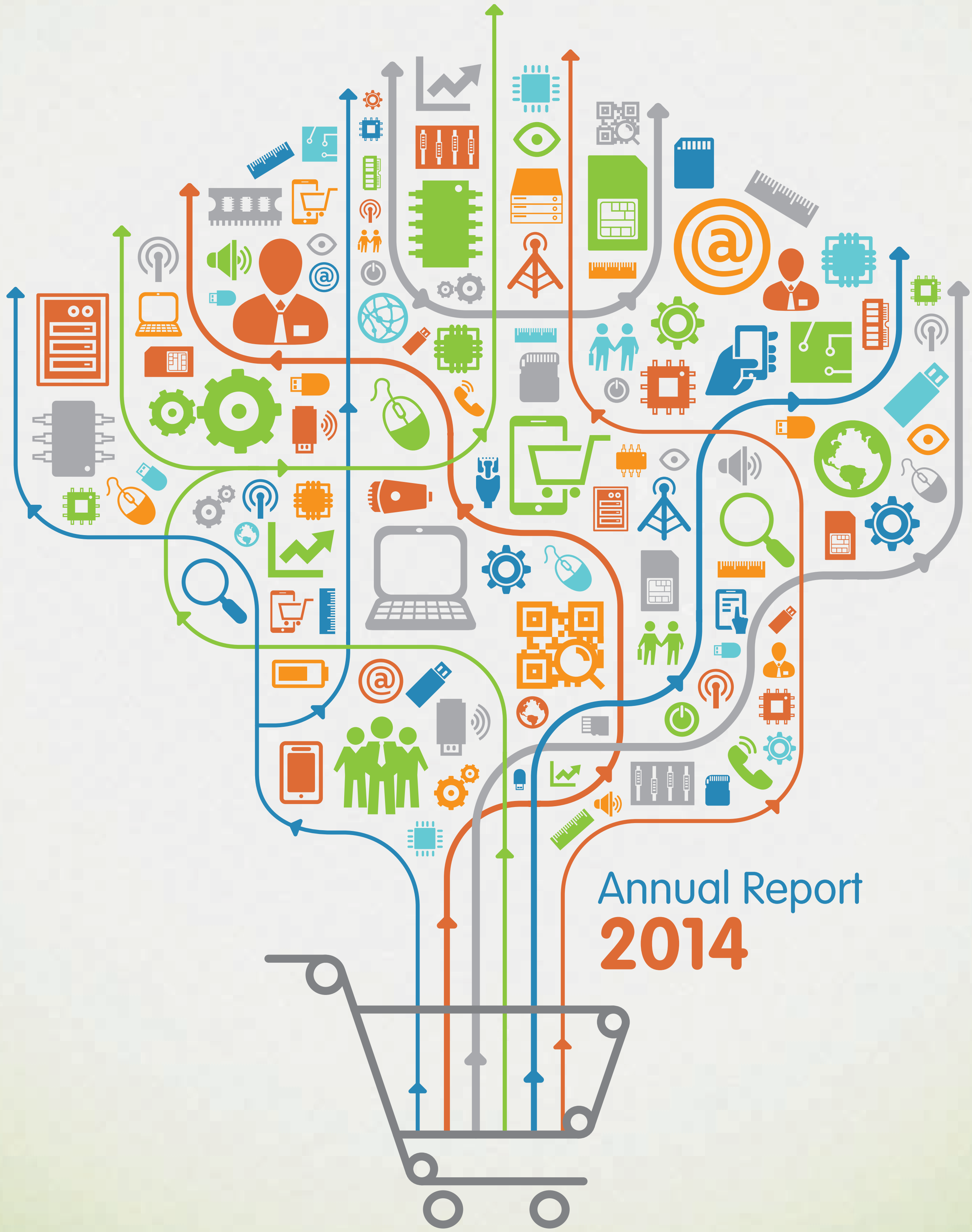
科通芯城
Cogobuy.com

Cogobuy Group 科通芯城集團

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



Annual Report 2014

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

KANG Jingwei, Jeffrey
(Chief Executive Officer and Chairman of the Board)
WU Lun Cheung Allen *(Chief Financial Officer)*
NI Hong, Hope *(Chief Investment Officer)*
(appointed on March 1, 2015)

Non-Executive Director

GUO Jiang *(appointed on March 1, 2015)*

Independent Non-Executive Directors

ZHONG Xiaolin, Forrest
YE Xin
YAN Andrew Y.

AUDIT COMMITTEE

ZHONG Xiaolin, Forrest *(Chairman)*
YE Xin
YAN Andrew Y.

REMUNERATION COMMITTEE

ZHONG Xiaolin, Forrest *(Chairman)*
YE Xin
YAN Andrew Y.

NOMINATION COMMITTEE

ZHONG Xiaolin, Forrest *(Chairman)*
YE Xin
YAN Andrew Y.

REGISTERED OFFICE

Offices of Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P. O. Box 2861
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

9th Floor, Skyworth Building Tower C
High-Tech Industrial Park, Nanshan
Shenzhen 518057, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Block A, 5th Floor
Goodman Kwai Chung Logistics Centre
585-609 Castle Peak Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY SECRETARY

WU Lun Cheung Allen

AUTHORIZED REPRESENTATIVES

KANG Jingwei, Jeffrey
WU Lun Cheung Allen

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong and U.S. laws:
Skadden, Arps, Slate, Meagher & Flom

As to PRC law:
Broad & Bright Law Firm

As to Cayman Islands law:
Conyers Dill & Pearman (Cayman) Limited

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

LISTING INFORMATION

Hong Kong Stock Exchange, Stock Code: 0400

COMPANY WEBSITE

www.cogobuy.com

Financial Highlights

FINANCIAL HIGHLIGHTS

	Year ended December 31, 2014	2013	Year-on-year change
	(Renminbi ("RMB") in millions, unless specified)		
Revenue	**6,848.4**	2,417.3	183.3%
Gross profit	**533.1**	202.1	163.8%
Profit for the year	**210.0**	86.6	142.5%
Profit attributable to equity holders of the Company	**194.1**	82.1	136.4%
Earnings per share (RMB per share)			
— basic	**0.168**	0.089	88.8%
— diluted	**0.166**	0.089	86.5%

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present our first annual report since listing on the Main Board of the Hong Kong Stock Exchange. In recent years, the Internet of Things (the "**IoT**") industry is showing remarkable growth all over the world. IoT has become one of the new strategic focuses of the current round of economic and technology development which has an important and practical significance for promoting economic development and social progress. Technology and innovation was one of China's key strategic focuses this year. In a speech to the National People's Congress, Chinese Premier LI Keqiang debuted the "Internet-plus" plan to stimulate more start-ups in China to create more jobs. Under this macro environment, we recorded strong earnings growth in 2014 and remain confident in the years to come.

BUSINESS REVIEW

In the year of 2014, all of our business lines delivered outstanding performance. Our Gross Merchandise Value ("**GMV**") in 2014 reached a record high of RMB8.4 billion, which represents 112.8% growth over last year.

We launched INGDAN.com in September 2013, which has since evolved from an interactive and engaging online community promoting idea and knowledge exchanges among smart device designers and engineers in China to a full scale supply chain platform serving the IoT industry. With a campaign commenced at the end of 2014, followers of INGDAN.com have hit the 1-million mark in February 2015. I believe this is creating a very powerful fans-economy opportunity for the Group's business development. With a large number of INGDAN.com followers, the Group not only helps hardware innovators connect with supply chain providers, but also promotes their new products to target customers while developing their corporate brands. With a focus on supply chain services, we recently launched "INGDAN link" and "INGDAN Direct" services. "INGDAN link" connects intelligent hardware innovators with Online to Offline ("**O2O**") services while "INGDAN Direct" provides one-stop services for them. The B2B2C closed-loop cycle created by the INGDAN.com platform provides a win-win situation for everyone from upstream to downstream along the supply chain.

The Group commenced the new supply chain financing business in September 2014. Based on real time sales orders data analysis, we provide loans to quality customers for procurement of Integrated circuits ("**IC**") components through us. This data driven Internet financing model mainly targets on small and medium enterprise ("**SME**") customers who have difficulties obtaining loans from commercial banks in China in a timely manner. During the fourth quarter, GMV contributed by the provision of loans under the supply chain financing business has reached RMB208.8 million, accounted for approximately 8.0% of the total GMV of the Group's operations during the same period.

The Group has also begun taking initiatives to develop international markets. INGDAN.com has been working on a partnership with large-scale technology and Internet companies such as Microsoft, JD.com and WeChat. At the end of 2014, INGDAN.com collaborated with WeChat to hold the first nationwide WeChat IoT Innovation Contest across 8 cities around China, which will last for half a year. In January 2015, we hosted a multinational IoT conference in the Silicon Valley in the US. These initiatives pave the way for the globalization of the Group's business as well as INGDAN.com's.

Our online transaction customers as at December 31, 2014 have reached 5,050, of which approximately 2.6% are blue chip customers and 97.4% are SMEs. This represents an increase of 83.4% as compared to that of 2,753 as at December 31, 2013. We are encouraged by the increasing trend of online transaction customers and believe this is one of our growth drivers in 2015.

Chairman's Statement

OUTLOOK

The total GMV of the Group showed a remarkable increase in 2014. Looking forward, the Group's innovative O2O business model and a large audience nurtured by our INGDAN.com platform will fuel the development of a huge customer pool and significantly reduces new customer acquisition costs. Therefore, we expect the strong growth driven by new customers to continue in 2015. Currently, we have approximately 80,000 target customers and more than 30,000 registered customers while only about 6% of the target customers have been converted into transaction customers. We see ample room for improving conversion ratio as we continue to expand our Stock Keeping Units and other value added services.

The new supply chain financing service launched in the second half of 2014 has already demonstrated decent growth in the fourth quarter of 2014 and we are looking forward to its geared-up development this year. As we continue to develop new revenue streams, we expect the provision of new supply chain services to be another growth driver to our business.

With the plan to develop INGDAN.com as the largest IoT platform in 2015, we anticipate that INGDAN.com will continue to reinforce our leading brand position in the industry and help us significantly bring in more customers and suppliers. Currently, our primary target is to build INGDAN.com to the largest scale in terms of worldwide IoT projects registration in 2015. While we do not expect INGDAN.com to generate revenue until it reaches critical mass, we continue to monitor its growth and will devise a monetization plan when the time is right.

Looking ahead to 2015, our goal is to become the largest procurement and supply chain platform serving a massive market of three million electronics manufacturing enterprises. We use IC components sales business as the entry point to establish trade relations with customers whilst building database in relation to the customers and transactions. Based on these data, we have developed into diversified business, expanding from providing hardware to software, as well as providing other value added services for enterprises. As we continue to attract new customers, penetrate deeper into our existing customers and expand into new revenue streams, we estimate that the Group will sustain high growth in 2015. As a representative of "Internet-plus" enterprises, we look forward to bringing positive changes to the IoT industry.

Finally, on behalf of the Board, I would like to take this opportunity to express my utmost gratitude to our management, staff, customers, suppliers and most valued Shareholders for their continuous trust and support to the Group.

KANG Jingwei, Jeffrey
Chairman

The PRC, March 16, 2015

BUSINESS REVIEW AND OUTLOOK

Overall Business and Financial Performance of the Group

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. We operate the largest transaction-based e-commerce platform for IC and other electronic components in China as measured by GMV in 2013, according to Analysys International, an independent industry consultant. Through our e-commerce platform, including a direct sales platform, an online marketplace and a dedicated team of technical consultants and professional sales representatives, we provide our customers with comprehensive online and offline services across pre-sale, sale and post-sale stages. In 2014, we fulfilled orders and derived a GMV of approximately RMB8.4 billion, of which 81.7% was derived from direct sales value, 15.1% from transaction value in online marketplace and 3.2% from loan value in supply chain financing business. 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 RMB2.0 trillion in 2013, according to Analysys International. We believe that, leveraging our early-mover advantage, we are well positioned to benefit from the significant growth potential of China's IC and other electronic components procurement market. To better serve and support various aspects of the electronics manufacturing industry in China, we are extending beyond the IC and other electronic components procurement market and are starting to offer additional products and services, such as various tools and applications offered through our cloud computing system. We believe that we can also drive our own long-term growth by fostering the development of an open, collaborative and prosperous e-commerce ecosystem that benefits the business operation of our customers and suppliers as a whole.

We derive 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 year ended December 31, 2014, we derived 48.8% and 51.2% for our direct sales revenue from SME customers and blue-chip customers respectively. We also operate an online marketplace that allows third-party merchants to sell their products to our customers through our e-commerce platform. 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.

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

We commenced a new supply chain financing business in September 2014 whereby we earn interest income for providing certain financial services to third-party distributors and vendors, including the provision of working capital financing programs. Our supply chain financing business is a good demonstration of our strength in generating new revenue streams by providing additional services based on our existing platform. During the Reporting Period, GMV contributed by the provision of loans in the supply chain financing business reached RMB270.2 million.

FUTURE PROSPECTS

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

Expand the SME Customer Base

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

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 fulfilment and delivery capabilities in order to enhance our service reliability and shorten our customer response time to further strengthen the effectiveness of our platform. We plan to increase the repeat purchase rates of newly-acquired customers. We will continue to provide the key procurement personnel of our new customers with powerful online tools, enterprise resource planning and other services free of charge. These services will enable us to maintain constant interactive communications with the key personnel, which in turn allows us to better understand the customers' demands and their product development. Accordingly, we will be able to make customized marketing plans targeted at the new customers and cross-sell other products.

Foster the Development of an Ecosystem Serving the Electronics Manufacturing Value Chain

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

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.

REVIEW OF OPERATION

Overview

For the year ended December 31, 2014, profit of the Group increased significantly and amounted to RMB210.0 million, representing an increase of RMB123.4 million as compared with RMB86.6 million in 2013. Profit attributable to equity shareholders of the Company amounted to RMB194.1 million, representing an increase of RMB112.0 million compared with RMB82.1 million in 2013.

Revenue

For the year ended December 31, 2014, revenue of the Group amounted to RMB6,848.4 million, representing an increase of RMB4,431.1 million or 183.3% as compared with RMB2,417.3 million in 2013. The Group's revenue comprised RMB6,819.7 million of direct sales revenue and RMB28.7 million of marketplace and supply chain financing revenue. The increase in our revenue was primarily due to organic growth in the sales volume driven by our online platform and the increase in number of transactional customers.

Cost of Revenue

Cost of revenue for the year ended December 31, 2014 was RMB6,315.2 million, representing an increase of 185.1% from RMB2,215.2 million for the year ended December 31, 2013. Cost of revenue for the year ended December 31, 2014 was partially offset by supplier rebates and discounts of RMB220.6 million. The increase in cost of revenue was due to the increase in revenue and sales to customers for the reasons described above.

Gross Profit

Gross profit for the year ended December 31, 2014 was RMB533.1 million, representing an increase of 163.8% from RMB202.1 million compared with the figures in 2013. The increase was primarily driven by the results of revenue and cost of revenue for the reasons described above.

Other Revenue

For the year ended December 31, 2014, other revenue of the Group amounted to RMB6.4 million, representing an increase of RMB5.0 million or 357.1% as compared with RMB1.4 million in 2013. This was primarily due to an increase in interest income as a result of an increase in cash and bank balances generated from proceeds of the Company's global offering in July 2014 (the "**Global Offering**").

Selling and Distribution Expenses

Selling and distribution expenses for the year ended December 31, 2014 amounted to RMB97.9 million, representing an increase of RMB84.2 million or 614.6% from RMB13.7 million in 2013. This was primarily due to an increase of RMB32.3 million in staff costs (including share-based compensation) as there was an increase in sales headcount in 2014. As a result of an increase in revenue, other indirect selling expenses such as product logistics costs and marketing expenses also contributed to the increase in selling and distribution expenses.

Research and Development Expenses

Research and development ("**R&D**") expenses for the year ended December 31, 2014 amounted to RMB41.8 million, representing an increase of RMB25.7 million or 159.6% from RMB16.1 million in 2013. This was primarily due to an increase of RMB16.0 million in staff costs (including share-based compensation) as there was an increase in R&D headcount in 2014. Other R&D expenses for online platform technology enhancement also contributed to the increase in selling and distribution expenses.

Administrative and Other Operating Expenses

During the year, administrative and other operating expenses amounted to RMB131.6 million, representing an increase of RMB79.6 million or 153.1% from RMB52.0 million in 2013, which was primarily due to an increase of RMB53.6 million in staff costs (including share-based compensation) as a result of increased headcount in management and administrative staff in 2014. The increase was also contributed by the increase in approximately RMB34.4 million in expenses in relation to Global Offering and other compliance costs of the Company.

Income Tax

Our income tax increased by 69.8% from approximately RMB15.9 million for the year ended December 31, 2013 to approximately RMB27.0 million for the year ended December 31, 2014, primarily due to an increase in profit from operations. The effective tax rate for the year ended December 31, 2014 was 11.2%, as compared to 15.5% for the year ended December 31, 2013. The decrease was because Comtech (China) Holding Limited, which was subject to the higher PRC corporate income tax rate, was no longer consolidated in our financial results in 2014 after its disposal on December 1, 2013. The decrease was also attributable to the tax holiday enjoyed by our subsidiaries in the PRC.

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

For the year ended December 31, 2014, profit attributable to equity shareholders of the Company amounted to RMB194.1 million, representing an increase of RMB112.0 million or 136.4% as compared to RMB82.1 million in 2013. The increase was primarily due to an increase in direct sales revenue and an increase in sales through our marketplace platform.

Liquidity and Source of Funding

As of December 31, 2014, the current assets of the Group amounted to RMB3,445.8 million, which mainly comprised cash and bank balances (including pledged deposits), inventories and trade and other receivables, in the amount of RMB1,964.9 million, RMB501.3 million and RMB748.5 million, respectively. Current liabilities of the Group amounted to RMB2,011.2 million, of which RMB1,411.4 million was bank loans and RMB565.6 million was trade and other payables. As of December 31, 2014, the current ratio (the current assets to current liabilities ratio) of the Group was 1.7, representing an increase of 54.5% as compared with 1.1 as of December 31, 2013. The change in the current ratio was primarily due to the increase in cash and cash equivalents in 2014 as a result of proceeds received from issuance of new shares under the Global Offering.

The Group does not have other debt financing obligations as of December 31, 2014 or the date of this annual results announcement and does not have any breaches of financial covenants.

Capital Expenditure

For the year ended December 31, 2014, the capital expenditure of the Group amounted to approximately RMB0.9 million, representing an increase of RMB0.3 million or 50.0% compared with RMB0.6 million in 2013. The increase in the capital expenditure was primarily due to purchase of property, plant and equipments during 2014.

Material Investments

The Group did not make any material investments for the year ended December 31, 2014.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals for the year ended December 31, 2014.

Pledge of Assets

Except for the pledged bank deposits of RMB742.2 million and RMB233.1 million as of December 31, 2014 and December 31, 2013, respectively, the Group did not pledge any assets for the year ended December 31, 2014. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

Contingent Liabilities

As of December 31, 2013, the Group was among the entities covered by certain cross guarantee arrangements with Viewtran Group, Inc. ("**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. These cross guarantee arrangements were terminated in connection with the Global Offering. As of December 31, 2014, neither the Group nor the Company had any significant contingent liabilities.

Foreign Exchange Exposure

Foreign currency transactions during the year ended December 31, 2014 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 as at December 31, 2014. Exchange gains and losses are recognized as 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 when the fair value was determined.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Consolidated statements of financial position items are translated into RMB at the closing foreign exchange rates as at December 31, 2014. 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 RMB, the cumulative amount of the exchange differences relating to that operation with functional currency other than RMB is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

The Group has not adopted any foreign currency hedging policy.

Net Gearing Ratio

As of December 31, 2014, the net gearing ratio of the Group, which was calculated by dividing net debt (total bank loans minus cash and cash equivalents and pledged deposits) by the sum of net debt and total equity, was -51.6% as compared with 55.7% as of December 31, 2013. The decrease was primarily due to raising of funds in our initial public offering in July 2014.

REVIEW OF OUR CONSOLIDATED FINANCIAL INFORMATION

We have established an audit committee upon listing in compliance with the CG Code. The members of the audit committee have discussed with the management of our Company and reviewed the consolidated financial statements of our Company for the financial year ended December 31, 2014 set out in this annual report.

Directors and Senior Management

OUR DIRECTORS

As at the date of this annual report, the Board consists of seven Directors, comprising three executive Directors, one non-executive Director 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 Memorandum and Articles of Association.

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

Name	Age	Position	Date of Appointment as Director	Date of Joining the Group (including the predecessor entities)
KANG Jingwei, Jeffrey	45	Executive Director, Chairman and Chief Executive Officer	March 2014	July 2000
WU Lun Cheung Allen	40	Executive Director, Chief Financial Officer and Company Secretary	March 2014	October 2003
NI Hong, Hope	42	Executive Director and Chief Investment Officer	March 2015	September 2010
GUO Jiang	42	Non-executive Director	March 2015	March 2015
ZHONG Xiaolin, Forrest	49	Independent Non-executive Director	July 2014	July 2014
YE Xin	51	Independent Non-executive Director	July 2014	July 2014
YAN Andrew Y.	57	Independent Non-executive Director	July 2014	July 2014

Executive Directors

KANG Jingwei, Jeffrey (康敬偉), aged 45, 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 since July 18, 2014. 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 of 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 Group, Inc. ("**Viewtran**") (NASDAQ: VIEW), formerly known as 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.

Mr. Kang is also a director of the following companies of the Group:

— Alphalink Global Limited
— Cogobuy Group, Inc. (formerly known as Vision Well Global Limited)
— Comtech (HK) Holding Limited
— Comtech Broadband Corporation Limited
— Comtech International (Hong Kong) Limited
— Hong Kong JJT Limited

WU Lun Cheung Allen (胡麟祥), aged 40, 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 and 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 of 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.

NI Hong, Hope (倪虹), aged 42, is the Chief Investment Officer of our Group and was appointed as an executive Director of our Company in March 2015, responsible for heading the Company's capital market activities and investment initiatives.

Ms. Ni is currently serving as an independent director, the chairman of the audit committee and a member of the compensation committee and the nominating and corporate governance committee of JA Solar Holdings, Co. Ltd., a NASDAQ-listed company (NASDAQ: JASO) and an independent director, the chairman of the audit committee and a member of the compensation committee of ATA Inc., a NASDAQ-listed company (NASDAQ: ATAI). Ms. Ni is also currently serving as an independent director of KongZhong Corporation, a NASDAQ-listed company (NASDAQ: KZ) and an independent non-executive director of Digital China Holdings Limited (stock code: 00861), a company listed on the Hong Kong Stock Exchange.

Previously, Ms. Ni served as the chief financial officer and director of Viewtran from August 2004 to January 2008 and subsequently served as its vice chairman until early 2009. Prior to joining Viewtran, Ms. Ni spent six years serving as a practicing attorney at Skadden, Arps, Slate, Meagher & Flom LLP in New York and Hong Kong, specializing in corporate finance. Prior to that, Ms. Ni worked at Merrill Lynch's investment banking division in New York.

Ms. Ni obtained her Juris Doctor degree from the University of Pennsylvania Law School in 1998 and her bachelor's degree in applied economics and business management from Cornell University in 1994.

Directors and Senior Management

Non-executive Director

GUO Jiang (郭江), aged 42, was appointed as a non-executive Director of our Company in March 2015. Mr. Guo is an executive director and the chief executive officer of HC International, Inc. ("**HC International**") (stock code: 02280), a company listed on the Hong Kong Stock Exchange. Mr. Guo joined the HC International group in 1996 as a sales manager and became the chief executive officer of HC International in 2008 and is responsible for overseeing its operations. Prior to that, Mr. Guo spent two years at the Broadcasting Science Institute of the State Administration of Radio, File and Television as an assistant to director.

Mr. Guo obtained his bachelor's degree in computer science from the Harbin University of Commerce in 1994. He also attended the Business Administration Course for Senior Management of Modern Enterprises conducted by Guanghua Business School of Peking University in 2002.

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 in July 2014. 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. 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) Limited.

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 2014 consecutively. Over the past three years, Dr. Zhong has acted as an independent non-executive director of Visual China Group (SZ: 000681); and as a 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.

YE Xin (葉忻), aged 51, was appointed as an independent non-executive Director of our Company and a member of the audit, remuneration and nomination committees of our Company in July 2014. 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 advertisement network for Android/iPhone applications and mobile content.

YAN Andrew Y. (閻焱), aged 57, was appointed as an independent non-executive Director of our Company and a member of the audit, remuneration and nomination committees of our Company in July 2014. 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 1991, 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 1993, Mr. Yan was a research fellow at Hudson Institute in Washington, D.C. From 1993 to 1994, Mr. Yan was a director of Strategic Planning and Business Development for the Asia Pacific region at Sprint International Corporation. From 1994 to 2001, Mr. Yan worked as managing director and Head of Hong Kong Office of the Emerging Markets Partnership, the management Company 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	Position
China Petroleum & Chemical Corporation	New York Stock Exchange and London Stock Exchange: SNP; Shanghai Stock Exchange: 600028; Hong Kong Stock Exchange: 386	Independent non-executive director
China Resources Land Limited	Hong Kong Stock Exchange: 1109	Independent non-executive director
CPMC Holdings Limited	Hong Kong Stock Exchange: 906	Independent non-executive director
Guodian Technology & Environment Group Corporation Limited	Hong Kong Stock Exchange: 1296	Non-executive director
Digital China Holdings Limited	Hong Kong Stock Exchange: 861	Non-executive director
China Huiyuan Juice Group Limited	Hong Kong Stock Exchange: 1886	Non-executive director
eSun Holdings Limited	Hong Kong Stock Exchange: 571	Non-executive director
ATA Inc.	NASDAQ: ATAI	Director
Sky Solar Holdings Limited	NASDAQ: SKYS	Independent director
BlueFocus Communication Group	Shenzhen Stock Exchange: 300058.SZ	Independent director

Over the past three years, Mr. Yan was an independent non-executive director of Fosun International Limited (stock code: 656) and China Mengniu Diary Company Limited (stock code: 2319); an independent director of Giant Interactive Group Inc. (NYSE: GA), a director of Acorn international Inc, (NYSE: ATV), China Digital TV Holding Co., Ltd (NYSE: STV), Eternal Asia Supply Chain Co., Ltd (SZ: 2183); and a non-executive director of MOBI Development Co., Ltd (stock code: 947) and NVC Lighting Holding Limited (stock code: 2222).

OUR SENIOR MANAGEMENT

The senior management team of our Group, in addition to the Directors listed above, is comprised of the following:

Name	Age	Position
LI Feng	49	Senior vice-president
CHAN Edward	51	Vice-president of operations
LI Henry	47	Vice-president of business

LI Feng (李峰), aged 49, 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 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.

CHAN Edward (陳劍雄), aged 51, 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.

LI Henry (李宏輝), aged 47, 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.

Report of the Directors

The Directors hereby present the annual report together with the audited consolidated financial statements of the Company and the Group for the year ended December 31, 2014.

CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 1, 2012. The Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange on July 18, 2014.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. The Company operates 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, an independent industry consultant. Through our e-commerce platform, including a direct sales platform, an online marketplace and a dedicated team of technical consultants and professional sales representatives, the Company provides customers with comprehensive online and offline services across pre-sale, sale and post-sale stages. In 2014, we fulfilled orders and derived a GMV of approximately RMB8.4 billion, of which 81.7% was derived from direct sales value, 15.1% from transaction value in online marketplace and 3.2% from loan value in supply chain financing business. The Company serves 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. The Company offers 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. A list of the Company's subsidiaries, together with their places of incorporation and principal activities, is set out in note 15 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2014 are set out in the consolidated statement of comprehensive income on pages 45 and 46 of this annual report. The financial highlights for the Group for the most recent three years are set out on pages 125 and 126 of this annual report.

LIQUIDITY AND SOURCE OF FUNDING

Details of the liquidity and source of funding are set out in the management discussion and analysis on page 11.

CAPITAL STRUCTURE

Details of the capital structure are set out in the note 27 to the financial statements.

FOREIGN CURRENCY EXPOSURE

Details of the foreign currency exposure are set out in the management discussion and analysis on page 12.

NET GEARING RATIO

Details of the net gearing ratio are set out in the management discussion and analysis on page 13.

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in the note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

PROPERTY HELD FOR DEVELOPMENT, SALE OR INVESTMENT

There is no property held for development, sale or investment for which the percentage ratios (as defined under rule 14.04(9) of the Listing Rules) exceed 5% as at December 31, 2014.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 27 to the financial statements.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY'S SHARES

During the year ended December 31, 2014, the Company repurchased an aggregate of 1,955,000 shares of its own issued ordinary share capital through the Hong Kong Stock Exchange at an aggregate consideration of HK$7.83 million (equivalent to RMB6.23 million).

The repurchases were effected by the Directors for the benefit of the Company and to create value to its Shareholders. The Shares repurchased were cancelled on January 16, 2015. Details of the Share repurchase and other movements in the share capital of the Company during the year are set out in note 27 to the financial statements.

Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange during the year ended December 31, 2014.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended December 31, 2014 are set out in note 27 to the financial statements and the consolidated statement of changes in equity on page 50 of this annual report.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2014 (2013: nil).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as of December 31, 2014 are set out in note 22 to the financial statements.

SIGNIFICANT INVESTMENTS HELD

The Company did not hold any available-for-sale assets during the year ended December 31, 2014.

DIRECTORS

The Directors of the Company during the year ended December 31, 2014 and up to the date of this report are:

Executive Directors:

Mr. KANG Jingwei, Jeffrey *(Chairman and Chief Executive Officer)*
Mr. WU Lun Cheung Allen *(Chief Financial Officer and Company Secretary)*
Ms. NI Hong, Hope *(Chief Investment Officer) (appointed on March 1, 2015)*

Non-executive Director:

Mr. GUO Jiang *(appointed on March 1, 2015)*

Independent Non-Executive Directors:

Mr. ZHONG Xiaolin, Forrest
Mr. YE Xin
Mr. YAN Andrew Y.

In accordance with article 84(1) of the Articles of Association, Mr. Kang Jingwei, Jeffrey and Mr. Wu Lun Cheung Allen shall retire at the annual general meeting. In addition, Ms. Ni Hong, Hope and Mr. Guo Jiang who have been appointed by the Board with effect from March 1, 2015 shall hold office until the next annual general meeting pursuant to article 83(3) of the Company's Articles of Association. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Kang Jingwei, Jeffrey and Mr. Wu Lun Cheung Allen have entered into the service agreements 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 earlier). The Company has the right to give written notice to terminate the agreement.

Mr. Zhong Xiaolin, Forrest, Mr. Ye Xin and Mr. Yan Andrew Y. have signed the letters of appointment 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 earlier).

Ms. Ni Hong, Hope and Mr. Guo Jiang have signed the letters of appointment with our Company with effect from March 1, 2015 for a period of 3 years (subject always to retirement as and when required under the Articles of Association of the Company) unless otherwise terminated in accordance with the terms and conditions specified in the appointment letter.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group are set out in notes 7 and 8 to the financial statements. None of the Directors has waived or agreed to waive any emoluments during the year ended December 31, 2014.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 30 to the financial statements headed "Material Related Party Transactions" and the section headed "Continuing Connected Transactions" of this annual report below, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended December 31, 2014.

During the year ended December 31, 2014, none of the directors and the Controlling Shareholders of the Company had engaged in any business that competed or might compete, either directly or indirectly, with the business of the Group.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2014.

CONTINUING CONNECTED TRANSACTIONS

Updates in Relation to the Qualification Requirements

According to the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises promulgated by the State Council on December 11, 2001, which were subsequently amended on September 10, 2008, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet content provision services. In addition, a foreign investor who invests in a value-added telecommunications businesses in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas ("**Qualification Requirement**"). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the Qualification Requirement.

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

The Company has four operating subsidiaries incorporated in Hong Kong whose principal business activities are sales of electronic components and related products, including Comtech International, Broadband Corporation, Comtech Industrial and Comtech Digital Technology (Hong Kong) Limited. These Hong Kong subsidiaries maintain the Group's cloud service and database, provide services that support our cogobuy.com e-commerce platform including technical support for overseas users of our e-commerce platform, including suppliers, and also engage in the operation of our online data analysis system, inventory management system and delivery tracking system. We believe that such business activities help to demonstrate our experience in areas related to overseas value-added telecommunications business. In particular, according to the Catalogue of Telecommunications Businesses attached to the Telecommunications Regulations of the PRC, value-added telecommunication services include, among others, online data and transaction handling businesses. These services provided by our Hong Kong subsidiaries are important components of our e-commerce platform and relate directly to online data and transaction handling. Going forward, our Hong Kong subsidiaries will play a greater role in serving the overseas users of our e-commerce platform, including the provision of mobile application services.

As of December 31, 2014, the Company has no further update to disclose in relation to the Qualification Requirement.

Contractual Arrangements

Reasons for the Contractual Arrangements

Because of certain foreign investment restrictions under PRC laws and regulations, it was not viable for the Company to hold Shenzhen Cogobuy directly through equity ownership. 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.

To comply with the relevant PRC laws, our cogobuy.com platform is operated by Shenzhen Cogobuy. 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. Shenzhen Cogobuy also performs the value-added telecommunication services of the Company.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of the risks are set out on pages 39 to 45 of the prospectus of the Company dated July 8, 2014.

- 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.

- 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.

- Ms. Yao, the sole 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.

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

- 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.

- 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 our shareholders' investment.

- 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.

- 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.

Contractual Arrangements During the Year

During the year ended December 31, 2014, the Group engaged in the following Contractual Arrangements.

1. *Master Exclusive Service Agreement*

Nature and purpose of the agreement

On March 13, 2014, Shenzhen Cogobuy and Cogobuy E-commerce entered into a master exclusive service agreement (the "**Master Exclusive Service Agreement**"), under which Shenzhen Cogobuy agreed to engage Cogobuy E-commerce as its exclusive provider for the provision of a number of services in exchange for a service fee.

The services to be provided by Cogobuy E-commerce include: (1) technology development and transfer, and technical consulting services; (2) business support services; (3) market consultancy and marketing services; (4) technical support services; (5) selling and authorizing Shenzhen Cogobuy to use software; and/or (6) 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.

Pricing

Under the Master Exclusive Service Agreement, the service fee will be determined by Cogobuy E-commerce at its sole discretion taking into account 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.

Term of the 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.

2. *Business Cooperation Agreement*

Nature and purpose of the agreement

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

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, Cogobuy E-commerce has the right to supervise Shenzhen Cogobuy's daily operation.

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, Ms. Yao or Shenzhen Cogobuy shall replace or dismiss such persons upon Cogobuy E-commerce's suggestions.

Furthermore, Ms. Yao agreed 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.

Term of the agreement

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 Ms. Yao to Cogobuy E-commerce and/or a third party designated by Cogobuy E-commerce pursuant to the Exclusive Option Agreement.

3. *Exclusive Option Agreement*

Nature and purpose of the agreement.

On March 13, 2014, Shenzhen Cogobuy and Cogobuy E-commerce entered into an exclusive option agreement (the "**Exclusive Option Agreement**"), under which Cogobuy E-commerce has a right to require Ms. Yao to transfer any and all of her shares in Shenzhen Cogobuy 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.

Term of the agreement

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).

4. *Share Pledge Agreement*

Nature and purpose of the agreement

On March 13, 2014, Cogobuy E-commerce entered into a share pledge agreement with Shenzhen Cogobuy and Ms. Yao (the "**Share Pledge Agreement**"). Pursuant to the Share Pledge Agreement, Ms. Yao unconditionally and irrevocably pledged all of her shares in Shenzhen Cogobuy, including any interest or dividend paid for such shares, to Cogobuy E-commerce as security for the performance of the obligations by Shenzhen Cogobuy and Ms. Yao under the Master Exclusive Service Agreement, the Business Cooperation Agreement, the Exclusive Option Agreement and other agreements to be executed among Shenzhen Cogobuy, Ms. Yao and Cogobuy E-commerce from time to time (collectively the "**Principal Agreements**").

Term of the agreement

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.

5. *Proxy Agreement and Power of Attorney*

Nature and purpose of the agreement

On March 13, 2014, Cogobuy E-commerce entered into an irrevocable proxy agreement and powers of attorney (the "**Proxy Agreement and Power of Attorney**") with Shenzhen Cogobuy and Ms. Yao, pursuant to which Ms. Yao nominated and appointed Cogobuy E-commerce or any natural person designated by Cogobuy E-commerce (including 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.

In addition, if any share transfer is contemplated under the Exclusive Option Agreement and the Share Pledge Agreement that Ms. Yao 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.

Term of the agreement

The Proxy Agreement and Power of Attorney shall remain effective as long as Shenzhen Cogobuy exists. Ms. Yao 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.

Apart from the above, there are no new contractual arrangements entered into, renewed or reproduced by the Group with Shenzhen Cogobuy and Ms. Yao during the financial year ended December 31, 2014.

Waiver from the Hong Kong Stock Exchange and Annual Review

As a substantial Shareholder of our Company and the sole shareholder of Shenzhen Cogobuy, Ms. Yao is therefore the Company's connected person pursuant to Rule 14A.07(1) of the Listing Rules. As a wholly owned limited liability company by Ms. Yao and by virtue of the Contractual Arrangements, Shenzhen Cogobuy is a connected person of the Company for the purposes of chapter 14A, and in particular, Rule 14A.07(1) of the Listing Rules. The 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 Ms. Yao. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions under the Listing Rules. The Hong Kong Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the Contractual Arrangements, including (i) the announcement and independent shareholders' approval requirements, (ii) the requirement of setting an annual cap for the fees payable to Cogobuy E-commerce under the Contractual Arrangements and (iii) the requirement of limiting the term of the contractual arrangements to three years or less, for so long as the Shares are listed on the Hong Kong Stock Exchange, subject to certain conditions.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) are fair and reasonable or to the advantage of the Group and are in the interests of the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of the consolidated affiliated entities are consolidated into our Group's financial statements as if they were our Group's subsidiaries, and the flow of economic benefits of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules.

Our independent non-executive Directors reviewed the Contractual Arrangements and confirmed that: (i) the transactions carried out during the year ended December 31, 2014 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) no new contracts have been entered into, renewed or reproduced between our Group and Shenzhen Cogobuy during the year ended December 31, 2014.

Further, the Company's auditors were engaged to report on the Group's continuing connected transactions 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. The auditors have issued their letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules:

1. nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors.

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.

3. nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

4. nothing has come to their attention that causes the auditor to believe that 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 the Group.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended December 31, 2014 has been provided by the Company to the Hong Kong Stock Exchange.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2014.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of electronics manufacturers based in China. We did not have a single customer who accounted for more than 10% of our revenue for the year ended December 31, 2014.

As of December 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. For the year ended December 31, 2014, our five largest suppliers in aggregate accounted for 66.3% of our cost of revenue and our largest supplier accounted for 17.5% of our cost of revenue. To the knowledge of our Directors, none of our Directors, their respective associates, or any Shareholder who owns more than 5% of our issued capital, has any interest in any of our five largest suppliers.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at December 31, 2014, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executives are taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; (iii) required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange; or (iv) disclosed according to the knowledge of the Directors of the Company were as follows:

(i) Interests in the Shares

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
Mr. Kang	Interest of controlled corporation[2]	700,000,000	50.95%
Mr. Kang	Beneficial owner	600,000	0.04%
Mr. Wu	Beneficial owner	600,000	0.04%

Notes:

(1) All the Shares are held in long position (as defined under Part XV of the SFO).

(2) Mr. Kang owns Envision Global as to 100%, which in turn owns these Shares. Mr. Kang is therefore deemed to be interested in these Shares held by Envision Global.

(ii) Interests in the underlying Shares of our Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding[1]
Mr. Kang	Beneficiary of a trust	1,200,000	0.09%
Mr. Wu	Beneficiary of a trust	1,200,000	0.09%

Note:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as at December 31, 2014.

(iii) Interests in the associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of securities interested [1]	Approximate percentage of shareholding
Mr. Kang	Envision Global[2]	Beneficial owner	1 share	100%
Mr. Kang	Brilliant[2]	Interest of a controlled corporation	1 share	100%

Notes:

(1) All the Shares are held in long position (as defined under Part XV of the SFO).

(2) Mr. Kang owns Envision Global directly as to 100% and Envision Global owns Brilliant directly as to 100%.

Save as disclosed above, as at December 31,2014, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at December 31, 2014, so far as the Directors are aware, the following substantial Shareholders' interests and short positions in the Shares and underlying Shares of the Company, which have been recorded in the register of substantial Shareholders required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

Name	Nature of interest	Number of Shares[1]	Approximate percentage of interest in the Company[5]
Envision Global	Beneficial owner	700,000,000	50.95%
Mr. Kang[2]	Interest of a controlled corporation	700,000,000	50.95%
Mr. Kang	Beneficial owner	600,000	0.04%
Mr. Kang[3]	Beneficiary of a trust	1,200,000	0.09%
Total Dynamic	Beneficial owner	300,000,000	21.83%
Ms. Yao [4]	Interest of a controlled corporation	300,000,000	21.83%

Notes:

(1) All the Shares are held in long position (as defined under Part XV of the SFO).

(2) Mr. Kang owns Envision Global as to 100%, which in turn owns these Shares. Therefore, Mr. Kang is deemed to be interested in these Shares held by Envision Global.

(3) This represents the number of Shares that Mr. Kang is entitled to be issued to him under the RSU Scheme.

(4) 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.

(5) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as at December 31, 2014.

Save as disclosed above, as at December 31,2014, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

REMUNERATION POLICY

As at December 31, 2014, the Group had approximately 600 full-time equivalent employees. Employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications, competence and contribution to the Group.

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

The Company also has an RSU Scheme.

RSU SCHEME

The Company has adopted an 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 grant of the RSUs recognized the contribution of the Scheme Companies' directors, executive officers, senior managers and employees to the historical achievements of the Company. The Company has the intention to continue exploring ways to incentivize, retain and reward Scheme Companies' directors, executive officers, senior managers and employees and may implement other RSU schemes or other share-based remuneration schemes in the future.

Details of the movement of the RSUs granted pursuant to the RSU Scheme to the Directors and employees during the year ended December 31, 2014 are set out below:

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at December 31, 2014	Unvested as at December 31, 2014	Vesting period
Directors					
Mr. Kang	March 1, 2014	1,800,000	600,000	1,200,000	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Mr. Wu	March 1, 2014	1,800,000	600,000	1,200,000	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Other grantees					
Other grantees with a vesting period of three years (note 1)	March 1, 2014	19,346,300	6,415,500	12,330,800	One-third of the entitlement in each of 2014, 2015 and 2016 (in quarterly installments)
Other grantees with a vesting period of one year (note 2)	March 1, 2014	7,253,700	6,423,200	—	December 31, 2014

Note 1: During the year ended December 31, 2014, 600,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 2: During the year ended December 31, 2014, 830,500 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The total gross proceeds from the listing of the Shares amounted to approximately HK$1,375 million. During the period between the Listing Date and December 31, 2014, the net proceeds were utilized in accordance with the purpose as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated July 8, 2014. The balance of funds would be utilized according to the purposes as set out in the prospectus.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's Memorandum and Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

LITIGATION

As of December 31, 2014, the Company was not involved in any material litigation or arbitration. Nor were the Directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO THE LISTING RULE 13.51B(1)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

Ms. NI Hong, Hope

Appointment as an executive Director of the Company effective from March 1, 2015.

Mr. GUO Jiang

Appointment as a non-executive Director of the Company effective from March 1, 2015.

Mr. YAN Andrew Y.

Resignation as an independent non-executive director of Fosun International Limited, a company listed on the Hong Kong Stock Exchange (stock code: 656) on September 26, 2014.

Resignation as a director of Acorn International Inc., a company listed on the New York Stock Exchange (NYSE: ATV) on December 31, 2014.

Appointment as an independent director of Sky Solar Holdings Limited, a company listed on NASDAQ (NASDAQ: SKYS) on November 13, 2014.

CORPORATE GOVERNANCE

Information on the principal corporate governance practices adopted by the Company since the Listing Date is set out in the Corporate Governance Report on pages 35 to 42 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers each of the independent non-executive Directors to be independent.

AUDIT COMMITTEE

The audit committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2014.

AUDITORS

The consolidated financial statements for the year ended December 31, 2014 have been audited by KPMG. A resolution for the reappointment of KPMG as the Company's auditors is to be proposed at the forthcoming annual general meeting of the Company.

UPDATES ON NON-COMPLIANCE MATTERS

As of December 31, 2014, the Company has no update to disclose in relation to the non-compliance matters as set out on pages 130 to 131 of the prospectus dated July 8, 2014.

On behalf of the Board

Kang Jingwei, Jeffrey
Chairman

Hong Kong, March 16, 2015

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability and to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules.

Except for code provision A.2.1 as disclosed in this report, the Board is of the view that the Company has complied with all the mandatory code provisions as set out in the CG Code for the period from the Listing Date to December 31, 2014 ("**Review Period**").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the Review Period.

The Model Code is also adopted by the Company to regulate all securities transactions by relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Model Code by the employees has been noted by the Company.

BOARD OF DIRECTORS

The Board of Directors during the year and up to the date of this annual report are:

Executive Directors:

Mr. Kang Jingwei, Jeffrey *(Chief Executive Officer and Chairman of the Board)*
Mr. Wu Lun Cheung Allen *(Chief Financial Officer and Company Secretary)*
Ms. Ni Hong, Hope *(Chief Investment Officer) (appointed on March 1, 2015)*

Non-executive Director:

Mr. Guo Jiang *(appointed on March 1, 2015)*

Independent Non-executive Directors:

Mr. Zhong Xiaolin, Forrest
Mr. Ye Xin
Mr. Yan Andrew Y.

The biographical information of the directors are set out in the section headed "Directors and Senior Management" on pages 14 to 18 of the annual report for the year ended December 31, 2014.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Deviation from code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company does not have a separate chairman and chief executive officer and Mr. Kang Jingwei, Jeffrey currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Independent Non-executive Directors

Throughout the Review Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors written annual confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Non-executive Director and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to re-election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors of the Company is appointed for a specific term of three years and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors have been provided with the relevant training session(s) conducted by the legal advisors of the Company on directors' duties and responsibilities and corporate governance.

In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

All members of each Board committee are independent non-executive Directors and the composition of the audit committee, the remuneration committee and the nomination committee of the Company as of the date of this report are:

Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. KANG Jingwei, Jeffrey *(Chairman and Chief Executive Officer)*	—	—	—
Mr. WU Lun Cheung Allen *(Company Secretary and Chief Financial Officer)*	—	—	—
Ms. NI Hong, Hope *(Chief Investment Officer)*	—	—	—
Non-executive Director			
Mr. GUO Jiang	—	—	—
Independent Non-Executive Directors			
Mr. ZHONG Xiaolin, Forrest	C	C	C
Mr. YE Xin	M	M	M
Mr. YAN Andrew Y.	M	M	M

Notes:

C Chairman of Board committees
M Member of Board committees

Audit Committee

The main duties of the audit committee are to assist the Board in reviewing the financial information and reporting process, internal control procedure and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Review Period, the audit committee held two meetings to review the interim financial results and reports as of June 30, 2014, significant issues on the financial reporting and compliance procedures, audit plan for 2014 full year and continuing connected transactions.

During the Review Period, the audit committee also met the external auditors twice without the presence of the executive Directors.

Remuneration Committee

The primary functions of the remuneration committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and ensuring that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the Review Period, the remuneration committee met once to review policy, structure and packages for the remuneration of all the Directors and senior management.

Nomination Committee

The principal duties of the nomination committee include reviewing the structure, size and composition of the Board, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the nomination committee would take into account various aspects set out in the Board diversity policy (as mentioned below), including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Review Period, the nomination committee held a meeting to review the structure, size and composition of the Board. The nomination committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Board Diversity Policy ("**the Policy**") was adopted by the Company pursuant to the Board meeting held on June 27, 2014. The Policy aims to set out the approach to diversity on the Board of the Company and achieve a sustainable and balanced development.

The nomination committee will review the Policy and discuss the measurable objectives for achieving diversity of the Board and recommend them to the Board for adoption, as appropriate, to ensure the effectiveness of this Policy.

All Board appointments will be based on meritocracy, candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors. The corporate governance duties include:

(a) to develop and evaluate the corporate governance practices of the Company with the goal of achieving high standards of corporate governance to safeguard the interests of all Shareholders of the Company, which shall be consistent with any applicable laws, regulations and listing standards; and

(b) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

There is no general meeting held during the Review Period. The attendance record of each Director at the Board and Board committee meetings held during the Review Period is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee
Kang Jingwei, Jeffrey	3/4	n/a	n/a	n/a
Wu Lun Cheung Allen	4/4	n/a	n/a	n/a
Zhong Xiaolin, Forrest	2/2	1/1	1/1	2/2
Ye Xin	2/2	1/1	1/1	2/2
Yan Andrew Y.	1/2	1/1	1/1	1/2

Apart from regular Board meetings, the Chairman also held two meetings with the independent non-executive Directors without the presence of executive Directors during the year.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 43 to 44.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors in respect of audit services for the year ended December 31, 2014 is disclosed in note 5 of the "Notes to the Financial Statements" on page 74. There were no non-audit services provided for the year ended December 31, 2014.

INTERNAL CONTROLS

The Board is entrusted with an overall responsibility of devising the Company's system of internal controls and conducting an annual review of its effectiveness. This ensures that the Board oversees and monitors the Group's overall financial position so that the interests of the Shareholders are well protected and covered. During the Review Period, the audit committee has reviewed the potential areas of improvement on internal control of the Group. The Board has also reviewed updates on regulations regarding risk management and internal control.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

Procedures for Shareholders to Put Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company, for the attention of the Board of Directors by mail to 9th Floor Skyworth Building, Tower C, High-Tech Industrial Park, Nanshan, Shenzhen 518057, PRC or by email to *ir@cogobuy.com*. The Company will not normally deal with verbal or anonymous enquiries.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Article 58 of the Company's Articles of Association provides that any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to propose a person for election as a Director

Shareholders may propose a person for election as Director, the procedures for which are available in the section of "Corporate Governance" under the column of "Investor Relations" on the Company's website (http://www.cogobuy.com).

Procedures for Shareholders to Put Forward Proposals at General Meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Company to be discussed at general meeting. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures set out in "Procedures for Shareholders to Convene an Extraordinary General Meeting".

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	9th Floor Skyworth Building, Tower C, High-Tech Industrial Park, Nanshan, Shenzhen 518057, PRC (For the attention of the Chief Investor Relations)
Fax:	(86) 755 2674 4090
Email:	ir@cogobuy.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the Review Period, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website

KPMG

Independent auditor's report to the shareholders of Cogobuy Group
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cogobuy Group ("the Company") and its subsidiaries (together "the Group") set out on pages 45 to 124, which comprise the consolidated and company statements of financial position as at December 31, 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 16, 2015

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	3	**6,848,365**	2,417,277
Cost of revenue		**(6,315,247)**	(2,215,191)
Gross profit		**533,118**	202,086
Other revenue	4	**6,383**	1,406
Other net (loss)/income	4	**(2)**	1,037
Selling and distribution expenses		**(97,879)**	(13,749)
Research and development expenses		**(41,815)**	(16,144)
Administrative and other operating expenses		**(131,640)**	(51,996)
Profit from operations		**268,165**	122,640
Finance costs	5(a)	**(31,160)**	(20,192)
Profit before taxation	5	**237,005**	102,448
Income tax	6(a)	**(27,035)**	(15,883)
Profit for the year		**209,970**	86,565
Attributable to:			
Equity shareholders of the Company		**194,118**	82,099
Non-controlling interests		**15,852**	4,466
Profit for the year		**209,970**	86,565

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**209,970**	86,565
Other comprehensive income for the 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		**10,840**	7,955
Total comprehensive income for the year		**220,810**	94,520
Attributable to:			
Equity shareholders of the Company		**203,241**	90,282
Non-controlling interests		**17,569**	4,238
Total comprehensive income for the year		**220,810**	94,520
Earnings per share	10		
Basic (RMB)		**0.168**	0.089
Diluted (RMB)		**0.166**	0.089

The notes on pages 53 to 124 form part of these financial statements.

Consolidated Statement of Financial Position

As of December 31, 2014

	Note	December 31, 2014 RMB'000	December 31, 2013 RMB'000
Non-current assets			
Property, plant and equipment	11	**1,635**	1,216
Intangible assets	12	**23,703**	31,291
Goodwill	13	**154,136**	154,136
Other non-current assets	14	**14,803**	663
		194,277	187,306
Current assets			
Inventories	16	**501,340**	243,800
Trade and other receivables	17	**748,507**	656,766
Loans to third parties	18	**208,629**	–
Amounts due from related parties	19	**11,478**	105,541
Short term deposits		**11,000**	–
Pledged deposits	22	**742,152**	233,081
Cash and cash equivalents	20	**1,222,700**	281,542
		3,445,806	1,520,730
Current liabilities			
Trade and other payables	21	**565,564**	433,198
Bank loans	22	**1,411,424**	929,388
Amounts due to related parties	19	**12,434**	1,000
Current taxation	26(a)	**21,792**	10,020
		2,011,214	1,373,606
Net current assets		**1,434,592**	147,124
Total assets less current liabilities		**1,628,869**	334,430
Non-current liabilities			
Deferred tax liabilities	26(b)	**3,912**	5,164
NET ASSETS		**1,624,957**	329,266

Consolidated Statement of Financial Position

As of December 31, 2014

	Note	December 31, 2014 RMB'000	December 31, 2013 RMB'000
CAPITAL AND RESERVES			
Share capital	27	**1**	1
Reserves		**1,603,149**	325,027
Total equity attributable to equity shareholders of the Company		**1,603,150**	325,028
Non-controlling interests		**21,807**	4,238
TOTAL EQUITY		**1,624,957**	329,266

Approved and authorized for issue by the board of directors on March 16, 2015.

KANG Jingwei
Director

WU Lun Cheung Allen
Director

The notes on pages 53 to 124 form part of these financial statements.

Statement of Financial Position

As of December 31, 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current asset			
Interest in subsidiaries	15	**688,588**	671,542
Current assets			
Trade and other receivables	17	**–**	462
Amounts due from related party	19	**13,219**	557
Pledged deposits	22	**317,117**	–
Cash and cash equivalents	20	**286,662**	133
		616,998	1,152
Current liabilities			
Trade and other payables	21	**11,965**	5,256
Current taxation	26(a)	**1,017**	–
Amounts due to related parties	19	**99,725**	62,449
		112,707	67,705
Net current assets/(liabilities)		**504,291**	(66,553)
Total assets less current liabilities		**1,192,879**	604,989
Non-current liability			
Loan from a subsidiary	23	**–**	421,943
NET ASSETS		**1,192,879**	183,046
CAPITAL AND RESERVES	27		
Share capital		**1**	1
Reserves		**1,192,878**	183,045
TOTAL EQUITY		**1,192,879**	183,046

Approved and authorized for issue by the board of directors on March 16, 2015.

KANG Jingwei
Director

WU Lun Cheung Allen
Director

The notes on pages 53 to 124 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

		Attributable to equity shareholders of the Company										
	Note	Share capital (Note 27(c)) RMB'000	Share premium (Note 27(d)) RMB'000	Capital reserve (Note 27(e)) RMB'000	Share-based compensation reserve (Note 27(f)) RMB'000	Other reserve (Note 27(g)) RMB'000	Exchange reserve (Note 27(h)) RMB'000	Statutory reserves (Note 27(i)) RMB'000	Retained Profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As of 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	27(c)(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 2014:												
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**194,118**	**194,118**	**15,852**	**209,970**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**9,123**	**–**	**–**	**9,123**	**1,717**	**10,840**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**9,123**	**–**	**194,118**	**203,241**	**17,569**	**220,810**
Equity-settled share-based compensation		**–**	**–**	**–**	**35,036**	**–**	**–**	**–**	**–**	**35,036**	**–**	**35,036**
Issue of new shares under the initial public offering ("IPO"), net of listing expenses	27(c)(iv)	**–**	**1,046,070**	**–**	**–**	**–**	**–**	**–**	**–**	**1,046,070**	**–**	**1,046,070**
Issue of shares under the Restricted Share Units Scheme ("RSU Scheme")	27(c)(v)	**–**	**24,222**	**–**	**(24,222)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Purchase of own shares	27(c)(vi)	**–**	**(6,225)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,225)**	**–**	**(6,225)**
Appropriations		**–**	**–**	**–**	**–**	**–**	**–**	**1,497**	**(1,497)**	**–**	**–**	**–**
As of December 31, 2014		**1**	**1,064,067**	**18,923**	**10,814**	**186,196**	**17,313**	**1,851**	**303,985**	**1,603,150**	**21,807**	**1,624,957**

The notes on pages 53 to 124 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**237,005**	102,448
Adjustments for:			
Depreciation		**459**	2,485
Amortization of intangible assets		**7,588**	6,978
Finance costs		**31,160**	20,192
Interest income		**(6,383)**	(1,406)
Loss/(gain) on sale of property, plant and equipment		**2**	(298)
Impairment loss on trade receivables		**18,688**	–
Write down of inventories		**2,437**	–
Gain on disposal of subsidiaries		**–**	(739)
Equity-settled share-based compensation expenses		**35,036**	–
		325,992	129,660
Changes in working capital, net of effect of acquisitions			
Increase in inventories		**(252,555)**	(143,443)
Increase in trade and other receivables		**(96,943)**	(391,370)
Decrease/(increase) in amounts due from related parties		**101,553**	(96,682)
Increase in trade and other payables		**118,496**	432,579
Increase in amounts due to related parties		**–**	54,665
Increase in loans to third parties		**(208,629)**	–
Increase in bank loans used for supply chain financing business		**260,405**	–
Cash generated from/(used in) operations		**248,319**	(14,591)
Income tax paid		**(16,451)**	(11,678)
Net cash generated from/(used in) operating activities		**231,868**	(26,269)

Consolidated Cash Flow Statement

For the year ended December 31, 2014

	Note	2014 RMB'000	2013 RMB'000
Investing activities			
Increase in pledged deposits		**(502,835)**	(155,885)
Increase in short term deposit		**(11,000)**	–
Payment for the purchase of property, plant and equipment		**(873)**	(634)
Proceeds from sale of property, plant and equipment		**12**	341
Proceeds from sale of lease prepayments and land use right		**3,988**	19,413
Cash (outflows)/inflows from acquisitions of subsidiaries (net of cash and cash equivalents acquired)		**(278)**	957
Prepayment for business acquisition		**(13,446)**	–
Cash outflows from disposal of subsidiaries (net of cash and cash equivalents disposed)		**–**	(49,794)
Interest received		**6,383**	1,406
Net cash used in investing activities		**(518,049)**	(184,196)
Financing activities			
Net proceeds from bank loans		**204,041**	505,836
Decrease in amount due to shareholder		**(1,000)**	(43,381)
Increase in amount due to non-controlling interest		**956**	–
Gross proceeds from issue of new shares under the IPO		**1,095,536**	–
Payment for listing expenses		**(49,466)**	–
Proceeds from issue of shares		**–**	1
Interest and guarantee fees paid		**(31,160)**	(20,971)
Net cash generated from financing activities		**1,218,907**	441,485
Net increase in cash and cash equivalents		**932,726**	231,020
Cash and cash equivalents at the beginning of the year		**281,542**	52,400
Effect of foreign exchange rate changes		**8,432**	(1,878)
Cash and cash equivalents at the end of the year	20	**1,222,700**	281,542

The notes on pages 53 to 124 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by Cogobuy Group (the "Company") and its subsidiaries (the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(e) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2014 comprise the Company and its subsidiaries.

The Company was incorporated in the Cayman Islands on February 1, 2012 as an exempted company with limited liability under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in the sales of integrated circuits ("IC") and other electronic components in the People's Republic of China ("PRC"). The Group also operates an e-commerce platform for the sales of IC and other electronic components. Starting from 2014, the Group is also engaged in providing supply chain financing.

During the period from February 1, 2012 (date of inception) to December 31, 2012 and the year ended December 31, 2013, the Company has made several acquisitions, the details of which are further described below. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since July 18, 2014 (the "Listing").

On November 15, 2012, the Company acquired the entire equity interests of nine entities ("Predecessor Entities") from Viewtran Group, Inc., ("Viewtran") formerly known as Cogo Group Cayman, Inc., and Cogo Group, Inc., a company listed on NASDAQ in the United States of which the Chairman and Chief Executive Officer is Mr. Kang Jingwei, Jeffrey ("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").

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

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 consolidated results of the Company since November 15, 2012.

On February 1, 2013, the Company acquired the entire equity interests 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"), 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 (深圳市可購百信息技術有限公司, "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 laws and regulations of the PRC 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(f) 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 consolidated results of the Company since February 1, 2013.

On November 20, 2013, the Company acquired the equity interests of nine entities ("Envision Global Entities") from Brilliant Group Global Limited ("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 consolidated results of the Company since November 21, 2013.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of measurement

The consolidated financial statements are presented in Renminbi ("RMB") and the measurement basis used in the preparation of the financial statements is the historical cost basis.

(d) Use of estimates and judgements

The preparation of financial statements 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 statements and major sources of estimation uncertainty are discussed in note 2.

(e) Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the financial statements:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on these financial statements as the Group did not have any impaired non-financial assets for each of the years ended December 31, 2014 and 2013.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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 Services (Shenzhen) Limited (庫購網電子商務(深圳)有限公司, "Cogobuy E-commerce"), the Company's wholly-owned subsidiary, entered into a series of contractual arrangement ("Contractual Arrangements") with Shenzhen Cogobuy Information Technologies Limited ("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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Subsidiaries and non-controlling interests (Continued)

An investment in a subsidiary is consolidated into the consolidated financial statements 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 consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized 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 statement 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 statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

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 statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(g) Business combinations and goodwill

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Business combinations and goodwill (Continued)

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(l)).

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.

(h) Financial instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Group recognizes financial assets on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and financial liabilities at fair value through profit or loss is recognized using trade date accounting. Other financial assets are recognized using settlement date accounting. From these dates, any gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are recorded.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(ii) Classification

Fair value through profit or loss

This category comprises financial assets held for trading which are financial assets acquired or incurred principally for the purpose of trading.

Financial assets under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal the difference between the net sale proceeds and the carrying value is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (1) those that the Group intends to sell immediately or in the near term, which are classified as held for trading; (2) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (3) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Held-to-maturity securities

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortized cost less impairment losses.

Available-for-sale securities

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. Interest income from debt securities calculated using the effective interest method are recognized in profit or loss in accordance with the policies set out in note 1(u)(iii), respectively. Foreign exchange gains and losses resulting from changes in the amortized cost of debt securities are also recognized in profit or loss.

When the investments are derecognized or impaired (see note 1(l)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Group and the Company commit to purchase/sell the investments or they expire.

Loans and receivables are carried at amortized cost using the effective interest method, less impairment losses, if any (see note 1(l)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(iii) Derecognition

A financial asset is derecognized when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)).

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.

(j) 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(l)). 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(l)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Intangible assets (other than goodwill) (Continued)

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.

(k) 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.

(l) Impairment of assets

(i) Impairment of financial instruments and other receivables

Financial instruments and other 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of financial instruments and other receivables (Continued)

If any such evidence exists, 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.

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 statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment loss recognized in an interim period in respect of goodwill is not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) 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(l)), 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.

(o) 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.

(p) 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.

(q) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits

(i) Short term employee benefits and contributions 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 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 recognized 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 recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognized as an expense is adjusted to reflect the actual number of RSUs that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the service conditions. The equity amount is recognized in the share-based compensation reserve until the RSUs are vested (when it is included in the amount recognized in share premium for the shares vested).

(s) Income tax

Income tax for the year 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, using tax rates enacted or substantively 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

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.

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.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay dividends is recognized.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

– 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.

(t) 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.

(u) Revenue recognition

The Group engages primarily in the sale of IC and other electronic components in the PRC. 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. Starting from 2014, the Group also engaged in providing supply chain financing services.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue recognition (Continued)

(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 return, trade discounts and allowances.

(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 for all interest-bearing financial instruments is recognized in profit or loss on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For impaired financial assets, the accrual of interest income based on the original terms of the financial assets is discontinued.

(iv) Supply chain financing services

Supply chain financing services comprise provision of interest-bearing loans.

Interest income for interest-bearing loans is recognized as it accrues using the effective interest method (see note 1(u)(iii)).

(v) Translation of foreign currencies

Foreign currency transactions during the year 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Translation of foreign currencies (Continued)

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 measured.

The Company's functional currency is United States dollar and the consolidated financial statements are presented in Renminbi. 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 statement 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.

(w) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(x) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: (Continued)

(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.

(y) Segment reporting

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

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

The Group is principally engaged in the sales of IC and other electronic components. Starting from 2014, the Group is also engaged in provision of supply chain financing services. Management considers that the revenue and profit is derived almost entirely from wholesales of IC and other electronic components for the years ended December 31, 2014 and 2013 and financial information regularly provided to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's lines of business and geographical locations does not meet the quantitative thresholds as set out in HKFRS 8, Operating Segments, to be reportable. Accordingly, no segment information is presented in the consolidated financial statements.

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

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty

Notes 13, 25 and 31 contain information about the assumptions and their risk factors relation to goodwill impairment, fair value of RSUs granted and financial instruments. 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 consolidated financial statements. 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 consolidated financial statements.

(a) Impairment of non-financial assets

If circumstances indicate that the carrying value of a non-financial 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. The recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment. 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.

(c) Impairment of financial assets

The Group estimates the impairment allowances for financial assets, including trade and other receivables and loans to third parties, by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to financial assets 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 financial assets and thus the impairment loss in the period in which such estimate is changed.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(d) Depreciation/amortization

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 expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

3 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. Starting from 2014, the Group is also engaged in the provision of supply chain financing services.

Revenue mainly represents the sales value of goods delivered to customers. The Group also generates revenue from commission fees charged to third-party merchants for using the e-commerce marketplace. Starting from 2014, the Group also generates interest income from the supply chain financing business. The amount of each significant category of revenue recognized during the year is as follows:

	2014 RMB'000	2013 RMB'000
Sales of IC and other electronic components	6,819,723	2,391,838
Marketplace income	26,606	25,439
Supply chain financing interest income	2,036	–
	6,848,365	2,417,277

The Group's customer base is diversified and there was no single customer who accounted for 10% or more of the Group's revenue for each of the years ended December 31, 2014 and 2013.

4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2014 RMB'000	2013 RMB'000
Other revenue		
Bank interest income	**6,383**	1,406
Other net (loss)/income		
(Loss)/gain on sale of property, plant and equipment	**(2)**	298
Gain on disposal of subsidiaries	**–**	739
	(2)	1,037

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2014 RMB'000	2013 RMB'000
Interest expense on bank loans	**27,794**	14,062
Guarantee fees (note 22)	**3,366**	6,130
	31,160	20,192

5 PROFIT BEFORE TAXATION (Continued)

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

(b) Staff costs

	2014 RMB'000	2013 RMB'000
Contributions to defined contribution retirement plan (note 24)	**9,956**	2,739
Salaries, wages and other benefits	**91,460**	24,262
Equity-settled share-based compensation expenses (note 25)	**35,036**	–
	136,452	27,001

(c) Other items

	2014 RMB'000	2013 RMB'000
Amortization of intangibles assets	**7,588**	6,978
Auditors' remuneration	**4,132**	252
Cost of inventories	**6,312,810**	2,213,760
Impairment loss on trade receivables	**18,688**	–
Depreciation of property, plant and equipment	**459**	2,485
Listing expenses	**31,638**	4,611
Net foreign exchange loss/(gain)	**2,059**	(893)
Operating lease charges in respect of property rentals	**7,672**	3,315
Research and development expenses (note)	**41,815**	16,144

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB31,451,000 (2013: RMB11,811,000) for the year ended December 31, 2014, where the amount is also included in the staff costs as disclosed in note 5(b).

Research and development expenses also include operating lease charges in respect of property rentals of RMB1,829,000 (2013: RMB894,000) for the year ended December 31, 2014.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2014 RMB'000	2013 RMB'000
Current tax – PRC Corporation Income Tax		
Provision for the year	**1,549**	7,599
Over-provision in respect of prior years	**(954)**	(380)
	595	7,219
Current tax – Hong Kong Profits Tax		
Provision for the year	**26,642**	9,495
Under-provision in respect of prior years	**1,050**	321
	27,692	9,816
	28,287	17,035
Deferred tax		
Origination and reversal of temporary differences	**(1,252)**	(1,152)
	27,035	15,883

(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 year ended December 31, 2014 (2013: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

(a) Taxation in the consolidated statement of comprehensive income represents: (Continued)

(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, Shenzhen Cogobuy and Envision Communications Technology (Shenzhen) Company Limited (億維訊通信技術(深圳)有限公司, 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-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 consolidated financial statements, 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.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 RMB'000	2013 RMB'000
Profit before taxation	237,005	102,448
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25%	59,251	25,612
Effect of PRC tax holiday	(46,878)	(13,477)
Tax rate differential for Hong Kong entities	(5,507)	(4,457)
Entities of other jurisdictions not subject to income tax	2,016	6,955
Tax effect of non-taxable income	(377)	(231)
Tax effect of non-deductible expenses	13,759	–
Tax effect of tax losses not recognized	5,096	1,437
Under/(over)-provision in respect of prior years	96	(59)
Others	(421)	103
Actual tax expense	27,035	15,883

7 DIRECTORS' REMUNERATION

Directors' remuneration 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:

	Year ended December 31, 2014						
	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note (iv)) RMB'000	Total RMB'000
Executive directors:							
Mr. Kang*	–	1,018	–	17	–	1,898	2,933
Mr. Wu Lun Cheung Allen	–	1,014	–	13	–	1,898	2,925
Independent non-executive directors:							
Mr. Zhong Xiaolin, Forrest	120	–	–	–	–	–	120
Mr. Ye Xin	120	–	–	–	–	–	120
Mr. Yan Andrew Y.	120	–	–	–	–	–	120
	360	2,032	–	30	–	3,796	6,218

	Year ended December 31, 2013						
	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors:							
Mr. Kang* (note (ii))	–	–	–	–	–	–	–
Mr. Wu Lun Cheung Allen (note (iii))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

* Chairman of the Company

7 DIRECTORS' REMUNERATION (Continued)

Notes:

(i) Mr. Kang and Mr. Wu Lun Cheung Allen were appointed as an executive director on March 18, 2014. In connection with the Listing, Mr. Zhong Xiaolin, Forrest, Mr. Ye Xin and Mr. Yan Andrew Y. were appointed as the Company's independent non-executive directors effective on July 18, 2014.

(ii) Mr. Kang did not receive any remunerations from the Group in his capacity as the Chairman of the Group for the year ended December 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 year ended December 31, 2013.

(iv) These represent the estimated value of RSUs granted to the directors under the Company's RSU Scheme. The value of these RSUs is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(r)(ii). The details of these benefits in kind, including the principal terms and number of RSUs granted, are disclosed under the paragraph "RSU Scheme" in the directors' report and in note 25.

During the year ended December 31, 2014, there were no amounts paid or payable by the Group to the directors or any of the highest paid individual set out in note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office (2013: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended December 31, 2014 (2013: Nil).

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2013: Nil) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2013: five) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	2,099	1,392
Discretionary bonuses	1,110	522
Share-based payments	2,304	–
Retirement scheme contributions	133	236
	5,646	2,150

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the three (2013: five) individuals with the highest emoluments in 2014 are within the following band:

	2014 RMB'000	2013 RMB'000
HK$Nil to HK$1,000,000	–	5
HK$2,000,001 to HK$2,500,000	2	–
HK$2,500,001 to HK$3,000,000	1	–

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to the equity shareholders of the Company includes a loss of RMB74,726,000 (2013: RMB15,674,000) which has been dealt with in the financial statements of the Company.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB194,118,000 (2013: RMB82,099,000) and the weighted average of 1,158,238,000 (2013: 917,500,000) ordinary shares in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at the beginning of the year	100	1
Issue of shares (note 27(c)(ii))	–	91
Effect of share subdivision of the share capital of the Company in June 2014 (note 27(c)(iii))	999,999,900	917,499,908
Issue of shares in connection with the Listing (note 27(c)(iv))	158,242,000	–
Purchase of own shares (note 27(c)(vi))	(4,000)	–
Weighted average number of ordinary shares as of the end of the year	1,158,238,000	917,500,000

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 27(c), on a retrospective basis as if the event had occurred on January 1, 2013.

10 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB194,118,000 (2013: RMB82,099,000) and the weighted average number of ordinary shares of 1,170,514,000 shares (2013: 917,500,000 shares) calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	2014	2013
Weighted average number of ordinary shares as of the end of the year	1,158,238,000	917,500,000
Effect of deemed issue of shares under the Company's RSU Scheme for nil consideration (note 25)	12,276,000	–
Weighted average number of ordinary shares (diluted) as of the end of the year	1,170,514,000	917,500,000

RSUs were not considered as dilutive potential ordinary shares for the year ended December 31, 2013 as they were issuable contingently upon the occurrence of the Listing as described in note 25.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improvements RMB'000	Furniture and office equipment RMB'000	Total RMB'000
Cost:					
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

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improvements RMB'000	Furniture and office equipment RMB'000	Total RMB'000
Cost:					
As of January 1, 2014	442	–	396	884	1,722
Additions	143	–	–	730	873
Acquired through business acquisition	–	–	–	23	23
Disposal	–	–	–	(202)	(202)
Exchange adjustments	–	–	10	5	15
As of December 31, 2014	585	–	406	1,440	2,431
Accumulated depreciation:					
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 year	163	–	–	296	459
Written back on disposals	–	–	–	(188)	(188)
Exchange adjustments	–	–	10	9	19
As of December 31, 2014	176	–	406	214	796
Net book value:					
As of December 31, 2013	429	–	–	787	1,216
As of December 31, 2014	409	–	–	1,226	1,635

12 INTANGIBLE ASSETS

The Group

	Internet platform RMB'000	Customer relationships RMB'000	Domain name and trademark RMB'000	Total RMB'000
Cost:				
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	2,659	33,662	1,981	38,302
As of January 1, 2014 and December 31, 2014	2,659	33,662	1,981	38,302
Accumulated amortization:				
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 year	886	6,522	180	7,588
As of December 31, 2014	1,698	12,555	346	14,599
Net book value:				
As of December 31, 2013	1,847	27,629	1,815	31,291
As of December 31, 2014	961	21,107	1,635	23,703

Intangible assets represent internet platform, customer relationships, 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 32). The amortization charge for the year is included in "administrative and other operating expenses" in the consolidated statement of comprehensive income.

13 GOODWILL

	The Group	
	2014	2013
	RMB'000	RMB'000
Cost and carrying amount:		
At the beginning of the year	**154,136**	2,166
Additions through business combinations (note 32)	**–**	151,970
At the end of the year	**154,136**	154,136

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% (2013: 2.5%).

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 17.5% (2013: 23.4%). 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, 2014. 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 statement of comprehensive income (2013: Nil).

14 OTHER NON-CURRENT ASSETS

	The Group	
	2014	2013
	RMB'000	RMB'000
Prepayment for business acquisition (note)	**13,446**	–
Deposits	**1,357**	663
	14,803	663

Note: On October 1, 2014, Cogobuy Group, Inc., a wholly-owned subsidiary of the Company entered into an acquisition agreement with a third party to acquire its business operation for a cash consideration of RMB35,700,000. As of December 31, 2014, a prepayment of RMB13,446,000 was made by the Group for the acquisition. The transfer of business operation was still in progress as of December 31, 2014 and had an expected completion date by March 31, 2015.

15 INTEREST IN SUBSIDIARIES

	The Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**185,697**	671,542
Amount due from a subsidiary (note (i))	**502,891**	–
	688,588	671,542

Notes:

(i) The amount due from a subsidiary is unsecured, interest-free and not expected to be recovered within one year.

(Expressed in Renminbi Unless Otherwise Indicated)

15 INTEREST IN SUBSIDIARIES (Continued)

Notes: (Continued)

(ii) At December 31, 2014, the Company had direct or indirect interests in the following subsidiaries, either through legal ownership or implementation of the Contractual Arrangements. The class of shares held is ordinary unless otherwise stated:

			Proportion of ownership interest			
Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Alphalink Global Limited (notes (ii), (v))	The BVI November 23, 2004	United States Dollar ("US$")1	100%	–	100%	Investment holding
Comtech (HK) Holding Limited (notes (ii), (v))	The BVI May 27,2002	US$1	100%	–	100%	Investment holding
Comtech Broadband Holding Limited (notes (iv), (v))	The BVI June 27, 2013	US$1	100%	–	100%	Investment holding
Gold Tech Holdings Limited (notes (iv), (v))	The BVI January 25, 2010	US$1	100%	–	100%	Investment holding
Mega Smart Group Limited (notes (iv), (v))	The BVI December 12, 2007	US$50,000	100%	–	100%	Investment holding
Silver Ray Group Limited	The BVI October 25, 2012	US$1	100%	–	100%	Inactive
Cogobuy Group, Inc. (Previously known as Vision Well Global Limited) (note (v))	The BVI October 25, 2012	US$1	100%	100%	–	Investment holding
Cogobuy Holding Limited (notes (iii), (v))	The Cayman Islands January 4, 2011	US$1	100%	100%	–	Investment holding
Comtech Broadband Corporation Limited ("Comtech Broadband") (note (iv))	Hong Kong March 23, 2005	20,000,000 shares	70%	–	70%	Sales of electronics components and related products
Comtech Digital Technology (Hong Kong) Limited ("Comtech Digital HK") (note (iv))	Hong Kong February 11, 2010	10,000 shares	60%	–	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%	–	100%	Sales of electronics components and related products

(Expressed in Renminbi Unless Otherwise Indicated)

15 INTEREST IN SUBSIDIARIES (Continued)

Notes: (Continued)

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Comtech Industrial (Hong Kong) Limited (note (iv))	Hong Kong April 6, 2009	10,000 shares	100%	–	100%	Sales of electronics components and related products
Comtech Industrial Technology (Shenzhen) Company Limited 科通工業技術 (深圳) 有限公司 (formerly known as Epcot Multimedia Technology (Shenzhen) Co., Ltd. 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
Cogobuy Limited (note (iii))	Hong Kong October 6, 2011	1 share	100%	–	100%	Investment holding
Cogobuy E-commerce (notes (i) and (iii))	The PRC July 31, 2012	HK$150,000	100%	–	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%	–	100%	Development and sales of electronic communication products
INGDAN.com Limited (formerly known as Envision Online Limited) ("INGDAN")	Hong Kong March 6, 2012	1 share	100%	–	100%	Operate the INDAN. com platform

(Expressed in Renminbi Unless Otherwise Indicated)

15 INTEREST IN SUBSIDIARIES (Continued)

Notes: (Continued)

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Hong Kong JJT Limited (note (ii))	Hong Kong August 23, 2007	1 share	100%	–	100%	Provision of research and design services
Hardeggs Holdings Limited ("Hardeggs")	The BVI October 28, 2014	US$1	100%	–	100%	Investment holding
INGDAN.com Group, Inc.	The BVI November 1, 2014	US$1	100%	–	100%	Investment holding
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%	–	100%	Development and sales of electronic and automation products, import and export of their supporting parts
Shanghai E&T System Company Limited 上海憶特斯自動化控制技術有限公司 (notes (i) and (iv))	The PRC June 5, 2003	RMB10,000,000	100%	–	100%	Sales of electronics components and related products
Shenzhen Cogobuy 深圳市可購百信息技術有限公司 (notes (i), (iii) and 1(f))	The PRC December 13, 2012	RMB1,000,000	100%	–	100%	Holder of the ICP licence in the PRC
Cogobuy Finance Holdings Limited (formerly known as Comtech Development Holdings Limited)	The BVI January 8, 2013	US$1	100%	–	100%	Investment holding
Comtech Development (HK) Limited	Hong Kong January 28, 2013	1 share	100%	–	100%	Investment holding
Qianhai Cogobuy.com (Shenzhen) Limited 前海科通芯城通信技術(深圳)有限公司 (note (i))	The PRC May 27, 2013	HK$200,000,000	100%	–	100%	Inactive
Ace Financial Ventures Limited	The BVI April 23, 2014	US$1	100%	–	100%	Investment holding

(Expressed in Renminbi Unless Otherwise Indicated)

15 INTEREST IN SUBSIDIARIES (Continued)

Notes: (Continued)

			Proportion of ownership interest			
Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Cogobuy Finance Limited (formerly known as Achiever Finance Limited)	Hong Kong January 23, 2013	1 share	100%	–	100%	Provision of supply chain financing services in Hong Kong
Cogobuy Worldwide Limited	Hong Kong September 12, 2014	10,000 shares	100%	–	100%	Provision of research and design services
World Style Technology Holdings Limited	The BVI September 17, 2014	US$100	51%	–	51%	Investment holding
United Wireless Technology (Hong Kong) Limited (formerly known as Cogobuy Wireless Technology (HK) Limited)	Hong Kong October 6, 2014	1 share	51%	–	100%	Sales of electronics components and related products

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, consisting of these entities and Comtech (China) Holding Ltd. and its subsidiaries (collectively, "Comtech China"), were acquired through the Viewtran Acquisition ("Viewtran Acquisition") on November 15, 2012.

On December 1, 2013, the Company disposed of its entire equity interest in 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 33).

(iii) The Total Dynamic Entities were acquired through the Total Dynamic Acquisition on February 1, 2013 (see notes 1(b) and 32(a)).

(iv) The Envision Global Entities were acquired through the Envision Global Acquisition on November 20, 2013 (see notes 1(b) and 32(b)).

(v) These entities were all wholly-owned subsidiaries of the Company. Pursuant to a board resolution dated November 14, 2014, the Group undertook a group restructuring so as to streamline the structure of the Group. Immediately after the completion of the restructuring, Cogobuy Group, Inc. and Cogobuy Holding Limited became the only direct wholly-owned subsidiaries of the Company.

15 INTEREST IN SUBSIDIARIES (Continued)

The following table lists out the information relating to Comtech Digital HK and Comtech Broadband, the subsidiaries of the Group which has material non-controlling interest ("NCI"), and were acquired through the Envision Global Acquisition. The summarized financial information presented below represents the amounts before any inter-company elimination.

	Comtech Digital HK		Comtech Broadband	
	2014	2013	**2014**	2013
	(RMB'000, except percentage)		(RMB'000, except percentage)	
NCI percentage	**40%**	40%	**30%**	30%
Current assets	**244,222**	324,474	**1,012,285**	946,190
Non-current assets	**2,043**	1,829	**118**	104
Current liabilities	**(228,043)**	(324,674)	**(971,277)**	(930,896)
Net assets	**18,222**	1,629	**41,126**	15,398
Carrying amount of NCI	**7,289**	652	**12,338**	4,619
Revenue	**522,635**	63,538	**2,768,371**	529,149
Profit for the year	**16,206**	1,853	**25,433**	9,532
Total comprehensive income	**16,593**	1,893	**25,728**	13,617
Profit allocated to NCI	**6,482**	741	**7,630**	2,860
Dividend paid to NCI	**–**	–	**–**	–
Cash flows from operating activities	**10,129**	(27,117)	**(200,358)**	8,522
Cash flows from investing activities	**(1,523)**	(8,257)	**(43,857)**	(183,233)
Cash flows from financing activities	**(10,557)**	12,062	**347,546**	386,809

16 INVENTORIES

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Finished goods	501,340	243,800

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2014	2013
	RMB'000	RMB'000
Carrying amount of inventories sold	6,312,810	2,213,760
Written down of inventories	2,437	–
	6,315,247	2,213,760

17 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	749,694	630,287	–	–
Bills receivable	14,397	27,840	–	–
Trade and bills receivables	764,091	658,127	–	–
Less: allowance for doubtful debts	(26,284)	(7,596)	–	–
	737,807	650,531	–	–
Loan interest receivables	1,535	–	–	–
Deposits and prepayments	6,342	5,366	–	461
Other receivables	2,823	869	–	1
	748,507	656,766	–	462

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

17 TRADE AND OTHER RECEIVABLES (Continued)

For the year ended December 31, 2013, 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 arrangement ranged from 1.7% to 2.4% (2013: 1.6% to 3.1%) of the balance transferred and are included in "finance costs" for the year ended December 31, 2014. 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. All of the factored trade receivables were accounted for as sales and derecognized upon transfer.

For the year ended December 31, 2014, the Group received proceeds from sales of trade receivables of RMB1,262,913,000 (2013: RMB149,467,000). The Group recognized discounts of RMB3,993,000 (2013: RMB929,000) in finance costs for trade receivables sold to the banks for the year ended December 31, 2014.

(a) Aging analysis

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 1 month	**446,374**	446,152
1 to 2 months	**196,083**	142,786
2 to 3 months	**85,285**	19,547
Over 3 months	**10,065**	42,046
	737,807	650,531

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 31(a).

(b) Impairment of trade and bills receivables and loan interest receivables

Impairment losses in respect of trade and bills receivables and loan interest 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 and loan interest receivables directly (see note 1(l)(i)). No impairment loss has been recognized in respect of loan interest receivables for the year ended December 31, 2014.

17 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade and bills receivables and loan interest receivables (Continued)

The movement in the allowance for doubtful debts during the year, including the specific and collective components, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
At January 1	**7,596**	17,162
Impairment loss recognized	**18,688**	–
Uncollectible amounts written off	**–**	(9,566)
At December 31	**26,284**	7,596

As of December 31, 2014, none of the trade and bills receivables or loan interest receivables was individually determined to be impaired (2013: Nil).

(c) Trade and bills receivables and loan interest receivables that are not impaired

As at December 31, 2014, none of the loan interest receivables that is neither individually or collectively considered to be impaired was past due. The aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**615,811**	529,271
Less than 1 month past due	**93,140**	117,117
1 to 3 months past due	**26,999**	3,544
4 to 6 months past due	**1,807**	598
Over 6 months past due	**50**	1
	121,996	121,260
	737,807	650,531

17 TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade and bills receivables and loan interest receivables that are not impaired (Continued)

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.

18 LOANS TO THIRD PARTIES

	The Group	
	2014	2013
	RMB'000	RMB'000
Unsecured loans	**199,974**	–
Secured loans	**8,655**	–
	208,629	–

As of December 31, 2014, loans to third parties under supply chain financing services mainly comprise unsecured loans without collateral and secured loans secured by a third-party borrower's inventories and the borrower's receivables from a customer.

(a) Aging analysis

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

	The Group
	2014
	RMB'000
Within 1 month	**140,536**
1 to 2 months	**31,921**
2 to 3 months	**36,172**
	208,629

Further details of the Group's credit policy are set out in note 31(a).

18 LOANS TO THIRD PARTIES (Continued)

(b) Impairment of loans to third parties

Impairment losses in respect of loans to third parties 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 loans to third parties directly (see note 1(l)(i)).

As of December 31, 2014 (2013: Nil), none of the loans to third parties was individually determined to be impaired.

(c) Loans to third parties that are not impaired

All of the loans to third parties that are neither individually nor collectively considered to be impaired are not past due.

Loans to third parties that were neither past due nor impaired relate to the borrowers for whom there were no recent history of default. The Group does not hold any collateral over the unsecured loan balances.

19 AMOUNTS DUE FROM/(TO) RELATED PARTIES

An analysis of the amounts due from related parties is as follows:

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amount due from Envision Global	(i)	**–**	4,545	**–**	557
Amount due from Brilliant Group and its subsidiaries	(ii)	**–**	100,996	**–**	–
Amounts due from subsidiaries	(iii)	**–**	–	**13,219**	–
Amount due from non-controlling interest	(iv)	**11,478**	–	**–**	–
Amounts due from related parties		**11,478**	105,541	**13,219**	557

Notes:

(i) As of December 31, 2013, 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, and certain related expenses paid on behalf of Envision Global. The amount is unsecured, interest-free and recoverable on demand.

(ii) As of December 31, 2013, the amount due from Brilliant Group and its subsidiaries was 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 was unsecured, interest-free and recoverable on demand.

(iii) As of December 31, 2014, the amounts due from subsidiaries represented the expenses paid by the Company on behalf of the subsidiaries. The amount is unsecured, interest-free and recoverable on demand.

(iv) As of December 31, 2014, the amount due from non-controlling interest represented advance from the Group to the non-controlling interest. The amount is unsecured, interest-free and recoverable on demand.

19 AMOUNTS DUE FROM/(TO) RELATED PARTIES (Continued)

An analysis of the amounts due to related parties is as follows:

	Note	The Group 2014 RMB'000	The Group 2013 RMB'000	The Company 2014 RMB'000	The Company 2013 RMB'000
Amounts due to subsidiaries	(i)	–	–	99,725	24,794
Amount due to Brilliant Group and its subsidiaries	(ii)	–	–	–	37,655
Amount due to shareholder	(iii)	–	1,000	–	–
Amount due to non-controlling interest	(iv)	12,434	–	–	–
Amounts due to related parties		12,434	1,000	99,725	62,449

Notes:

(i) 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, 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.

(iii) 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.

(iv) As of December 31, 2014, the amount due to non-controlling interest represented advance from non-controlling interest to a subsidiary of the Group. The amount is unsecured, interest-free and repayable on demand.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement comprise:

	The Group 2014 RMB'000	The Group 2013 RMB'000	The Company 2014 RMB'000	The Company 2013 RMB'000
Cash at bank and in hand	1,222,700	281,542	286,662	133

20 CASH AND CASH EQUIVALENTS (Continued)

As of December 31, 2014, the Group's cash and cash equivalents in the amount of RMB278,050,000 (2013: RMB14,518,000) is denominated in Renminbi and is 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, 2014, the Company has cash and cash equivalents in the amount of RMB101,679,000 denominated in Renminbi, which is deposited in banks in Hong Kong (2013: Nil).

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**532,371**	412,527	**–**	–
Accrued staff costs	**15,765**	5,939	**–**	–
Other payables	**17,428**	14,732	**11,965**	5,256
	565,564	433,198	**11,965**	5,256

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

As of the end of the reporting period, the aging analysis of trade payables, based on invoice date, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 1 month	**450,439**	267,144
1 to 3 months	**76,275**	130,119
Over 3 months	**5,657**	15,264
	532,371	412,527

22 PLEDGED DEPOSITS AND BANK LOANS

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

As of the end of the reporting period, the Group had entered into several banking facilities including letters of guarantee, bank loans, trade receivables factoring facilities and irrecoverable letters of credit.

Pursuant to 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 up to December 31, 2014 to the banking institutions which provide banking facilities to the Envision Global Entities. The guarantees were terminated on July 18, 2014 upon the Listing.

For the years ended December 31, 2014 and 2013, the Group had two types of banking facilities:

(a) Joint banking facilities which can be utilized by the Group and certain subsidiaries of Viewtran (the "Joint Banking Facilities"), which were guaranteed by Viewtran; and

(b) Banking facilities which are made available solely to the Group (the "Sole Banking Facilities"). All of the Sole Banking Facilities were guaranteed by Viewtran and the Group up to July 18, 2014 and guaranteed by the Group since then.

(a) Joint Banking Facilities

Details of the Joint Banking Facilities and the borrowings drawn by the Group under such facilities as of the end of the reporting period are set out below:

	The Group	
	2014	2013
	RMB'000	RMB'000
Aggregate credit limit	–	242,148
Outstanding loans – Viewtran	–	–
Outstanding loans – the Group	–	(143,001)
Unutilized facilities	–	99,147

22 PLEDGED DEPOSITS AND BANK LOANS (Continued)

(a) Joint Banking Facilities (Continued)

As of December 31, 2013, the Joint Banking Facilities were secured by cash of RMB60,550,000 pledged by the Group. There were no Joint Banking Facilities as of December 31, 2014.

The Group and Viewtran were 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, 2013, 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 the end of the reporting period are set out below:

	The Group	
	2014	2013
	RMB'000	RMB'000
Aggregate credit limit	**2,581,114**	1,510,399
Outstanding loans	**(1,411,424)**	(786,387)
Trade receivables factoring facilities utilized	**(308,573)**	(223,001)
Unutilized facilities	**861,117**	501,011

As of December 31, 2014, the Sole Banking Facilities were secured by cash of RMB742,152,000 pledged by the Group. (2013: secured by cash of RMB172,531,000 and RMB483,970,000 pledged by the Group and Viewtran, respectively).

(c) Bank covenants

As of December 31, 2014, the Sole Banking Facilities contain various covenants, including the Group's consolidated net borrowing ratio not exceeding 30% of consolidated tangible net worth and the Group maintaining a tangible net worth of not less than RMB1,000,000,000. Other conditions include Mr. Kang, remaining as the single largest shareholder of the Company and retaining at least 40% equity interest of the Company.

23 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. The loan was early repaid in 2014.

(Expressed in Renminbi Unless Otherwise Indicated)

24 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 year. 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$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

In March 2014, the Company's shareholders and directors adopted the RSU Scheme and granted 30,200,000 restricted share units ("RSUs") to directors and employees of the Company and its subsidiaries. The purpose of the RSU Scheme is to reward the fidelity and performance of the directors and employees of the Company and its subsidiaries. The RSUs are the rights to receive Company's shares when they vest pursuant to the conditions provided for under the RSU Scheme. Each RSU gives the holder a right to receive a share at the end of respective vesting period. Immediately after the Listing, 30,200,000 ordinary shares were issued by the Company under the RSU Scheme and they represented 2.20% of the total issued share capital of the Company. The shares are held on trust by the RSU Scheme trustee until their release to the beneficiaries upon vesting of the RSUs.

The directors estimated the fair value of the RSUs granted to be RMB51,963,000 (US$8,456,000) in total or RMB1.72 (US$0.28) per unit. Share-based payment expenses of RMB35,036,000 were recognized as staff costs in the Company's profit or loss for the year ended December 31, 2014 and the remaining balance is to be recognized in 2015 and 2016 based on the respective vesting periods.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions
RSUs granted to directors:		
– on March 1, 2014	3,600,000	Notes (i), (iii)
RSUs granted to employees:		
– on March 1, 2014	19,346,300	Notes (i), (iii)
– on March 1, 2014	7,253,700	Notes (ii), (iii)
Total RSUs granted	30,200,000	

(Expressed in Renminbi Unless Otherwise Indicated)

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants are as follows: (Continued)

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 forfeit their right to any unvested RSUs.

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

	2014 Number of RSUs
Outstanding as of the beginning of the year	–
Granted during the year	30,200,000
Vested during the year	(14,038,700)
Forfeited during the year	(1,430,500)
Outstanding as of the end of the year	14,730,800

(c) 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
Fair value of RSUs and assumptions	
Discount rate	17.5%
Risk-free interest rate	3.265%
Volatility	16.0%
Dividend yield	0.0%

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC Corporate Income Tax	**1,659**	2,380	**–**	–
Provision for Hong Kong Profits Tax	**20,133**	7,640	**1,017**	–
	21,792	10,020	**1,017**	–

(b) Deferred tax liabilities recognized

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

	The Group Amortization of intangible assets RMB'000
As of January 1, 2013	386
Additions through business combination	5,930
Credited to profit or loss	(1,152)
As of December 31, 2013	5,164
As of January 1, 2014	5,164
Credited to profit or loss	(1,252)
As of December 31, 2014	3,912

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 1(s), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB33,187,000 (2013: RMB12,798,000) 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 RMB2,417,000, RMB206,000, RMB10,176,000 and RMB20,388,000 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.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(d) Deferred tax liabilities not recognized

As of December 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 RMB284,931,000 (2013: RMB107,364,000), as it was considered not probable that these profits would be distributed in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(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 statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As of 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 (note (c))	1	–	–	–	–	–	–	1
	1	–	–	–	186,196	–	–	186,197

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

The Company (Continued)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As of December 31, 2013 and January 1, 2014	1	–	18,923	–	186,196	(5,768)	(16,306)	183,046
Changes in equity for 2014:								
Loss for the year	–	–	–	–	–	–	(74,726)	(74,726)
Other comprehensive income for the year	–	–	–	–	–	9,678	–	9,678
Total comprehensive income	–	–	–	–	–	9,678	(74,726)	(65,048)
Equity-settled share-based compensation	–	–	–	35,036	–	–	–	35,036
Issue of new shares in connection with the Listing, net of listing expenses	–	1,046,070	–	–	–	–	–	1,046,070
Issue of shares under the RSU Scheme	–	24,222	–	(24,222)	–	–	–	–
Purchase of own shares	–	(6,225)	–	–	–	–	–	(6,225)
	–	1,064,067	–	10,814	–	–	–	1,074,881
As of December 31, 2014	1	1,064,067	18,923	10,814	186,196	3,910	(91,032)	1,192,879

(b) Dividend

The board of directors does not recommend the distribution of a final dividend for the year ended December 31, 2014 (2013: Nil).

(Expressed in Renminbi Unless Otherwise Indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

	2014 No. of shares	2014 Amount US$	2013 No. of shares	2013 Amount US$
Authorized:				
Ordinary shares of US$0.0000001/US$1 each (notes (i), (ii) and (iii))	**500,000,000,000**	**50,000**	50,000	50,000
Ordinary shares, issued and fully paid:				
At the beginning of the year	**100**	**100**	1	1
Issue of shares (note (ii))	**–**	**–**	99	99
Subdivision of share capital of the Company (note (iii))	**999,999,900**	**–**	–	–
Issue of new shares in connection with the Listing (note (iv))	**343,800,000**	**34**	–	–
Issue of new shares under the RSU Scheme (note (v))	**30,200,000**	**3**	–	–
Purchase of own shares (note (vi))	**(1,955,000)**	**–**	–	–
At the end of the year	**1,372,045,000**	**137**	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 allocated 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 allocated 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 par 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 "Earnings per share" (note 10) and "Equity-settled share-based transactions" (note 25) has been adjusted retrospectively as if the share subdivision had occurred on January 1, 2013.

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

Notes: (Continued)

(iv) On July 18, 2014, the shares of the Company became listed on the Main Board of the Stock Exchange of Hong Kong, pursuant to which 343,800,000 ordinary shares of US$0.0000001 each were issued at a price of HK$4.00 per share by the Company. The gross proceeds from the issue of these shares amounted to HK$1,375,200,000 (equivalent to approximately RMB1,095,536,000). Proceeds of HK$287 (equivalent to US$37), representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of approximately HK$1,313,168,000 (equivalent to approximately RMB1,046,070,000) after deducting the listing expenses included underwriting fee of approximately RMB49,466,000, were credited to the share premium account.

(v) Pursuant to the RSU Scheme, 30,200,000 ordinary shares were issued by the Company immediately after the Listing. For the year ended December 31, 2014, 14,038,700 units of RSUs were vested to the beneficiaries. In accordance with the accounting policy set in note 1(r)(ii), RMB24,222,000 were credited to the share premium account. The remaining shares are held on trust by the RSU Scheme trustee until their release to the beneficiaries upon the vesting of the RSUs (see note 25).

(vi) During the year ended December 31, 2014, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate amount paid HK$'000
December 2014	1,955,000	4.10	3.90	7,833

The repurchased shares were cancelled in January 2015. The issued share capital of the Company was reduced by the nominal value of US$0.20. The premium paid on the repurchase of the shares of HK$7,833,000 (equivalent to RMB6,225,000) was charged to share premium.

(d) Share premium

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

(e) Capital reserve

An amount of US$3,000,000 (equivalent to RMB18,923,000) was contributed by the shareholder in the form of cash during 2012. The amount has been recorded as capital reserve in the consolidated financial statements.

(f) 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(r)(ii).

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(g) Other reserve

On March 15, 2013, 99 new shares of the Company were issued in connection with the acquisition of Total Dynamic Entities. The fair value of the Company's new shares was estimated to be approximately RMB186,196,000 and was credited to share capital (nominal value) and other reserve.

(h) 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(v).

(i) 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.

(j) Distributable reserves

As of December 31, 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to RMB1,192,878,000 (2013: RMB183,045,000).

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(k) 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/net cash as total interest-bearing loans less cash and cash equivalents and pledged deposits. The Group defines "capital" as all components of equity. In 2014, the Group has changed its definition of net debt/net cash to include the effect of the Group's pledged deposits as shown below. In 2013, the Group defined net debt/net cash as interest-bearing loans less cash and cash equivalents. The Group began its supply chain financing services in 2014 and management believes the revised definition of net debt/net cash would better reflect how the Group currently monitors its capital structure.

The net debt-to-capital ratio as of December 31, 2014 and December 31, 2013 was as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest-bearing borrowings	**1,411,424**	929,388	**–**	421,943
Less: Cash and cash equivalents	**(1,222,700)**	(281,542)	**(286,662)**	(133)
Pledged deposits	**(742,152)**	(233,081)	**(317,117)**	—
Net (cash)/debt	**(553,428)**	414,765	**(603,779)**	421,810
Total equity	**1,624,957**	329,266	**1,192,879**	183,046
Net debt-to-capital ratio (note)	**—**	1.3	**–**	2.3

Note: No net debt-to-capital ratio as of December 31, 2014 is presented as the Group and the Company were at net cash position as of that date.

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 22, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

28 COMMITMENTS

(a) Operating lease commitments

As of December 31, 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within one year	9,834	4,808
After one year but within five years	6,338	5,114
	16,172	9,922

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 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 2013.

The guarantee fee and service fee have been recognized as administrative and other operating expenses in the consolidated statement of comprehensive income. The guarantee arrangements had been terminated on July 18, 2014.

As of December 31, 2014, the Group has outstanding purchase orders for components from suppliers in the amount of approximately RMB890,387,000 (2013: RMB1,303,529,000). The Group does not have any minimum purchase obligations with these suppliers. Other than as described above and in note 29, the Group had no other material contractual obligations, off-balance sheet guarantees or arrangements as of December 31, 2014 (2013: Nil).

(Expressed in Renminbi Unless Otherwise Indicated)

29 CONTINGENT LIABILITIES

As of December 31, 2014, the Company issued several guarantees to banks in respect of the banking facilities granted to subsidiaries of the Company. The maximum liability of the Company at the end of the reporting period under these guarantees issued is the outstanding amount of the bank loans drawn down by the subsidiaries (see note 22). As of December 31, 2014, management of the Company did not consider it is probable that a claim will be made against the Company under any of the guarantees.

As of December 31, 2013, the Group was among the entities covered by certain cross guarantee arrangements with Viewtran (see note 22). 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, 2013, management of the Group did not consider it is probable that a claim will be made against the Group under any of the guarantees.

30 MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, transactions with the following parties are considered as related party transactions:

Name of party	Relationships
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

30 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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 32).

(a) Significant related party transactions

In addition to the related party information disclosed elsewhere in these consolidated financial statements, the Group entered into the following significant related party transactions during the year.

	Note	2014 RMB'000	2013 RMB'000
Sales of products	(i)	–	115,439
Purchase of products	(ii)	–	178,164
Marketplace income	(iii)	–	20,970
Guarantee fee paid/payable	(iv)	3,382	6,130
Supportive and administrative service fee paid/payable	(v)	–	11,431

30 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

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 e-commerce platform.

(iv) Amounts represented the quarterly guarantee fee paid or payable to Viewtran for acting as the guarantors for the banking facilities of the Group (see note 22).

(v) Amounts represented service fees paid or payable to Viewtran for supportive and administrative services provided by Viewtran and its subsidiaries (see note 28(b)).

(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 7 and individuals with highest emoluments as disclosed in note 8, is as follows:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**4,078**	811
Post-employment benefits	**129**	71
Equity-settled compensation benefits	**8,789**	–
	12,996	882

Total remuneration is included in "staff costs" (see note 5(b)).

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk

The Group's credit risk is primarily attributable to trade and bills receivables, loan interest receivables and loans to third parties under supply chain financing services 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 bills 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. At the end of the reporting period, 33.2% (2013: 33.7%) of the total trade receivables were due from the Group's five largest customers. Among which, 12.5% (2013: 9.6%) of the total trade receivables as of December 31, 2014 were due from the largest customer.

In respect of loan interest receivables and loans to third parties, management has established policies and systems for the monitoring and control of credit risk. The Group manages and analyzes the credit risk for each of their new and existing clients before payment terms and conditions are offered. The Group assesses the credit quality of the third parties under supply chain financing services, taking into account its financial position, past experience and other factors. Impairment allowances on loan interest receivables and loans to third parties are determined by an evaluation of the incurred loss at the end of the reporting period on a case-by-case basis. The assessment normally encompasses the anticipated receipts for the individual balance. During the year ended December 31, 2014, management assessed that no loan interest receivables and loans to third parties were determined to be impaired.

Management has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's loan portfolio in its supply chain financing business. In addition, management reviews the recoverable amount of interest receivables and loans to third parties individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

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 statement of financial position. Except for the guarantees (see note 28(b)) given by the Group to related party which ended upon the Listing, 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 bills receivables, loan interest receivables and loans to third parties are set out in notes 17 and 18.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(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 the end of the reporting period 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

	2014		
	Contractual undiscounted cash outflow		Carrying amount as of December 31, 2014
	Within 1 year or on demand RMB'000	Total RMB'000	RMB'000
Trade and other payables	**565,564**	**565,564**	**565,564**
Bank loans	**1,416,840**	**1,416,840**	**1,411,424**
Amounts due to related parties	**12,434**	**12,434**	**12,434**
	1,994,838	**1,994,838**	**1,989,422**

	2013		
	Contractual undiscounted cash outflow		Carrying amount as of December 31, 2013
	Within 1 year or on demand RMB'000	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
	1,369,678	1,369,678	1,363,586

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The Company

	2014			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Carrying amount as of December 31, 2014 RMB'000
Trade and other payables	**11,965**	**–**	**11,965**	**11,965**
Amounts due to related parties	**99,725**	**–**	**99,725**	**99,725**
	111,690	**–**	**111,690**	**111,690**

	2013			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Carrying amount as of December 31, 2013 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
	67,705	442,497	510,202	489,648

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(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 the end of the reporting period:

	2014		2013	
	Effective interest rate	**Principal amount RMB'000**	Effective interest rate	Principal amount RMB'000
The Group				
Fixed rate borrowing:				
Bank loans	**2.1%**	**1,411,424**	2.3%	929,388
The Company				
Fixed rate borrowing:				
Loan from a subsidiary	**–**	**–**	2.5%	411,652

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, 2014 and December 31, 2013, 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 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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's exposure as of the end of the reporting period 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 consolidated financial statements of the subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

	2014		2013	
	United States dollars RMB'000	**Renminbi RMB'000**	United States dollars RMB'000	Renminbi RMB'000
The Group				
Trade and other receivables	**691,884**	**5,901**	598,751	–
Loans to third parties	**205,308**	**3,321**	–	–
Amounts due from related parties	**–**	**–**	627,794	17,534
Pledged deposits	**300,943**	**441,209**	233,081	–
Cash and cash equivalents	**473,620**	**259,714**	260,177	–
Trade and other payables	**(514,587)**	**–**	(246,748)	–
Bank loans	**(1,411,424)**	**–**	(929,388)	–
Net exposure arising from recognized assets and liabilities	**(254,256)**	**710,145**	543,667	17,534

	2014 Renminbi RMB'000
The Company	
Pledged deposits	**317,117**
Cash and cash equivalents	**101,679**
Net exposure arising from recognized assets and liabilities	**418,796**

The Directors considered that the exposure to currency risk of the Company as of December 31, 2013 is not significant.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's and the Company's 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.

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax RMB'000
The Group				
United States dollars	**5%**	**(12,713)**	5%	27,183
	(5)%	**12,713**	(5)%	(27,183)
Renminbi	**5%**	**35,507**	5%	877
	(5)%	**(35,507)**	(5)%	(877)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' 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 the end of the reporting period. 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 instruments are carried at amounts not materially different from their fair values at the end of each reporting period, that would arise if foreign exchange rates to which the Group has significant exposure as of the end of the reporting period had changed at that date.

32 BUSINESS COMBINATIONS

(a) 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 following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value RMB'000
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	(1,152)
Identifiable net assets	34,227
Goodwill	151,970
Total consideration	186,197

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.

Satisfied by:	RMB'000
Fair value of 30% equity interests in the Company at the acquisition date	186,197
Total consideration	186,197
Cash and cash equivalents acquired	957
Consideration settled in cash	–
Net cash inflow arising from the acquisition of Total Dynamic Entities	957

32 BUSINESS COMBINATIONS (Continued)

(a) Acquisition of Total Dynamic Entities (Continued)

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 following unaudited pro forma financial statements 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 statements 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 statements does not attempt to project the future consolidated results of operations of the Group after the acquisition.

	2013 RMB'000 (unaudited)
Revenue	2,417,837
Profits for the period	85,761

(b) 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:

	Fair value RMB'000
Property, plant and equipment	1,107
Bills and other receivables	17,185
Identifiable net assets	18,292
Total consideration	18,292

32 BUSINESS COMBINATIONS (Continued)

(b) Acquisition of Envision Global Entities (Continued)

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 following unaudited pro forma financial statements 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 statements 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 statements does not attempt to project the future consolidated results of operations of the Group after the acquisition.

	2013 RMB'000 (unaudited)
Revenue	6,073,202
Profits for the period	99,123

32 BUSINESS COMBINATIONS (Continued)

(c) Acquisition of Cogobuy Finance Holding Limited and its subsidiaries ("Cogobuy Finance Entities")

On September 1, 2014, the Cogobuy Group, Inc., a wholly owned subsidiary of the Company entered into an agreement with Viewtran to purchase entire equity interests in the Cogobuy Finance Entities at a total consideration of RMB478,000.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition and net cash outflow arising from the acquisition:

	Fair value RMB'000
Property, plant and equipment	23
Cash and cash equivalent	200
Trade and other receivables	291
Trade and other payables	(36)
Identifiable net assets	478

	RMB'000
Cash and cash equivalents acquired	200
Consideration settled in cash	(478)
Net cash outflow arising from the acquisition	(278)

Cogobuy Finance Entities acquired during the year contributed a revenue of RMB2,036,000 and net profit of approximately RMB696,000 to the Group's for the period from September 2, 2014 to December 31, 2014.

If the acquisition had been completed on January 1, 2014, the Group's total revenue and net profit for the year ended December 31, 2014 would have been approximately of RMB2,036,000 and RMB1,197,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on January 1, 2014, nor is it intended to be a projection of future results.

33 DISPOSAL OF SUBSIDIARIES

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 as of November 16, 2012 (date of disposal).

The following table summarizes 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	444,000
Satisfied by:	
Cash consideration	560
Forfeiture of the Group's amount due to Comtech China	443,409
	443,969
Exchange reserve realized upon disposal	770
	444,739
Gain on disposal of subsidiaries	739
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	49,794

(Expressed in Renminbi Unless Otherwise Indicated)

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As of December 31, 2014, the directors consider the immediate and ultimate controlling company of the Group to be Envision Global, which is incorporated in the BVI. This entity does not provide financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended December 31, 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2010–2012 cycle	July 1, 2014
Annual improvements to HKFRSs 2011–2013 cycle	July 1, 2014
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortization*	January 1, 2016
HKFRS 15, *Revenue from contracts with customers*	January 1, 2017
HKFRS 9, *Financial instruments*	January 1, 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application.

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 March 3, 2014 (i.e. the Company's financial year which began on January 1, 2015) 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.

Three Year Financial Summary

A summary of the consolidated results and assets and liabilities of the Group is set out below:

	For the year ended December 31, 2014 RMB'000	For the year ended December 31, 2013 RMB'000	Period from February 1, 2012 (date of inception) to December 31, 2012 RMB'000
Results			
Revenue	**6,848,365**	2,417,277	199,306
Profit from operation	**268,165**	122,640	40,773
Finance costs	**(31,160)**	(20,192)	(2,574)
	237,005	102,448	38,199
Income tax	**(27,035)**	(15,883)	(8,580)
Profit for the year	**209,970**	86,565	29,619
Attributable to:			
– Equity shareholders of the Company	**194,118**	82,099	29,619
– Non-controlling interests	**15,852**	4,466	–
Profit for the year	**209,970**	86,565	29,619
Earnings per share			
Basic (RMB)	**0.168**	0.089	2.962
Diluted (RMB)	**0.166**	0.089	2.962

Three Year Financial Summary

	As of December 31, 2014 RMB'000	As of December 31, 2013 RMB'000	As of December 31, 2012 RMB'000
Assets and liabilities			
Total assets	**3,640,083**	1,708,036	611,618
Total liabilities	**(2,015,126)**	(1,378,770)	(563,069)
NET ASSETS	**1,624,957**	329,266	48,549
Total equity attributable to equity shareholders of the Company	**1,603,150**	325,028	48,549
Non-controlling interests	**21,807**	4,238	—
TOTAL EQUITY	**1,624,957**	329,266	48,549

Note: The financial information of the Group for the period from February 1, 2012 (date of inception) to December 31, 2012 is extracted from the accountants' report on the financial information of the Group as set out in Appendix IA to the prospectus of the Company dated July 8, 2014.

Definitions

"Articles of Association"	the amended articles of association of the Company adopted on June 27, 2014 and effected on July 18, 2014 (the Listing Date), as amended from time to time
"B2B2C"	business-to-business-to-customer
"Board of Directors" or "Board"	the Board of Directors of our Company
"Broadband Corporation"	Comtech Broadband Corporation Limited, a company incorporated in Hong Kong on March 23, 2005 and our indirect subsidiary owned as to 70%
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Cogobuy"	Cogobuy Limited, a limited liability company incorporated in Hong Kong on October 6, 2011 and our indirectly wholly-owned subsidiary
"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
"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 China"	Comtech (China) Holding Ltd., a company incorporated in the BVI on May 27, 2002
"Comtech Communication (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
"Comtech Digital HK"	Comtech Digital Technology (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on February 11, 2010, and our indirectly wholly-owned subsidiary
"Comtech Industrial"	Comtech Industrial (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on April 6, 2009, and our indirectly wholly-owned subsidiary
"Comtech International"	Comtech International (Hong Kong) Limited, a company incorporated in Hong Kong on July 14, 2000 and our indirectly wholly-owned subsidiary
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, means Mr. Kang and Envision Global
"Director(s)"	the director(s) of our Company
"Envision Global"	Envision Global Investments Limited, a limited liability company incorporated in the BVI on February 1, 2012 which is wholly-owned by Mr. Kang and is our immediate Controlling Shareholder
"GAAP"	generally accepted accounting principles
"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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards

Definitions

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Listing Date"	July 18, 2014, the date the Shares were listed on the Hong Kong Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Memorandum"	the amended memorandum of association of the Company adopted on June 27, 2014 and effected on July 18, 2014 (the Listing Date)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Kang"	Mr. KANG Jingwei, Jeffery (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, the sole shareholder of Shenzhen Cogobuy, and the wife of Mr. Li Feng, one of our members of senior management
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"PRC", "China" or "Mainland China"	the People's Republic of China and, except where the context requires and only for the purpose of this report, references in this report to the PRC or China do not include Taiwan, Hong Kong or Macau; the term "Chinese" has a similar meaning
"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the year ended December 31, 2014
"RSU Scheme"	the scheme adopted by the Company to grant RSUs to directors, senior management and employees and those of subsidiaries which took effect as at March 1, 2014 and amended on December 21, 2014
"RSUs"	Restricted share units
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of our company with a par value of US$0.0000001 each
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Shenzhen Cogobuy"	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
"Total Dynamic"	Total Dynamic Holdings Limited, a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States