,176	433,198	464,485
Bank loans	19	443,858	929,388	912,237
Amounts due to related parties	16	66,900	1,000	1,554
Current taxation	23(a)	9,749	10,020	14,790
		<u>562,683</u>	<u>1,373,606</u>	<u>1,393,066</u>
Net current assets		<u>37,014</u>	<u>147,124</u>	<u>189,469</u>
Total assets less current liabilities ...		48,935	334,430	375,073
Non-current liabilities				
Deferred tax liabilities	23(b)	386	5,164	4,851
NET ASSETS		<u>48,549</u>	<u>329,266</u>	<u>370,222</u>
CAPITAL AND RESERVES				
Share capital	24	—	1	1
Reserves		48,549	325,027	361,416
Total equity attributable to equity shareholders of the Company		48,549	325,028	361,417
Non-controlling interests		—	4,238	8,805
TOTAL EQUITY		<u>48,549</u>	<u>329,266</u>	<u>370,222</u>

The accompanying notes form part of the Financial Information.

3 Statements of financial position

	Section B Note	As of December 31, 2012 RMB'000	As of December 31, 2013 RMB'000	As of March 31, 2014 RMB'000
Non-current asset				
Investments in subsidiaries	13	485,948	671,542	689,897
Current assets				
Trade and other receivables	15	—	462	3,944
Amount due from related party	16	—	557	—
Cash and cash equivalents	17	12	133	6,317
		12	1,152	10,261
Current liabilities				
Trade and other payables	18	6	5,256	21,632
Amounts due to related parties	16	44,241	62,449	58,785
		44,247	67,705	80,417
Net current liabilities		(44,235)	(66,553)	(70,156)
Total assets less current liabilities ...		441,713	604,989	619,741
Non-current liability				
Loan from a subsidiary	20	423,647	421,943	435,648
NET ASSETS		18,066	183,046	184,093
CAPITAL AND RESERVES				
Share capital	24	—	1	1
Reserves		18,066	183,045	184,092
TOTAL EQUITY		18,066	183,046	184,093

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

Section B Note	Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Share- based compensation reserve	Other reserve	Exchange reserve	Statutory reserves	Retained profits	Total	Non- controlling interests	Total equity
	(Note 24(b))	(Note 24(c))	(Note 24(d))	(Note 24(e))	(Note 24(f))	(Note 24(g))				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of February 1, 2012 (date of inception) . . .	—	—	—	—	—	—	—	—	—	—
Changes in equity for 2012:										
Profit for the period	—	—	—	—	—	—	29,619	29,619	—	29,619
Other comprehensive income for the period . . .	—	—	—	—	7	—	—	7	—	7
Total comprehensive income	—	—	—	—	7	—	29,619	29,626	—	29,626
Capital injection	—	18,923	—	—	—	—	—	18,923	—	18,923
Appropriations	—	—	—	—	—	2,005	(2,005)	—	—	—
As of December 31, 2012 and January 1, 2013 . .	—	18,923	—	—	7	2,005	27,614	48,549	—	48,549
Changes in equity for 2013:										
Profit for the year	—	—	—	—	—	—	82,099	82,099	4,466	86,565
Other comprehensive income for the year . . .	—	—	—	—	8,183	—	—	8,183	(228)	7,955
Total comprehensive income	—	—	—	—	8,183	—	82,099	90,282	4,238	94,520
Arising from business combination	—	—	—	186,196	—	—	—	186,196	—	186,196
Issue of shares 24(b)(ii)	1	—	—	—	—	—	—	1	—	1
Appropriations	—	—	—	—	—	354	(354)	—	—	—
Disposal of subsidiaries . .	—	—	—	—	—	(2,005)	2,005	—	—	—
As of December 31, 2013 and January 1, 2014 . .	1	18,923	—	186,196	8,190	354	111,364	325,028	4,238	329,266
Changes in equity for the three months ended March 31, 2014:										
Profit for the period	—	—	—	—	—	—	24,777	24,777	4,212	28,989
Other comprehensive income for the period . . .	—	—	—	—	5,130	—	—	5,130	355	5,485
Total comprehensive income	—	—	—	—	5,130	—	24,777	29,907	4,567	34,474
Equity-settled share-based compensation	—	—	6,482	—	—	—	—	6,482	—	6,482
As of March 31, 2014 . .	1	18,923	6,482	186,196	13,320	354	136,141	361,417	8,805	370,222

Section B Note	Attributable to equity shareholders of the Company									Non- controlling interests	Total equity
	Share capital	Capital reserve	Share-based compensation reserve	Other reserve	Exchange reserve	Statutory reserves	Retained profits	Total			
	(Note 24(b))	(Note 24(c))	(Note 24(d))	(Note 24(e))	(Note 24(f))	(Note 24(g))					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
(Unaudited)											
As at 1 January, 2013 .	—	18,923	—	—	7	2,005	27,614	48,549	—	48,549	
Profit for the period . .	—	—	—	—	—	—	6,918	6,918	—	6,918	
Other comprehensive income for the period	—	—	—	—	710	—	—	710	—	710	
Total comprehensive income for the period	—	—	—	—	710	—	6,918	7,628	—	7,628	
Arising from business combination	—	—	—	186,196	—	—	—	186,196	—	186,196	
Issue of shares	24(b)(ii) 1	—	—	—	—	—	—	1	—	1	
As of March 31, 2013 .	1	18,923	—	186,196	717	2,005	34,532	242,374	—	242,374	

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

Section B Note	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities				
Profit before taxation	38,199	102,448	9,025	33,240
Adjustments for:				
Depreciation	288	2,485	514	132
Amortization of				
intangible assets	33	6,978	1,287	1,897
Finance costs	2,574	20,192	4,118	9,241
Interest income	(375)	(1,406)	(615)	(72)
Loss/(gain) on sale of				
property, plant and				
equipment	11	(298)	—	—
Gain on disposal of				
subsidiaries	—	(739)	—	—
Equity-settled share-based				
compensation expenses ...	—	—	—	6,482
	40,730	129,660	14,329	50,920
Changes in working capital, net of effect of acquisitions				
Decrease/(increase) in				
inventories	49,808	(143,443)	4,964	(148,667)
(Increase)/decrease in				
trade and other receivables	(103,895)	(391,370)	124,854	55,038
Decrease/(increase) in				
amounts due from related				
parties	61,472	(96,682)	(134,314)	101,553
(Decrease)/increase in trade				
and other payables	(32,779)	432,579	43,482	24,837
Increase/(decrease) in				
amounts due to related				
parties	22,504	54,665	(23,583)	1,554
Cash generated from/(used in) operations	37,840	(14,591)	29,732	85,235
Income tax paid	—	(11,678)	(753)	(61)
Net cash generated from/(used in) operating activities	37,840	(26,269)	28,979	85,174

Section B Note	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Investing activities				
Increase in pledged deposits	(81,900)	(155,885)	—	(12,280)
Payment for the purchase of property, plant and equipment	(48)	(634)	(108)	(68)
Proceeds from sale of property, plant and equipment	—	341	—	—
Proceeds from sale of lease prepayments and land use right	—	19,413	—	3,988
(Payment for)/proceeds from acquisitions of subsidiaries (net of cash and cash equivalents acquired)	(42,737)	957	957	—
Cash outflows from disposal of subsidiaries (net of cash and cash equivalents disposed)	—	(49,794)	—	—
Interest received	375	1,406	615	72
Net cash (used in)/generated from investing activities	(124,310)	(184,196)	1,464	(8,288)
Financing activities				
Net proceeds from/(repayments to) bank loans	80,351	505,836	(28,673)	(41,612)
Increase/(decrease) in amount due to shareholder	43,617	(43,381)	6,381	(1,000)
Capital injection from shareholder	18,923	—	—	—
Proceeds from issue of shares	—	1	1	—
Interest and guarantee fees paid	(1,795)	(20,971)	(4,118)	(9,241)
Net cash generated from/(used in) financing activities	141,096	441,485	(26,409)	(51,853)

	Section B Note	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net increase in cash and cash equivalents		54,626	231,020	4,034	25,033
Cash and cash equivalents at the beginning of the period/year		—	52,400	52,400	281,542
Effect of foreign exchange rate changes		(2,226)	(1,878)	(81)	7,438
Cash and cash equivalents at the end of the period/year	17	<u>52,400</u>	<u>281,542</u>	<u>56,353</u>	<u>314,013</u>

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 34.

The Financial Information also complied with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for the Relevant Periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The Financial Information also complied with the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the three months ended March 31, 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared on a consolidated basis. Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

The Company was incorporated on February 1, 2012 as an investment holding company. The Group is principally engaged in the sales of integrated circuits (“IC”) and other electronic components in the PRC. Starting from February 1, 2013, the Group also operates an e-commerce platform for the sales of IC and other electronic components. During the Relevant Periods, the Company has made the following acquisitions:

- *Acquisition of nine entities as described in the table below (the “Predecessor Entities”) from Viewtran Group, Inc. (formerly known as Cogo Group, Inc.) (“Viewtran”)*

On November 15, 2012, the Company acquired the entire equity interests in the Predecessor Entities from Viewtran, a company listed on NASDAQ in the United States of which the Chairman and Chief Executive Officer is Mr. Kang Jingwei (“Mr. Kang”), the

controlling shareholder of the Company, as contemplated by the sale and purchase agreement (the "Viewtran Agreement") dated October 23, 2012, for a cash consideration of US\$78,000,000 (equivalent to approximately RMB486,502,000 as of November 15, 2012) (the "Viewtran Acquisition").

Prior to November 15, 2012, the Predecessor Entities were direct or indirect wholly-owned subsidiaries of Viewtran. Following the acquisition, the Predecessor Entities became direct or indirect wholly-owned subsidiaries of the Company.

The operating results of the Predecessor Entities have been included in the Financial Information since November 16, 2012. Further details of the Viewtran Acquisition are set out in note 29(a).

— *Acquisition of Cogobuy Holding Limited (formerly known as Total Dynamic Limited) and its subsidiaries (collectively, the "Total Dynamic Entities") from Total Dynamic Holdings Limited ("Total Dynamic")*

On February 1, 2013, the Company acquired the entire equity interests in the Total Dynamic Entities from Total Dynamic, a company incorporated in the British Virgin Islands (the "BVI") and wholly-owned by Ms. Yao Yi, for 30 ordinary shares, representing 30% equity interests, of the Company (the "Total Dynamic Acquisition").

Shenzhen Cogobuy Information Technologies Limited ("Shenzhen Cogobuy"), one of the entities acquired in the Total Dynamic Acquisition, holds an Internet content provider licence (the "ICP licence") issued by the Guangdong Communications Administration. Due to applicable PRC laws and regulations which prohibit foreign investors from holding an ICP licence, the Company acquired control over Shenzhen Cogobuy through a series of contractual agreements entered with Ms. Yao Yi and Shenzhen Cogobuy (the "Contractual Arrangements") as further discussed in note 1(e) below.

Prior to February 1, 2013, the Total Dynamic Entities were direct or indirect wholly-owned subsidiaries of Total Dynamic. Following the acquisition, the Total Dynamic Entities became direct or indirect wholly-owned subsidiaries of the Company.

The operating results of the Total Dynamic Entities have been included in the Financial Information since February 1, 2013. Further details of the Total Dynamic Acquisition are set out in note 29(b).

— *Acquisition of nine entities as described in the table below (the "Envision Global Entities") from Brilliant Group Global Limited ("Brilliant Group")*

On November 20, 2013, the Company acquired the equity interests in Envision Global Entities from Brilliant Group, a company incorporated in the BVI and wholly-owned by Mr. Kang, for a cash consideration of US\$3,000,000 (equivalent to approximately RMB18,292,000 as of November 20, 2013) (the "Envision Global Acquisition").

Prior to November 20, 2013, the Envision Global Entities were direct or indirect wholly-owned subsidiaries of Viewtran. The Envision Global Entities were acquired by Brilliant Group from Viewtran on November 20, 2013 and acquired by the Company from Brilliant Group on the same date. Following the Envision Global Acquisition, the Envision Global Entities became direct or indirect subsidiaries of the Company.

The operating results of the Envision Global Entities have been included in the Financial Information since November 21, 2013. Further details of the Envision Global Acquisition are set out in note 29(c).

During the Relevant Periods and as of the date of this report, the Company has direct or indirect interests, either through legal ownership or implementation of the Contractual Arrangements, in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Attributable equity interest held by the Company as of December 31, 2012		Attributable equity interest held by the Company as of December 31, 2013, March 31, 2014 and the date of this report		Principal activities
			Direct	Indirect	Direct	Indirect	
Alphalink Global Limited (note (ii))	The BVI November 23, 2004	United States Dollar ("US\$") 1	100%	—	100%	—	Investment holding
Comtech (China) Holding Ltd. (notes (ii) and (v))	The BVI May 27, 2002	US\$1	100%	—	—	—	Investment holding
Comtech (HK) Holding Ltd. (note (ii))	The BVI May 27, 2002	US\$1	100%	—	100%	—	Investment holding
Comtech Broadband Holding Limited (note (iv))	The BVI June 27, 2013	US\$1	—	—	100%	—	Investment holding
Gold Tech Holdings Limited (note (iv))	The BVI January 25, 2010	US\$1	—	—	100%	—	Investment holding
Mega Smart Group Limited (note (iv))	The BVI December 12, 2007	US\$50,000	—	—	100%	—	Investment holding
Silver Ray Group Limited	The BVI October 25, 2012	US\$1	—	100%	—	100%	Inactive
Vision Well Global Limited	The BVI October 25, 2012	US\$1	100%	—	100%	—	Investment holding
Cogobuy Holding Limited (note (iii))	The Cayman Islands January 4, 2011	US\$1	—	—	100%	—	Investment holding
Comtech Broadband Corporation Limited ("Comtech Broadband") (note (iv))	Hong Kong March 23, 2005	20,000,000 shares	—	—	—	70%	Sales of electronics components and related products
Comtech Communication Technology (Hong Kong) Company Limited (notes (ii) and (v))	Hong Kong August 3, 2010	10,000 shares	—	100%	—	—	Sales of electronics components and related products
Comtech Communication Technology (Shenzhen) Company Limited 科通通信技術(深圳)有限公司 (notes (i), (ii) and (v))	The PRC July 23, 2002	HK\$140,220,000	—	100%	—	—	Sales of electronics components and related products

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Attributable equity interest held by the Company as of December 31, 2012		Attributable equity interest held by the Company as of December 31, 2013, March 31, 2014 and the date of this report		Principal activities
			Direct	Indirect	Direct	Indirect	
Comtech Digital Technology (Hong Kong) Limited (note (iv))	Hong Kong February 11, 2010	10,000 shares	—	—	—	60%	Sales of electronics components and related products
Comtech Digital Technology (Shenzhen) Limited 科通數字技術(深圳)有限公司 (notes (i) and (iv))	The PRC June 22, 2010	US\$300,000	—	—	—	60%	Sales of electronics components and related products
Comtech Industrial (Hong Kong) Limited (note (iv))	Hong Kong April 6, 2009	10,000 shares	—	—	—	100%	Sales of electronics components and related products
Comtech Industrial Technology (Shenzhen) Co., Ltd. 科通工業技術(深圳)有限公司 (formerly known as Epcot Multimedia Technology (Shenzhen) Limited 奇利光電技術(深圳)有限公司) (notes (i) and (ii))	The PRC May 24, 2005	US\$500,000	—	100%	—	100%	Provision of media communication and collaboration platforms and solutions
Comtech International (Hong Kong) Limited (“Comtech International Hong Kong”) (note (ii))	Hong Kong July 14, 2000	1,000,000 shares	—	100%	—	100%	Sales of electronics components and related products
Comtech Software Technology (Hong Kong) Limited (note (v))	Hong Kong December 6, 2012	45,000,000 shares	—	100%	—	—	Inactive
Comtech Software Technology (Shenzhen) Company Limited 科通軟件技術(深圳)有限公司 (notes (i), (ii) and (v))	The PRC March 18, 2004	US\$21,338,000	—	100%	—	—	Sales of electronics components and related products and research and development of software products
Cogobuy Limited (note (iii))	Hong Kong October 6, 2011	1 share	—	—	—	100%	Investment holding
Cogobuy.com E-commerce Services (Shenzhen) Limited (“Cogobuy E-commerce”) 庫購網電子商務(深圳)有限公司 (notes (i) and (iii))	The PRC July 31, 2012	HK\$150,000	—	—	—	100%	Development of e-commerce software technology and provision of e-commerce services
Envision Communication Technology (Shenzhen) Company Limited 億維訊通信技術(深圳)有限公司 (note (i))	The PRC September 11, 2013	US\$300,000	—	—	—	100%	Development and sales of electronic communication products
Envision Online Limited	Hong Kong March 6, 2012	1 share	100%	—	100%	—	Inactive
Hong Kong JJT Limited (note (ii))	Hong Kong August 23, 2007	1 share	—	100%	—	100%	Provision of research and design services
Shanghai Comtech Electronic Technology Company Limited 上海科姆特電子技術有限公司 (notes (i) and (iv))	The PRC May 28, 2008	US\$5,000,000	—	—	—	100%	Development and sales of electronic and automation products, import and export of their supporting parts

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Attributable equity interest held by the Company as of December 31, 2012		Attributable equity interest held by the Company as of December 31, 2013, March 31, 2014 and the date of this report		Principal activities
			Direct	Indirect	Direct	Indirect	
Shanghai E&T System Company Limited 上海憶特斯自動化控制技術有限公司 (note (iv))	The PRC June 5, 2003	RMB10,000,000	—	—	—	100%	Sales of electronics components and related products
Shenzhen Cogobuy Information Technologies Limited ("Shenzhen Cogobuy") 深圳市可購百信息技術有限公司 (notes (iii) and 1(e))	The PRC December 13, 2012	RMB1,000,000	—	—	—	100%	Holder of the Internet content provider licence in the PRC

Notes:

- (i) These entities are wholly foreign-owned enterprises established in the PRC. The English translation of the company names is for reference only. The official names of these companies are in Chinese.
- (ii) The Predecessor Entities were acquired through the Viewtran Acquisition on November 15, 2012 (see note 29(a)).
- (iii) The Total Dynamic Entities were acquired through the Total Dynamic Acquisition on February 1, 2013 (see note 29(b)).
- (iv) The Envision Global Entities were acquired through the Envision Global Acquisition on November 20, 2013 (see note 29(c)).
- (v) On December 1, 2013, the Company disposed of its entire equity interest in Comtech (China) Holding Ltd. and its subsidiaries (collectively, "Comtech China") to Envision Global Investments Limited ("Envision Global"), the immediate and ultimate controlling company of the Company, for a consideration of US\$72,875,000 (equivalent to RMB443,969,000). The consideration was payable by US\$92,000 (equivalent to RMB560,000) in cash and a forbearance of the Group's payable to Comtech China in the amount of US\$72,783,000 (equivalent to RMB443,409,000) (see note 30).

(c) Basis of measurement

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand unless otherwise indicated, and is prepared on the historical cost basis.

(d) Use of estimates and judgements

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 31.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the group and other parties) are considered.

In connection with the Total Dynamic Acquisition, Cogobuy E-commerce, the Company's wholly-owned subsidiary, entered into the Contractual Arrangements with Shenzhen Cogobuy and Ms. Yao Yi which enable Cogobuy E-commerce to:

- exercise effective financial and operational control over Shenzhen Cogobuy;
- exercise equity shareholders' voting rights of Shenzhen Cogobuy;
- receive substantially all of the economic interest and returns generated by Shenzhen Cogobuy in consideration for the business support, technical and consulting services provided by Cogobuy E-commerce, at Cogobuy E-commerce's discretion;
- obtain an exclusive right to purchase the entire equity interest in Shenzhen Cogobuy from Ms. Yao Yi; and

- obtain a pledge over the entire equity interest of Shenzhen Cogobuy from Ms. Yao Yi as collateral security to guarantee performance of all of the obligations of Ms. Yao Yi and Shenzhen Cogobuy under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Shenzhen Cogobuy, has the ability to affect those returns through its power over Shenzhen Cogobuy, and is considered to have control over Shenzhen Cogobuy. Consequently, Shenzhen Cogobuy is considered to be a subsidiary of the Group and the financial statements of Shenzhen Cogobuy are included in the Group's consolidated financial statements from February 1, 2013, the effective date of the Contractual Arrangements.

However, there are uncertainties regarding the interpretation and application of existing and future PRC laws and regulations which could affect the Company's ability to exercise control over Shenzhen Cogobuy, its right to receive substantially all of the economic interest generated by Shenzhen Cogobuy, and its ability to consolidate the financial results of Shenzhen Cogobuy into the Group's consolidated financial statements. The Company believes that, based on the legal opinion obtained from the Company's PRC legal counsel, the Contractual Arrangements are legally binding and enforceable and do not violate current PRC laws and regulations.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity shareholders of the Company.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date when control is transferred to the Group.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and, if applicable, the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash-generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

—	Motor vehicles	5 years
—	Machinery	5 years
—	Leasehold improvements	Over the lease terms
—	Furniture and office equipment	1 to 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see note 1(j)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(j)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

—	Internet platform	3 years
—	Customer relationships	5 to 9 years
—	Domain name and trademark	11 years

Both the period and method of amortization are reviewed annually.

(i) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of

impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, for trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years/periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;

- non-current deposits and prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognized.

(k) Inventories

Inventories mainly comprise electronic components. Inventories are carried at the lower of cost and net realizable value.

Cost is calculated on the first in first out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(l) Trade and other receivables (including amounts due from related parties)

Trade and other receivables (including amounts due from related parties) are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

(n) Trade and other payables (including amounts due to related parties)

Trade and other payables (including amounts due to related parties) are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition.

(p) Employee benefits*(i) Short term employee benefits and contribution to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognized as an expense in profit or loss as incurred.

(ii) Equity-settled share-based compensation

The fair value of restricted share units (“RSUs”) granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date by using the discounted cashflow method, taking into account the terms and conditions upon which the RSUs were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the RSUs, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest.

During the vesting period, the number of RSUs that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years/periods is charged/credited to the profit or loss for the year/period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of RSUs that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company’s shares. The equity amount is recognised in the capital reserve until either the RSUs is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent they relate to business combinations, items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

The Group engages primarily in the sale of IC and other electronic components in the PRC. Following the Total Dynamic Acquisition, the Group also operates an e-commerce marketplace platform, cogobuy.com, for the sale of IC and other electronic components. The e-commerce marketplace platform also allows third-party electronic component merchants to sell their products to customers. Customers place their orders for products online through the website cogobuy.com.

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss. The Group evaluates whether it is appropriate to record the gross amount of sales of goods and the related costs or the net amount earned as commission. When the Group has the primary responsibility for providing the goods to the customer or for fulfilling the order, is subject to inventory risk, has latitude in establishing prices and bears the customer's credit risk, or has several but not all of these indicators, revenues is recognized on a gross basis. When the Group does not have exposure to the significant risks and rewards associated with the sale of goods, revenues are recorded on a net basis. Revenue excludes value added taxes ("VAT") or other sales taxes and is after deduction of any sales return, trade discounts and allowances.

(i) Sale of goods

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(ii) Marketplace income

Marketplace income primarily consists of commission fees charged to third-party merchants that sell products on the Group's marketplace platform. These sales are generally transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices and selecting suppliers. The Group charges third-party merchants commission fee based on a fixed percentage of the sales amount. Marketplace income is recognized at the point of delivery of products by the merchants.

(iii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(t) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods 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.

(u) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

- (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, 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.

Management considers that the Group operates in a single business segment as the revenue and profit are derived entirely from wholesales of IC and other electronic components. Accordingly, no segment information is presented for the Relevant Periods.

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

2 REVENUE

The principal activity of the Group is sales of IC and other electronic components in the PRC. The Group also operates an e-commerce marketplace for the sale of IC and other electronic components by the Group and third-party electronic component merchants.

Revenue mainly represents the sales value of goods delivered to customers. Starting from February 1, 2013, the Group also generates revenue from commission fees charged to third-party merchants for using the e-commerce marketplace. The amount of each significant category of revenue recognized during the Relevant Periods is as follows:

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of IC and other electronic components	199,306	2,391,838	385,650	1,350,487
Marketplace income	—	25,439	1,922	3,531
	<u>199,306</u>	<u>2,417,277</u>	<u>387,572</u>	<u>1,354,018</u>

For the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013, there was no single customer who accounted for 10% or more of the Group's revenue. The Group's customer base is diversified and included only one customer with whom transactions have exceeded 10% of the Group's revenue for the three months ended March 31, 2014. For the three months ended March 31, 2014, revenue from sales of electronic components to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB169,895,000. Details of concentrations of credit risk arising from the customer is set out in note 28(a).

3 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other revenue				
Interest income	<u>375</u>	<u>1,406</u>	<u>615</u>	<u>72</u>
Other net (loss)/income				
(Loss)/gain on sale of property, plant and equipment	(11)	298	—	—
Gain on disposal of subsidiaries .	<u>—</u>	<u>739</u>	<u>—</u>	<u>—</u>
	<u>(11)</u>	<u>1,037</u>	<u>—</u>	<u>—</u>

4 PROFIT BEFORE TAXATION

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

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(a) Finance costs				
Interest expense on bank loans	1,795	14,062	2,564	7,687
Guarantee fees (note 19) ..	<u>779</u>	<u>6,130</u>	<u>1,554</u>	<u>1,554</u>
	<u>2,574</u>	<u>20,192</u>	<u>4,118</u>	<u>9,241</u>
(b) Staff costs				
Contributions to defined contribution retirement plan (note 21)	330	2,739	360	1,956
Salaries, wages and other benefit	3,092	24,262	3,615	18,348
Equity-settled share-based compensation expenses (note 22)	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,482</u>
	<u>3,422</u>	<u>27,001</u>	<u>3,975</u>	<u>26,786</u>

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(c) Other items				
Amortization of intangible assets	33	6,978	1,287	1,897
Auditors' remuneration . . .	4	252	1	123
Cost of inventories	143,502	2,213,760	361,616	1,251,578
Depreciation of property, plant and equipment	288	2,485	514	132
Listing expenses	—	4,611	—	13,853
Net foreign exchange (gain)/loss	(636)	(893)	(2,513)	3,897
Operating lease charges in respect of property rentals	237	3,315	973	1,458
Research and development expenses (note)	<u>8,254</u>	<u>16,144</u>	<u>2,598</u>	<u>7,486</u>

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB1,560,000, RMB11,811,000, RMB1,594,000 (unaudited) and RMB6,915,000 for the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013 and 2014 respectively, which are included in the staff costs as disclosed in note 4(b).

Research and development expenses also include operating lease charges in respect of property rentals of RMB65,000, RMB894,000, RMB284,000 (unaudited) and RMB226,000 for the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013 and 2014 respectively.

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax				
<i>PRC Corporation Income Tax</i>				
Provision for the period/year	6,293	7,599	1,468	—
Over-provision in respect of prior years	—	(380)	—	—
	<u>6,293</u>	<u>7,219</u>	<u>1,468</u>	<u>—</u>
<i>Hong Kong Profits Tax</i>				
Provision for the period/year	2,292	9,495	851	4,564
Under-provision in respect of prior years	—	321	—	—
	<u>2,292</u>	<u>9,816</u>	<u>851</u>	<u>4,564</u>
	<u>8,585</u>	<u>17,035</u>	<u>2,319</u>	<u>4,564</u>
Deferred tax				
Origination and reversal of temporary differences	(5)	(1,152)	(212)	(313)
	<u>(5)</u>	<u>(1,152)</u>	<u>(212)</u>	<u>(313)</u>
	<u>8,580</u>	<u>15,883</u>	<u>2,107</u>	<u>4,251</u>

(i) *Cayman Islands and 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.

(ii) *Hong Kong*

The entities that are incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013 and 2014. The provision for the year ended December 31, 2013 also took into account a one-off reduction of 75% of the tax payable for year of assessment 2012-13 subject to a ceiling of HK\$10,000 allowed by the

Hong Kong SAR Government for each business. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) 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 E-commerce and Shenzhen Cogobuy, being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations ("2+3 tax holiday") during 2013. As a result, they are exempted from 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.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC-tax-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 Financial Information, 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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before taxation	<u>38,199</u>	<u>102,448</u>	<u>9,025</u>	<u>33,240</u>
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25%	9,550	25,612	2,256	8,310
Effect of PRC tax holiday	—	(13,477)	(705)	(5,309)
Tax rate differential for Hong Kong entities	(1,297)	(4,457)	(348)	(2,182)
Entities of other jurisdictions not subject to income tax	620	6,955	893	2,050
Tax effect of non-taxable income	(245)	(231)	—	(81)
Tax effect of tax losses not recognized	—	1,437	12	1,386
Over-provision in respect of prior years	—	(59)	—	—
Others	(48)	103	(1)	77
Actual tax expense	<u>8,580</u>	<u>15,883</u>	<u>2,107</u>	<u>4,251</u>

6 DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Period from February 1, 2012 (date of inception) to December 31, 2012						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:							
Mr. Kang* (note (ii))	—	—	—	—	—	—	—
Mr. Wu Lun Cheung Allen (note (iii))	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Year ended December 31, 2013

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:							
Mr. Kang* (note (ii))	—	—	—	—	—	—	—
Mr. Wu Lun Cheung Allen (note (iii))	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Three months ended March 31, 2013 (Unaudited)

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:							
Mr. Kang* (note (ii))	—	—	—	—	—	—	—
Mr. Wu Lun Cheung Allen (note (iii))	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Three months ended March 31, 2014

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:							
Mr. Kang* (note (ii))	—	—	—	—	—	260	260
Mr. Wu Lun Cheung Allen (note (iii))	—	103	—	3	106	260	366
	—	103	—	3	106	520	626
	<u>—</u>	<u>103</u>	<u>—</u>	<u>3</u>	<u>106</u>	<u>520</u>	<u>626</u>

* Chairman of the Company

Notes:

- (i) Mr. Kang and Mr. Wu Lun Cheung Allen were appointed as an executive director on March 18, 2014.
- (ii) Mr. Kang did not receive any remunerations from the Group in his capacity as the Chairman of the Group for the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013.

- (iii) Mr. Wu Lun Cheung Allen did not receive any remunerations from the Group in his capacity as Vice President of Finance of the Predecessor Entities and Envision Global Entities for the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individual set out in note 7 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group do not include any directors for the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013. The five highest paid individuals of the Group include a director for the three months ended March 31, 2014, whose emolument is disclosed in note 6. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other emoluments ..	126	1,392	306	601
Discretionary bonuses	—	522	128	600
Share-based payments	—	—	—	673
Retirement scheme contributions	24	236	59	55
	<u>150</u>	<u>2,150</u>	<u>493</u>	<u>1,929</u>

The emoluments of the above individuals with the highest emoluments for the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013 and 2014 respectively, are within the following band:

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
			(Unaudited)	
HK\$Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>

8 DIVIDENDS

No dividends have been declared or paid by the Company during the Relevant Periods.

9 EARNINGS PER SHARE**(a) Basic**

For the period from February 1, 2012 (date of inception) to December 31, 2012, the year ended December 31, 2013 and the three months ended March 31, 2013 and 2014, the calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB29,619,000, RMB82,099,000, RMB6,918,000 (unaudited) and RMB24,777,000 respectively, and the weighted average of 10,000,000, 917,500,000, 670,000,000 (unaudited) and 1,000,000,000 ordinary shares in issue, respectively, during the period. For the purpose of calculating basic and diluted earnings per share, the number of ordinary shares used in the calculation reflected the effects of the share subdivision of the Company in June 2014, as disclosed in note 24(b), on a retrospective basis as if the events had occurred at the beginning of the Relevant Periods.

Basic earnings per share during the Relevant periods is calculated as follows:

(i) Weighted average number of ordinary shares

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
			(Unaudited)	
Issued ordinary shares at the beginning of the period/year	1	1	1	100
Issue of shares (note 24(b))	—	91	66	—
Effect of share subdivision of the share capital of the Company in June 2014 (note 24(b))	<u>9,999,999</u>	<u>917,499,908</u>	<u>669,999,933</u>	<u>999,999,900</u>
Weighted average number of ordinary shares as of the end of the period/ year	<u>10,000,000</u>	<u>917,500,000</u>	<u>670,000,000</u>	<u>1,000,000,000</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share is the same as basic earnings per share for the Relevant Periods as there were no potentially dilutive ordinary shares.

RSUs are not considered as dilutive potential ordinary shares as they are issuable contingently upon the occurrence of listing of the Company as described in note 22.

10 PROPERTY, PLANT AND EQUIPMENT**The Group**

	Motor vehicles	Machinery	Leasehold improvements	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
As of February 1, 2012 (date of inception)	—	—	—	—	—	—
Additions						
— through business combinations	3,472	334	413	3,134	398	7,751
— others	—	—	—	48	—	48
Disposals	—	—	—	(11)	(398)	(409)
Exchange adjustments	(6)	—	(2)	—	—	(8)
As of December 31, 2012.	3,466	334	411	3,171	—	7,382
As of January 1, 2013	3,466	334	411	3,171	—	7,382
Additions						
— through business combinations	442	—	—	673	—	1,115
— others	253	—	—	381	—	634
Disposals	(78)	—	—	(4)	—	(82)
Disposal of subsidiaries ...	(3,526)	(334)	(3)	(3,322)	—	(7,185)
Exchange adjustments	(115)	—	(12)	(15)	—	(142)
As of December 31, 2013 .	442	—	396	884	—	1,722
As of January 1, 2014	442	—	396	884	—	1,722
Additions	—	—	—	68	—	68
Exchange adjustments	—	—	—	38	—	38
As of March 31, 2014	442	—	396	990	—	1,828

	Motor vehicles	Machinery	Leasehold improvements	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:						
As of February 1, 2012						
(date of inception)	—	—	—	—	—	—
Charge for the period	100	13	53	122	—	288
Exchange adjustments	(1)	—	(1)	(1)	—	(3)
As of December 31, 2012.	99	13	52	121	—	285
As of January 1, 2013	99	13	52	121	—	285
Charge for the year	926	136	354	1,069	—	2,485
Written back on disposals .	(39)	—	—	—	—	(39)
Written back on disposal of subsidiaries	(921)	(149)	(3)	(1,078)	—	(2,151)
Exchange adjustments	(52)	—	(7)	(15)	—	(74)
As of December 31, 2013.	13	—	396	97	—	506
As of January 1, 2014	13	—	396	97	—	506
Charge for the period	40	—	—	92	—	132
Exchange adjustments	—	—	—	10	—	10
As of March 31, 2014	53	—	396	199	—	648
Net book value:						
As of December 31, 2012.	3,367	321	359	3,050	—	7,097
As of December 31, 2013.	429	—	—	787	—	1,216
As of March 31, 2014	389	—	—	791	—	1,180

(i) All of the Group's property, plant and equipment are located in the PRC, including Hong Kong.

(ii) On November 16, 2012, the Company disposed the construction in progress together with the land use right with carrying value of RMB398,000 and RMB23,003,000, respectively, to Envision Global for a consideration of RMB23,401,000. The amount is included in amounts due from related parties (see note 16) as of December 31, 2012.

11 INTANGIBLE ASSETS

The Group

	Internet platform	Customer relationships	Domain name and trademark	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
As of February 1, 2012 (date of inception)	—	—	—	—
Additions through business combinations	—	2,370	—	2,370
As of December 31, 2012	—	2,370	—	2,370
As of January 1, 2013	—	2,370	—	2,370
Additions through business combinations	2,659	31,292	1,981	35,932
As of December 31, 2013 and March 31, 2014	2,659	33,662	1,981	38,302
Accumulated amortization:				
As of February 1, 2012 (date of inception)	—	—	—	—
Charge for the period	—	33	—	33
As of December 31, 2012	—	33	—	33
As of January 1, 2013	—	33	—	33
Charge for the year	812	6,000	166	6,978
As of December 31, 2013	812	6,033	166	7,011
As of January 1, 2014	812	6,033	166	7,011
Charge for the period	222	1,630	45	1,897
As of March 31, 2014	1,034	7,663	211	8,908
Net book value:				
As of December 31, 2012	—	2,337	—	2,337
As of December 31, 2013	1,847	27,629	1,815	31,291
As of March 31, 2014	1,625	25,999	1,770	29,394

Intangible assets represent internet platform, customer relationships and domain name and trademark acquired by the Group in connection with the acquisitions of the Predecessor Entities and the Total Dynamic Entities completed on November 15, 2012 and February 1, 2013, respectively (see note 29). The amortization charge for the period/year is included in “administrative and other operating expenses” in the consolidated statements of comprehensive income.

12 GOODWILL

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Cost and carrying amount:			
At the beginning of the period/year	—	2,166	154,136
Additions through business combinations ...	<u>2,166</u>	<u>151,970</u>	<u>—</u>
At the end of the period/year	<u><u>2,166</u></u>	<u><u>154,136</u></u>	<u><u>154,136</u></u>

Impairment tests for cash-generating unit containing goodwill

For the purpose of goodwill impairment testing, goodwill arising from the business combinations was allocated to the appropriate cash generating unit (“CGU”) of the Group, which is the Group’s sale of IC and other electronic components business.

The recoverable amount of the CGU is determined based on value in use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated weighted average growth rates of 3.0% and 2.5% as of December 31, 2012 and 2013 respectively.

The estimated weighted average growth rates are consistent with the forecast included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using pre-tax discount rates of 17.6% and 23.4% as of December 31, 2012 and 2013 respectively. Key assumptions used for the value in use calculations are the revenue, gross margins and growth rates. Management determined the budgeted revenue, gross margins and growth rates based on past performance and its expectation for market development.

The recoverable amount of the CGU based on the value-in-use calculations is higher than its carrying amount as of December 31, 2013. The Group performs annual impairment test on goodwill at the end of the reporting period. Accordingly, no impairment loss for goodwill has been recognized in the consolidated statements of comprehensive income.

13 INVESTMENTS IN SUBSIDIARIES

	The Company		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	<u>485,948</u>	<u>671,542</u>	<u>689,897</u>

Please refer to note 1(b) for the particulars of subsidiaries during the Relevant Periods.

The following table lists out the information relating to Comtech Broadband, the only subsidiary of the Group which has material non-controlling interest ("NCI"), and was acquired through the Envision Global Acquisition. The summarised financial information presented below represents the amounts before any inter-company elimination.

	As of December 31, 2013	As of March 31, 2014
	(RMB'000, except percentage)	
NCI percentage	30%	30%
Current assets	946,190	720,666
Non-current assets	104	101
Current liabilities	(930,896)	(694,968)
Net assets	15,398	25,799
Carrying amount of NCI	4,619	7,740
Revenue	529,149	659,635
Profit for the year/period.....	9,532	7,052
Total comprehensive income	13,617	10,074
Profit allocated to NCI	4,085	3,022
Dividend paid to NCI	—	—
Cash flows from operating activities	8,522	(155,401)
Cash flows from investing activities	(183,233)	(49)
Cash flows from financing activities	386,809	52,291

14 INVENTORIES

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

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Raw materials	484	—	—
Finished goods	<u>106,741</u>	<u>243,800</u>	<u>400,757</u>
	<u>107,225</u>	<u>243,800</u>	<u>400,757</u>

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
	Carrying amount of inventories sold	<u>143,502</u>	<u>2,213,760</u>	<u>361,616</u>

15 TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	217,065	622,691	597,179	—	—	—
Bills receivable	<u>31,423</u>	<u>27,840</u>	<u>9,836</u>	—	—	—
Trade and bills receivables	248,488	650,531	607,015	—	—	—
Deposits and prepayments	82,523	5,366	7,631	—	461	3,944
Other receivables	<u>1,255</u>	<u>869</u>	<u>1,341</u>	—	<u>1</u>	—
	<u>332,266</u>	<u>656,766</u>	<u>615,987</u>	<u>—</u>	<u>462</u>	<u>3,944</u>

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

For the year ended December 31, 2013 and the three months ended March 31, 2014, the Group became 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. The costs of the factoring transactions based on relevant agreements ranged from 1.6% to 3.1% and 1.7% to 2.4% of the balances transferred and are included in "finance costs" for the year ended December 31, 2013 and the period ended March 31, 2014, respectively. The Group considers 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 of trade receivables. All of the factored trade receivables were accounted for as sales of trade receivables and derecognized upon transfer.

For the year ended December 31, 2013 and the three months ended March 31, 2014, the Group received proceeds from sales of trade receivables of RMB149,467,000 and RMB282,075,000, respectively. The Group recognized discounts of RMB929,000 and RMB1,618,000, respectively, in finance costs for trade receivables sold to the banks for the year ended December 31, 2013 and the period ended March 31, 2014.

The Group did not have any trade receivables facilities for the period from February 1, 2012 (date of inception) to December 31, 2012.

(a) Aging analysis

As of December 31, 2012 and 2013 and March 31, 2014, 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:

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Within 1 month	119,142	446,152	413,708
1 to 2 months	67,514	142,786	112,740
2 to 3 months	42,235	19,547	66,085
Over 3 months	19,597	42,046	14,482
	<u>248,488</u>	<u>650,531</u>	<u>607,015</u>

Trade and bills receivables are normally due within 30 to 60 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(j)(i)).

As of December 31, 2012 and 2013 and March 31, 2014, none of the trade and bills receivables was individually determined to be impaired.

(c) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	203,340	529,271	560,343
Less than 1 month past due	42,272	117,117	35,259
1 to 6 months past due	2,874	4,142	11,412
Over 6 months past due	2	1	1
	<u>45,148</u>	<u>121,260</u>	<u>46,672</u>
	<u>248,488</u>	<u>650,531</u>	<u>607,015</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16 AMOUNTS DUE FROM/(TO) RELATED PARTIES

An analysis of the amounts due from related parties is as follows:

Note	The Group			The Company			
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Amount due from Envision Global . . .	(i)	25,906	4,545	—	—	557	—
Amount due from Brilliant Group and its subsidiaries	(ii)	—	100,996	—	—	—	—
Amounts due from related parties		<u>25,906</u>	<u>105,541</u>	<u>—</u>	<u>—</u>	<u>557</u>	<u>—</u>

Notes:

- (i) As of December 31, 2012 and 2013 and March 31, 2014, the amount due from Envision Global represents the proceeds from the sale of the Group's land use right and construction in progress in 2012 (note 10(ii)), and certain related expenses paid on behalf of Envision Global.

The amount is unsecured, interest-free and recoverable on demand except that RMB19,706,000 and RMB3,695,000 of the balance as of December 31, 2012 were to be recovered on or before September 30, 2013 and December 31, 2014, respectively.

- (ii) As of December 31, 2013, the amount due from Brilliant Group and its subsidiaries are mainly attributable to sales and purchase of IC and other electronic components, partially offset by the purchase consideration of US\$3,000,000 (equivalent to RMB18,292,000) for acquisition of Envision Global Entities. The amount is unsecured, interest-free and recoverable on demand.

An analysis of the amounts due to related parties is as follows:

	Note	The Group			The Company		
		As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries	(i)	—	—	—	624	24,794	57,231
Amount due to Viewtran and its subsidiaries	(ii)	23,283	—	1,554	—	—	1,554
Amount due to Brilliant Group and its subsidiaries	(iii)	—	—	—	—	37,655	—
Amount due to shareholder	(iv)	<u>43,617</u>	<u>1,000</u>	<u>—</u>	<u>43,617</u>	<u>—</u>	<u>—</u>
Amounts due to related parties		<u>66,900</u>	<u>1,000</u>	<u>1,554</u>	<u>44,241</u>	<u>62,449</u>	<u>58,785</u>

Notes:

- (i) As of December 31, 2012 and 2013 and March 31, 2014, the amounts due to subsidiaries represented the expenses paid by the subsidiaries on behalf of the Company. The amount is unsecured, interest-free and repayable on demand.
- (ii) As of December 31, 2012 and March 31, 2014, the amount due to Viewtran and its subsidiaries is mainly attributable to the sales and purchases of IC and other electronic components and guarantee fee payable to Viewtran (see note 27(a)(iv)). The amount is unsecured, interest-free and repayable on demand. The directors have confirmed that the amount due to Viewtran and its subsidiaries as of March 31, 2014 will be settled prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing").
- (iii) As of December 31, 2013, the amount due to Brilliant Group mainly represented the purchase consideration of US\$3,000,000 (equivalent to RMB18,292,000) for acquisition of Envision Global Entities and the expenses paid by the subsidiaries on behalf of the Company. The amount is unsecured, interest-free and repayable on demand.
- (iv) As of December 31, 2012, the amount due to shareholder represented the amount advanced by Mr. Kang for payment of operating expenses. The amount is unsecured, interest-free and repayable on demand. As of December 31, 2013, the amount due to shareholder represented the amount advanced by Ms. Yao Yi for payment of operating expenses. The amount is unsecured, interest-free and repayable on demand.

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statements comprise:

	The Group			The Company		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	<u>52,400</u>	<u>281,542</u>	<u>314,013</u>	<u>12</u>	<u>133</u>	<u>6,317</u>

As of December 31, 2012 and 2013 and March 31, 2014, the Group's cash and cash equivalents in the amount of RMB18,628,000, RMB14,518,000 and RMB32,020,000, respectively, are denominated in Renminbi and are deposited in banks in the PRC. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As of December 31, 2012 and 2013 and March 31, 2014, the Company did not have any cash and cash equivalents denominated in Renminbi.

18 TRADE AND OTHER PAYABLES

	The Group			The Company		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	35,099	412,527	430,802	—	—	—
Accrued staff costs	3,025	5,939	3,922	—	—	—
Other payables	<u>4,052</u>	<u>14,732</u>	<u>29,761</u>	<u>6</u>	<u>5,256</u>	<u>21,632</u>
	<u>42,176</u>	<u>433,198</u>	<u>464,485</u>	<u>6</u>	<u>5,256</u>	<u>21,632</u>

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

As of December 31, 2012 and 2013 and March 31, 2014, the aging analysis of trade payables, based on invoice date, is as follows:

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Within 1 month	20,841	267,144	364,588
1 to 3 months	2,198	130,119	31,074
Over 3 months	12,060	15,264	35,140
	<u>35,099</u>	<u>412,527</u>	<u>430,802</u>

19 PLEDGED DEPOSITS AND BANK LOANS

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

As of December 31, 2012, the Group entered into several banking facilities including letters of guarantee, bank loans and irrecoverable letters of credit. As of December 31, 2013 and March 31, 2014, the banking facilities also included trade receivables factoring facilities.

Pursuant to the terms of the Viewtran Agreement (see note 1(b)), immediately upon completion of the Viewtran Acquisition and up to December 31, 2014, Viewtran agreed to continue to provide guarantees to the banking institutions which provide banking facilities to the Predecessor Entities. Viewtran also agreed to provide guarantees in respect of the Predecessor Entities' purchases from its suppliers and sales to its customers. The aggregate amount of the guarantees is subject to a maximum cap of US\$60,000,000. A guarantee fee amounting to US\$250,000 as determined with reference to the guarantee fee chargeable by banks, is charged to the Company each quarter.

Pursuant to the terms of the purchase and sale agreement in connection with the Envision Global Acquisition (see note 1(b)), Viewtran agreed to continue to provide guarantees from November 20, 2013 to December 31, 2014 to the banking institutions which provide banking facilities to the Envision Global Entities.

As of December 31, 2012 and 2013 and March 31, 2014, the Group had two types of banking facilities, both were guaranteed by Viewtran:

- (a) Joint banking facilities which can be utilized by the Group and certain subsidiaries of Viewtran (the "Joint Banking Facilities"); and
- (b) Banking facilities which are made available solely to the Group (the "Sole Banking Facilities").

(a) Joint Banking Facilities

Details of the Joint Banking Facilities and the borrowings drawn by the Group under such facilities as of December 31, 2012 and 2013 and March 31, 2014 are set out below:

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Aggregate credit limit	594,975	242,148	248,656
Outstanding loans — Viewtran	(312,755)	—	—
Outstanding loans — the Group	<u>(200,884)</u>	<u>(143,001)</u>	<u>(228,174)</u>
Unutilized facilities	<u>81,336</u>	<u>99,147</u>	<u>20,482</u>

As of December 31, 2012, the Joint Banking Facilities were secured by cash of RMB288,408,000 pledged by Viewtran. As of December 31, 2013 and March 31, 2014, the Joint Banking Facilities were secured by cash of RMB60,550,000 and RMB62,178,000 pledged by the Group respectively.

The Group and Viewtran are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. As of December 31, 2012 and 2013 and March 31, 2014, management of the Group did not consider it is probable that a claim will be made against the Group under any of the guarantees.

(b) Sole Banking Facilities

Details of the Sole Banking Facilities and the borrowings drawn by the Group under such facilities as of December 31, 2012 and 2013 and March 31, 2014 are set out below:

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Aggregate credit limit	311,505	1,510,399	1,265,036
Outstanding loans	(242,974)	(786,387)	(684,063)
Trade receivables factoring facilities utilized	—	<u>(223,001)</u>	<u>(295,391)</u>
Unutilized facilities	<u>68,531</u>	<u>501,011</u>	<u>285,582</u>

As of December 31, 2012, the Sole Banking Facilities were secured by cash of RMB81,900,000 and RMB207,900,000 pledged by the Group and Viewtran, respectively. As of December 31, 2013, the Sole Banking Facilities were secured by cash of RMB172,531,000 and RMB483,970,000 pledged by the Group and Viewtran, respectively. As of March 31, 2014, the Sole Banking Facilities were secured by cash of RMB189,600,000 and RMB199,281,000 pledged by the Group and Viewtran, respectively.

(c) Bank covenants

As of December 31, 2012, the Joint Banking Facilities contain various covenants, including Viewtran's consolidated net borrowing ratio not exceeding 0.25 times and Viewtran maintaining a tangible net worth of not less than RMB1,000,000,000. Other conditions include Viewtran's Chief Executive Officer, Mr. Kang, remaining as the single largest beneficial owner of Viewtran and Chairman of the Board of Directors and actively involving in the management of Viewtran, Viewtran remaining as listed in NASDAQ and retaining at least 50% equity interest in those subsidiaries which entered into the banking facilities with the banks.

As of December 31, 2012, a non-financial covenant in one of the Group's Joint Banking Facilities had not been satisfied due to the Viewtran Acquisition by the Company. Such non-financial covenant required Viewtran to retain at least 50% equity interest in Comtech International Hong Kong.

On June 28, 2013, the Group and Viewtran entered into a revised banking facility agreement (the "Revised Agreement") which revised the abovementioned non-financial covenant such that Mr. Kang, the director of the Company, instead of Viewtran, shall maintain directly or indirectly not less than 50% equity interest of Comtech International Hong Kong. With this amendment, the Group was in compliance with its lending covenants as of December 31, 2013 and March 31, 2014.

20 LOAN FROM A SUBSIDIARY

The loan from a subsidiary is unsecured, interest bearing at 2.5% per annum and repayable in full with all interest accrued on November 15, 2015.

21 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organized by the local authorities whereby the entities are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the Relevant Periods. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group also operates a Mandatory Provident Fund Scheme (“the MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$25,000 (HK\$20,000 prior to June 2012) contribution to the plan vest immediately.

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On March 1, 2014, the Company’s shareholders and directors adopted the Restricted Share Scheme (“RSU Scheme”) and granted 30,200,000 restricted share units (“RSUs”) to certain directors and employees of the Company and its subsidiaries. The purpose of the RSU Scheme is to reward the fidelity and performance of the directors and employees of the Company and its subsidiaries. The RSUs are the rights to receive Company’s shares when they vest pursuant to the conditions provided for under the RSU Scheme. Each RSU gives the holder a right to receive a share at the end of the respective vesting period. The shares will be held on trust by the RSU Scheme trustee until their release to the grantees upon vesting of the RSUs.

The directors estimated the fair value of the RSUs granted to be RMB51,963,000 (USD8,456,000) in total or RMB1.72 (USD0.28) per unit. Share-based payment expense of RMB6,482,000 was recognized as staff costs in the Company’s profit or loss for the three months ended March 31, 2014 and the remaining balance is to be recognized in 2015 and 2016 based on the respective vesting periods.

Additional details of the grants are as follows:

	<u>Number of instruments</u>	<u>Vesting conditions</u>
RSUs granted to directors:		
— on March 1, 2014	3,600,000	notes (i), (iii)
RSUs granted to employees:		
— on March 1, 2014	19,346,300	notes (i), (iii)
— on March 1, 2014	<u>7,253,700</u>	notes (ii), (iii)
Total RSUs granted	<u><u>30,200,000</u></u>	

Notes:

- (i) The RSUs granted have a vesting period of three years as follows:
- One-third of which will vest for the year ended December 31, 2014 in equal quarterly installments
 - One-third of which will vest for the year ended December 31, 2015 in equal quarterly installments
 - One-third of which will vest for the year ended December 31, 2016 in equal quarterly installments
- (ii) The RSUs granted have a vesting period of one year at the end of December 31, 2014.
- (iii) Vesting of the RSUs is conditional upon the Listing and after a share subdivision of the share capital of the Company from US\$1 per share to 10,000,000 shares of US\$0.0000001 per share. Directors and employees who leave the Group before or after the Listing forfeit their right to any unvested RSUs.

(a) Fair value of RSUs and assumptions

The fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of the RSUs granted was determined using the discounted cash flow method and adopting an equity allocation method to determine the fair value of the RSUs as at the grant date. Key assumptions are set out as below:

	Granted on March 1, 2014
	RMB'000
Fair value of RSUs and assumptions	
Discount rate	17.5%
Risk-free interest rate	3.265%
Volatility	16.0%
Dividend yield	0.0%

23 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Provision for PRC Corporate Income Tax	6,520	2,380	2,339
Provision for Hong Kong Profits Tax ..	<u>3,229</u>	<u>7,640</u>	<u>12,451</u>
	<u>9,749</u>	<u>10,020</u>	<u>14,790</u>

(b) Deferred tax liabilities recognized

The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during Relevant Periods are as follows:

	<u>The Group</u>
	<u>Amortization of intangible assets</u>
	<u>RMB'000</u>
As of February 1, 2012 (date of inception)	—
Additions through business combination	391
Credited to profit or loss	<u>(5)</u>
As of December 31, 2012	<u>386</u>
As of January 1, 2013	386
Additions through business combination	5,930
Credited to profit or loss	<u>(1,152)</u>
As of December 31, 2013	<u>5,164</u>
As of January 1, 2014	5,164
Credited to profit or loss	<u>(313)</u>
As of March 31, 2014	<u>4,851</u>

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 1(q), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB163,000, RMB13,894,000 and RMB19,452,000 as of December 31, 2012 and 2013 and March 31, 2014 respectively as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses for the PRC subsidiaries amounting to RMB2,387,000, RMB247,000, RMB11,199,000 and RMB5,515,000 will expire in 2016, 2017, 2018 and 2019 respectively. The tax losses for the Hong Kong subsidiaries do not expire under the current Hong Kong tax legislation.

(d) Deferred tax liabilities not recognized

As of December 31, 2012 and 2013 and March 31, 2014, the Group has not recognized deferred tax liabilities in respect of the PRC dividend withholding tax on temporary differences relating to the undistributed profits of the PRC entities included in the Group amounting to RMB150,622,000, RMB107,364,000 and RMB113,111,000, respectively, as it was considered not probable that these profits would be distributed in the foreseeable future.

24 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the period/year are set out below:

The Company

	Share capital	Capital reserve	Share-based compensation reserve	Other reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of February 1, 2012 (date of inception)	—	—	—	—	—	—	—
Changes in equity for 2012:							
Loss for the period	—	—	—	—	—	(632)	(632)
Other comprehensive income for the period . .	—	—	—	—	(225)	—	(225)
Total comprehensive income	—	—	—	—	(225)	(632)	(857)
Capital injection	—	18,923	—	—	—	—	18,923
As of December 31, 2012 and January 1, 2013 . .	—	18,923	—	—	(225)	(632)	18,066
Changes in equity for 2013:							
Loss for the year	—	—	—	—	—	(15,674)	(15,674)
Other comprehensive income for the year	—	—	—	—	(5,543)	—	(5,543)
Total comprehensive income	—	—	—	—	(5,543)	(15,674)	(21,217)
Arising from business combination	—	—	—	186,196	—	—	186,196
Issue of shares	1	—	—	—	—	—	1
As of December 31, 2013 and January 1, 2014	1	18,923	—	186,196	(5,768)	(16,306)	183,046
Changes in equity for the three months ended March 31, 2014:							
Loss for the period	—	—	—	—	—	(10,807)	(10,807)
Other comprehensive income for the period . .	—	—	—	—	5,372	—	5,372
Total comprehensive income	—	—	—	—	5,372	(10,807)	(5,435)
Equity-settled share based compensation	—	—	6,482	—	—	—	6,482
As of March 31, 2014	<u>1</u>	<u>18,923</u>	<u>6,482</u>	<u>186,196</u>	<u>(396)</u>	<u>(27,113)</u>	<u>184,093</u>

(b) Capital

	As of December 31, 2012		As of December 31, 2013		As of March 31, 2014	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
		US\$		US\$		US\$
Authorized:						
Ordinary shares of US\$1 each (note (i))	50,000	50,000	50,000	50,000	50,000	50,000
Ordinary shares, issued and fully paid:						
At the beginning of the period/year	1	1	1	1	100	100
Issue of shares (note (ii))	—	—	99	99	—	—
At the end of the period/year .	1	1	100	100	100	100

Notes:

- (i) The Company was incorporated on February 1, 2012 with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On the same date, one share of US\$1 was allotted and issued at par.
- (ii) By an ordinary resolution passed at the annual general meeting held on March 15, 2013, a total of 99 ordinary shares of US\$1 each were allotted and issued at par.
- (iii) Pursuant to the written resolutions of the shareholders of the Company passed on June 27, 2014, the shareholders of the Company approved the subdivision of ordinary share of US\$1.00 each in the authorized and issued share capital of the Company into 10,000,000 ordinary shares of US\$0.0000001 each. Immediately following the share subdivision, the Company is authorized to issue a maximum of 500,000,000,000 ordinary shares of per value of US\$0.0000001 and the issued share capital of the Company became US\$100 comprising 1,000,000,000 shares of US\$0.0000001 each.

All the per share information in "Earning per share" (note 9) and "Equity settled share-based transactions" (note 22) has been adjusted retrospectively as if the share subdivision had occurred at the beginning of the Relevant Periods.

(c) Capital reserve

An amount of US\$3,000,000 (equivalent to RMB18,923,000) was contributed by the shareholder in the form of cash during the period from February 1, 2012 (date of inception) to December 31, 2012. The amount has been recorded as capital reserve in the Financial Information.

(d) Share-based compensation reserve

The share-based compensation reserve represents the portion of the grant date fair value of RSUs granted to the directors and employees of the Company and its subsidiaries that has been recognized in accordance with the accounting policy adopted for share-based payments in note 1(p)(ii).

(e) Other reserve

On March 15, 2013, 99 new shares of the Company were issued in connection with the acquisition of Total Dynamic Entities. The fair value of the Company's new shares was estimated to be approximately RMB186,197,000 and was credited to share capital (nominal value) and other reserve.

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(g) Statutory reserves

According to laws applicable to the foreign investment enterprises in the PRC and the Articles of Association of certain subsidiaries of the Company in the PRC, the PRC entities are required to appropriate part of their net profits as determined in accordance with the PRC GAAP to various reserves. These include general reserve, statutory surplus reserve and statutory public welfare fund.

For general reserve, appropriation to general reserve is at the discretion of the directors of the relevant PRC entities. The reserve can only be used for specific purposes and is not distributable as cash dividends.

For statutory surplus reserve, 10% of the net profit, as determined in accordance with the PRC GAAP, of the relevant PRC entities is transferred to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital of the relevant PRC companies. The transfer to this reserve must be made before distribution of dividends to shareholders can be made. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issue is not less than 25% of the registered capital. Any amount of funds outside of the 50% reserve balance can be distributed as by the relevant PRC entities, as advances or cash dividends, subject however, to complying with applicable requirements. Such dividend or loans could take a considerable amount of time to implement and to be processed by certain governmental agencies.

For statutory public welfare fund, 5% to 10% of the net profit, as determined in accordance with the PRC GAAP, of the relevant PRC entities is transferred to the statutory public welfare fund. This fund can only be utilized on capital items for the collective benefit of the employees such as the construction of dormitories, canteen and other staff welfare facilities. The fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of dividends to shareholders can be made.

(h) Distributable reserves

As of December 31, 2012 and 2013 and March 31, 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to RMB18,066,000, RMB183,045,000 and RMB184,092,000 respectively.

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions affecting the Group.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total interest-bearing loans less cash and cash equivalents. The Group defines "capital" as all components of equity.

The net debt-to-capital ratio as of December 31, 2012 and 2013 and March 31, 2014 was as follows:

	The Group			The Company		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing						
borrowings	443,858	929,388	912,237	423,647	421,943	435,648
Less: Cash and cash						
equivalents	(52,400)	(281,542)	(314,013)	(12)	(133)	(6,317)
Net debt	<u>391,458</u>	<u>647,846</u>	<u>598,224</u>	<u>423,635</u>	<u>421,810</u>	<u>429,331</u>
Total equity	<u>48,549</u>	<u>329,266</u>	<u>370,222</u>	<u>18,066</u>	<u>183,046</u>	<u>184,093</u>
Net debt-to-capital ratio ..	<u>8.1</u>	<u>2.0</u>	<u>1.6</u>	<u>23.4</u>	<u>2.3</u>	<u>2.3</u>

Except for the banking facilities which require the fulfillment of certain covenants as disclosed in note 19, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

25 COMMITMENTS

(a) Operating lease commitments

As of December 31, 2012 and 2013 and March 31, 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		
	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB'000	RMB'000	RMB'000
Within one year	1,469	4,808	6,518
After one year but within five years	<u>13</u>	<u>5,114</u>	<u>4,240</u>
	<u>1,482</u>	<u>9,922</u>	<u>10,758</u>

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

The Company does not lease any properties under operating lease.

- (b) Pursuant to the terms of the Viewtran Agreement and the service agreement dated November 14, 2012 in relation to the Viewtran Acquisition, the Company is to pay a guarantee fee to Viewtran amounting to US\$250,000 each quarter for a transitional period up to December 31, 2014.

The Company would also pay a service fee to Viewtran charged at pre-determined rates over usage and revenue generated by the Predecessor Entities for supportive and administrative services, including logistics, warehousing, accounting service, customer service, human resource service and IT services for a period up to November 13, 2013.

The guarantee fee and service fee have been recognized as administrative and other operating expenses in the consolidated statements of comprehensive income.

- (c) As of December 31, 2012 and 2013 and March 31, 2014, the Group has outstanding purchase orders for components from suppliers in the amount of approximately RMB125,489,000, RMB1,303,529,000 and RMB668,235,000, respectively. The Group does not have any minimum purchase obligations with these suppliers. Other than as described above and in note 26, the Group had no other material contractual obligations, off-balance sheet guarantees or arrangements as of December 31, 2012 and 2013 and March 31, 2014.

26 CONTINGENT LIABILITIES

As of December 31, 2012 and 2013 and March 31, 2014, the Group was among the entities covered by certain cross guarantee arrangements with Viewtran (see note 19). Under these arrangements, the Group and Viewtran are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. As of December 31, 2012 and 2013 and March 31, 2014, management of the Group does not consider it is probable that a claim will be made against the Group under any of the guarantees.

27 MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

<u>Name of party</u>	<u>Relationships</u>
Envision Global (note (i))	Controlling shareholder
Viewtran	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Beijing Comtech Ewit Electric Co. Ltd* 北京科通億維德電氣有限公司	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Comtech Broadband Corporation Limited (note (ii))	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Comtech Broadband Technology Services (Shenzhen) Limited* 科博寬帶技術服務(深圳)有限公司	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Comtech Broadband Technology (Shenzhen) Co. Ltd.* 科通寬帶技術 (深圳)有限公司	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Comtech Industrial (Hong Kong) Limited (note (ii))	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
MDC Tech Inc. Limited	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Mega Sky (Shenzhen) Limited* 萬天軟件(深圳)有限公司	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence

Name of party	Relationships
Mega Smart (Shenzhen) Limited* 曼誠軟件(深圳)有限公司	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Shanghai Comtech Electronic Technology Company Limited* 上海 科姆特電子技術有限公司 (note (ii))	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Shanghai E&T System Company Limited* 上海憶特斯自動化控制技 術有限公司 (note (ii))	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Shenzhen Comtech International Limited* 深圳市科通國際電子有限 公司	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Viewtran Technology (Shenzhen) Co., Limited* 優創科技(深圳)有限公司	An entity which Mr. Kang, the controlling shareholder of the Company, has significant influence
Brilliant Group	Fellow subsidiary

* The English translation of the above companies' names is for reference only. Their official names are in Chinese.

Notes:

- (i) Envision Global is wholly-owned by Mr. Kang, the controlling shareholder of the Company.
- (ii) These entities were related parties of the Group prior to November 20, 2013, the date when they were acquired by the Company (see note 29).

In addition to the related party information disclosed elsewhere in this Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods.

(a) Significant related party transactions

	Note	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of products	(i)	24,250	115,439	56,647	—
Purchase of products	(ii)	11,540	178,164	44,306	—
Marketplace income	(iii)	—	20,970	1,691	—
Guarantee fee paid/payable	(iv)	779	6,130	1,554	1,554
Supportive and administrative service fee paid/payable	(v)	976	11,431	1,766	—
Research and development expenses	(vi)	6,278	—	—	—
Sale of lease prepayments and construction in progress	(vii)	<u>23,401</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes:

- (i) Amounts represented sales of IC and other electronic components to Viewtran, Brilliant Group and their subsidiaries.
- (ii) Amounts represented purchases of IC and other electronic components from Viewtran, Brilliant Group and their subsidiaries.
- (iii) Amount represented marketplace fee received or receivable from Viewtran, Brilliant Group and their subsidiaries in relation to their sales of products on the Group's marketplace platform.
- (iv) Amounts represented the quarterly guarantee fee paid or payable to Viewtran for acting as the guarantors for the banking facilities of the Predecessor Entities (see note 19).
- (v) Amounts represented service fees paid or payable to Viewtran for supportive and administrative services provided by Viewtran and its subsidiaries (see note 25(b)).
- (vi) Amount represented fees paid or payable for research and development services acquired from a subsidiary of Viewtran.
- (vii) Amount represented the proceeds from the sale of the land use right and construction in progress with net book values of RMB23,003,000 and RMB398,000, respectively, to Envision Global, the ultimate controlling company, on November 16, 2012. No gain or loss was generated from the transaction (see note 10).

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 6 and certain of the highest paid individuals as disclosed in note 7, is as follows:

	Period from February 1, 2012 (date of inception) to December 31, 2012	Year ended December 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short-term employee				
benefits	52	811	153	778
Post-employment benefits ..	6	71	16	26
Equity-settled compensation				
benefits	—	—	—	1,237
	<u>58</u>	<u>882</u>	<u>169</u>	<u>2,041</u>

Total remuneration was included in “staff costs” (see note 4(b)).

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's and the Company's business.

The Group's and the Company's exposure to these risks and the financial risk management policies and practices used by the Group and the Company to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and amounts due from related parties. Management has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are normally due within 30 to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant

concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As of December 31, 2012 and 2013 and March 31, 2014, 36.8%, 33.7% and 41.5%, respectively, of the total trade receivables were due from the Group's five largest customers. Among which, 7.3%, 9.6% and 14.9% of the total trade receivables as of December 31, 2012 and 2013 and March 31, 2014, respectively, were due from the largest customer.

Cash and cash equivalents and pledged deposits are placed with financial institutions with sound credit ratings to minimize credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Except for the guarantees (see note 26) given by the Group to related party, the Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's and the Company's exposure to credit risk arising from trade and other receivables are set out in note 15.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's and the Company's policy is to regularly monitor its liquidity requirements and its compliance with leading covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities as of December 31, 2012 and 2013 and March 31, 2014 of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay.

The Group

	As of December 31, 2012		Carrying amount as of December 31, 2012
	Contractual undiscounted cash outflow		
	Within 1 year or on demand	Total	
	RMB'000	RMB'000	RMB'000
Trade and other payables	42,176	42,176	42,176
Bank loans	448,160	448,160	443,858
Amounts due to related parties	66,900	66,900	66,900
	<u>557,236</u>	<u>557,236</u>	<u>552,934</u>

	As of December 31, 2013 Contractual undiscounted cash outflow		Carrying amount as of December 31, 2013
	Within 1 year or on demand	Total	
	RMB'000	RMB'000	
Trade and other payables	433,198	433,198	433,198
Bank loans	935,480	935,480	929,388
Amounts due to related parties	1,000	1,000	1,000
	<u>1,369,678</u>	<u>1,369,678</u>	<u>1,363,586</u>

	As of March 31, 2014 Contractual undiscounted cash outflow		Carrying amount as of March 31, 2014
	Within 1 year or on demand	Total	
	RMB'000	RMB'000	
Trade and other payables	464,485	464,485	464,485
Bank loans	916,340	916,340	912,237
Amounts due to related parties	1,554	1,554	1,554
	<u>1,382,379</u>	<u>1,382,379</u>	<u>1,378,276</u>

The Company

	As of December 31, 2012 Contractual undiscounted cash outflow			Carrying amount as of December 31, 2012
	Within 1 year or on demand	More than 2 years but less than 5 years	Total	
	RMB'000	RMB'000	RMB'000	
Trade and other payables ...	6	—	6	6
Amounts due to related parties	44,241	—	44,241	44,241
Loan from a subsidiary	—	455,391	455,391	423,647
	<u>44,247</u>	<u>455,391</u>	<u>499,638</u>	<u>467,894</u>

	As of December 31, 2013			Carrying amount as of December 31, 2013
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	
	RMB'000	RMB'000	RMB'000	
Trade and other payables ...	5,256	—	5,256	5,256
Amounts due to related parties	62,449	—	62,449	62,449
Loan from a subsidiary	—	442,497	442,497	421,943
	<u>67,705</u>	<u>442,497</u>	<u>510,202</u>	<u>489,648</u>
	As of March 31, 2014			Carrying amount as of March 31, 2014
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	
	RMB'000	RMB'000	RMB'000	
Trade and other payables ...	21,632	—	21,632	21,632
Amounts due to related parties	58,785	—	58,785	58,785
Loan from a subsidiary	—	454,274	454,274	435,648
	<u>80,417</u>	<u>454,274</u>	<u>534,691</u>	<u>516,065</u>

(c) Interest rate risk

The Group's and the Company's interest rate risk arises primarily from fixed rate borrowings that expose the Group to cash flow interest rate risk. The Group's and the Company's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's total interest bearing borrowings as of December 31, 2012 and 2013 and March 31, 2014:

	As of December 31, 2012		As of December 31, 2013		As of March 31, 2014	
	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount
		RMB'000		RMB'000		RMB'000
The Group						
Fixed rate borrowing:						
Bank loans	2.4%	<u>443,858</u>	2.3%	<u>929,388</u>	2.2%	<u>912,237</u>
	As of December 31, 2012		As of December 31, 2013		As of March 31, 2014	
	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount
		RMB'000		RMB'000		RMB'000
The Company						
Fixed rate borrowing:						
Loan from a subsidiary	2.5%	<u>423,647</u>	2.5%	<u>411,652</u>	2.5%	<u>422,715</u>

The Group's and the Company's future interest expense will fluctuate in line with any change in borrowing rates. Management considers the Group's and the Company's exposure to interest rate risk is minimal as all borrowings are fixed rate borrowings.

(ii) Sensitivity analysis

As of December 31, 2012 and 2013 and March 31, 2014, all of the Group's and the Company's interest bearing borrowings are fixed rate borrowings, no sensitivity analysis on interest rate risk is presented.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases and borrowing which give rise to receivables, payables, cash balances and bank loans that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi and United States dollars.

(i) Exposure to currency risk

The following table details the Group's exposure as of December 31, 2012 and 2013 and March 31, 2014 to currency risk arising from recognized assets or liabilities denominated in RMB and United States dollars. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of each reporting period. Differences resulting from the translation of the financial information of the subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

	As of December 31, 2012		As of December 31, 2013		As of March 31, 2014	
	United States dollars	Renminbi	United States dollars	Renminbi	United States dollars	Renminbi
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group						
Trade and other receivables	188,645	—	598,751	—	535,979	—
Amounts due from related parties	451,003	441,703	627,794	17,534	—	—
Pledged deposits	—	—	233,081	—	251,778	—
Cash and cash equivalents .	30,665	—	260,177	—	263,625	—
Trade and other payables ..	(29,433)	—	(246,748)	—	(217,418)	—
Amounts due to related parties	(224,910)	—	—	—	(1,554)	—
Bank loans	(443,858)	—	(929,388)	—	(912,237)	—
Net exposure arising from recognized assets and liabilities	<u>(27,888)</u>	<u>441,703</u>	<u>543,667</u>	<u>17,534</u>	<u>(79,827)</u>	<u>—</u>

The Directors considered that the exposure to currency risk of the Company is not significant.

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit before tax, assuming all other risk variables remained constant.

	Period from February 1, 2012 (date of inception) to December 31, 2012		Year ended December 31, 2013		Three months ended March 31, 2014	
	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax
		RMB'000		RMB'000		RMB'000
The Group						
United States dollars	5%	(1,394)	5%	27,183	5%	(3,991)
	(5)%	1,394	(5)%	(27,183)	(5)%	3,991
Renminbi	5%	22,085	5%	877	5%	—
	(5)%	<u>(22,085)</u>	(5)%	<u>(877)</u>	(5)%	<u>—</u>

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the subsidiaries' profit before tax within the Group measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose to foreign currency risk as of December 31, 2012 and 2013 and March 31, 2014. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not Renminbi.

(e) Fair values

All financial assets and financial liabilities are carried at amounts not materially different from their fair values as of December 31, 2012 and 2013 and March 31, 2014.

29 BUSINESS COMBINATIONS

(a) Acquisition of the Predecessor Entities

As mentioned in note 1(b), on November 15, 2012, the Company acquired the entire equity interests in the Predecessor Entities.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	<u>Fair value</u>
	<u>RMB'000</u>
Property, plant and equipment	7,751
Lease prepayments	23,003
Customer relationships	2,370
Other non-current assets	321
Inventories	157,033
Trade and other receivables	234,529
Amount due from related party	61,472
Cash and cash equivalents	443,765
Trade and other payables	(75,216)
Bank loans	(369,112)
Current taxation	(1,189)
Deferred tax liabilities	(391)
Identifiable net assets	484,336
Goodwill	2,166
Total consideration	<u>486,502</u>
Cash and cash equivalents acquired	443,765
Consideration settled in cash	<u>(486,502)</u>
Net cash outflow arising from the acquisition of the Predecessor Entities	<u>(42,737)</u>

The goodwill arising from the acquisition of the Predecessor Entities is mainly attributable to skills and technical talent of the Predecessor Entities and the synergies expected to be achieved from integrating the electronic component wholesale business into the Group's e-commerce marketplace.

The Predecessor Entities contributed revenue of RMB199,306,000, gross profit of RMB53,618,000 and net profit of RMB30,279,000 to the Group for the period from November 16, 2012 to December 31, 2012. During the period from November 16, 2012 to December 31, 2012, the Predecessor Entities recognized pricing adjustments, rebates and discounts of RMB80,649,000 granted by certain suppliers, which were recorded as a reduction of cost of sales for the period. The Group did not identify these pricing adjustments, rebates and discounts as an acquired asset at the acquisition date, as these pricing adjustments, rebates and discounts were not subject to contractual commitments from the relevant suppliers and were granted only at the suppliers' discretion. Under the accounting policies of the Group, supplier pricing adjustments, rebates and discounts are recognized as a reduction of inventory and as a reduction of cost of sales in the Group's consolidated

statements of comprehensive income only when they are received or receivable and the supplier becomes obligated to credit or pay the Group.

The financial information of the Predecessor Entities for the year ended December 31, 2011 and the period from January 1, 2012 to November 15, 2012 is set out in Appendix IB of the Prospectus.

The following unaudited pro forma financial information presents the consolidated results of operations of the Group as if the acquisition of the Predecessor Entities had been completed on February 1, 2012 (date of inception). The unaudited pro forma financial information is supplemental information only and is not necessarily indicative of what the Group's consolidated results of operations would have been had the acquisition been completed as of February 1, 2012 (date of inception). In addition, the unaudited pro forma financial information does not attempt to project the future consolidated results of operations of the Group after the acquisition.

	Period from February 1, (date of inception) to December 31, 2012
	RMB'000 (unaudited)
Revenue	1,488,381
Profits for the period	<u>31,416</u>

(b) Acquisition of Total Dynamic Entities

As mentioned in note 1(b), on February 1, 2013, the Company acquired the entire equity interests in the Total Dynamic Entities. The Company has appointed American Appraisal China Limited, an independent valuation firm ("the Valuer") with appropriate qualification and recent experience of valuation of business enterprise and intangible assets for trading and internet companies, to assist in determining the fair value of the equity interest in the Company on pre-acquisition basis and the fair value of identifiable intangible assets of Total Dynamic Entities at the date of acquisition.

The Valuer's project leader in charge of the valuation exercises has been involved in business enterprise and intangible asset valuation services for approximately ten years, and is a member of the American Institute of Certified Public Accountants with the "Accredited in Business Valuation" designation and a fellow member of the Hong Kong Institute of Certified Public Accountants.

In determining the fair value of the equity interest in the Company on pre-acquisition basis, the Valuer has adopted a combination of guideline company method of the market approach and discounted cash flow (DCF) method of the income approach. The market approach employs two multiples, namely enterprise value to first forecasted year sales and enterprise value to first forecasted year earnings before interest, tax, depreciation and amortization. The DCF approach determines the value of the Company through calculating the present value of future cash flows that the business is expected to generate over the operational period.

In determining the fair value of identifiable intangible assets of Total Dynamic Entities, including their internet platform, customer relationship and domain names and trademarks as of February 1, 2013, the Valuer has adopted replacement cost method and income approach to respective intangible assets, whichever appropriate, as their basis of Valuation.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	<u>Fair value</u>
	<u>RMB'000</u>
Property, plant and equipment	8
Internet platform	2,659
Customer relationships	31,292
Domain name and trademark	1,981
Trade and other receivables	5,560
Cash and cash equivalents	957
Trade and other payables	(384)
Amount due to related party	(764)
Deferred tax liabilities	(5,930)
Tax payable	<u>(1,152)</u>
Identifiable net assets	34,227
Goodwill	<u>151,970</u>
Total consideration	<u><u>186,197</u></u>

The goodwill arising from the Total Dynamic Acquisition is mainly attributable to the synergies and technical talent that the Total Dynamic Entities will bring as the Group expands its existing sales of IC and other electronic components business through Total Dynamic Entities' e-commerce marketplace.

	<u>RMB'000</u>
Satisfied by:	
Fair value of 30% equity interests in the Company at the acquisition date	<u>186,197</u>
Total consideration	<u><u>186,197</u></u>
Cash and cash equivalents acquired	957
Consideration settled in cash	<u>—</u>
Net cash inflow arising from the acquisition of Total Dynamic Entities ...	<u><u>957</u></u>

The Total Dynamic Entities contributed revenue of RMB25,439,000 and net profit of RMB12,346,000 to the Group for the period from February 1, 2013 to December 31, 2013.

The pre-acquisition financial information of the Total Dynamic Entities for the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to January 31, 2013 is set out in Section C of Appendix IA.

The following unaudited pro forma financial information presents the consolidated results of operations of the Group as if the acquisition of the Total Dynamic Entities had been completed on January 1, 2013. The unaudited pro forma financial information is supplemental information only and is not necessarily indicative of what the Group's consolidated results of operations actually would have been had the acquisition been completed as of January 1, 2013. In addition, the unaudited pro forma financial information does not attempt to project the future consolidated results of operations of the Group after the acquisition.

	<u>Year ended December 31, 2013</u>
	<u>RMB'000 (unaudited)</u>
Revenue	2,417,837
Profits for the year	<u>85,761</u>

(c) Acquisition of Envision Global Entities

As mentioned in note 1(b), on November 20, 2013, the Company acquired the equity interests in the Envision Global Entities.

The following table summarizes the estimated fair value of the assets acquired at the date of acquisition:

	<u>Fair value</u>
	<u>RMB'000</u>
Property, plant and equipment	1,107
Bills and other receivables	<u>17,185</u>
Identifiable net assets	18,292
Total consideration	<u>18,292</u>

The consideration of US\$3,000,000 (equivalent to RMB18,292,000) had not been settled as of December 31, 2013. There were no cash flows arising from the acquisition of Envision Global Entities. The consideration was settled by the Company in March 2014.

The Envision Global Entities contributed revenue of RMB615,069,000 and net profit of RMB15,011,000 to the Group for the period from November 21, 2013 to December 31, 2013.

The pre-acquisition financial information of the Envision Global Entities for the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013 is set out in Section D of Appendix IA.

The following unaudited pro forma financial information presents the consolidated results of operations of the Group as if the acquisition of the Envision Global Entities had been completed on January 1, 2013. The unaudited pro forma financial information is supplemental information only and is not necessarily indicative of what the Group's consolidated results of operations actually would have been had the acquisition been completed as of January 1, 2013. In addition, the unaudited pro forma financial information does not attempt to project the future consolidated results of operations of the Group after the acquisition.

	<u>Year ended</u> <u>December 31, 2013</u>
	<u>RMB'000</u> <u>(unaudited)</u>
Revenue	6,073,202
Profits for the year	<u>99,123</u>

30 DISPOSAL OF SUBSIDIARIES

Comtech China was acquired as part of the acquisition of the Predecessor Entities from Viewtran on November 15, 2012 for a total consideration of US\$78,000,000 (equivalent to RMB486,502,000) (see note 29(a)). Included in the identifiable net assets of Comtech China that were transferred to the Company under this transaction was prepayments for the land use right in respect of a parcel of land located in the Shenzhen Special Economic Zone and the related construction in progress with fair values of RMB23,003,000 and RMB398,000 respectively at the date of acquisition, which were determined based on an independent appraisal.

Following the completion of the acquisition of Comtech China, the Company entered into an agreement with Envision Global on November 16, 2012 to transfer the risks and rewards associated with the ownership of the land use right and related construction in progress to Envision Global at their respective fair values as described above. The agreement took effect on November 16, 2012 while the Company began to prepare for the legal ownership transfer of Comtech China.

As a result, the land use right and construction in progress with carrying value of RMB23,003,000 and RMB398,000 respectively (which were the fair values recognised at acquisition) were derecognised from the consolidated statement of financial position of the Group on November 16, 2012. The consideration of the sale of the land use right and construction in progress was recognized as an amount due from Envision Global and has been settled by two installments in September 2013 and March 2014 respectively.

On December 1, 2013, the entire equity interest in Comtech China was legally transferred to Envision Global for a consideration of US\$72,875,000 (equivalent to RMB443,969,000) which was calculated based on the net asset value of Comtech China which excluded the land use rights and the related construction in progress since the assets had been effectively disposed of as at November 16, 2012 as a result of the agreement described above.

The following table summarises the amounts of assets and liabilities of Comtech China at the date of disposal:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	5,034
Inventories	6,868
Trade and other receivables	59,424
Amount due from Cogobuy and its remaining subsidiaries	443,409
Amount due from Envision Global	18,887
Cash and cash equivalents	49,794
Trade and other payables	(37,589)
Amount due to Brilliant Group and its subsidiaries	(93,834)
Amount due to Viewtran and its subsidiaries	(1,918)
Current taxation	(6,075)
Total	<u>444,000</u>
Satisfied by:	
Cash consideration	560
Forfeiture of the Group's amount due to Comtech China	443,409
	<u>443,969</u>
Exchange reserve realized upon disposal	770
	<u>444,739</u>
Gain on disposal of subsidiaries	<u>739</u>
Net cash outflow from disposal of subsidiaries:	
Cash held by Comtech China	49,794
Consideration settled in cash	—
Net cash outflow arising from the disposal of subsidiaries	<u>49,794</u>

31 ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognized in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances annually.

(d) Depreciation

Property, plant and equipment/intangible assets are depreciated/amortized on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation/amortization expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortization expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

32 SUBSIDIARIES

The statutory financial statements of the companies comprising the Group which were subject to audit during the Relevant Periods were either prepared in accordance with HKFRSs issued by the HKICPA or the PRC GAAP issued by the Ministry of Finance of the PRC. These financial statements for the Relevant Periods were audited by the respective statutory auditors as indicated below:

Name of company	Financial period	Statutory auditors
Comtech Communication Technology (Shenzhen) Company Limited* 科通通信技術(深圳) 有限公司	For the year ended December 31, 2012	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所
Comtech Software Technology (Shenzhen) Company Limited* 科通軟件技術(深圳) 有限公司	For the year ended December 31, 2012	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所
Comtech Industrial Technology (Shenzhen) Co., Ltd.* 科通工業技術(深圳) 有限公司	For the year ended December 31, 2012 and 2013	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所
Comtech International (Hong Kong) Limited	For the year ended December 31, 2012	Venture Partners CPA Limited
Hong Kong JJT Limited	For the year ended December 31, 2012	Venture Partners CPA Limited
Comtech Digital Technology (Hong Kong) Limited	For the year ended December 31, 2012	Venture Partners CPA Limited
Comtech Digital Technology (Shenzhen) Limited* 科通數字技術(深圳) 有限公司	For the year ended December 31, 2012 and 2013	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所
Comtech Industrial (Hong Kong) Limited	For the year ended December 31, 2012	Venture Partners CPA Limited
Shanghai Comtech Electronic Technology Company Limited* 上海科姆特電子技術 有限公司	For the year ended December 31, 2012 and 2013	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所
Shanghai E&T System Company Limited* 上海憶特斯自動化控制技 術有限公司	For the year ended December 31, 2012 and 2013	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所
Comtech Broadband Corporation Limited	For the year ended December 31, 2012	Venture Partners CPA Limited
Cogobuy Limited	For the year ended December 31, 2012	Venture Partners CPA Limited

Name of company	Financial period	Statutory auditors
Cogobuy.com E-commerce Services (Shenzhen) Limited* 庫購網電子商 務(深圳)有限公司	For the year ended December 31, 2012 and 2013	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所
Shenzhen Cogobuy Information Technologies Limited* 深圳市可購百信息技術 有限公司	For the year ended December 31, 2012 and 2013	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所
Envision Communication Technology (Shenzhen) Company Limited 億維訊通信技術(深圳) 有限公司	For the year ended December 31, 2013	Shenzhen Far East Certified Public Accountants* 深圳遠東會計師事務所

* The English translation of the above companies and the statutory auditors' names are for reference only. Their official names are in Chinese.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As of December 31, 2012 and 2013 and March 31, 2014, the directors consider the immediate and ultimate controlling company of the Group to be Envision Global, which is incorporated in the BVI.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	<u>Effective for accounting periods beginning on or after</u>
HKFRS 9, <i>Financial instruments</i>	Mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: Disclosures — Mandatory effective date and transition disclosures</i>	Mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized

In addition, the requirements of Part 9, “Accounts and Audit”, of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company’s first financial year commencing after 3 March 2014 (i.e. the Company’s financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position.

C PRE-ACQUISITION FINANCIAL INFORMATION OF TOTAL DYNAMIC ENTITIES

The pre-acquisition financial information of Total Dynamic Entities from January 4, 2011 (date of inception) to January 31, 2013 is presented below. Completion of the acquisition of Total Dynamic Entities took place on February 1, 2013. The accounting policies adopted in the preparation of the pre-acquisition financial information is consistent with those adopted in the preparation of the Financial Information.

(a) Consolidated statements of comprehensive income

	Note	Period from January 4, 2011 (date of inception) to December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to January 31, 2013
		RMB'000	RMB'000	RMB'000
Revenue	(1)	1,954	6,826	1,991
Selling expenses		(17)	(777)	(158)
Research and development expenses		(485)	(2,691)	(204)
Administrative and other operating expenses		(13)	(190)	(39)
Profit before taxation	(2)	1,439	3,168	1,590
Income tax	(3)	(360)	(792)	—
Profit for the period/year		1,079	2,376	1,590
Other comprehensive income for the period/year, net of nil tax				
Item that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of financial statements of entities with functional currency other than Renminbi		(31)	(46)	(10)
Total comprehensive income for the period/year		1,048	2,330	1,580

(b) Consolidated statements of financial position

	Note	As of December 31, 2011	As of December 31, 2012	As of January 31, 2013
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment		—	—	8
Intangible assets	(4)	146	755	733
		146	755	741
Current assets				
Trade and other receivables	(5)	1,263	3,987	5,560
Cash and cash equivalents	(6)	540	924	957
		1,803	4,911	6,517
Current liabilities				
Other payables	(7)	—	372	384
Amount due to related party	(8)	541	764	764
Current taxation	(9)	360	1,152	1,152
		901	2,288	2,300
Net current assets		902	2,623	4,217
NET ASSETS		1,048	3,378	4,958
CAPITAL AND RESERVES	(10)			
Reserves		1,048	3,378	4,958
TOTAL EQUITY		1,048	3,378	4,958

(c) Consolidated statements of changes in equity

	Exchange reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000
As of January 4, 2011			
(date of inception)	—	—	—
	-----	-----	-----
Changes in equity for 2011:			
Profit for the period	—	1,079	1,079
Other comprehensive income for the period	(31)	—	(31)
Total comprehensive income	(31)	1,079	1,048
	-----	-----	-----
As of December 31, 2011 and January 1, 2012	(31)	1,079	1,048
	-----	-----	-----
Changes in equity for 2012:			
Profit for the year	—	2,376	2,376
Other comprehensive income for the year	(46)	—	(46)
Total comprehensive income	(46)	2,376	2,330
	-----	-----	-----
As of December 31, 2012 and January 1, 2013	(77)	3,455	3,378
	-----	-----	-----
Changes in equity for the period ended January 31, 2013:			
Profit for the period	—	1,590	1,590
Other comprehensive income for the period	(10)	—	(10)
Total comprehensive income	(10)	1,590	1,580
	-----	-----	-----
As of January 31, 2013	(87)	5,045	4,958
	=====	=====	=====

(d) Consolidated cash flow statements

	Note	Period from January 4, 2011 (date of inception) to December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to January 31, 2013
		RMB'000	RMB'000	RMB'000
Operating activities				
Profit before taxation		1,439	3,168	1,590
Adjustments for:				
Amortization of intangible assets		—	22	22
		1,439	3,190	1,612
Increase in trade and other receivables		(1,263)	(2,724)	(1,573)
Increase in other payables ..		—	372	12
Increase in amount due to related party		541	223	—
Net cash generated from operating activities		717	1,061	51
Investing activities				
Payment for the development of intangible assets		(146)	(631)	—
Payment for the purchase of property, plant and equipment		—	—	(8)
Net cash used in investing activities		(146)	(631)	(8)
Net increase in cash and cash equivalents		571	430	43
Cash and cash equivalents at the beginning of the period/year		—	540	924
Effect of foreign exchange rate changes		(31)	(46)	(10)
Cash and cash equivalents at the end of the period/year	(6)	540	924	957

Notes:

(1) REVENUE

The principal activities of the Total Dynamic Entities are the development of e-commerce software technology and the provision of e-commerce services.

Revenue represents commission fees charged for using the e-commerce marketplaces.

(2) PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Period from January 4, 2011 (date of inception) to December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to January 31, 2013
	RMB'000	RMB'000	RMB'000
(a) Staff costs			
Contributions to defined retirement plan	51	256	14
Salaries, wages and other benefits	274	1,538	120
	<u>325</u>	<u>1,794</u>	<u>134</u>
(b) Other items			
Auditors' remuneration	—	—	11
Amortization of intangible assets	—	22	22
Operating lease charges in respect of property rentals.....	68	309	31
Net foreign exchange loss .	12	58	5
Research and development expenses (note)	485	2,691	204

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB325,000, RMB1,794,000 and RMB134,000 for the period from January 4, 2011 (date of inception) to December 31, 2011, the year ended December 31, 2012 and the period from January 1, 2013 to January 31, 2013, respectively, which are included in the staff costs as disclosed in note (2)(a).

Research and development expenses also include operating lease charges in respect of property rentals of RMB68,000, RMB309,000 and RMB31,000 for the period from January 4, 2011 (date of inception) to December 31, 2011, the year ended December 31, 2012 and the period from January 1, 2013 to January 31, 2013, respectively.

(3) INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	Period from January 4, 2011 (date of inception) to December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to January 31, 2013
	RMB'000	RMB'000	RMB'000
PRC Corporation			
Income Tax			
Provision for the period/year	<u>360</u>	<u>792</u>	<u>—</u>

(i) *Cayman Islands*

Under the current laws of the Cayman Islands, the entity that is incorporated in the Cayman Islands is not subject to tax on income or capital gains.

(ii) *Hong Kong*

The entity that is incorporated in Hong Kong is subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the period from January 4, 2011 to December 31, 2011, the year ended December 31, 2012 and the period from January 1, 2013 to January 31, 2013. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax. No provision for Hong Kong Profits Tax has been made in the financial information of the Total Dynamic Entities as the relevant Hong Kong entity did not have any assessable profit for the period from January 4, 2011 to December 31, 2011, the year ended December 31, 2012 and the period from January 1, 2013 to January 31, 2013.

(iii) *The PRC*

Effective from 1 January 2008, the PRC statutory income tax rate is 25%. The Total Dynamic Entities' PRC subsidiaries (including the special purpose entity) are subject to PRC CIT at statutory rate of 25%, unless otherwise specified.

In addition, Cogobuy E-commerce and Shenzhen Cogobuy, being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction starting (subject to annual review) from the first profit making year from the PRC tax perspective under the then effective tax regulations ("2+3 tax holiday") during 2013. As a result, they are exempted from

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.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC-tax-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, and 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 pre-acquisition financial information, the directors determined that the management of the Total Dynamic Entities 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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Period from January 4, 2011 (date of inception) to December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to January 31, 2013
	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>1,439</u>	<u>3,168</u>	<u>1,590</u>
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25%	360	792	398
Effect of PRC tax holiday ...	<u>—</u>	<u>—</u>	<u>(398)</u>
Actual tax expense	<u>360</u>	<u>792</u>	<u>—</u>

(4) INTANGIBLE ASSETS

	<u>Construction in progress</u>	<u>Internet platform</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
Cost:			
As of January 4, 2011 (date of inception)	—	—	—
Additions	146	—	146
As of December 31, 2011	146	—	146
As of January 1, 2012	146	—	146
Additions	631	—	631
Transferred into intangible assets	(777)	777	—
As of December 31, 2012, January 1, 2013 and January 31, 2013	—	777	777
Accumulated amortization:			
As of January 4, 2011 (date of inception), December 31, 2011 and January 1, 2012	—	—	—
Charge for the period	—	22	22
As of December 31, 2012	—	22	22
As of January 1, 2013	—	22	22
Charge for the period	—	22	22
As of January 31, 2013	—	44	44
Net book value:			
As of December 31, 2011	146	—	146
As of December 31, 2012	—	755	755
As of January 31, 2013	—	733	733

(5) TRADE AND OTHER RECEIVABLES

	As of December 31, 2011	As of December 31, 2012	As of January 31, 2013
	RMB'000	RMB'000	RMB'000
Trade receivables			
— Amount due from Viewtran and its subsidiaries	348	—	—
— Amount due from Cogobuy and its subsidiaries	—	405	1,806
— Other customers (note (5)(b)) .	915	3,570	3,742
	<u>1,263</u>	<u>3,975</u>	<u>5,548</u>
Other receivables	—	12	12
	<u>1,263</u>	<u>3,987</u>	<u>5,560</u>

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) Impairment of trade receivables

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

As of December 31, 2011 and 2012 and January 31, 2013, none of the Total Dynamic Entities' trade receivables were individually determined to be impaired.

Entities trade receivables were individually determined to be impaired.

(b) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As of December 31, 2011	As of December 31, 2012	As of January 31, 2013
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	819	999	906
Less than 1 month past due ..	96	295	270
1 to 2 months past due	—	318	294
2 to 3 months past due	—	301	317
3 to 6 months past due	—	752	903
Over 6 months past due	—	905	1,052
	<u>96</u>	<u>2,571</u>	<u>2,836</u>
	<u>915</u>	<u>3,570</u>	<u>3,742</u>

Receivables that were neither past due nor impaired relate to several customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to several customers that have a good track record with the Total Dynamic Entities.

(6) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statements comprise:

	As of December 31, 2011	As of December 31, 2012	As of January 31, 2013
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	<u>540</u>	<u>924</u>	<u>957</u>

As of December 31, 2011 the Total Dynamic Entities did not have any cash and cash equivalents denominated in RMB and are deposited in banks in the PRC. As of December 31, 2012 and January 31, 2013, cash and cash equivalents in the amount of RMB261,000 and RMB370,000, respectively, are denominated in RMB and are deposited in banks in the PRC.

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(7) OTHER PAYABLES

	As of December 31, 2011	As of December 31, 2012	As of January 31, 2013
	RMB'000	RMB'000	RMB'000
Amount due to Viewtran and its subsidiaries	—	372	300
Other payables	—	—	84
	<u>—</u>	<u>372</u>	<u>384</u>

As of December 31, 2012 and January 31, 2013, the amount due to Viewtran and its subsidiaries represented the operating expenses paid by Viewtran and its subsidiaries on behalf of the Total Dynamic Entities. The amount is unsecured, interest-free and repayable on demand.

(8) AMOUNT DUE TO RELATED PARTY

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

	As of December 31, 2011	As of December 31, 2012	As of January 31, 2013
	RMB'000	RMB'000	RMB'000
Amount due to shareholder	<u>541</u>	<u>764</u>	<u>764</u>

As of December 31, 2011 and 2012 and January 31, 2013, the amount due to shareholder represented the advances paid by Ms. Yao Yi to the Total Dynamic Entities for payment of operating expenses. The amount is unsecured, interest-free and repayable on demand.

(9) INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**(a) Current taxation in the consolidated statements of financial position represents:**

	<u>As of December 31, 2011</u>	<u>As of December 31, 2012</u>	<u>As of January 31, 2013</u>
	RMB'000	RMB'000	RMB'000
Provision for PRC Corporate Income Tax	<u>360</u>	<u>1,152</u>	<u>1,152</u>

(b) Deferred tax liabilities not recognized

As of December 31, 2011 and 2012 the PRC entities included in the Total Dynamic Entities did not have any undistributed profits. As of January 31, 2013, the Total Dynamic Entities have not recognized deferred tax liabilities in respect of the PRC dividend withholding tax on temporary differences relating to the undistributed profits of the PRC entities included in the Total Dynamic Entities amounting to RMB1,148,000 as it was considered not probable that these profits would be distributed in the foreseeable future.

(10) CAPITAL AND RESERVES**(a) Capital**

Capital in the consolidated financial statements of financial position as of December 31, 2011 and 2012 and January 31, 2013 were less than RMB1,000.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 1(t) of Section B.

D PRE-ACQUISITION FINANCIAL INFORMATION OF ENVISION GLOBAL ENTITIES

The pre-acquisition financial information of the Envision Global Entities from January 1, 2011 to the date of acquisition is disclosed below. Prior to the acquisition, the companies comprising the Envision Global Entities were direct or indirect wholly-owned subsidiaries of Viewtran. The accounting policies adopted in the preparation of the pre-acquisition financial information is consistent with those adopted in the preparation of the Financial Information.

Pursuant to the sales and purchase agreement with Brilliant Group, only designated property, plant and equipment, bills receivables, deposits and prepayments were acquired by the Company on November 20, 2013. The other assets and liabilities were retained by Brilliant Group. The Envision Global Entities have completed a reorganisation to derecognise the other assets and liabilities on November 20, 2013, prior to the Envision Global Acquisition.

(a) Combined statements of comprehensive income

	Note	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
		RMB'000	RMB'000	RMB'000
Revenue	(1)	2,354,677	3,489,342	3,791,372
Cost of sales		(2,260,133)	(3,401,461)	(3,704,392)
Gross profit		94,544	87,881	86,980
Other revenue	(2)	159	416	523
Other net income.....	(2)	26	208	80
Selling and distribution expenses		(33,353)	(20,313)	(30,934)
Research and development expenses		(10,117)	(11,355)	(9,131)
Administrative and other operating expenses		(13,357)	(14,508)	(14,941)
Profit from operations		37,902	42,329	32,577
Finance costs	(3)(a)	(15,282)	(20,814)	(15,635)
Profit before taxation	(3)	22,620	21,515	16,942
Income tax	(4)	(5,298)	(2,487)	(2,920)
Profit for the year/period ..		17,322	19,028	14,022
Attributable to:				
Owners		9,936	14,971	10,121
Non-controlling interests ...		7,386	4,057	3,901
		17,322	19,028	14,022

Note	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	RMB'000	RMB'000	RMB'000
Other comprehensive income for the year/period, net of nil tax			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of entities with functional currency other than Renminbi	(1,395)	(435)	(1,407)
Total comprehensive income for the year/period	15,927	18,593	12,615
Attributable to:			
Owners	9,566	14,545	9,385
Non-controlling interests ...	6,361	4,048	3,230
	15,927	18,593	12,615

(b) Combined statements of financial position

	Note	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	(5)	1,680	1,265	1,107
Other non-current assets		524	203	—
		<u>2,204</u>	<u>1,468</u>	<u>1,107</u>
Current assets				
Inventories	(6)	206,664	513,879	—
Trade and other receivables	(7)	588,401	734,484	17,185
Amount due from related party	(8)	—	236,679	64,450
Tax recoverable	(12)(a)	—	1,561	—
Pledged deposits	(11)	62,939	208,708	—
Cash and cash equivalents	(9)	184,473	226,460	—
		<u>1,042,477</u>	<u>1,921,771</u>	<u>81,635</u>
Current liabilities				
Trade and other payables	(10)	90,472	104,599	—
Bank loans	(11)	649,441	614,045	—
Amount due to related party	(8)	249,372	1,134,202	—
Current taxation	(12)(a)	3,862	266	—
		<u>993,147</u>	<u>1,853,112</u>	<u>—</u>
Net current assets		<u>49,330</u>	<u>68,659</u>	<u>81,635</u>
NET ASSETS		<u>51,534</u>	<u>70,127</u>	<u>82,742</u>
CAPITAL AND RESERVES				
Share capital	(13)	341	341	341
Reserves		29,501	44,046	53,431
Total equity attributable to owners		29,842	44,387	53,772
Non-controlling interests		21,692	25,740	28,970
TOTAL EQUITY		<u>51,534</u>	<u>70,127</u>	<u>82,742</u>

(c) Combined statements of changes in equity

	Attributable to Owners of the Envision Global Entities							
	Share capital	Exchange reserve	Statutory reserves	Retained profits	Other reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note (13)(a)	Note (13)(b)	Note (13)(c)		Note (13)(d)			
As of January 1, 2011.	341	(2,532)	206	5,789	16,472	20,276	15,331	35,607
Changes in equity for 2011:								
Profit for the period	—	—	—	9,936	—	9,936	7,386	17,322
Other comprehensive income for the period . . .	—	(370)	—	—	—	(370)	(1,025)	(1,395)
Total comprehensive income for the period	—	(370)	—	9,936	—	9,566	6,361	15,927
As of December 31, 2011 and January 1, 2012 . . .	<u>341</u>	<u>(2,902)</u>	<u>206</u>	<u>15,725</u>	<u>16,472</u>	<u>29,842</u>	<u>21,692</u>	<u>51,534</u>
Changes in equity for 2012:								
Profit for the year	—	—	—	14,971	—	14,971	4,057	19,028
Other comprehensive income for the year	—	(426)	—	—	—	(426)	(9)	(435)
Total comprehensive income for the year	—	(426)	—	14,971	—	14,545	4,048	18,593
Appropriations	—	—	468	(468)	—	—	—	—
As of December 31, 2012 and January 1, 2013 . . .	<u>341</u>	<u>(3,328)</u>	<u>674</u>	<u>30,228</u>	<u>16,472</u>	<u>44,387</u>	<u>25,740</u>	<u>70,127</u>
Balance as of January 1, 2013	341	(3,328)	674	30,228	16,472	44,387	25,740	70,127
Changes in equity for 2013:								
Profit for the period	—	—	—	10,121	—	10,121	3,901	14,022
Other comprehensive income for the period . . .	—	(736)	—	—	—	(736)	(671)	(1,407)
Total comprehensive income for the period	—	(736)	—	10,121	—	9,385	3,230	12,615
As of November 20, 2013 .	<u>341</u>	<u>(4,064)</u>	<u>674</u>	<u>40,349</u>	<u>16,472</u>	<u>53,772</u>	<u>28,970</u>	<u>82,742</u>

(d) Combined cash flow statements

Note	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	RMB'000	RMB'000	RMB'000
Operating activities			
Profit before taxation	22,620	21,515	16,942
Adjustments for:			
Depreciation of property, plant and equipment	422	409	360
Interest expense	15,282	20,814	15,635
Interest income	(159)	(416)	(523)
Gain on sale of property, plant and equipment	—	(152)	(9)
Impairment losses recognized on trade and bills receivables	2,325	—	1,870
Operating profit before changes in working capital	40,490	42,170	34,275
(Increase)/decrease in inventories	(48,623)	(312,545)	507,820
(Increase)/decrease in trade and other receivables	(146,251)	(152,906)	708,491
Decrease in amount due from related party	—	65,375	172,229
Increase/(decrease) in trade and other payables	37,788	14,844	(103,800)
(Decrease)/increase in amount due to related party	(139,668)	594,729	(1,123,497)
Cash (used in)/generated from operations	(256,264)	251,667	195,518
Income tax paid	(669)	(7,673)	(1,641)
Net cash (used in)/generated from operating activities.....	(256,933)	243,994	193,877

	Note	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
		RMB'000	RMB'000	RMB'000
Investing activities				
(Increase)/decrease in				
pledged deposits		(64,633)	(148,256)	206,361
Payment for the purchase of				
property, plant and				
equipment		(1,008)	(81)	(335)
Proceeds from sale of				
property, plant and				
equipment		—	238	140
Interest received		159	416	523
Net cash (used				
in)/generated from				
investing activities		(65,482)	(147,683)	206,689
Financing activities				
Net proceeds				
from/(repayment of)				
bank loans		456,016	(29,177)	(607,141)
Interest paid		(15,282)	(20,814)	(14,856)
Net cash generated				
from/(used in) financing				
activities		440,734	(49,991)	(621,997)
Net increase/(decrease) in				
cash and cash				
equivalents		118,319	46,320	(221,431)
Cash and cash equivalents				
at the beginning of the				
year/period		75,426	184,473	226,460
Effect of foreign exchange				
rate changes		(9,272)	(4,333)	(5,029)
Cash and cash equivalents				
at the end of the				
year/period	(9)	184,473	226,460	—

Notes:

(1) REVENUE

The principal activity of the Envision Global Entities is the trading of IC and other electronic components.

Revenue represents the sales value of goods delivered to customers. The amount of sales conducted through different channels is as follows:

	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	RMB'000	RMB'000	RMB'000
Sales conducted through traditional wholesale model along with provision of module design services	2,244,628	3,251,480	2,471,549
Sales conducted over e-commerce marketplace	<u>110,049</u>	<u>237,862</u>	<u>1,319,823</u>
	<u>2,354,677</u>	<u>3,489,342</u>	<u>3,791,372</u>

The Envision Global Entities' customer base is diversified and included only two customers with whom transactions have exceeded 10% of Envision Global Entities' revenues for the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013.

For the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013, revenues from sales of IC and other electronic components to two customers, including sales to entities which are known to the Group to be under common control with these customers, amounting to approximately RMB1,175,513,000, RMB1,182,553,000 and RMB874,151,000, respectively.

(2) OTHER REVENUE AND OTHER NET INCOME

	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
(a) Other revenue			
Interest income	159	416	523
	<u>159</u>	<u>416</u>	<u>523</u>
(b) Other net income			
Net gain on sale of property, plant and equipment	—	152	9
Others	26	56	71
	<u>26</u>	<u>208</u>	<u>80</u>

(3) PROFIT BEFORE TAXATION

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

	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
(a) Finance costs			
Interest expense on bank loans	15,282	20,814	15,635
	<u>15,282</u>	<u>20,814</u>	<u>15,635</u>
(b) Staff costs			
Contributions to defined contribution retirement plan	2,614	1,625	2,250
Salaries, wages and other benefits ..	24,977	16,554	22,684
	<u>27,591</u>	<u>18,179</u>	<u>24,934</u>

	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	RMB'000	RMB'000	RMB'000
(c) Other items			
Auditors' remuneration	82	82	131
Cost of inventories	2,259,166	3,398,861	3,690,133
Depreciation of property, plant and equipments	422	409	360
Impairment losses recognized on trade receivables	2,325	—	1,870
Net foreign exchange (gain)/loss ...	(557)	3,278	3,622
Operating lease charges in respect of property rentals	3,322	3,229	3,737
Research and development expenses (note)	10,117	11,355	9,131
Write down of inventories	63	670	—
	<u>63</u>	<u>670</u>	<u>—</u>

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB9,350,000, RMB10,151,000 and RMB8,276,000 for the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013, respectively, which are included in the staff costs as disclosed in note (3)(b).

Research and development expenses also include operating lease charges in respect of property rentals of RMB228,000, RMB291,000 and RMB368,000 for the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013, respectively.

(4) INCOME TAX

(a) Taxation charged/(credited) to profit or loss:

	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	RMB'000	RMB'000	RMB'000
Current Tax			
PRC Corporation Income Tax			
Provision for the year/period.	—	72	238
Hong Kong Profits Tax			
Provision for the year/period	5,647	2,447	2,003
(Over)/under-provision in respect of prior year	(349)	(32)	679
	5,298	2,415	2,682
	5,298	2,487	2,920

(i) *The BVI*

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

(ii) *Hong Kong*

The entities that are incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) *The PRC*

Effective from 1 January 2008, the PRC statutory income tax rate is 25%. The PRC entities in the Envision Global Entities are subject to PRC CIT at statutory rate of 25%.

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, and 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 purpose of the pre-acquisition financial information, the directors determined that the management of the Envision Global Entities 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.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>22,620</u>	<u>21,515</u>	<u>16,942</u>
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25%	5,655	5,379	4,236
Tax rate differential for Hong Kong entities	(2,526)	(1,463)	(2,915)
Tax effect of non-deductible expenses	4	25	25
Tax effect of non-taxable income	(124)	(562)	—
Tax effect of unused tax losses not recognized	1,776	94	1,674
Utilization of tax losses carried forward	—	(1,187)	(622)
(Over)/under-provision in respect of prior year/period	(349)	(32)	679
Others	<u>862</u>	<u>233</u>	<u>(157)</u>
Actual tax expense	<u>5,298</u>	<u>2,487</u>	<u>2,920</u>

(5) PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Leasehold improvements	Furniture and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
As of January 1, 2011	954	1,415	1,546	3,915
Additions	484	—	524	1,008
Exchange adjustments	—	—	(30)	(30)
As of December 31, 2011 ..	1,438	1,415	2,040	4,893
As of January 1, 2012	1,438	1,415	2,040	4,893
Additions	—	—	81	81
Disposals	(553)	—	(219)	(772)
Exchange adjustments	—	—	(6)	(6)
As of December 31, 2012 ..	885	1,415	1,896	4,196
As of January 1, 2013	885	1,415	1,896	4,196
Additions	200	—	135	335
Disposals	(242)	—	—	(242)
Exchange adjustments	—	—	(15)	(15)
As of November 20, 2013 ..	843	1,415	2,016	4,274
Accumulated depreciation:				
As of January 1, 2011	494	1,415	906	2,815
Charge for the year	170	—	252	422
Exchange adjustments	—	—	(24)	(24)
As of December 31, 2011 ..	664	1,415	1,134	3,213
As of January 1, 2012	664	1,415	1,134	3,213
Charge for the year	176	—	233	409
Written back on disposals ..	(489)	—	(197)	(686)
Exchange adjustments	—	—	(5)	(5)
As of December 31, 2012 ..	351	1,415	1,165	2,931
As of January 1, 2013	351	1,415	1,165	2,931
Charge for the period	162	—	198	360
Written back on disposals ..	(111)	—	—	(111)
Exchange adjustments	—	—	(13)	(13)
As of November 20, 2013 ..	402	1,415	1,350	3,167
Net book value:				
As of December 31, 2011 ..	774	—	906	1,680
As of December 31, 2012 ..	534	—	731	1,265
As of November 20, 2013 ..	441	—	666	1,107

(6) INVENTORIES

(a) Inventories in the combined statements of financial position comprise:

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
Finished goods	<u>206,664</u>	<u>513,879</u>	<u>—</u>

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended December 31, 2011	Year ended December 31, 2012	Period from January 1, 2013 to November 20, 2013
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	2,259,166	3,398,861	3,690,133
Write down of inventories ...	<u>63</u>	<u>670</u>	<u>—</u>
	<u>2,259,229</u>	<u>3,399,531</u>	<u>3,690,133</u>

(7) TRADE AND OTHER RECEIVABLES

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
Trade receivables	581,466	703,812	—
Less: Allowance for doubtful debts (see note (7)(a))	<u>(4,964)</u>	<u>(4,964)</u>	<u>—</u>
	576,502	698,848	—
Bill receivables	<u>10,392</u>	<u>23,589</u>	<u>16,167</u>
Trade and bills receivables	586,894	722,437	16,167
Deposits and prepayments	1,485	10,963	1,018
Other receivables	<u>22</u>	<u>1,084</u>	<u>—</u>
	<u>588,401</u>	<u>734,484</u>	<u>17,185</u>

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

For the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013, the Envision Global Entities were a party to several factoring agreements with banks under which the banks pay an amount net of discount to the Envision Global

Entities and collect the factored trade receivable balances directly from the Envision Global Entities' customers. The costs of the factoring transactions based on relevant agreements ranged from 2.7% to 3.1%, 3.2% to 3.6% and 1.6% to 3.3% of the balance transferred and are included in "finance costs" for the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013. Envision Global Entities consider they have transferred the contractual rights to receive the cash flows of the trade receivables being factored and therefore record the transfers of trade receivables pursuant to the factoring agreements as sales. All of the factored trade receivables were accounted for as sales and derecognized upon transfer.

For the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013, the Envision Global Entities received proceeds from the sale of trade receivables amounting to RMB677,397,000, RMB660,230,000 and RMB659,185,000, respectively. In addition, the Envision Global Entities recognized discount of RMB4,720,000, RMB6,323,000 and RMB7,811,000 in finance costs for trade receivables sold to banks for the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 20, 2013.

(a) Impairment of trade and bill receivables

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

The movement in the allowance for doubtful debts during the period/year, including both specific and collective loss components, is as follows:

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	2,639	4,964	4,964
Impairment losses recognized	2,325	—	1,870
Allowance for doubtful debts written off	—	—	(6,834)
At the end of the year/period	<u>4,964</u>	<u>4,964</u>	<u>—</u>

As of December 31, 2011 and 2012, the Envision Global Entities' trade and bills receivables of RMB4,964,000 and RMB4,964,000, respectively, were individually determined to be impaired. As of November 20, 2013, the Envision Global Entities' bills receivables were not individually determined to be impaired.

(b) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	517,642	615,679	16,167
Less than 1 month past due ..	65,010	93,193	—
1 to 2 months past due	2,906	12,115	—
2 to 3 months past due	264	978	—
3 to 6 months past due	244	348	—
Over 6 months past due	828	124	—
	69,252	106,758	—
	586,894	722,437	16,167

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Envision Global Entities. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(8) AMOUNTS DUE FROM/(TO) RELATED PARTIES

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

	Note	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
		RMB'000	RMB'000	RMB'000
Amount due from Cogobuy and its subsidiaries	(i)	—	236,679	—
Amount due from Brilliant Group and its subsidiaries	(ii)	—	—	64,450
Amount due from related party .		—	236,679	64,450

Notes:

- (i) As of December 31, 2012, the amount due from Cogobuy and its subsidiaries was resulted from the sales and purchase of IC and other electronic components. The amount is unsecured, interest-free and recoverable within one year.
- (ii) As of November 20, 2013, the amount due from Brilliant Group and its subsidiaries was resulted from the derecognition of certain assets and liabilities, which were retained by Brilliant Group, upon a reorganization of the Envision Global Entities on November 20, 2013, prior to the Envision Global Acquisition.

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

	<u>As of December 31, 2011</u>	<u>As of December 31, 2012</u>	<u>As of November 20, 2013</u>
	RMB'000	RMB'000	RMB'000
Amount due to Viewtran and its subsidiaries	249,372	1,134,202	—
Amount due to related party	<u>249,372</u>	<u>1,134,202</u>	<u>—</u>

As of December 31, 2011 and 2012, the amount due to related party are resulted from the sales and purchase of IC and other electronic components.

(9) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the combined statements of financial position and combined cash flow statements comprise:

	<u>As of December 31, 2011</u>	<u>As of December 31, 2012</u>	<u>As of November 20, 2013</u>
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	<u>184,473</u>	<u>226,460</u>	<u>—</u>

As of December 31, 2011 and 2012, cash and cash equivalents in the amount of RMB16,390,000 and RMB11,155,000, respectively are denominated in RMB and are deposited in banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(10) TRADE AND OTHER PAYABLES

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
Trade payables	86,922	99,450	—
Accrued staff costs	2,068	2,213	—
Other payables	1,482	2,936	—
	<u>90,472</u>	<u>104,599</u>	<u>—</u>

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

As of December 31, 2011 and 2012, the aging analysis of trade payables, based on invoice date, is as follows:

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
Within 1 month	81,172	90,353	—
1 to 3 months	5,750	8,847	—
3 to 6 months	—	250	—
	<u>86,922</u>	<u>99,450</u>	<u>—</u>

(11) PLEDGED DEPOSITS AND BANK LOANS

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

As of December 31, 2011 and 2012 and November 20, 2013, the Envision Global Entities entered into several banking facilities including letters of guarantee, bank loans, irrecoverable letters of credit and accounts receivable factoring facilities.

Pursuant to the terms of the purchase and sale agreement in connection with the Envision Global Acquisition (see note 1(b) of Section B), Viewtran agreed to continue to provide guarantees from November 21, 2013 to December 31, 2014 to the banking institutions which provide banking facilities to the Envision Global Entities. Viewtran also agreed to provide guarantees in respect of the Envision Global Entities' purchases from its suppliers and sales to its customers.

As of December 31, 2011 and 2012 and November 20, 2013, the Envision Global Entities had two types of banking facilities:

- (a) Joint banking facilities which can be utilized by the Envision Global Entities, the Predecessor Entities and certain subsidiaries of Viewtran (the “Envision Global Joint Banking Facilities”); and
- (b) Banking facilities which are made available solely to the Envision Global Entities (the “Envision Global Sole Banking Facilities”).

(a) Envision Global Joint Banking Facilities

Details of the Envision Global Joint Banking Facilities and the borrowings drawn under such facilities as of December 31, 2011 and 2012 and November 20, 2013 are set out below:

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
Aggregate credit limit	839,884	844,179	490,591
Outstanding loans — the Predecessor Entities	(173,323)	(200,884)	(91,085)
Outstanding loans — the Envision Global Entities ..	(586,502)	(539,284)	—
Outstanding loans — Brilliant Group (note)	—	—	(315,509)
Unutilized facilities	<u>80,059</u>	<u>104,011</u>	<u>83,997</u>

Note: The amount represented the bank loans drawn by the Envision Global Entities and which Brilliant Group is liable for the repayment pursuant to the terms and conditions of the Envision Global Acquisition.

As of December 31, 2011 and 2012, the Envision Global Joint Banking Facilities were secured by cash of RMB62,939,000 and RMB146,407,000 pledged by the Envision Global Entities, respectively. As of November 20, 2013, the Envision Global Joint Banking Facilities were secured by cash of RMB152,371,000 pledged by Brilliant Group.

The Envision Global Entities, the Predecessor Entities and Viewtran are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. As of December 31, 2011 and 2012 and November 20, 2013, management of the Envision Global Entities does not consider it probable that a claim will be made against the Envision Global Entities under any of the guarantees.

(b) Envision Global Sole Banking Facilities

Details of the Envision Global Sole Banking Facilities and the borrowings drawn by the Envision Global Entities under such facilities as of December 31, 2011 and 2012 and November 20, 2013 are set out below:

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
Aggregate credit limit	377,634	672,851	1,023,972
Outstanding loans —			
Envision Global Entities ..	(62,939)	(74,761)	—
Outstanding loans —			
Brilliant Group (note)	—	—	(368,870)
Factoring facilities utilized ..	<u>(259,309)</u>	<u>(278,252)</u>	<u>(181,716)</u>
Unutilized facilities	<u>55,386</u>	<u>319,838</u>	<u>473,386</u>

Note: The amount represented the bank loans drawn by the Envision Global Entities and which Brilliant Group is liable for the repayment pursuant to the terms and conditions of the Envision Global Acquisition.

As of December 31, 2011, the Envision Global Entities did not pledge any of its assets for the Sole Banking Facilities. As of December 31, 2012, the Envision Global Sole Banking Facilities were secured by cash of RMB62,301,000 pledged by the Envision Global Entities. As of November 20, 2013, the Envision Global Sole Banking Facilities were secured by cash of RMB82,273,000 pledged by Brilliant Group.

(c) Bank covenants

As of November 20, 2013, the Envision Global Joint Banking Facilities contain various covenants, including Viewtran's consolidated net borrowing ratio not exceeding 0.25 times and Viewtran maintaining a tangible net worth of not less than RMB1,000,000,000. Other conditions include Viewtran's Chief Executive Officer, Mr. Kang, remaining as the single largest beneficial owner of Viewtran and Chairman of the Board of Directors and actively involving in the management of Viewtran, Viewtran remaining as listed in NASDAQ and retaining at least 50% equity interest in those subsidiaries which entered into the banking facilities with the banks.

As of December 31, 2012, a non-financial covenant in one of the Envision Global Joint Banking Facilities had not been satisfied due to the Viewtran Acquisition by the Company. Such non-financial covenant required Viewtran to retain at least 50% equity interest in Comtech International Hong Kong.

On June 28, 2013, the Group and Viewtran entered into a revised banking facility agreement (the "Revised Agreement") which revised the abovementioned non-financial covenant such that Mr. Kang, the director of the Company, instead of Viewtran, shall maintain directly or indirectly not less than 50% equity interest of Comtech International Hong Kong. With this amendment and as of November 20, 2013, the Envision Global Entities were in compliance with its lending covenants.

(12) INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the combined statements of financial position represents:

	As of December 31, 2011	As of December 31, 2012	As of November 20, 2013
	RMB'000	RMB'000	RMB'000
Provision for PRC Corporate			
Income Tax	5	72	—
Provision for Hong Kong			
Profits Tax	<u>3,857</u>	<u>(1,367)</u>	<u>—</u>
	<u>3,862</u>	<u>(1,295)</u>	<u>—</u>
Representing:			
Tax recoverable	—	(1,561)	—
Tax payable	<u>3,862</u>	<u>266</u>	<u>—</u>
	<u>3,862</u>	<u>(1,295)</u>	<u>—</u>

(b) Deferred tax assets not recognized

In accordance with the accounting policy set up in note 1(q) of Section B, the Envision Global Entities have not recognized deferred tax assets in respect of cumulative tax losses of RMB11,770,000, RMB7,401,000 and RMB11,610,000 as of December 31, 2011 and 2012 and November 20, 2013 respectively as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses for the PRC subsidiaries amounting to RMB3,480,000, RMB2,387,000, RMB247,000 and RMB5,496,000 will expire in 2013, 2016, 2017 and 2018 respectively.

(13) CAPITAL AND RESERVES

(a) Capital

Capital in the combined statements of financial position as of December 31, 2011 and 2012 and November 20, 2013 represented the aggregate amount of share capital of the companies comprising the Envision Global Entities after elimination of investments in subsidiaries.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB.

(c) Statutory reserves

According to laws applicable to the foreign investment enterprises in the PRC and the Articles of Association of certain subsidiaries of the Company in the PRC, the PRC entities are required to appropriate part of their net profits as determined in accordance with the PRC GAAP to various reserves. These include general reserve, statutory surplus reserve and statutory public welfare fund.

For general reserve, appropriation to general reserve is at the discretion of the directors of the relevant PRC entities. The reserve can only be used for specific purposes and is not distributable as cash dividends.

For statutory surplus reserve, 10% of the net profit, as determined in accordance with the PRC GAAP, of the relevant PRC entities is transferred to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital of the relevant PRC companies. The transfer to this reserve must be made before distribution of dividends to shareholders can be made. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issue is not less than 25% of the registered capital. Any amount of funds outside of the 50% reserve balance can be distributed as by the relevant PRC entities, as advances or cash dividends, subject however, to complying with applicable requirements. Such dividend or loans could take a considerable amount of time to implement and to be processed by certain governmental agencies.

For statutory public welfare fund, 5% to 10% of the net profit, as determined in accordance with the PRC GAAP, of the relevant PRC entities is transferred to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefit of the employees such as the construction of dormitories, canteen and other staff welfare facilities. The fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of dividends to shareholders can be made.

(d) Other reserve

The balance represents the fair value of the grant of 6,000,000 shares of Comtech Broadband's ordinary shares to an employee of Comtech Broadband on December 31, 2010. These shares vested immediately upon grant.

E SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to March 31, 2014.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

July 8, 2014

The Directors
Cogobuy Group

UBS Securities Hong Kong Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the combined financial information relating to nine entities acquired by Cogobuy Group (the "Company") on November 15, 2012 (hereinafter collectively referred to as the "Predecessor Entities"), the details of which are set out in note 1(b) of Section B below, comprising the combined statements of financial position of the Predecessor Entities as of December 31, 2011, 2012 and 2013 and November 15, 2012 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Predecessor Entities for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012 (the "Relevant Periods"), together with the explanatory notes thereto (the "Combined Financial Information"), for inclusion in the prospectus of the Company dated July 8, 2014 (the "Prospectus").

As described in note 1(b) of Section B, the Predecessor Entities were acquired by the Company on November 15, 2012. Following the acquisition, the entities comprising the Predecessor Entities became direct or indirect wholly-owned subsidiaries of the Company.

During the Relevant Periods and as of the date of this report, no audited financial statements have been prepared for Comtech (China) Holding Ltd., Comtech (HK) Holding Ltd. and Alphalink Global Limited, as they are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies comprising the Predecessor Entities have adopted December 31 as their financial year end date. Details of the companies that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 28 of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") or the relevant requirements of the Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises (the "PRC GAAP") issued by the Ministry of Finance of the People's Republic of China (the "PRC").

The directors of the Company have prepared the combined financial statements of the Predecessor Entities for the Relevant Periods (the “Underlying Financial Statements”) on the same basis as used in the preparation of the Combined Financial Information set out in section B below issued by the HKICPA. The Underlying Financial Statements for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Combined Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITY FOR THE COMBINED FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Combined Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Combined Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Combined Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Predecessor Entities in respect of any period subsequent to December 31, 2013.

OPINION

In our opinion, the Combined Financial Information gives, for the purpose of this report and on the basis of preparation set out in note 1 of Section B below, a true and fair view of the state of affairs of the Predecessor Entities as of December 31, 2011, 2012 and 2013 and November 15, 2012 and the Predecessor Entities' combined results and cash flows for the Relevant Periods then ended.

A COMBINED FINANCIAL INFORMATION

1 Combined statements of comprehensive income

	Section B Note	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2	1,169,948	1,369,066	1,568,372	1,788,044
Cost of sales		(1,097,451)	(1,325,408)	(1,471,096)	(1,679,949)
Gross profit		72,497	43,658	97,276	108,095
Other revenue	3	14,356	11,184	11,559	11,550
Other net income	3	—	737	726	298
Selling and distribution expenses		(9,571)	(8,658)	(9,845)	(7,882)
Research and development expenses		(9,503)	(9,435)	(17,689)	(8,214)
Administrative and other operating expenses		(28,584)	(27,434)	(30,537)	(31,514)
Profit from operations		39,195	10,052	51,490	72,333
Finance costs	4(a)	(4,006)	(3,916)	(6,490)	(16,331)
Profit before taxation	4	35,189	6,136	45,000	56,002
Income tax	5(a)	(8,365)	(2,602)	(11,187)	(12,903)
Profit for the year/period		26,824	3,534	33,813	43,099
Other comprehensive income for the year/period, net of nil tax					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences on translation of financial statements of entities with functional currency other than Renminbi		(1,728)	(491)	(813)	(8,268)
Total comprehensive income for the year/period		25,096	3,043	33,000	34,831

The accompanying notes form part of the Combined Financial Information.

2 Combined statements of financial position

	Section B Note	As of December 31, 2011 RMB'000	As of November 15, 2012 RMB'000	As of December 31, 2012 RMB'000	As of December 31, 2013 RMB'000
Non-current assets					
Property, plant and equipment	9	10,192	7,751	7,097	131
Lease prepayments	10	—	19,015	—	—
Loan to immediate holding company	11	—	—	423,647	421,943
Other non-current assets	12	20,431	321	321	—
		<u>30,623</u>	<u>27,087</u>	<u>431,065</u>	<u>422,074</u>
Current assets					
Inventories	13	119,563	157,033	107,225	111,239
Trade and other receivables ...	14	223,808	234,529	332,266	217,006
Amounts due from related parties	15	—	61,472	26,530	137,248
Pledged deposits	18	368,756	—	81,900	—
Cash and cash equivalents	16	349,518	443,765	52,388	38,595
		<u>1,061,645</u>	<u>896,799</u>	<u>600,309</u>	<u>504,088</u>
Current liabilities					
Trade and other payables	17	46,391	75,216	42,170	178,361
Bank loans	18	204,793	369,112	443,858	458,403
Amount due to related party ..	15	356,586	—	23,283	171,685
Current taxation	20	9,172	1,189	9,749	4,735
		<u>616,942</u>	<u>445,517</u>	<u>519,060</u>	<u>813,184</u>
Net current assets/ (liabilities)		<u>444,703</u>	<u>451,282</u>	<u>81,249</u>	<u>(309,096)</u>
NET ASSETS		<u>475,326</u>	<u>478,369</u>	<u>512,314</u>	<u>112,978</u>
CAPITAL AND RESERVES	21				
Reserves		<u>475,326</u>	<u>478,369</u>	<u>512,314</u>	<u>112,978</u>
TOTAL EQUITY		<u>475,326</u>	<u>478,369</u>	<u>512,314</u>	<u>112,978</u>

The accompanying notes form part of the Combined Financial Information.

3 Combined statements of changes in equity

	Exchange reserve	Other reserves	Retained profits	Total
	Note 21(b)	Note 21(c)		
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2011	(3,419)	20,136	433,513	450,230
Changes in equity for 2011:				
Profit for the year	—	—	26,824	26,824
Other comprehensive income for the year	(1,728)	—	—	(1,728)
Total comprehensive income for the year	(1,728)	—	26,824	25,096
Appropriations	—	1,915	(1,915)	—
As of December 31, 2011 and January 1, 2012:	(5,147)	22,051	458,422	475,326
Changes in equity from January 1, 2012 to November 15, 2012:				
Profit for the period	—	—	3,534	3,534
Other comprehensive income for the period	(491)	—	—	(491)
Total comprehensive income for the period	(491)	—	3,534	3,043
As of November 15, 2012	(5,638)	22,051	461,956	478,369
As of January 1, 2012	(5,147)	22,051	458,422	475,326
Changes in equity for 2012:				
Profit for the year	—	—	33,813	33,813
Other comprehensive income for the year	(813)	—	—	(813)
Total comprehensive income for the year	(813)	—	33,813	33,000
Capital contribution	—	3,988	—	3,988
Appropriations	—	2,176	(2,176)	—
As of December 31, 2012 and January 1, 2013	(5,960)	28,215	490,059	512,314
Changes in equity for 2013:				
Profit for the year	—	—	43,099	43,099
Other comprehensive income for the year	(8,268)	—	—	(8,268)
Total comprehensive income for the year	(8,268)	—	43,099	34,831
Disposal of entities (note 26)	(1,174)	(12,036)	(420,957)	(434,167)
As of December 31, 2013	(15,402)	16,179	112,201	112,978

The accompanying notes form part of the Combined Financial Information.

4 Combined cash flow statements

Section B Note	Year ended	Period from	Year ended	Year ended
	December 31, 2011	January 1, 2012 to November 15, 2012	December 31, 2012	December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Profit before taxation	35,189	6,136	45,000	56,002
Adjustments for:				
Depreciation	4,011	3,368	3,656	2,447
Amortization of lease prepayments	—	293	293	—
Finance costs	4,006	3,916	6,490	16,331
Interest income	(14,356)	(11,184)	(11,559)	(11,550)
Gain on sale of property, plant and equipment	—	(651)	(640)	(298)
	28,850	1,878	43,240	62,932
Changes in working capital				
(Increase)/decrease in inventories	(37,695)	(37,471)	12,337	(10,882)
(Increase)/decrease in trade and other receivables	(106,792)	(11,363)	(113,397)	48,432
Increase in amounts due from related parties	—	(61,472)	(624)	(577,569)
Increase/(decrease) in trade and other payables	25,800	29,070	(4,040)	176,799
Increase/(decrease) in amount due to related party	42,766	(356,586)	(333,303)	254,432
Cash used in operations	(47,071)	(435,944)	(395,787)	(45,856)
Income tax paid	(9,264)	(10,582)	(10,582)	(11,735)
Net cash used in operating activities	(56,335)	(446,526)	(406,369)	(57,591)

Section B Note	Year ended	Period from	Year ended	Year ended
	December 31, 2011	January 1, 2012 to November 15, 2012	December 31, 2012	December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Investing activities				
(Increase)/decrease in pledged deposits	(45,115)	369,746	287,354	81,900
Payment for the purchase of property, plant and equipment	(5,779)	(1,109)	(1,157)	(629)
Proceeds from sale of property, plant and equipment	—	809	809	341
Deposits for the purchase of land use right	(19,308)	—	—	—
Cash outflows for disposal of entities (net of cash and cash equivalents disposed) .	—	—	—	(49,671)
Interest received	14,356	11,184	11,559	1,099
Net cash (used in)/generated from investing activities ...	(55,846)	380,630	298,565	33,040
Financing activities				
Net (repayment of)/proceeds from bank loans	(74,201)	168,461	244,186	27,534
Loan to immediate holding company	—	—	(424,130)	—
Interest and guarantee fees paid	(4,006)	(3,916)	(6,490)	(16,331)
Net cash (used in)/generated from financing activities ..	(78,207)	164,545	(186,434)	11,203
Net (decrease)/increase in cash and cash equivalents .	(190,388)	98,649	(294,238)	(13,348)
Cash and cash equivalents at the beginning of the year/period	540,143	349,518	349,518	52,388
Effect of foreign exchange rate changes	(237)	(4,402)	(2,892)	(445)
Cash and cash equivalents at the end of the year/period ...	349,518	443,765	52,388	38,595

The accompanying notes form part of the Combined Financial Information.

B NOTES TO THE COMBINED FINANCIAL INFORMATION**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Combined Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Combined Financial Information, the Predecessor Entities have adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2013.

The Combined Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Combined Financial Information.

(b) Basis of presentation

Notwithstanding the net current liabilities of RMB309,096,000 as of December 31, 2013, the Combined Financial Information has been prepared on a going concern basis as Cogobuy Group, the immediate controlling company, has confirmed that it will continue to provide such financial assistance as it is necessary to maintain the Predecessor Entities as a going concern and to enable it to meet its liabilities as they fall due.

The Combined Financial Information set out in this report comprises the aggregate historical financial information for the Relevant Periods of the following nine entities comprising the Predecessor Entities that were acquired by the Company from Viewtran Group, Inc. (formerly known as Cogo Group, Inc.) (“Viewtran”), a company listed on NASDAQ in the United States, on November 15, 2012.

The particulars of each of the companies comprising the Predecessor Entities are as follows:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Principal activities
Alphalink Global Limited (note (ii))	The British Virgin Islands (the "BVI") November 23, 2004	United States Dollar ("US\$") 1	Investment holding
Comtech (China) Holding Ltd. (notes (ii) and (iii))	The BVI May 27, 2002	US\$1	Investment holding
Comtech (HK) Holding Ltd. (note (ii))	The BVI May 27, 2002	US\$1	Investment holding
Comtech Communication Technology (Hong Kong) Company Limited (note (iii))	Hong Kong August 3, 2010	10,000 shares	Sales of electronics components and related products
Comtech Communication Technology (Shenzhen) Company Limited ("Comtech Communication Technology Shenzhen") 科通通信技術(深圳)有限 公司 (notes (i) and (iii))	The PRC July 23, 2002	Hong Kong Dollar ("HK\$") 140,220,000	Sales of electronic components and related products
Comtech International (Hong Kong) Limited ("Comtech International Hong Kong")	Hong Kong July 14, 2000	1,000,000 shares	Sales of electronic components and related products
Comtech Software Technology (Shenzhen) Company Limited ("Comtech Software Technology Shenzhen") 科通軟件技術(深圳)有限 公司 (notes (i) and (iii))	The PRC March 18, 2004	US\$21,338,000	Sales of electronic components and related products and research and development of software products
Comtech Industrial Technology (Shenzhen) Co., Ltd 科通工業技術 (深圳)有限公司 (formerly known as Epcot Multimedia Technology (Shenzhen) Limited 奇利光電技術(深圳) 有限公司) ("Comtech Industrial Shenzhen") (notes (i))	The PRC May 24, 2005	US\$500,000	Provision of media communication and collaboration platforms and solutions
Hong Kong JJT Limited	Hong Kong August 23, 2007	1 share	Provision of research and design services

Notes:

- (i) These entities are wholly foreign-owned enterprises established in the PRC. The English translation of the company names is for reference only. The official names of these companies are in Chinese.
- (ii) These entities are the investment holding companies of the other six entities included in the Predecessor Entities.
- (iii) On December 1, 2013, the Company disposed of its entire equity interest in Comtech (China) Holding Ltd. and its subsidiaries (collectively, "Comtech China") to Envision Global Investments Limited ("Envision Global"), the immediate and ultimate controlling company of the Company, for a consideration of US\$72,783,000 (equivalent to RMB443,969,000) (see note 26).

Prior to November 15, 2012, the companies comprising the Predecessor Entities were direct or indirect wholly-owned subsidiaries of Viewtran. Following the acquisition, the companies comprising the Predecessor Entities became direct or indirect wholly-owned subsidiaries of the Company.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements as set out in Section A have been prepared to present an aggregation of the historical results of operations of the Predecessor Entities for the Relevant Periods. The combined statements of financial position as of December 31, 2011, 2012 and 2013 and November 15, 2012 have been prepared to present an aggregation of the historical state of affairs of the Predecessor Entities at the respective dates. All material balances and transactions, including investments in subsidiaries, among the companies comprising the Predecessor Entities and any unrealised profits arising from these transactions have been eliminated in full on combination.

(c) Basis of measurement

The Combined Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand unless otherwise indicated and is prepared on the historical cost basis.

(d) Use of estimates and judgements

The preparation of Combined Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Combined Financial Information and major sources of estimation uncertainty are discussed in note 27.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using straight-line method over their estimated useful lives as follows:

—	Motor vehicles	5 years
—	Machinery	5 years
—	Leasehold improvements	Over the lease terms
—	Furniture and office equipment	1 to 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

(f) Lease prepayments

Lease prepayments represent amounts paid for a land use right to relevant government authorities and are initially carried at cost less accumulated amortization charged to profit or loss and impairment losses (see note 1(h)). The cost of lease prepayments are charged to profit or loss on a straight-line basis over the respective period of the rights, which is 50 years.

(g) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Predecessor Entities are classified as operating leases.

Where the Predecessor Entities have the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairment of assets*(i) Impairment of receivables*

Current and non-current receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Predecessor Entities about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, for trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior year/period.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Predecessor Entities are satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment, lease prepayments and other non-current assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. When an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior year/period. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognized.

(i) Inventories

Inventories mainly comprise electronic components. Inventories are carried at the lower of cost and net realizable value.

Cost is calculated on the first in first out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(j) Trade and other receivables (including amounts due from related parties)

Trade and other receivables (including amounts due from related parties) are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Trade and other payables (including amount due to related party)

Trade and other payables (including amount due to related party) are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognized as an expense in profit or loss as incurred.

(n) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The amount of deferred tax recognized is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

(o) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Predecessor Entities have a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Predecessor Entities and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added taxes ("VAT") or other sales taxes and is after deduction of any sales returns, trade discounts and allowances.

In the PRC, VAT at a general rate of 17% on invoice amount is collected on behalf of tax authorities in respect of the sales of products and is not recorded as revenue. VAT collected from customers, net of VAT paid for purchases, is recorded as a liability in the combined statements of financial position until it is paid to the authorities.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(q) Translation of foreign currencies

In preparing the financial statements of each individual entity of the Predecessor Entities, transactions in currencies other than the functional currency of that entity (i.e. foreign currencies) 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 each 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 entities whose functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Combined statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of each 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 entity with functional currency other than Renminbi is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(s) Related parties

- (a) A person, or a close member of that person's family, is related to the Predecessor Entities if that person:
 - (i) has control or joint control over the Predecessor Entities;
 - (ii) has significant influence over the Predecessor Entities; or
 - (iii) is a member of the key management personnel of the Predecessor Entities or the Predecessor Entities' parent.

- (b) An entity is related to the Predecessor Entities if any of the following conditions applies:
- (i) The entity and the Predecessor Entities are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Predecessor Entities or an entity related to the Predecessor Entities.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the Combined Financial Information, are identified from the financial information provided regularly to the Predecessor Entities' most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Predecessor Entities' various 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.

Management considers that the Predecessor Entities operate in a single business segment as the revenue and profit are derived entirely from sales of components for digital media (such as network protection devices and data storage), telecommunication system equipment and industrial applications end-markets to the customers. Accordingly, no segment information is presented for the Relevant Periods.

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

2 REVENUE

The principal activity of the Predecessor Entities is sales of electronic components for digital media (such as network protection devices and data storage), telecommunication system equipment and industrial applications end-markets. Revenue mainly represents the sales value of goods delivered to customers.

The Predecessor Entities' customer base is diversified and included only one customer with whom transactions have exceeded 10% of the Predecessor Entities' revenue in 2011. In 2011, revenue from sales of electronic components to this customer, including sales to entities which are known to the Predecessor Entities to be under common control with this customer, amounted to approximately RMB121,871,000. Details of concentrations of credit risk arising from this customer are set out in note 25(a). For the years ended December 31, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012, there was no single customer who accounted for 10% or more of the Predecessor Entities' revenue.

3 OTHER REVENUE AND NET INCOME

	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Other revenue				
Interest income	14,356	11,184	11,559	11,550
Other net income				
Net gain on sale of property, plant and equipment	—	651	640	298
Others	—	86	86	—
	<u>—</u>	<u>737</u>	<u>726</u>	<u>298</u>

4 Profit before taxation

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

	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
(a) Finance costs				
Interest expense on bank				
loans	4,006	3,916	5,711	10,200
Guarantee fees (see note 18)	—	—	779	6,131
	<u>4,006</u>	<u>3,916</u>	<u>6,490</u>	<u>16,331</u>
(b) Staff costs				
Contributions to defined				
contribution retirement				
plan (see note 19)	1,384	988	1,318	1,406
Salaries, wages and other				
benefits	13,641	10,791	13,883	15,067
	<u>15,025</u>	<u>11,779</u>	<u>15,201</u>	<u>16,473</u>
(c) Other items				
Amortization of lease				
prepayments	—	293	293	—
Auditors' remuneration	156	193	197	219
Depreciation of property,				
plant and equipment	4,011	3,368	3,656	2,447
Operating lease charges in				
respect of property rentals	4,014	3,632	3,869	2,430
Net foreign exchange loss/ (gain)	282	4,108	3,484	(2,657)
Research and development				
expenses (note)	9,503	9,435	17,689	8,214
Cost of inventories	<u>1,095,103</u>	<u>1,324,575</u>	<u>1,468,077</u>	<u>1,673,409</u>

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB3,302,000, RMB4,276,000, RMB5,735,000 and RMB3,654,000 for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012 respectively, which are included in the staff costs as disclosed in note 4(b).

Research and development expenses also include operating lease charges in respect of property rentals of RMB724,000, RMB1,056,000, RMB589,000 and RMB991,000 for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012, respectively.

5 INCOME TAX IN THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the combined statements of comprehensive income represents:

	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current Tax				
PRC Corporation Income Tax				
Provision for the year/period	5,812	161	6,454	7,229
(Over)/under-provision in respect of prior years	(135)	577	577	(380)
	<u>5,677</u>	<u>738</u>	<u>7,031</u>	<u>6,849</u>
Hong Kong Profits Tax				
Provision for the year/period	2,693	2,047	4,339	5,628
(Over)/under-provision in respect of prior years	(5)	(183)	(183)	426
	<u>2,688</u>	<u>1,864</u>	<u>4,156</u>	<u>6,054</u>
	<u><u>8,365</u></u>	<u><u>2,602</u></u>	<u><u>11,187</u></u>	<u><u>12,903</u></u>

(i) *The BVI*

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

(ii) *Hong Kong*

The entities that are incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012. The provision for the year ended December 31, 2013 also took into account a one-off reduction of 75% of the tax payable for year of assessment 2012-2013, subject to a ceiling of HK\$10,000 allowed by the Hong Kong Government for each business. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) The PRC

On March 16, 2007, the National People's Congress passed the Corporate Income Tax law (the "CIT law") which revised the PRC statutory income tax rate to 25%. The CIT law was effective on January 1, 2008. The PRC entities are subject to PRC Corporate Income Tax at statutory rate of 25%, unless otherwise specified.

Prior to January 1, 2008, Comtech Communication Technology Shenzhen, Comtech Software Technology Shenzhen and Comtech Industrial Shenzhen, being entities located in the Shenzhen Special Economic Zone (collectively, the "Shenzhen Subsidiaries"), were entitled to the preferential tax rate of 15%. In addition, the Shenzhen Subsidiaries, being production oriented foreign investment enterprises, were each entitled to 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 ("2+3 tax holiday") under the then effective tax regulations.

The CIT law and its relevant regulations provide a five-year transition period from January 1, 2008 for the Shenzhen Subsidiaries which were established before March 16, 2007 and were entitled to preferential tax rates under the then effective tax regulations, as well as grandfathering certain tax holidays. The transitional tax rates are 24% and 25% for 2011 and 2012 onwards, respectively. Hence, the Shenzhen Subsidiaries are subject to tax rates ranging from 12% to 24% for 2011 and 25% for 2012 and 2013, respectively.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC-tax-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 Combined Financial Information, the directors determined that the management of the Predecessor Entities can control the quantum and timing of distribution of profits of their PRC entities included in the Predecessor Entities, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>35,189</u>	<u>6,136</u>	<u>45,000</u>	<u>56,002</u>
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25%	8,797	1,534	11,250	14,001
Effect of PRC tax concession	(1,006)	—	—	—
Tax rate differential for Hong Kong entities	(402)	(548)	(1,845)	(3,117)
Entities of other jurisdictions not subject to income tax	139	233	691	2,015
PRC research and development bonus deduction	(1,068)	—	—	—
Tax effect of non-deductible expenses	1,881	815	570	—
Tax effect of non-taxable income	(63)	(40)	(40)	(7)
Tax effect of tax losses not recognized.....	2	5	5	4
(Over)/under-provision in respect of prior years	(140)	394	394	46
Others	<u>225</u>	<u>209</u>	<u>162</u>	<u>(39)</u>
Actual tax expense	<u>8,365</u>	<u>2,602</u>	<u>11,187</u>	<u>12,903</u>

6 DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods is as follows:

Year ended December 31, 2011					
Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Mr. Kang Jingwei* (note (i))	—	—	—	—	—
Period from January 1, 2012 to November 15, 2012					
Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Mr. Kang Jingwei* (note (i))	—	—	—	—	—
Year ended December 31, 2012					
Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Mr. Kang Jingwei* (note (i))	—	—	—	—	—
Year ended December 31, 2013					
Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Mr. Kang Jingwei* (note (i))	—	—	—	—	—

* Chairman of the Company

Directors' remuneration disclosed above relates to that who acted as director of the entities within the Predecessor Entities during the Relevant Periods and continue to act as director of the Company as of December 31, 2013.

During the Relevant Periods, there were no amounts paid or payable by the Predecessor Entities to the director or any of the highest paid individual set out in note 7 below as an inducement to join or upon joining the Predecessor Entities or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Note:

- (i) Mr. Kang Jingwei ("Mr. Kang") was the sole executive director of the three holding companies comprising the Predecessor Entities since incorporation.

Mr. Kang did not receive any remunerations from the Predecessor Entities in his capacity as the principal director of the Predecessor Entities for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Predecessor Entities do not include director for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012, whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining individuals of the Predecessor Entities are as follows:

	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	1,324	1,233	1,359	1,392
Discretionary bonuses	253	132	132	522
Retirement scheme contributions	181	177	201	236
	<u>1,758</u>	<u>1,542</u>	<u>1,692</u>	<u>2,150</u>

The emoluments of the five individuals with the highest emoluments for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012, respectively, are within the following band:

	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
HK\$ Nil to HK\$1,000,000	5	5	5	5

8 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

9 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Machinery	Leasehold improvements	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
As of January 1, 2011	3,078	2,316	4,151	13,531	—	23,076
Additions	3,788	48	201	1,742	—	5,779
Exchange adjustments	(183)	—	(80)	(18)	—	(281)
As of December 31, 2011 .	6,683	2,364	4,272	15,255	—	28,574
As of January 1, 2012	6,683	2,364	4,272	15,255	—	28,574
Additions	58	—	81	572	398	1,109
Disposals	(50)	(920)	—	(187)	—	(1,157)
Exchange adjustments	(48)	—	(14)	(3)	—	(65)
As of November 15, 2012 .	6,643	1,444	4,339	15,637	398	28,461
As of January 1, 2012	6,683	2,364	4,272	15,255	—	28,574
Additions	58	—	81	620	398	1,157
Disposals	(50)	(920)	—	(394)	(398)	(1,762)
Exchange adjustments	(54)	—	(16)	(3)	—	(73)
As of December 31, 2012 .	6,637	1,444	4,337	15,478	—	27,896
As of January 1, 2013	6,637	1,444	4,337	15,478	—	27,896
Additions	253	—	—	376	—	629
Disposals	(781)	—	—	(82)	—	(863)
Disposals of entities	(5,993)	(1,444)	(2,214)	(15,049)	—	(24,700)
Exchange adjustments	(116)	—	(54)	(12)	—	(182)
As of December 31, 2013 .	—	—	2,069	711	—	2,780

	Motor vehicles	Machinery	Leasehold improvements	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:						
As of January 1, 2011	1,397	1,372	2,476	9,216	—	14,461
Charge for the year	779	322	899	2,011	—	4,011
Exchange adjustments	(50)	—	(30)	(10)	—	(90)
As of December 31, 2011 .	2,126	1,694	3,345	11,217	—	18,382
As of January 1, 2012	2,126	1,694	3,345	11,217	—	18,382
Charge for the period	1,116	191	595	1,466	—	3,368
Written back on disposals .	(47)	(775)	—	(178)	—	(1,000)
Exchange adjustments	(24)	—	(14)	(2)	—	(40)
As of November 15, 2012 .	3,171	1,110	3,926	12,503	—	20,710
As of January 1, 2012	2,126	1,694	3,345	11,217	—	18,382
Charge for the year	1,216	204	648	1,588	—	3,656
Written back on disposals .	(47)	(775)	—	(374)	—	(1,196)
Exchange adjustments	(25)	—	(15)	(3)	—	(43)
As of December 31, 2012 .	3,270	1,123	3,978	12,428	—	20,799
As of January 1, 2013	3,270	1,123	3,978	12,428	—	20,799
Charge for the year	913	136	354	1,044	—	2,447
Written back on disposals .	(742)	—	—	(78)	—	(820)
Written back on disposals of entities	(3,388)	(1,259)	(2,214)	(12,805)	—	(19,666)
Exchange adjustments	(53)	—	(49)	(9)	—	(111)
As of December 31, 2013 .	—	—	2,069	580	—	2,649
Net book value:						
As of December 31, 2011 .	4,557	670	927	4,038	—	10,192
As of November 15, 2012 .	3,472	334	413	3,134	398	7,751
As of December 31, 2012 .	3,367	321	359	3,050	—	7,097
As of December 31, 2013 .	—	—	—	131	—	131

- (a) All of the Predecessor Entities' property, plant and equipment are located in the PRC, including Hong Kong.
- (b) Additions to construction in progress during the period from January 1, 2012 to November 15, 2012 were related to the land located in the Shenzhen Special Economic Zone in the PRC (see note 10).
- (c) On November 16, 2012, the Company disposed the construction in progress together with the land use right with carrying value of RMB398,000 and RMB19,015,000, respectively, to Envision Global for a consideration of RMB23,401,000. The difference between the consideration and carrying value of the construction in progress and the land use right disposed of RMB3,988,000 was recorded in "capital reserves" (see note 21(c)).

10 LEASE PREPAYMENTS

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At the beginning of the year/period	—	—	—	—
Additions	—	19,308	19,308	—
Disposals	—	—	(19,308)	—
At the end of the year/period	—	19,308	—	—
Accumulated amortization:				
At the beginning of the year/period	—	—	—	—
Charge for the year/period	—	293	293	—
Written back on disposals	—	—	(293)	—
At the end of the year/period	—	293	—	—
Net book value:				
At the end of the year/period	—	19,015	—	—

The lease prepayments represent costs of the land use right in respect of the land located in the Shenzhen Special Economic Zone in the PRC.

11 LOAN TO IMMEDIATE HOLDING COMPANY

Loan to immediate holding company is unsecured, interest bearing at 2.5% per annum and recoverable with all interest accrued in full on November 15, 2015.

12 OTHER NON-CURRENT ASSETS

Other non-current assets in the combined statements of financial position comprise:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits for the purchase of land use right	19,308	—	—	—
Other deposits	<u>1,123</u>	<u>321</u>	<u>321</u>	—
	<u>20,431</u>	<u>321</u>	<u>321</u>	<u>—</u>

During the year ended December 31, 2011, Comtech Communication Technology Shenzhen entered into a land use right agreement with the PRC government in the Shenzhen Special Economic Zone and paid RMB19,308,000 as a deposit for the purchase of the land use right.

13 INVENTORIES

(a) Inventories in the combined statements of financial position comprise:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	1,064	484	484	—
Finished goods	<u>118,499</u>	<u>156,549</u>	<u>106,741</u>	<u>111,239</u>
	<u>119,563</u>	<u>157,033</u>	<u>107,225</u>	<u>111,239</u>

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	<u>1,095,103</u>	<u>1,324,575</u>	<u>1,468,077</u>	<u>1,673,409</u>

14 TRADE AND OTHER RECEIVABLES

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	204,824	208,593	234,227	200,130
Less: Allowance for doubtful debts (see note 14(b))	<u>(48,746)</u>	<u>(48,746)</u>	<u>(17,162)</u>	<u>(7,596)</u>
	156,078	159,847	217,065	192,534
Bills receivable	<u>25,805</u>	<u>38,483</u>	<u>31,423</u>	<u>21,538</u>
Trade and bills receivables	181,883	198,330	248,488	214,072
Deposits and prepayments	38,393	34,729	82,523	2,850
Other receivables	<u>3,532</u>	<u>1,470</u>	<u>1,255</u>	<u>84</u>
	<u>223,808</u>	<u>234,529</u>	<u>332,266</u>	<u>217,006</u>

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) Aging analysis

As of December 31, 2011, 2012 and 2013 and November 15, 2012, 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 December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	67,701	121,966	119,142	96,979
1 to 2 months	47,115	52,624	67,514	56,896
2 to 3 months	42,575	10,482	42,235	19,147
Over 3 months	<u>24,492</u>	<u>13,258</u>	<u>19,597</u>	<u>41,050</u>
	<u>181,883</u>	<u>198,330</u>	<u>248,488</u>	<u>214,072</u>

Trade and bills receivables are normally due within 30 to 60 days from the date of billing. Further details on the Predecessor Entities' credit policy are set out in note 25(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Predecessor Entities are satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(h)).

The movement in the allowance for doubtful debts during the year/period, including both specific and collective loss components, is as follows:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	48,746	48,746	48,746	17,162
Uncollectible amount written off	—	—	(31,584)	—
Disposal of entities	—	—	—	(9,566)
At the end of the year/period	<u>48,746</u>	<u>48,746</u>	<u>17,162</u>	<u>7,596</u>

As of December 31, 2011, 2012 and 2013 and November 15, 2012, the Predecessor Entities' trade receivables of RMB48,746,000, RMB17,162,000, RMB7,596,000 and RMB48,746,000, respectively were individually determined to be impaired. As of December 31, 2011, 2012 and 2013 and November 15, 2012, none of the Predecessor Entities' bills receivable were individually determined to be impaired.

(c) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	139,216	177,528	203,340	136,467
Less than 1 month past due .	37,909	19,374	42,272	75,587
1 to 6 months past due	4,756	1,426	2,874	2,017
7 to 12 months past due	2	2	2	1
	<u>42,667</u>	<u>20,802</u>	<u>45,148</u>	<u>77,605</u>
	<u>181,883</u>	<u>198,330</u>	<u>248,488</u>	<u>214,072</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Predecessor Entities. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Predecessor Entities do not hold any collateral over these balances.

15 AMOUNTS DUE FROM/ (TO) RELATED PARTIES

An analysis of the amounts due from related parties is as follows:

	Note	As of December 31, 2011 RMB'000	As of November 15, 2012 RMB'000	As of December 31, 2012 RMB'000	As of December 31, 2013 RMB'000
Amount due from the Company	(i)	—	—	624	14,496
Amounts due from fellow subsidiaries .	(ii)	—	—	—	51,113
Amount due from Viewtran and its subsidiaries	(iii)	—	61,472	—	71,639
Amount due from Envision Global	(iv)	—	—	25,906	—
Amounts due from related parties.....		—	61,472	26,530	137,248

Notes:

- (i) As of December 31, 2012 and 2013, the amount due from the Company represents the expenses paid by the Predecessor Entities on behalf of the Company. The amount is unsecured, interest-free and recoverable on demand.
- (ii) As of December 31, 2013, the amounts due from fellow subsidiaries are mainly attributable to sales and purchase of electronic components. The amount is unsecured, interest-free and recoverable on demand.
- (iii) As of November 15, 2012 and December 31, 2013, the amount due from Viewtran and its subsidiaries is mainly attributable to the sales and purchases of electronic components. The amount is unsecured, interest-free and recoverable on demand.
- (iv) As of December 31, 2012, the amount due from Envision Global represents the proceeds from the sale of the Predecessor Entities' land use right and construction in progress in 2012 (see note 9(c)), and certain related expenses paid on behalf of Envision Global.

The amount is unsecured, interest-free and recoverable on demand except that RMB19,706,000 and RMB3,695,000 of the balance as of December 31, 2012 were to be recovered on or before September 30, 2013 and December 31, 2014, respectively.

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

	Note	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Amount due to Viewtran and its subsidiaries	(i)	356,586	—	23,283	—
Amount due to Brilliant Group and its subsidiaries	(ii)	—	—	—	171,685
Amounts due to related party		<u>356,586</u>	<u>—</u>	<u>23,283</u>	<u>171,685</u>

Notes:

- (i) As of December 31, 2011 and 2012, the amount due to Viewtran and its subsidiaries is mainly attributable to sales and purchases of electronic components. The amount is unsecured, interest-free and repayable within one year.
- (ii) As of December 31, 2013, the amount due to Brilliant Group and its subsidiaries is mainly attributable to sales and purchase of electronic components. The amount is unsecured, interest-free and repayable within one year.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the combined statements of financial position and combined cash flow statements comprise:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	<u>349,518</u>	<u>443,765</u>	<u>52,388</u>	<u>38,595</u>

As of December 31, 2011, 2012 and 2013 and November 15, 2012, cash and cash equivalents in the amount of RMB272,885,000, RMB18,628,000, RMB1,213,000 and RMB7,553,000, respectively are denominated in Renminbi and are deposited in banks in the PRC. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

17 TRADE AND OTHER PAYABLES

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	38,456	71,426	35,099	174,495
Accrued staff costs	3,095	614	2,767	2,699
Other payables	4,840	3,176	4,304	1,167
	<u>46,391</u>	<u>75,216</u>	<u>42,170</u>	<u>178,361</u>

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

As of December 31, 2011, 2012 and 2013 and November 15, 2012, the aging analysis of trade payables, based on the invoice date, is as follows:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	16,719	71,349	20,841	59,420
1 to 3 months	8,343	—	2,198	99,891
Over 3 months	13,394	77	12,060	15,184
	<u>38,456</u>	<u>71,426</u>	<u>35,099</u>	<u>174,495</u>

18 PLEDGED DEPOSITS AND BANK LOANS

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

The Predecessor Entities entered into several banking facilities including letters of guarantee, bank loans and irrecoverable letters of credit.

Pursuant to the terms of the sale and purchase agreement entered between the Company and Viewtran dated October 23, 2012 (“Viewtran Agreement”) in relation to the acquisition of the Predecessor Entities by the Company, immediately upon completion of the acquisition and up to December 31, 2014, Viewtran agreed to continue to provide guarantees to the banking institutions which provide banking facilities to the Predecessor Entities. Viewtran also agreed to provide guarantees in respect of the Predecessor Entities’ purchases from its suppliers and sales to its customers. The aggregate amount of the guarantees is subject to a maximum cap of US\$60,000,000. A guarantee fee amounting to US\$250,000 as determined with reference to the guarantee fee chargeable by banks, is charged to the Company each quarter.

As of December 31, 2011, 2012 and 2013 and November 15, 2012, the Predecessor Entities had two types of banking facilities, both were guaranteed by Viewtran:

- (a) Joint banking facilities which can be utilized by the Predecessor Entities, nine entities acquired by the Company from Brilliant Group on November 20, 2013 (the "Envision Global Entities") and certain subsidiaries of Viewtran (the "Predecessor Joint Banking Facilities"); and
- (b) Banking facilities which are made available solely to the Predecessor Entities (the "Predecessor Sole Banking Facilities").

(a) Predecessor Joint Banking Facilities

Details of the Predecessor Joint Banking Facilities and the borrowings drawn under such facilities as of December 31, 2011, 2012 and 2013 and November 15, 2012 are set out below:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate credit limit	651,067	595,653	594,975	487,323
Outstanding loans —				
Viewtran	(398,315)	(117,527)	(312,755)	—
Outstanding loans —				
Envision Global Entities .	—	—	—	(143,001)
Outstanding loans — the				
Predecessor Entities	(173,323)	(206,946)	(200,884)	(167,980)
Unutilized facilities	<u>79,429</u>	<u>271,180</u>	<u>81,336</u>	<u>176,342</u>

As of December 31, 2011, the Predecessor Joint Banking Facilities were secured by cash of RMB368,193,000 pledged by the Predecessor Entities.

As of December 31, 2012, the Predecessor Joint Banking Facilities were secured by cash of RMB288,408,000 pledged by Viewtran.

As of December 31, 2013, the Predecessor Joint Banking Facilities were secured by cash of RMB90,806,000 and RMB205,500,000 pledged by Envision Global Entities and Viewtran.

As of November 15, 2012, the Predecessor Joint Banking Facilities were secured by cash of RMB288,574,000 pledged by Viewtran.

The Predecessor Entities and Viewtran are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. As of December 31, 2011, 2012 and 2013 and November 15, 2012, management of the Predecessor Entities does not consider it is probable that a claim will be made against the Predecessor Entities under any of the guarantees.

(b) Predecessor Sole Banking Facilities

Details of the Predecessor Sole Banking Facilities and the borrowings drawn by the Predecessor Entities under such facilities as of December 31, 2011, 2012 and 2013 and November 15, 2012 are set out below:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate credit limit	31,470	311,860	311,505	393,491
Outstanding loans	<u>(31,470)</u>	<u>(162,166)</u>	<u>(242,974)</u>	<u>(290,423)</u>
Unutilized facilities	<u>—</u>	<u>149,694</u>	<u>68,531</u>	<u>103,068</u>

As of December 31, 2011, the Predecessor Sole Banking Facilities were secured by cash of RMB563,000 pledged by the Predecessor Entities.

As of December 31, 2012, the Predecessor Sole Banking Facilities were secured by cash of RMB81,900,000 pledged by the Predecessor Entities and RMB207,900,000 pledged by Viewtran.

As of December 31, 2013, the Predecessor Sole Banking Facilities were secured by cash of RMB278,470,000 pledged by Viewtran.

As of November 15, 2012, the Predecessor Sole Banking Facilities were secured by cash of RMB208,137,000 pledged by Viewtran.

(c) Bank covenants

As of December 31, 2012, the Predecessor Joint Banking Facilities contain various covenants, including Viewtran's consolidated net borrowing ratio not exceeding 0.25 times and Viewtran maintaining a tangible net worth of not less than RMB1,000,000,000. Other conditions include Viewtran's Chief Executive Officer, Mr. Kang, remaining as the single largest beneficial owner of Viewtran and Chairman of the Board of Directors and actively involving in the management of Viewtran, Viewtran remaining as listed in NASDAQ and retaining at least 50% equity interest in those subsidiaries which entered into the banking facilities with the banks.

As of November 15, 2012 and December 31, 2012, a non-financial covenant in one of the Predecessor Joint Banking Facilities had not been satisfied due to the acquisition of Predecessor Entities by the Company. Such non-financial covenant required Viewtran to retain at least 50% equity interest in Comtech International Hong Kong.

On June 28, 2013, the Predecessor Entities and Viewtran entered into a revised banking facility agreement (the "Revised Agreement") which revised the abovementioned non-financial covenant such that Mr. Kang, the director of the Company, instead of Viewtran, shall maintain directly or indirectly not less than 50% equity interest of Comtech International Hong Kong. With this amendment and as of December 31, 2013, the Predecessor Entities were in compliance with its lending covenants.

(d) Non-adjusting events after the end of reporting period

Subsequent to December 31, 2013, the Company has repaid bank loans under the Predecessor Joint Banking Facilities in the amount of US\$46,000,000 (equivalent to RMB278,470,000).

19 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC entities within the Predecessor Entities participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authorities whereby the entities are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the Relevant Periods. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Predecessor Entities have no further obligations beyond the annual contributions.

The Hong Kong incorporated entities within the Predecessor Entities operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$25,000 (HK\$20,000 prior to June 2012) contribution to the plan vest immediately.

20 Income tax in the combined statements of financial position

(a) Current taxation in the combined statements of financial position represents:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for PRC				
Corporate Income Tax	6,312	227	6,520	859
Provision for Hong Kong				
Profits Tax	<u>2,860</u>	<u>962</u>	<u>3,229</u>	<u>3,876</u>
	<u>9,172</u>	<u>1,189</u>	<u>9,749</u>	<u>4,735</u>

(b) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 1(n), the Predecessor Entities have not recognized deferred tax assets in respect of unused tax losses of RMB130,000, RMB163,000, RMB57,000 and RMB161,000 as of December 31, 2011, 2012 and 2013 and November 15, 2012 respectively as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses for the Hong Kong subsidiaries do not expire under the current Hong Kong tax legislation.

(c) Deferred tax liabilities not recognized

As of December 31, 2011, 2012 and 2013 and November 15, 2012, the Predecessor Entities have not recognized deferred tax liabilities in respect of the PRC dividend withholding tax on temporary differences relating to the undistributed profits of the PRC entities included in the Predecessor Entities amounting to RMB129,528,000, RMB150,622,000, RMB52,298,000 and RMB131,478,000, respectively, as it was considered not probable that these profits would be distributed in the foreseeable future.

21 CAPITAL, RESERVES AND DIVIDENDS**(a) Capital**

The Combined Financial Information has been prepared by the directors using the basis of presentation set out in note 1(b). For the purpose of this report, capital in the combined statements of financial position as of December 31, 2011, 2012 and 2013 and November 15, 2012 represented the aggregate amount of share capital of the companies comprising the Predecessor Entities after elimination of investments in subsidiaries as set out in note 1. Capital in the combined statements of financial position as of December 31, 2011, 2012 and 2013 and November 15, 2012 were less than RMB1,000.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(q).

(c) Other reserves

Other reserves represent capital reserves and statutory reserves of the Predecessor Entities.

Statutory reserves

According to laws applicable to the foreign investment enterprises in the PRC and the Articles of Association of certain entities within the Predecessor Entities in the PRC, the PRC entities are required to appropriate part of their net profits as determined in accordance with

the PRC GAAP to various reserves. These include general reserve, statutory surplus reserve and statutory public welfare fund.

For general reserve, appropriation to general reserve is at the discretion of the directors of the relevant PRC entities. The reserve can only be used for specific purposes and is not distributable as cash dividends.

For statutory surplus reserve, 10% of the net profit, as determined in accordance with PRC GAAP, of the relevant PRC entities is transferred to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital of the relevant PRC companies. The transfer to this reserve must be made before distribution of dividends to shareholders can be made. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issue is not less than 25% of the registered capital. Any amount of funds outside of the 50% reserve balance can be distributed as by the relevant PRC entities, as advances or cash dividends, subject however, to complying with applicable requirements. Such dividend or loans could take a considerable amount of time to implement and to be processed by certain governmental agencies.

For statutory public welfare fund, 5% to 10% of the net profit, as determined in accordance with the PRC GAAP, of the relevant PRC entities is transferred to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefit of the employees such as the construction of dormitories, canteen and other staff welfare facilities. The fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of dividends to shareholders can be made.

As of December 31, 2011, 2012 and 2013 and November 15, 2012, the accumulated balances of these statutory reserves maintained in the PRC entities were RMB22,051,000, RMB24,227,000, RMB1,913,000 and RMB22,051,000, respectively.

(d) Dividends

No dividends have been declared or paid by the Predecessor Entities for the years ended December 31, 2011, 2012 and 2013 and the period from January 1, 2012 to November 15, 2012.

(e) Capital management

The primary objectives of the Predecessor Entities when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for their controlling parties, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 18, none of the entities comprising the Predecessor Entities are subject to externally imposed capital requirements.

22 COMMITMENTS

(a) Operating lease commitments

As of December 31, 2011, 2012 and 2013 and November 15, 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,911	1,880	1,469	108
After one year but within five years	<u>1,159</u>	<u>30</u>	<u>13</u>	<u>—</u>
	<u>4,070</u>	<u>1,910</u>	<u>1,482</u>	<u>108</u>

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

- (b) Pursuant to the terms of the Viewtran Agreement and the service agreement dated November 14, 2012 in relation to the acquisition of the Predecessor Entities by the Company, the Predecessor Entities are to pay a guarantee fee to Viewtran amounting to US\$250,000 each quarter for a transitional period up to December 31, 2014.

The Predecessor Entities will also pay a service fee to Viewtran charged at pre-determined rates over usage and revenue generated by the Predecessor Entities for supportive and administrative services, including logistics, warehousing, accounting service, customer service, human resource service and IT services for a period up to November 13, 2013.

For the purpose of the Combined Financial Information, the guarantee fee and service fee have been recognized as finance costs and administrative and other operating expenses, respectively, in the combined statements of comprehensive income.

- (c) As of December 31, 2011, 2012 and 2013 and November 15, 2012, the Predecessor Entities have outstanding purchase orders for components from suppliers in the amount of approximately RMB141,610,000, RMB125,489,000, RMB254,907,000 and RMB118,045,000, respectively. The Predecessor Entities do not have any minimum purchase obligations with these suppliers. Other than as described above and in note 23, the Predecessor Entities had no other contractual obligations, off-balance sheet guarantees or arrangements as of December 31, 2011, 2012 and 2013 and November 15, 2012.

23 CONTINGENT LIABILITIES

As of December 31, 2011, 2012 and 2013 and November 15, 2012, the entities comprising the Predecessor Entities were among the entities covered by certain cross guarantee arrangements with Viewtran. Under these arrangements, the Predecessor Entities and Viewtran are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. As of December 31, 2011, 2012 and 2013 and November 15, 2012, management of the Predecessor Entities does not consider it is probable that a claim will be made against the Predecessor Entities under any of the guarantees.

24 MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

<u>Name of party</u>	<u>Note</u>	<u>Relationships</u>	
		<u>Prior to November 15, 2012</u>	<u>After November 15, 2012</u>
Cogobuy Group		An entity wholly owned by Mr. Kang	Immediate holding company
Envision Global		An entity wholly owned by Mr. Kang	Ultimate holding company
Viewtran		Controlling company	An entity which Mr. Kang has significant influence
Beijing Comtech Ewit Electric Co. Ltd* 北京科通億維德電氣有限公司		Fellow subsidiary	An entity which Mr. Kang has significant influence
Comtech Broadband Corporation Limited	(i)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Comtech Broadband Technology Services (Shenzhen) Limited* 科博寬帶技術服務(深圳)有限公司	(ii)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Comtech Broadband Technology (Shenzhen) Co. Ltd.* 科通寬帶技術(深圳)有限公司	(ii)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Comtech Industrial (Hong Kong) Limited	(i)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
MDC Tech Inc. Limited		Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary

Name of party	Note	Relationships	
		Prior to November 15, 2012	After November 15, 2012
Mega Sky (Shenzhen) Limited* 萬天軟件(深圳)有限公司	(ii)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Mega Smart (Shenzhen) Limited* 曼誠軟件(深圳)有限公司	(ii)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Shanghai Comtech Electronic Technology Company Limited* 上海科姆特電子技術有限公司	(i)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Shanghai E&T System Company Limited* 上海憶特斯自動化控 制技術有限公司	(i)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Shenzhen Comtech International Limited* 深圳市科通國際電子 有限公司	(ii)	Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Viewtran Technology (Shenzhen) Co., Limited* 優創科技(深圳)有限公司		Fellow subsidiary	An entity which Mr. Kang has significant influence/ Fellow subsidiary
Cogobuy.com E-commerce Services (Shenzhen) Limited ("Cogobuy E-commerce")* 庫購網電子商務(深圳) 有限公司	(iii)	Independent third party	Fellow subsidiary

* The English translation of the above companies' names is for reference only. Their official names are in Chinese.

Notes:

- (i) These entities were acquired by the Company on November 20, 2013 and have become the fellow subsidiaries of the Predecessor Entities since November 20, 2013.
- (ii) These entities were acquired by Brilliant Group Global Limited, a fellow subsidiary, on November 20, 2013 and have become the fellow subsidiaries of the Predecessor Entities since November 20, 2013.
- (iii) The entity was acquired by the Company on February 1, 2013 and has become the fellow subsidiary of the Predecessor Entities since February 1, 2013.

In addition to the related party information disclosed elsewhere in this Combined Financial Information, the Predecessor Entities entered into the following significant material related party transactions during the Relevant Periods.

(a) Significant related party transactions

	Note	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Sales of products					
— fellow subsidiaries.....	(i)	—	—	—	11,374
— other related parties	(ii)	61,973	102,709	126,959	110,333
Purchase of products					
— fellow subsidiaries.....	(iii)	—	—	—	23,090
— other related parties	(iv)	70,919	177,594	189,134	175,804
Guarantee fee paid/ payable	(v)	—	—	779	6,130
Supportive and administrative service fee paid/payable	(vi)	—	—	976	11,431
Research and development expenses	(vii)	—	—	6,278	—
Sale of lease prepayments and construction in progress	(viii)	—	—	23,401	—
Commission fee paid/payable .	(ix)	—	—	—	25,925
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes:

- (i) Amount represented sales of electronic components to fellow subsidiaries.
- (ii) Amounts represented sales of electronic components to Viewtran, Brilliant Group and their subsidiaries.
- (iii) Amount represented purchases of electronic components from fellow subsidiaries.
- (iv) Amounts represented purchases of electronic components from Viewtran, Brilliant Group and their subsidiaries.
- (v) Amount represented the quarterly guarantee paid or payable to Viewtran for acting as the guarantors for the banking facilities of the Predecessor Entities (see note 18).
- (vi) Amount represented service fees paid or payable to Viewtran for supportive and administrative services provided by Viewtran and its subsidiaries (see note 22(b)).
- (vii) Amount represented fees paid or payable for research and development services acquired from a subsidiary of Viewtran.
- (viii) Amount represented the proceeds from the sale of the land use right and construction in progress with net book values of RMB19,015,000 and RMB398,000, respectively, to Envision Global, the ultimate controlling company, on November 16, 2012 (see note 9(c)).
- (ix) Amounts represented commission fees paid or payable to Cogobuy E-commerce in relation to the e-commerce platform.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Predecessor Entities, including amounts paid to the director of the entities within the Predecessor Entities as disclosed in note 6 and certain of the highest paid individuals as disclosed in note 7, is as follows:

	Year ended December 31, 2011	Period from January 1, 2012 to November 15, 2012	Year ended December 31, 2012	Year ended December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee				
benefits	420	368	420	420
Post-employment benefits ..	47	44	50	55
	<u>467</u>	<u>412</u>	<u>470</u>	<u>475</u>

Total remuneration is included in “staff costs” (see note 4(b)).

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Predecessor Entities' business.

The Predecessor Entities' exposure to these risks and the financial risk management policies and practices used by the Predecessor Entities to manage these risks are described below.

(a) Credit risk

The Predecessor Entities' credit risk is primarily attributable to trade and other receivables, amounts due from related parties and loan to immediate holding company. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These receivables are normally due within 30 to 60 days from the date of billing. Normally, the Predecessor Entities do not obtain collateral from customers.

The Predecessor Entities' exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Predecessor Entities have significant exposure to individual customers. As of December 31, 2011, 2012 and 2013 and November 15, 2012, 37.7%, 16.5%, 43.1% and 23.0%, respectively, of the total trade receivables were due from the Predecessor Entities' five largest customers. Among which, 6.3%, 1.9%, 3.1% and 7.2% of the total trade receivables as of December 31, 2011, 2012 and 2013 and November 15, 2012, respectively, were due from the largest customer.

Cash and cash equivalents and pledged deposits are placed with financial institutions with sound credit ratings to minimize credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statements of financial position. Except for the guarantees (see note 23) given by the Predecessor Entities to related party, the Predecessor Entities do not provide any other guarantees which would expose the Predecessor Entities to credit risk.

(b) Liquidity risk

Individual operating entities within the Predecessor Entities are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Predecessor Entities' policy is to regularly monitor its liquidity requirements and its compliance when leading covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities as of December 31, 2011, 2012 and 2013 and November 15, 2012 of the Predecessor Entities' financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Predecessor Entities can be required to pay:

	As of December 31, 2011		Carrying amount as of December 31, 2011
	Contractual undiscounted cash outflow		
	Within 1 year or on demand	Total	
	RMB'000	RMB'000	RMB'000
Trade and other payables	46,391	46,391	46,391
Bank loans	206,037	206,037	204,793
Amounts due to related parties	<u>356,586</u>	<u>356,586</u>	<u>356,586</u>
	<u>609,014</u>	<u>609,014</u>	<u>607,770</u>

	As of November 15, 2012 Contractual undiscounted cash outflow		Carrying amount as of November 15, 2012
	Within 1 year or on demand	Total	
	RMB'000	RMB'000	
Trade and other payables	75,216	75,216	75,216
Bank loans	373,010	373,010	369,112
	<u>448,226</u>	<u>448,226</u>	<u>444,328</u>
	As of December 31, 2012 Contractual undiscounted cash outflow		Carrying amount as of December 31, 2012
	Within 1 year or on demand	Total	
	RMB'000	RMB'000	
Trade and other payables	42,170	42,170	42,170
Bank loans	448,160	448,160	443,858
Amounts due to related parties	23,283	23,283	23,283
	<u>513,613</u>	<u>513,613</u>	<u>509,311</u>
	As of December 31, 2013 Contractual undiscounted cash outflow		Carrying amount as of December 31, 2013
	Within 1 year or on demand	Total	
	RMB'000	RMB'000	
Trade and other payables	178,361	178,361	178,361
Bank loans	462,313	462,313	458,403
Amounts due to related parties	171,685	171,685	171,685
	<u>812,359</u>	<u>812,359</u>	<u>808,449</u>

(c) Interest rate risk

The Predecessor Entities' interest rate risk arises primarily from fixed rate borrowings. The Predecessor Entities' interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Predecessor Entities' total interest bearing borrowings as of December 31, 2011, 2012 and 2013 and November 15, 2012:

	As of December 31, 2011		As of November 15, 2012		As of December 31, 2012		As of December 31, 2013	
	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount	Effective interest rate	Principal Amount
		RMB'000		RMB'000		RMB'000		RMB'000
Net fixed rate borrowing:								
Bank loans	2.10%	204,793	2.51%	369,112	2.40%	443,858	2.40%	458,403
Less: Loan to immediate holding company	—	—	—	—	2.50%	(423,647)	2.50%	(411,652)
Total net borrowings		<u>204,793</u>		<u>369,112</u>		<u>20,211</u>		<u>46,751</u>

The Predecessor Entities' future interest expense will fluctuate in line with any change in borrowing rates. Management considers the Predecessor Entities' exposure to interest rate risk is minimal as all borrowings are fixed rate borrowings.

(ii) Sensitivity analysis

As of December 31, 2011, 2012 and 2013 and November 15, 2012, as all of the Predecessor Entities' interest bearing borrowings are fixed rate borrowings, no sensitivity analysis on interest rate risk is presented.

(d) Currency risk

The Predecessor Entities are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB and United States dollars.

(i) Exposure to currency risk

The following table details the Predecessor Entities' exposure as of December 31, 2011, 2012 and 2013 and November 15, 2012 to currency risk arising from recognized assets or liabilities denominated in RMB and United States dollars. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of each reporting period. Differences resulting from the translation of the financial information of the entities with functional currency other than RMB into the Predecessor Entities' presentation currency are excluded.

	As of December 31, 2011	As of November 15, 2012	As of December 31, 2012	As of December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollars				
Trade and other				
receivables	146,449	205,765	188,645	178,777
Amounts due from				
related parties	25,614	6,088	451,003	453,588
Pledged deposits	368,193	—	—	—
Cash and cash				
equivalents	69,132	433,094	30,665	35,588
Trade and other				
payables	(31,986)	(71,426)	(29,433)	(170,317)
Amounts due to related				
parties	(3,871)	(226,256)	(224,910)	—
Bank loans	<u>(204,793)</u>	<u>(369,112)</u>	<u>(443,858)</u>	<u>(458,403)</u>
Net exposure arising				
from recognized				
assets and liabilities	<u>368,738</u>	<u>(21,847)</u>	<u>(27,888)</u>	<u>39,233</u>
	As of	As of	As of	As of
	December 31,	November 15,	December 31,	December 31,
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
RMB				
Amounts due from				
related parties	<u>458,655</u>	<u>462,945</u>	<u>441,703</u>	<u>330,794</u>
Net exposure arising				
from recognized				
assets and liabilities	<u>458,655</u>	<u>462,945</u>	<u>441,703</u>	<u>330,794</u>

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Predecessor Entities' profit before tax, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	Year ended December 31, 2011		Period from January 1, 2012 to November 15, 2012		Year ended December 31, 2012		Year ended December 31, 2013	
	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax
	RMB'000		RMB'000		RMB'000		RMB'000	
United States dollars . . .	5%	18,437	5%	(1,092)	5%	(1,394)	5%	1,962
	(5)%	(18,437)	(5)%	1,092	(5)%	1,394	(5)%	(1,962)
RMB	5%	22,933	5%	23,147	5%	22,085	5%	16,540
	(5)%	(22,933)	(5)%	(23,147)	(5)%	(22,085)	(5)%	(16,540)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the entities' profit before tax within the Predecessor Entities measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Predecessor Entities which expose to foreign currency risk at the end of each reporting period. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not RMB.

(e) Fair values

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

26 DISPOSAL OF ENTITIES

On December 1, 2013, the Company disposed of its entire equity interest in Comtech China to Envision Global, the ultimate controlling company of the Company, for a total consideration of US\$72,783,000 (equivalent to RMB443,969,000) settled in the form of a) cash of US\$92,000 (equivalent to RMB560,000); and b) forbearance of amounts due to Comtech China of RMB10,278,000 and

RMB433,131,000 by the entities comprising the Predecessor Entities after the disposal and certain other subsidiaries of the Company, respectively.

The following table summarises the amounts of assets and liabilities of Comtech China at the date of disposal:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	5,034
Inventories	6,868
Trade and other receivables	59,425
Amount due from related party	462,863
Cash and cash equivalents	49,671
Trade and other payables	(37,589)
Amounts due to related parties	(95,752)
Current taxation	(6,075)
Total	<u>444,445</u>

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Combined Financial Information. The principal accounting policies are set forth in note 1. The Predecessor Entities believe the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Combined Financial Information.

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Predecessor Entities' net assets value. The Predecessor Entities reassess these estimates annually.

(b) Impairment of trade and other receivables

The Predecessor Entities estimate the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Predecessor Entities reassess the impairment allowances annually.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Predecessor Entities review the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives are based on the Predecessor Entities' historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

28 LIST OF AUDITORS OF THE ENTITIES COMPRISING THE PREDECESSOR ENTITIES

The statutory financial statements of the entities comprising the Predecessor Entities which were subject to audit during the Relevant Periods were either prepared in accordance with HKFRSs issued by the HKICPA or the PRC GAAP issued by the Ministry of Finance of the PRC. These financial statements for the Relevant Periods were audited by the respective statutory auditors as indicated below:

Name of Company	Financial period	Statutory auditors
Comtech Communication Technology Shenzhen* 科通通信技術(深圳)有限公司 ..	For the years ended December 31, 2011 and 2012	Shenzhen Far East Certified Public Accounts* 深圳遠東 會計師事務所
Comtech Software Technology Shenzhen* 科通軟件技術 (深圳)有限公司	For the years ended December 31, 2011 and 2012	Shenzhen Far East Certified Public Accounts* 深圳遠東 會計師事務所
Comtech Industrial Shenzhen* 科通工業技術(深圳)有限公司 ..	For the years ended December 31, 2011, 2012 and 2013	Shenzhen Far East Certified Public Accounts* 深圳遠東 會計師事務所
Comtech Communication Technology (Hong Kong) Company Limited	For the year ended December 31, 2011	Venture Partners CPA Limited
Comtech International Hong Kong .	For the years ended December 31, 2011 and 2012	Venture Partners CPA Limited
Hong Kong JJT Limited	For the years ended December 31, 2011 and 2012	Venture Partners CPA Limited

* The English translation of the above companies and the statutory auditors' names are for reference only. Their official names are in Chinese.

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As of November 15, 2012, after the acquisition of the Predecessor Entities by the Company, December 31, 2012 and December 31, 2013, the directors consider the immediate controlling company of the Predecessor Entities to be Cogobuy Group (formerly known as Envision Global Group), which is incorporated in the Cayman Islands, and the ultimate controlling company of the Predecessor Entities to be Envision Global Investments Limited, which is incorporated in the BVI.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

The information set forth in this appendix does not form part of the accountants' reports prepared by KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set forth in Appendix IA to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the accountants' reports set forth in Appendices IA and IB to this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group as of March 31, 2014 as if the Global Offering had taken place on March 31, 2014.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of March 31, 2014 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as of March 31, 2014 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽³⁾⁽⁴⁾	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company ⁽²⁾	Unaudited pro forma adjusted net tangible assets per Share ⁽⁵⁾	
		(RMB thousands)		RMB	HK\$
Based on an Offer Price of HK\$3.20 per Share.	177,887	811,165	989,052	0.72	0.91
Based on an Offer Price of HK\$4.48 per Share	177,887	1,145,326	1,323,213	0.96	1.21

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of March 31, 2014 have been compiled based on the consolidated financial information included the Accountants' Report set out in Appendix IA to this prospectus, which is based on the consolidated net assets attributable to equity shareholders of the Company of RMB361,417,000 less goodwill of RMB154,136,000 and intangible assets of RMB29,394,000.
- (2) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2014.
- (3) The estimated net proceeds from the Global Offering are based on the indicative offer prices of HK\$3.20 and HK\$4.48 per Share, after deduction of the underwriting commissions and other listing related expenses payable by us without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For the purpose of estimated net proceeds from the Global Offering and the calculation of the unaudited pro forma adjusted net tangible assets per Share, the translation between Renminbi and HK dollars was made at the rate of HK\$1 = RMB0.7931, the central parity exchange rate for the HK dollars to the Renminbi on March 31, 2014 published by The People's Bank of China.

- (5) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,374,000,000 Shares (including the shares in issue as of March 31, 2014 and shares that may be issued pursuant to the RSU Scheme and the Global Offering) were in issue immediately following the completion of the Global Offering. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus:



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

July 8, 2014

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF COGOBUY GROUP**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Cogobuy Group (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as of March 31, 2014 and related notes as set out in Part A of Appendix II to the prospectus dated July 8, 2014 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as of March 31, 2014 as if the Global Offering had taken place at March 31, 2014. As part of this process, information about the Group's financial position as of March 31, 2014 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report of the Group as set out in Appendix IA to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as of March 31, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG*Certified Public Accountants*

Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 1, 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Amended Memorandum of Association (the “**Memorandum**”) and the Amended Articles of Association (the “**Articles**”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on June 27, 2014 which shall take effect upon Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any

of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director,

or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual

general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the

case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in

the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for

distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from March 18, 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on February 1, 2012. Our Company has been registered under Part 16 of the Companies Ordinance as a non-Hong Kong company on April 17, 2014 and our Company's principal place of business in Hong Kong is Block A, 5th Floor, Goodman Kwai Chung Logistics Centre, 585-609 Castle Peak Road, Kwai Chung, New Territories. Our Company's registered office is at the offices of Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. A summary of various parts of the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 50,000 Shares with a par value of US\$1.00 each.

The following sets out the changes in the Company's issued share capital since its incorporation.

- (a) On February 1, 2012, the Company allotted and issued one Share to Offshore Incorporations (Cayman) Limited, which was transferred to Envision Global on the same day.
- (b) On March 15, 2013, the Company allotted and issued 99 Shares to Envision Global, of which 30 Shares were transferred from Envision Global to Total Dynamic on the same day.

Assuming that the Global Offering becomes unconditional and the issue of Offer Shares as mentioned in this prospectus being made (taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and taking no account of any shares to be issued pursuant to the RSU Scheme), the authorized share capital of our Company will be US\$50,000 divided into 500,000,000,000 Shares, of which 1,374,000,000 Shares will be issued fully paid or credited as fully paid, and 498,626,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option and any shares to be issued pursuant to the RSU Scheme, our Company does not have any present intention to issue any of the authorized but unissued share capital and, no issue of Shares will be made which would effectively alter the control of our Company within 12 months from the Listing Date.

Save as disclosed herein and in the sub-paragraphs headed "Written resolutions of the shareholders passed on June 27, 2014" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiary and Shenzhen Cogobuy

Our Company's subsidiaries and Shenzhen Cogobuy are set out in the Accountants' Report set out in Appendix I to this prospectus. In addition to those disclosed in the sub-paragraphs headed "Changes in share capital of our Company" in this Appendix and the section headed "History, Reorganizaion and Corporate Structure", the following alterations in the share or registered capital of our Company's subsidiaries and Shenzhen Cogobuy have taken place within the two years immediately preceding the date of this prospectus:

Alphalink Global

On November 15, 2012, Cogo, Inc transferred its entire equity interest, being 1 ordinary share in Alphalink Global to the Company for par value US\$1.00.

Comtech Electronic

On April 22, 2013, Comtech China transferred its entire equity interest in Comtech Electronic to MDC Tech for RMB5 million.

On November 20, 2013, MDC Tech transferred its entire equity interest in Comtech Electronic to Comtech Industrial for RMB31 million.

E&T System

On November 20, 2013, Shenzhen Comtech International Limited (深圳市科通國際電子有限公司) transferred its entire equity interest in E&T System to Comtech Electronic for RMB10 million.

Save as aforesaid, there have been no other alterations in the share or registered capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. RSU Scheme

(a) Background

Our Company has adopted the RSU Scheme, which took effect as of March 1, 2014.

The purpose of the RSU Scheme is to reward the fidelity of the directors, executive officers, senior managers and employees of the Company and of its subsidiaries (collectively, "Scheme Companies" and each, a "Scheme Company") and align their interests with those of the Shareholders.

The RSU Scheme will become effective subject to and upon Listing. The grant of the RSUs will be made after Listing thereby recognizing the contribution of the Scheme Companies' directors, executive officers, senior managers and employees to the historical achievements of the Company.

The Company has the intention to continue exploring ways to incentivise, retain and reward Scheme Companies' directors, executive officers, senior management and employees and may implement other RSU schemes or other share-based remuneration schemes in the future.

(b) Restricted Share Units

Each RSU is a right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the RSU Scheme. For each RSU, the Eligible Participants (as defined below) may receive, subject to vesting, one Share.

RSUs cannot be sold, pledged or transferred by the Eligible Participants by any means, except by inheritance.

(c) Grant of RSUs

The RSU Scheme provides for the grant of RSUs by the Company to beneficiaries (the "**Beneficiaries**") selected at the discretion of the Board from among the directors, executive officers, senior management and employees of the Scheme Companies (the "**Eligible Participants**"). Under the RSU Scheme, grants have been made to approximately 423 eligible employees. See the section headed "Statutory and General Information — A. Further Information about our Company — 4. RSU Scheme — (f) Details of the RSUs granted under the RSU Scheme" for a list of the Beneficiaries and the number of RSUs granted to each of them.

The beneficiaries have been informed of the grants made under the RSU Scheme by a letter specifying the number of granted RSUs and the applicable terms and conditions relating to the grant.

Shares will not be released under the RSUs until the applicable vesting conditions have been satisfied.

(d) Shares underlying the RSUs

In order to allow release of Shares to Beneficiaries upon vesting of each RSU under the RSU Scheme, the Company will allot and issue prior to Listing 30,200,000 Shares (the "**Scheme Shares**"), representing the total number of Shares required under the RSU Scheme.

Immediately after completion of the Global Offering, the Scheme Shares will represent approximately 2.20% of the total issued share capital of the Company (assuming the Over-allotment Option is not exercised). The Scheme Shares will be held on trust by the Scheme Trustee until their release to the Beneficiaries upon vesting of their RSUs.

The grant of RSUs by the Company or transfer upon vesting of the RSUs of any of the Scheme Shares by the Scheme Trustee to a connected person of the Company should not be subject to the requirements of Chapter 14A of the Listing Rules.

No further Shares will be issued by the Company to the Scheme Trustee for the purpose of the RSU Scheme. The Scheme Shares held by the Scheme Trustee will not be included in the calculation of the number of Shares in the public float.

(e) Vesting of RSUs

Vesting of RSUs is subject to continued employment of the Beneficiaries with a Scheme Company over the vesting period.

In the event of termination of the employment or corporate officer's mandate of a Beneficiary with a Scheme Company, his or her RSUs will be forfeited: (i) in the case of employment contracts, such forfeiture shall take effect on the date of receipt of the dismissal letter or the submission of the resignation letter (as the case may be), notwithstanding any period of notice (regardless of whether it has been given or satisfied), or on the date of the termination of the employment agreement for other circumstances, and (ii) in the case of corporate officer's mandate, such forfeiture shall take effect on the date of the expiration of the term of the mandate, or on the date of the dismissal or notification of such dismissal.

Exceptions apply in the case of the Beneficiary's death and disability. In such events, RSUs are not forfeited and Shares are released to the Beneficiaries or his or her heirs upon their request.

In the case of retirement or early retirement of the Beneficiary, RSUs are not forfeited. However, the Shares are not released until they vest on the grantee.

If a Beneficiary's employer ceases to be a Scheme Company during the vesting period, the continued employment condition will be deemed not to have been satisfied.

The vesting period of the RSUs is as follows:

- **Part 1** — the vesting period of the RSUs is fixed at three years from January 1, 2014 to December 31, 2016 and Shares are issued quarterly in four equal instalments.
- **Part 2** — the vesting period of the RSUs is fixed at one year and Shares are issued on December 31, 2014.

The RSUs do not vest unless the Listing occurs and employees who leave the group before or after Listing forfeit their right to any unvested RSUs.

Upon vesting, the Company instructs the Scheme Trustee to release Scheme Shares to the Beneficiary on its behalf.

No consideration is paid or payable by the grantees for the Shares to be issued under the RSU Scheme.

(f) Details of the RSUs granted under the RSU Scheme

Details of the RSUs granted pursuant to the RSU Scheme to the Directors are set out below:

<u>Name of Director</u>	<u>Number of Shares Underlying the RSUs granted</u>	<u>Vesting Period</u>
Mr. Kang	1,800,000	<ul style="list-style-type: none"> • One-third of which will vest for the year ended December 31, 2014 in equal quarterly installments • One-third of which will vest for the year ended December 31, 2015 in equal quarterly installments • One-third of which will vest for the year ended December 31, 2016 in equal quarterly installments
Mr. Wu	1,800,000	<ul style="list-style-type: none"> • One-third of which will vest for the year ended December 31, 2014 in equal quarterly installments • One-third of which will vest for the year ended December 31, 2015 in equal quarterly installments • One-third of which will vest for the year ended December 31, 2016 in equal quarterly installments

As noted above, the RSUs do not vest unless the Listing occurs. In respect of the RSUs granted pursuant to the RSU Scheme to the other grantees,

- (a) the RSUs granted to 26 grantees in respect of 19,346,300 underlying Shares have a vesting period of three years as follows:
- One-third of which will vest for the year ended December 31, 2014 in equal quarterly installments
 - One-third of which will vest for the year ended December 31, 2015 in equal quarterly installments
 - One-third of which will vest for the year ended December 31, 2016 in equal quarterly installments

- (b) the RSUs granted to 395 grantees in respect of 7,253,700 underlying Shares have a vesting period of one year at the end of December 31, 2014.

Assuming the Over-allotment Option is not exercised but taking into account Shares to be issued under the RSU Scheme, the shareholding structure of our Company prior to and immediately following the vesting of all the RSUs granted pursuant to the RSU Scheme would be as follows:

Name of Shareholder	Immediately following the completion of the Global Offering and prior to the vesting of all the RSUs granted pursuant to the RSU Scheme		Immediately following the completion of the Global Offering and the vesting of all the RSUs granted pursuant to the RSU Scheme	
	Number of Shares	%	Number of Shares	%
Mr. Kang	700,000,000	52.09%	701,800,000	51.08%
Ms. Yao	300,000,000	22.33%	300,000,000	21.83%
Other grantees of RSUs granted pursuant to the RSU Scheme	—	—	28,400,000	2.07%
Shareholders taking up Shares pursuant to the Global Offering .	<u>343,800,000</u>	<u>25.58%</u>	<u>343,800,000</u>	<u>25.02%</u>
Total	<u><u>1,343,800,000</u></u>	<u><u>100%</u></u>	<u><u>1,374,000,000</u></u>	<u><u>100%</u></u>

6. Written resolutions of the shareholders passed on June 27, 2014

Pursuant to the resolutions in writing of all our Shareholders passed on June 27, 2014:

- (a) (i) each unissued and issued share of US\$1.00 par value each of the Company was subdivided into 10,000,000 shares of US\$0.0000001 par value each so that the authorised share capital of the Company shall be US\$50,000 divided into 500,000,000,000 ordinary shares of par value US\$0.0000001 each and the issued share capital shall be US\$100 divided into 1,000,000,000 shares of US\$0.0000001 par value each; and
- (ii) our Company approved and adopted the Memorandum with immediate effect and the Articles with effect upon Listing;
- (b) conditional on: (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering; (ii) the Offer Price having been determined the exercise of the Over-allotment Option, and any shares to be issued pursuant to the RSU Scheme; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional

(including, if relevant, as a result of the waiver of any condition(s) by the Global Coordinator and/or the Joint Bookrunners (on behalf of the Underwriters) (as the case may be) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise; and (iv) the Stock Borrowing Agreement having been duly executed by the Stabilization Manager and Envision Global;

- (i) the Global Offering was approved and our Directors were authorized to effect the same and to allot and issue the new Shares pursuant to the Global Offering;
- (ii) the grant of the Over-allotment Option by the Company to the International Purchasers to allot and issue up to an aggregate of 51,570,000 Shares to cover, among other things, the over-allotment in the International Offering was approved;
- (iii) the proposed Listing was approved and our Directors were authorized to implement Listing;
- (iv) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements any adjustment to rights to subscribe for Shares under options and warrants, or a specific authority granted by the Shareholders, or upon the exercise of the Over-allotment Option, or any shares to be issued pursuant to the RSU Scheme. This general mandate to issue Shares will remain in effect until:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the end of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles; or
- (3) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest;

- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or any shares to be issued pursuant to the RSU Scheme);

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. Such mandate will expire:

- (1) at the conclusion of the next annual general meeting of our Company;
- (2) at the end of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles; or
- (3) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

- (vi) the general unconditional mandate as mentioned in paragraph (iv) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, or any shares to be issued pursuant to the RSU Scheme);
- (vii) the Scheme Trustee was appointed as the trustee of the Scheme Shares to administer the RSU Scheme pursuant to the terms and conditions of the RSU Scheme rules, and the Company was authorized to issue and allot 30,200,000 Scheme Shares to the Scheme Trustee at par value to be held on trust for the benefit of the participants of the RSU Scheme, and such value to be paid by Envision Global Investments Limited;
- (viii) any executive Director was authorised to do all acts and take any steps on behalf of the Company as he or she considers necessary to give effect to the special or ordinary resolution passed therein;
- (ix) each of Mr. KANG Jingwei and Mr. WU Lun Cheung Allen were redesignated as executive Directors of the Company; and
- (x) Mr. ZHONG Xiaolin Forrest, Mr. YE Xin and Mr. YAN Andrew were appointed as independent non-executive Directors of the Company with effect from Listing.

7. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated October 23, 2012 (amended by an agreement dated May 29, 2014 entered into by the same parties) entered into between Viewtran and our Company, pursuant to which Viewtran agreed to sell and our Company agreed to acquire all the issued share capital of Alphalink Global, Comtech HK and Comtech China for a total consideration of US\$78 million;

- (b) an asset transfer agreement dated November 15, 2012 entered into between Envision Global and the Company, pursuant to which the Company agreed to transfer a parcel of land to Envision Global for a consideration of RMB19,705,300 (the “**Asset Transfer Agreement**”);
- (c) a deed dated February 1, 2013 entered into between Ms. Yao and Cogobuy Holding, pursuant to which Ms. Yao agreed to hold her equity interest in Shenzhen Cogobuy, together with all dividends and interest, rights and privileges arising therefrom, on trust for the benefit of Cogobuy Holding at nil consideration;
- (d) a share swap agreement dated February 1, 2013 (the “**Share Swap Agreement**”) entered into between Total Dynamic and Envision Global, pursuant to which Total Dynamic agreed to sell its entire equity interest in Cogobuy Holding to Envision Global, in exchange for Envision Global agreeing to transfer 30 shares of our Company to Total Dynamic (the “**Share Swap**”);
- (e) an agreement dated November 20, 2013 entered into between our Company and Brilliant, pursuant to which our Company agreed to acquire and Brilliant agreed to sell the entire issued share capital of (i) Gold Tech; (ii) Mega Smart; and (iii) Comtech Broadband for a total consideration of US\$3 million;
- (f) a share transfer agreement dated November 20, 2013 entered into between MDC Tech and Comtech Industrial, pursuant to which MDC Tech agreed to transfer its entire equity interest in Comtech Electronic to Comtech Industrial for RMB30,904,372;
- (g) a share transfer agreement dated November 20, 2013 entered into between Comtech Electronic and Shenzhen Comtech International Limited (深圳市科通國際電子有限公司) (“**Shenzhen Comtech**”), pursuant to which Shenzhen Comtech agreed to transfer its 19% equity interest held in E&T System to Comtech Electronic for RMB1,773,356;
- (h) an agreement dated March 17, 2014 entered into between MDC Tech and Comtech Industrial, pursuant to which, MDC Tech agreed to hold its entire equity interest in Comtech Electronic, together with all dividends, interest, rights, privileges and revenues arising therefrom, on trust for the benefit of Comtech Industrial at nil consideration;
- (i) a supplement agreement to the Asset Transfer Agreement dated November 30, 2013 entered into between Envision Global and the Company, pursuant to which we agreed to dispose of Comtech China to Brilliant for a consideration of US\$72,875,000, payable by US\$92,000 in cash and a forbearance of our liability in the amount of US\$72,783,000;
- (j) a master exclusive service agreement dated March 13, 2014 entered into between Cogobuy E-Commerce and Shenzhen Cogobuy, as further described in the section headed “Contractual Arrangements”;
- (k) a business cooperation agreement dated March 13, 2014 entered into between Cogobuy E-Commerce, Shenzhen Cogobuy and Ms. Yao, as further described in the section headed “Contractual Arrangements”;
- (l) a proxy agreement and power of attorney dated March 13, 2014 entered into between Cogobuy E-Commerce, Shenzhen Cogobuy and Ms. Yao, as further described in the section headed “Contractual Arrangements”;
- (m) an exclusive option agreement dated March 13, 2014 entered into between Cogobuy E-Commerce, Shenzhen Cogobuy and Ms. Yao, as further described in the section headed “Contractual Arrangements”;

- (n) a share pledge agreement dated March 13, 2014 entered into between Cogobuy E-Commerce, Shenzhen Cogobuy and Ms. Yao, as further described in the section headed “Contractual Arrangements”;
- (o) a trust agreement dated March 17, 2014 entered into between Comtech Industrial and MDC Tech, pursuant to which Comtech Industrial agreed to hold the equity interest of Mega Smart (Shenzhen) Limited (曼誠軟件(深圳)有限公司) on trust for the benefit of MDC Tech at nil consideration;
- (p) a trust agreement dated March 17, 2014 entered into between Broadband Corporation and Mega Sky Industrial Limited (“**Mega Sky**”), pursuant to which Broadband Corporation agreed to hold the equity interest of Comtech Broadband Technology Service (Shenzhen) Company (科博寬帶技術服務(深圳)有限公司) on trust for the benefit of Mega Sky at nil consideration;
- (q) a deed of indemnity dated March 26, 2014 (amended by a deed of amendment dated March 31, 2014 entered into by the same parties) entered into between Brilliant and our Company, whereby Brilliant agreed to indemnify our Company for, among other things, damages and liabilities in connection with any claim arising against any of the Envision Global Entities prior to the date of the share purchase agreement entered into by the same parties dated November 20, 2013, including a claim for US\$1,368,000 brought by Murata Company Limited against Broadband Corporation;
- (r) a deed of indemnity dated March 31, 2014 entered into between Mr. Kang and our Company, whereby Mr. Kang agreed to indemnify our Company for, among other things, damages and liabilities in connection with any claim arising against any of the Envision Global Entities prior to the date of the share purchase agreement entered into between Brilliant and our Company dated November 20, 2013, including a claim for US\$1,368,000 brought by Murata Company Limited against Broadband Corporation;
- (s) a deed of indemnity dated March 31, 2014 entered into between Mr. Kang and our Company, whereby Mr. Kang agreed to indemnify our Company for, among other things, damages and liabilities in connection with any claim arising on or before the date of the Share Swap Agreement against any of Cogobuy Holding and its subsidiaries or in connection with the Share Swap;
- (t) a deed of indemnity dated March 31, 2014 entered into between Total Dynamic and our Company, whereby Total Dynamic agreed to indemnify our Company for, among other things, damages and liabilities in connection with any claim arising against any of Cogobuy Holding and its subsidiaries prior to our acquisition of them;
- (u) a cornerstone agreement dated July 2, 2014 entered into between the Company, Hong Kong Huicong International Group Limited, HC International, Inc., UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, as further described in the section headed “Cornerstone Investors”;
- (v) a cornerstone agreement dated July 3, 2014 entered into between the Company, Blueberry Capital Limited, UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, as further described in the section headed “Cornerstone Investors”;
- (w) a cornerstone agreement dated July 3, 2014 entered into between the Company, Unique Golden Limited, Digital China Holdings Limited, UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, as further described in the section headed “Cornerstone Investors”; and
- (x) the Hong Kong Underwriting Agreement.

B. PURCHASE BY THE COMPANY OF ITS OWN SECURITIES

This section includes information required by the Stock Exchange to be included in this prospectus concerning the purchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

The Listing Rules provide that all purchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(ii) Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any purchases by the Company may be made out of profits or from sums standing to the credit of our share premium account or out of an issue of new shares made for the purpose of the purchase or, if authorized by its Memorandum and Articles of Association and subject to the Companies Law, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles of Association and subject to the Companies Law, out of capital.

(iii) Status of repurchased shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under Hong Kong law, a company's purchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the purchased shares accordingly although the authorized share capital of the company will not be reduced.

(iv) Connected parties

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the company.

2. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

3. General

- (a) None of our Directors, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.
- (b) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong.
- (c) If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.
- (d) No connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP


1. Trademarks

As of the Latest Practicable Date, the Group had registered the following trademarks which we believe are material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Registration Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1.	科通芯城	PRC	Cogobuy	35	11289829	01/08/2012	13/01/2024
2.	科通芯城	PRC	Cogobuy	42	11289957	01/08/2012	27/12/2023
3.	科通芯城	PRC	Cogobuy	38	11290042	01/08/2012	27/12/2023
4.	Cogobuy	PRC	Cogobuy	38	11290118	01/08/2012	27/12/2023
5.	Cogobuy	PRC	Cogobuy	35	11290564	01/08/2012	27/12/2023
6.	Cogobuy	PRC	Cogobuy	42	11290694	01/08/2012	27/12/2023

As of the Latest Practicable Date, the Group has applied for the following trademarks which we believe are material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Application Number	Application Date (dd/mm/yyyy)
7.	科通芯城	Hong Kong	Cogobuy	9	302907388	26/02/2014
8.	科通芯城	Hong Kong	Cogobuy	35	302907388	26/02/2014
9.	科通芯城	Hong Kong	Cogobuy	38	302907388	26/02/2014
10.	COGOBUY	Hong Kong	Cogobuy	9	302907397	26/02/2014
11.	COGOBUY	Hong Kong	Cogobuy	35	302907397	26/02/2014
12.	COGOBUY	Hong Kong	Cogobuy	38	302907397	26/02/2014
13.		Hong Kong	Cogobuy	9	302907405	26/02/2014
14.		Hong Kong	Cogobuy	35	302907405	26/02/2014

No.	Trademark	Place of Registration	Registered Owner	Class	Application Number	Application Date (dd/mm/yyyy)
15.		Hong Kong	Cogobuy	38	302907405	26/02/2014
16.	硬蛋	PRC	Shenzhen Cogobuy	35	13523784	11/11/2013
17.	硬蛋	PRC	Shenzhen Cogobuy	41	13523785	11/11/2013
18.	科通芯城	PRC	Cogobuy	9	11289717	01/08/2012

2. Copyrights

As of the Latest Practicable Date, the Group had registered the following copyrights which are material in relation to our Group's business:

No.	Copyright	Version	Copyright Number	Registration Number	Registration Date (dd/mm/yyyy)
1.	Synthetic self-similar traffic simulation software (自相似數據流合成仿真系統軟件)	V1.0	0378916	2012SR010880	17/02/2012
2.	Communications software, 3D virtual experimental system (通信3D虛擬實驗系統軟件)	V1.0	0378014	2012SR010878	17/02/2012
3.	Automatic potentiometric titrator software (自動電位滴定儀軟件)	V1.0	0636371	2013SR130609	21/11/2013
4.	Smart card charge management system software (智能卡收費管理系統軟件)	V1.0	0636369	2013SR130607	21/11/2013
5.	LCD touch screen applications (觸摸液晶屏應用軟件)	V1.5	0479860	2012SR111824	21/11/2012
6.	Foreign etrade management software (etrade外貿管理軟件)	V1.0	0684892	2014SR015648	11/02/2014
7.	YHmapsNavigation Software (YHmaps導航軟件)	V1.0	0684772	2014SR015528	11/02/2014

No.	Copyright	Version	Copyright Number	Registration Number	Registration Date (dd/mm/yyyy)
8.	IC Online merchandise display system (IC商品在 線展示系統).....	V1.0	0614538	2013SR108776	15/10/2013
9.	Users online trading system (用戶在線交易系統)	V1.0	0614489	2013SR108727	15/10/2013
10.	Online Shopping System Software (網上購物系統軟件)	V1.0	0667966	2013SR162204	30/12/2013
11.	Electronic Patrol System Software (電子巡更系統軟件)	V1.0	0667706	2013SR161944	30/12/2013
12.	Online expense approval software (在線費用審批軟件)	V1.0	0614524	2013SR108762	15/10/2013
13.	Order approving software (在線訂單審批軟件)	V1.0	0614522	2013SR108760	15/10/2013

3. Domain names

As of the Latest Practicable Date, the Group had registered and maintain the following domain names which are material in relation to our Group's business:

No.	Domain Name	Registered Owner	Expiry Date (dd/mm/yyyy)
1.	Cogoask.com	Cogobuy Holding	27/09/2021
2.	Cogobuy.com	Shenzhen Cogobuy	27/09/2021
3.	Cogo.com.cn	Cogobuy E-commerce	10/09/2018
4.	Cogoexpress.com	Cogobuy Holding	06/06/2017
5.	Cogobroadband.com.....	Broadband Corporation	21/01/2016
6.	Cogozon.com	Cogobuy Holding	26/05/2017
7.	Comtech-spd.com	Cogobuy Holding	12/05/2015
8.	Comtech.com.cn	Cogobuy E-commerce	04/02/2015
9.	Icbom.com	Cogobuy Holding	25/07/2015
10.	Shkmt.com.cn	Shanghai Comtech Electronic Company Limited	05/05/2021
11.	ingdan.com	Shenzhen Cogobuy	11/10/2014
12.	etsys.cn.....	E&T System	21/10/2014
13.	Cogobuy.co	Cogobuy E-Commerce	05/06/2015

Note: Information contained on the websites above do not form part of this prospectus.

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

D. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' service contracts

(i) Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever is sooner). Either party has the right to give written notice to terminate the agreement. Details of the Company's remuneration policy is described in "Directors and Senior Management — Directors' and Senior Management's Remuneration."

The annual salaries of the executive Directors payable by the Company are as follow:

<u>Executive Director</u>	<u>HK\$</u>
Mr. Kang	1,280,902
Mr. Wu	1,280,902

(ii) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our independent non-executive Directors is three years with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever is sooner).

<u>Independent non-executive Director</u>	<u>HK\$</u>
ZHONG Xiaolin, Forrest	300,000
YE Xin	300,000
YAN Andrew	300,000

2. Remuneration of Directors

- (a) Our Group did not pay or grant any remuneration or benefits in kind to our Directors in respect of the years ended December 31, 2011, 2012 and 2013, respectively, because both Mr. Kang and Mr. Wu were appointed as executive Directors in March 2014 and the appointment of the independent non-executive Directors will become effective as of the Listing Date. For the three months ended March 31, 2014, our Group paid to our Directors remuneration or benefits in kind of RMB0.6 million.

- (b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2014, are expected to be approximately HK\$5,883,000 in aggregate (excluding discretionary bonus and Shares to be issued pursuant to the RSU Scheme).
- (c) Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(A) Directors

- (a) *Disclosure of interest — interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and issue and allotment of Shares pursuant to the RSU Scheme, assuming that the Over-allotment Option are not exercised, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed, are as follows:

- (i) Interests in the Shares

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Share</u>	<u>Approximate percentage of shareholding</u>
Mr. Kang	Interest of a controlled corporation ⁽¹⁾	700,000,000	50.95%

Note:

- (1) Mr. Kang owns Envision Global as to 100%, which in turn owns these Shares. Mr. Kang is therefore deemed to be interested in these Shares held by Envision Global.

(ii) Interests in the underlying shares of our Company

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Underlying Share subject to the shares to be granted under the RSU Scheme</u>	<u>Approximate percentage of shareholding⁽¹⁾</u>
Mr. Kang	Beneficial owner	1,800,000	0.13%
Mr. Wu	Beneficial owner	1,800,000	0.13%

Note:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following completion of the Global Offering (without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or shares to be issued pursuant to the RSU Scheme).

(iii) Interests in associated corporations

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Number of securities interested</u>	<u>Approximate percentage of shareholding</u>
Mr. Kang	Envision Global	1 share	100%
Mr. Kang	Brilliant	1 share	100%

Note:

- (1) Mr. Kang owns Envision Global directly as to 100% and Envision Global owns Brilliant directly as to 100%.

(B) Substantial Shareholders

- (a) So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option but taking into account Shares to be issued pursuant to the RSU Scheme) the following persons (other than our Directors and chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding⁽⁴⁾</u>
Envision Global	Beneficial interest	700,000,000	50.95%
Mr. Kang ^(note 1)	Interest of a controlled corporation	700,000,000	50.95%
Mr. Kang ^(note 2)	Beneficial interest	1,800,000	0.13%
Total Dynamic	Beneficial interest	300,000,000	21.83%
Ms. Yao ^(note 3)	Interest of a controlled corporation	300,000,000	21.83%

Notes:

1. Mr. Kang owns Envision Global as to 100%, which in turn owns these Shares. Therefore, Mr. Kang is deemed to be interested in these Shares held by Envision Global.
2. This represents the number of Shares that Mr. Kang is entitled to be issued to him under the RSU Scheme. Taking into account his interest in the Company held by Envision Global, he is deemed to be interested in the Company as to 51.08%.
3. Ms. Yao owns Total Dynamic as to 100%, which in turn owns these Shares. Therefore, Ms. Yao is deemed to be interested in these Shares held by Total Dynamic.
4. The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following completion of the Global Offering (without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or Shares to be issued pursuant to the RSU Scheme).

- (b) As of the Latest Practicable Date, so far as is known to our Directors, the following persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital:

<u>Name of shareholder</u>	<u>Name of member of our Group</u>	<u>Approximate percentage of shareholding</u>
Boost Up Group Limited	Comtech Digital (HK)	40%
Broad Wise Holdings Limited	Broadband Corporation	30%

4. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

- (b) none of the Directors or the experts named in “Consents of experts” has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the Over-Allotment Option or any Shares to be issued pursuant to the RSU Scheme, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering and the IPO Reorganization, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

E. OTHER INFORMATION

1. Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

2. Preliminary Listing expenses

The preliminary listing expenses of the Global Offering are estimated to be approximately HK\$53.4 million and are payable by our Company.

3. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$25,000 and have been paid by our Company.

4. Agency fees or commissions

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

5. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Global Offering, the exercise of the Over-allotment option, and any Shares to be issued pursuant to the RSU Scheme. All necessary arrangements have been made enabling such Shares to be admitted into CCASS.

The Sole Sponsor's fee in relation to the Listing is US\$1 million.

6. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position since March 31, 2014 (being the date on which the latest audited combined financial statements of the Group were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Miscellaneous

(a) Save as disclosed in this prospectus:

- (1) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and

- (2) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Our Company has no founder shares, management shares or deferred shares in the capital of the Company.
- (c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (d) None of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
UBS Securities Hong Kong Limited	Licensed to conduct Type 1 (dealing in securities), type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO
KPMG	Certified Public Accountants
Broad & Bright Law Firm	PRC legal advisor to our Company
Grandall Law Firm.....	PRC legal advisor to the Sole Sponsor
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Analysys International	Industry Consultant

10. Consents of experts

Each of the experts listed in the paragraph headed “Qualifications of experts” in this Appendix has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report, letter, summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As of the Latest Practicable Date and save as disclosed in the preceding paragraph, none of the experts named in the paragraph headed “Qualifications of experts” in this Appendix had any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

F. GENERAL**1. Taxation of Holder of our Shares***(i) Hong Kong*

Dealings in Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(ii) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of shares.

(iii) Consultation with professional advisors

Potential investors in the Global Offering should consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasized that none of us, the Sole Sponsor and the Underwriters and their respective directors or any other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

2. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Appendix IV — Statutory and General Information — E. Other Information — Consents of experts” in this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Appendix IV — Statutory and General Information — A. Further Information about our Company — Summary of the material contracts” in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants’ Report prepared by KPMG, the text of which are set out in Appendix I to this prospectus;
- (c) the letter received from KPMG on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman Islands Company Law as referred to in Appendix III to this prospectus;
- (e) the Companies Law;
- (f) the material contracts referred to in the paragraph headed “Appendix IV — Statutory and General Information — A. Further Information About Our Company — Summary of the material contracts” in this prospectus;
- (g) the service contracts with Directors, referred to in the paragraph headed “Appendix IV — Statutory and General Information — D. Further Information about the Directors and Substantial Shareholders — Particulars of Directors’ service contracts” in this prospectus;
- (h) the written consents referred to in the paragraph headed “Appendix IV — Statutory and General Information — E. Other Information — Consents of experts” in this prospectus;

- (i) the legal opinions dated this prospectus date prepared by Broad & Bright Law Firm, our legal advisor as to PRC law, and Grandall Law Firm, the Legal advisors to the underwriters, in respect of certain aspects of our Group and our property interests;
- (j) our RSU Scheme; and
- (k) the report issued by Analysys International.

科通芯城
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