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 2015

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*)

Non-Executive Director

GUO Jiang

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 2681
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: 400

Company Website

www.cogobuy.com

FINANCIAL HIGHLIGHTS

Financial Highlights

	Year ended 31 December 2015	31 December 2014	Year-on-year change
	(Renminbi ("RMB") in millions, unless specified)		
Revenue	**9,453.4**	6,848.4	38.0%
Gross profit	**764.8**	533.1	43.4%
Profit for the year	**366.5**	210.0	74.5%
Profit attributable to equity Shareholders of the Company	**342.9**	194.2	76.6%
Earnings per Share ("EPS") (RMB per Share)			
— basic	**0.257**	0.168	53.0%
— diluted	**0.253**	0.166	52.4%

CHAIRMAN'S STATEMENT

In the past year, Cogobuy's various businesses grew strongly despite a slowdown in China's macro economy. As a key representative company of China's "Internet+" electronic manufacturing industry, our core business model has combined both social media and e-commerce since our inception. We have built social hubs for more enterprise key decision makers to help us better manage our own e-commerce platform, as well as support the entire industry in building an intelligent hardware ecosystem. We are also proud to be a driving force behind the modernization of the traditional electronics manufacturing industry by helping more enterprises take their businesses online. We aim to be the world's biggest e-commerce platform servicing the electronic manufacturing industry. We provide vertically integrated services with a focus on the supply chain for the innovative startups on our platform, helping them increase their productivity and enabling their dreams to become reality. We believe boosting enterprise productivity is the key to economic growth in the industry. By leveraging the social hubs we have built for enterprise key decision makers, our existing customers are attracting new business and significantly lowering our new customer acquisition costs as well as promoting our own rapid development. Additionally, we have a clearer understanding of what customers want and need through the data we collect on our platform so as to develop a positive cycle within the intelligent hardware ecosystem. On the consumer side, Cogobuy facilitates easy and early access to new hardware products, and provides a platform for conveying immediate feedback to manufacturers to help them optimize production.

Looking back at 2015, INGDAN.com's successful marketing campaigns resulted in a high volume of new customers. Meanwhile, in light of the continuous downturn of traditional economy, more and more traditional manufacturing small and medium enterprises ("SMEs") are coming to understand the urgent need to transform their businesses, which also helped, and continues to help, fuel our development. Addressing the trend of enterprises seeking transformation, we launched our 'Xinhuo +' strategic plan last year to help traditional manufacturing enterprises in their business transformations and taking their services online. Rapid growth in the number of SME manufacturers customers can further lower our new customer acquisition costs and is also a significant contributor to Cogobuy's own rapid growth.

Currently, we provide services to more than 10,000 customers, of which approximately 1.6% are blue chip companies and 98.4% are SMEs. The proportion of our SME customers increased 1% compared with the previous year, and the proportion of SME sales in our income is also gradually increasing. Looking ahead, China's massive electronic manufacturing industry is likely to see continued growth from new SMEs, which means an increasing number of new potential customers and the ability to enhance the productivity of these businesses over time. SMEs are the pillar and engine of economic growth, and helping them increase their efficiency will have a significant effect on promoting economic development in our society. We hope to develop Cogobuy into a company that drives and supports socio-economic development, and it is our sincere wish that our SME customers grow bigger and stronger. Currently, we have launched a series of products and services, such as software, cloud computing, and customer relationshjip management ("CRM"), to help the customers on our platform better transform their businesses and enhance their productivity. Additionally INGDAN.com will lower innovators' prototyping and testing costs through its "sharing economy" business model. We believe these will help encourage more young people to start up their own businesses. Meanwhile, expanding the scope of our services will develop Cogobuy into a true vertical sourcing platform for manufacturing products and services, achieving the strategic promotion of ecosystem from an integrated circuits ("IC") e-commerce platform to the electronics manufacturing 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 for the Group.

KANG Jingwei, Jeffrey
Chairman

The PRC, March 22, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

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 Gross Merchandise Value ("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 2015, we fulfilled orders and derived a GMV of approximately RMB13.9 billion, of which 67.5% was derived from direct sales value, 21.7% from transaction value in online marketplace and 10.8% 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 6,000 suppliers, including some of the top brand-name suppliers in key product categories.

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

We derive our revenue substantially from direct sales of IC and other electronic components. We source high quality IC and other electronic components from leading suppliers around the world and sell them to both SME and blue-chip electronics manufacturers in China through our e-commerce platform and dedicated sales representatives, who work closely with our customers to understand their needs, provide technical consultation and help support their procurement function. In the year ended December 31, 2015, we derived 59.1% and 40.9% 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. 0.5% of our revenue in 2015 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 supply chain financing business in September 2014 whereby we earn interest and service income for providing certain financial services to third parties manufacturers, including the provision of working capital financing programs. Our supply chain financing business is a good demonstration of our strength in generating new revenue streams by providing additional services based on our existing platform. During the Reporting Period, GMV contributed by the provision of loans in the supply chain financing business reached RMB1.5 billion.

Future Prospects

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

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, 2015, profit of the Group increased significantly and amounted to RMB366.5 million, representing an increase of RMB156.5 million as compared with RMB210.0 million in 2014. Profit attributable to equity shareholders of the Company amounted to RMB342.9 million, representing an increase of RMB148.7 million as compared with RMB194.2 million in 2014.

Revenue

For the year ended December 31, 2015, revenue of the Group amounted to RMB9,453.4 million, representing an increase of RMB2,605.0 million or 38.0% as compared with RMB6,848.4 million in 2014. The Group's revenue comprised RMB9,389.6 million of direct sales revenue, RMB46.0 million of marketplace revenue and RMB17.8 million of supply chain financing revenue. The increase was primarily due to the strong growth in product sales especially in sales to new SME customers.

Cost of Revenue

Cost of revenue for the year ended December 31, 2015 was RMB8,688.6 million, representing an increase of 37.6% from RMB6,315.2 million for the year ended December 31, 2014. Cost of revenue for the year ended December 31, 2015 was partially offset by supplier rebates and discounts of RMB273.4 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, 2015 was RMB764.8 million, representing an increase of 43.4% from RMB533.1 million compared with the figures in 2014. The marketplace income and supply chain financing interest income normally involve minimal or nil cost of services. The growth of marketplace income and supply chain financing interest income contributed to the improvement of gross profit.

Other Revenue

For the year ended December 31, 2015, other revenue of the Group amounted to RMB24.8 million, representing an increase of RMB18.4 million or 288.7% as compared with RMB6.4 million in 2014. 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, 2015 amounted to RMB151.6 million, representing an increase of RMB53.7 million or 54.9% from RMB97.9 million in 2014. This was primarily due to an increase in marketing related expenses for acquiring new customers as well as attracting followers of INGDAN.com and its related Internet of Things project entries. As a result of an increase in revenue, other indirect selling expenses such as staff costs and product logistics costs also contributed to the increase in selling and distribution expenses.

Research and Development Expenses

Research and development ("R&D") expenses for the year ended December 31, 2015 amounted to RMB55.9 million, representing an increase of RMB14.1 million or 33.6% from RMB41.8 million in 2014. This was primarily due to more expenses spent for online platform technology enhancement in 2015.

Administrative and Other Operating Expenses

During the year, administrative and other operating expenses amounted to RMB129.7 million, representing a decrease of RMB1.9 million or 1.5% from RMB131.6 million in 2014, which was primarily due to decrease of RMB31.6 million in expenses in relation to the Global Offering. The decrease was offset in part by an increase in other general administrative costs such as office related expenses and listed company compliance expenses.

Income Tax

Our income tax increased by 110.4% from approximately RMB27.0 million for the year ended December 31, 2014 to approximately RMB56.9 million for the year ended December 31, 2015, primarily due to increase in profits from operations. The effective tax rate for the year ended December 31, 2015 was 13.4%, as compared to 11.4% for the year ended December 31, 2014. The increase was due to expiry of tax holiday of some PRC subsidiaries in 2015.

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

For the year ended December 31, 2015, profit attributable to equity Shareholders of the Company amounted to RMB342.9 million, representing an increase of RMB148.7 million or 76.6% as compared to RMB194.2 million in 2014. 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, 2015, the current assets of the Group amounted to RMB4,598.4 million, which mainly comprised cash and bank balances (including pledged deposits), inventories and trade and other receivables, in the amount of RMB2,271.2 million, RMB609.2 million and RMB1,430.2 million, respectively. Current liabilities of the Group amounted to RMB2,954.5 million, of which RMB2,125.9 million was bank loans and RMB749.6 million was trade and other payables. As of December 31, 2015, the current ratio (the current assets to current liabilities ratio) of the Group was 1.6, as compared with 1.7 as of December 31, 2014. The change in the current ratio was primarily due to increased working capital as a result of an increase in revenue in 2015.

The Group does not have other debt financing obligations as of December 31, 2015 or the date of this annual report and does not have any breaches of financial covenants.

Capital Expenditure

For the year ended December 31, 2015, the capital expenditure of the Group amounted to approximately RMB5.2 million, representing an increase of RMB4.3 million or 477.8% compared with RMB0.9 million in 2014. The increase in the capital expenditure was primarily due to purchase of property, plant and equipment during 2015.

Net Gearing Ratio

As of December 31, 2015, 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 −7.8% as compared with −51.6% as of December 31, 2014. The increase was primarily due to an increase in bank borrowing for the expanding business of the Group.

Material Acquisitions and Disposals

During the year ended December 31, 2015, Qianhai Cogobuy.com (Shenzhen) Limited (前海科通芯城通信技術(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, entered into a purchase option agreement for the option to acquire the entire equity interest in Shenzhen Comtech Small Loan Limited Company (深圳市科通小額貸款有限責任公司), a company controlled by Mr. Kang Jingwei, Jeffrey, the Controlling Shareholder of the Company, for a cash consideration of RMB300 million or part of the equity interest for a cash consideration proportional to the percentage of the equity interest being acquired. The transaction constitutes a discloseable transaction and connected transaction under the Listing Rules. Further details of the transaction are set out in the Company's announcement dated December 14, 2015 and circular dated January 18, 2016. The option to acquire the equity interest in Shenzhen Comtech Small Loan Limited Company has not been exercised as at the date of this annual report.

Pledge of Assets

Except for the pledged bank deposits of RMB1,247.0 million and RMB742.2 million as of December 31, 2015 and December 31, 2014, respectively, the Group did not pledge any assets for the year ended December 31, 2015. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

Contingent Liabilities

Neither the Group nor the Company had any significant contingent liabilities as of December 31, 2015.

Foreign Exchange Exposure

Foreign currency transactions during the year ended December 31, 2015 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, 2015. 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, 2015. 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.

Review of Our Consolidated Financial Statements

We have established an audit committee in compliance with the Corporate Governance 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, 2015 set out in this annual report.

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	46	Executive Director, Chairman and Chief Executive Officer	March 2014	July 2000
WU Lun Cheung Allen	41	Executive Director, Chief Financial Officer and Company Secretary	March 2014	October 2003
NI Hong, Hope	43	Executive Director and Chief Investment Officer	March 2015	September 2010
GUO Jiang	43	Non-executive Director	March 2015	March 2015
ZHONG Xiaolin, Forrest	50	Independent Non-executive Director	July 2014	July 2014
YE Xin	52	Independent Non-executive Director	July 2014	July 2014
YAN Andrew Y	58	Independent Non-executive Director	July 2014	July 2014

Executive Directors

KANG Jingwei, Jeffrey (康敬偉), aged 46, 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 is also a director of the following companies of the Group:

— Cogobuy Group, Inc. (formerly known as Vision Well Global Limited); and

— Comtech Broadband Corporation Limited.

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 19 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 a former NASDAQ listed company Viewtran Group, Inc. ("Viewtran") (OTCMKTS: VIEWF), formerly known as Comtech Group to act as a distribution channel for the sale of electronic components in the PRC and has served as an Executive Director of Viewtran until May 2014. Mr. Kang also founded an Internet multimedia company Viewtran Inc. in 2000.

WU Lun Cheung Allen (胡麟祥), aged 41, 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 43, 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 of JA Solar Holdings, Co. Ltd., a NASDAQ listed company (NASDAQ: JASO), ATA Inc., a NASDAQ listed company (NASDAQ: ATAI) and KongZhong Corporation, a NASDAQ listed company (NASDAQ: KZ). Ms. Ni is also currently serving as an Independent Non-executive Director of Digital China Holdings Limited (stock code: 861), a company listed on the 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.

Non-executive Director

GUO Jiang (郭江), aged 43, 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, Incorporation ("**HC International**") (stock code: 2280), a company listed on the 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 50, 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 since July 18, 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 2015 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 Sungrow Power Co., Ltd. (SZ: 300274).

YE Xin (葉忻), aged 52, was appointed as an Independent Non-executive Director of our Company and a member of the audit, remuneration and nomination committees of our Company since July 18, 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. Ye was the Chief Executive Officer of CASEE Mobile Ads (架勢無線), China's leading mobile ad network for Android/iPhone applications and mobile content.

YAN Andrew Y (閻焱), aged 58, 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 the 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	Stock Exchange: 1109	Independent Non-executive Director
CPMC Holdings Limited	Stock Exchange: 906	Independent Non-executive Director
Guodian Technology & Environment Group Corporation Limited	Stock Exchange: 1296	Non-executive Director
Digital China Holdings Limited	Stock Exchange: 861	Non-executive Director
China Huiyuan Juice Group Limited	Stock Exchange: 1886	Non-executive Director
eSun Holdings Limited	Stock Exchange: 571	Non-executive Director
ATA Inc.	NASDAQ: ATAI	Director
ATA Online (Beijing) Education Technology Co., Ltd.	National Equities Exchange and Quotations System of China: 835079.OC	Director
Sky Solar Holdings Limited	NASDAQ: SKYS	Independent Director
BlueFocus Communication Group	ChiNext of Shenzhen Stock Exchange: 300058.SZ	Independent Director
TCL Corporation	Shenzhen Stock Exchange: 000100.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. (withdrawn from listing in NYSE on 18 July 2014), 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 Executive Directors listed above, is comprised of the following:

Name	Age	Position
LI Feng	50	Senior vice-president
CHAN Edward	52	Vice-president of operations
LI Henry	48	Vice-president of business

LI Feng (李峰), aged 50, is the Senior Vice-president of the Company and is primarily responsible for development of the Cogobuy.com, an 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 the Chief Operating Officer of Viewtran Inc.

CHAN Edward (陳劍雄), aged 52, 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 48, 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 Group for the year ended December 31, 2015.

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 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 2015, we fulfilled orders and derived a GMV of approximately RMB13.9 billion, of which 67.5% was derived from direct sales value, 21.7% from transaction value in online marketplace and 10.8% 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 6,000 suppliers, including some of the top brand-name suppliers in key product categories. A list of the Company's principal subsidiaries, together with their places of incorporation and principal activities, is set out in note 15 to the financial statements.

Business Review

The business review of the Group during the year ended December 31, 2015 (including an analysis of the Group's performance during the year using key performance indicators and a discussion of the Group's future business development) is set out in the Chairman's Statement on page 5 of this annual report. A description of the principal risks and uncertainties facing the Company is set out on page 20 of this Directors' report.

Compliance with the Relevant Laws and Regulations

As far as the Board of Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2015, there was no material breach of, or noncompliance, with the applicable laws and regulations by the Group.

Relationship with Employees

Recognizing the value of investing in its employees, the Group ensures that they are reasonably remunerated. The Group has also implemented an annual self-appraisal program to provide incentive and motivation to the staff to attain periodic goals. The Company has adopted a restricted share unit scheme ("RSU Scheme") to reward the fidelity of the employees of the Group. The Group continues to seek improvement through the regular review and update (if needed) of its policies on remuneration and benefits, training, occupational health and safety.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the importance of maintaining good relationships with its suppliers and customers to meet its immediate and long-term goals. Our customer service team is set up so that they can be easily reached and functions to enhance our relationships with customers. Our procurement and project management teams work closely with our suppliers to maintain reliable and high-quality product offerings. With the expansion of our INGDAN.com platform, the Group strives to provide one-stop supply chain services to all stakeholders in the hardware innovation industry. The Group is committed to upholding the highest ethical and professional standards when dealing with its suppliers and contractors. During the year ended December 31, 2015, there were no material and significant disputes between the Group and its suppliers, customers and other stakeholders.

Environmental Policies and Performance

The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the applicable environmental laws and regulations and to adopt effective measures to ensure the efficient usage of resources, energy conservation and waste reduction. Such initiatives include the recycling of used papers, the adoption of energy saving measures, the exchange of unsold inventory for new products or credit with major suppliers, the adoption of electronics waste disposal procedures and the donation of old computers to a school in remote area of China. During the year ended December 31, 2015, we had not been subject to any fines or other penalties due to any non-compliance with health, safety or environmental regulations.

Corporate Governance

Information on the principal corporate governance practices adopted by the Company during the year ended December 31, 2015 is set out in the Corporate Governance Report on pages 40 to 48 of this annual report.

Principal Risks and Uncertainties

The following section lists out the key risks and uncertainties facing the Group, some of which are beyond our control. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

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

- If we fail to manage our relationships with our suppliers, our business and prospects may be adversely affected. We source our products from approximately 6,000 suppliers, mainly including some of the top brand-name suppliers in key product categories. Maintaining good relationships with these suppliers and procuring products from suppliers on favorable terms are important to the growth of our business. There can be no assurance that our current suppliers will continue to sell IC and other electronic components to us on terms acceptable to us, or that we will be able to establish new or extend current supplier relationships to ensure a steady supply of IC and other electronic components in a timely and cost-efficient manner.

- Our business is subject to intense competition, and we may fail to compete successfully against existing or new competitors, which may reduce demand for our services and products. We anticipate that China's electronic components procurement market will continually evolve. As we further develop our e-commerce platform, we will face increasing competitive challenges competing for new customers and retain loyal customers.

- We rely on third-party courier service providers to deliver our products, and their failure to provide high-quality courier services to our customers may negatively impact the procurement experience of our customers, damage our market reputation and materially and adversely affect our business and results of operations. If our products are not delivered on time or are delivered in a damaged state, customers may refuse to accept our products and have less confidence in our services. Thus, we may lose customers, and our financial condition and market reputation could suffer.

- Uncertainties regarding the growth and sustained profitability of e-commerce in China could adversely affect our net revenues and business prospects and the trading price of our Shares. The continued growth in our revenue and profit is substantially dependent upon the widespread acceptance and use of the Internet as a medium for commerce by businesses. A decline in the popularity of purchasing on the Internet in general, or any failure by us to adapt our e-commerce platform and improve the online shopping experience of our customers in response to trends and consumer requirements, will adversely affect our net revenues and business prospects.

Directors

The Directors during the year ended December 31, 2015 and up to the date of this report were:

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. Zhong Xiaolin, Forrest, Mr. Ye Xin and Mr. YAN Andrew Y shall retire at the annual general meeting. 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 three 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' 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, 2015.

During the year ended December 31, 2015, none of the Directors nor the Controlling Shareholders of the Company 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, 2015.

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.

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, 2015, 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 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 Stock Exchange; or (iv) disclosed according to the knowledge of the Directors of the Company were as follows:

(i) Interests in the Shares of our Company

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
Mr. Kang	Interest of controlled corporation[2]	700,000,000	51.39%
Mr. Kang	Beneficial owner	1,200,000	0.09%
Mr. Wu	Beneficial owner	1,200,000	0.09%

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	600,000	0.04%
Mr. Wu	Beneficiary of a trust	600,000	0.04%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as at December 31, 2015.

(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, 2015, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executive 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 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 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, 2015, so far as the Directors are aware, the following substantial Shareholders have 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	51.39%
Mr. Kang[2]	Interest of a controlled corporation	700,000,000	51.39%
Mr. Kang	Beneficial owner	1,200,000	0.09%
Mr. Kang[3]	Beneficiary of a trust	600,000	0.04%
Total Dynamic	Beneficial owner	300,000,000	22.02%
Ms. Yao[4]	Interest of a controlled corporation	300,000,000	22.02%

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, 2015.

Save as disclosed above, as at December 31, 2015, 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.

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 note 7 and 8 to the financial statements, respectively. None of the Directors has waived or agreed to waive any emoluments during the year ended December 31, 2015.

Permitted Indemnity Provisions

During the year ended December 31, 2015 and up to the date of this annual report, the Group has in force indemnity provisions for the benefit of the Directors of the Company or its associated companies. Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles of Association.

Remuneration Policy

As at December 31, 2015, the Group had approximately 663 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 on March 1, 2014, which was amended on December 21, 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 incentivise, retain and reward Scheme Companies' directors, executive officers, senior management and employees and may implement other RSU schemes or other share-based remuneration schemes in the future. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares. To satisfy the grant of Shares under the scheme, 14,107,500 ordinary Shares of the Company were issued in aggregate on October 23, 2015.

Details of the movement of the RSUs granted pursuant to the RSU Scheme to the Directors and employees during the year ended December 31, 2015 are set out below:

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at December 31, 2015	Unvested as at December 31, 2015	Vesting Period
Directors					
Mr. Kang	March 1, 2014	1,800,000	1,200,000	600,000	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Mr. Wu	March 1, 2014	1,800,000	1,200,000	600,000	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	12,430,900	5,865,400	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
Other grantees with a vesting period of three years (note 3)	July 8, 2015	17,940,000	1,470,000	16,170,000	12 quarterly installments from 8 July 2015 to 7 July 2018

Note 1: As at December 31, 2014 and 2015, 600,000 and 1,050,000 awarded Shares, respectively, were lapsed prior to its vesting date as a result of staff resignation.

Note 2: As at December 31, 2014, 830,500 awarded Shares were lapsed prior to its vesting date as a result of staff resignation.

Note 3: As at December 31, 2015, 300,000 awarded Shares were lapsed prior to its vesting date as a result of staff resignation.

Equity-Linked Investments

Save for the RSU Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

Disclosure of Directors' Information Pursuant to the Listing Rule 13.51B(1)

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

Mr. KANG Jingwei, Jeffrey

Mr. Kang has ceased to be a Director of the following companies:

— Alphalink Global Limited
— Comtech (HK) Holding Limited
— Comtech International (Hong Kong) Limited
— Hong Kong JJT Limited

Ms. NI Hong, Hope

Ms. Ni has been appointed as an Executive Director of the Company effective from March 1, 2015.

Mr. GUO Jiang

Mr. Guo has been appointed as an Executive Director of the Company effective from March 1, 2015.

Mr. YAN Andrew Y

Mr. Yan has been appointed as an Independent Director of TCL Corporation (SZ: 000100) effective from March 24, 2015.

Mr. Yan has been appointed as a Director of ATA Online (Beijing) Education Technology Co., Ltd. (835079.OC) effective from July 16, 2015.

Financial Results

The results of the Group for the year ended December 31, 2015 are set out in the consolidated statement of comprehensive income on pages 51 and 52 of this annual report. The financial highlights for the Group for the most recent four years are set out on pages 124 and 125 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 10.

Capital Structure

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

Share Capital

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

Reserves

Details of the movements in the reserves of the Company and the Group during the year ended December 31, 2015 are set out in note 27 to the financial statements and the consolidated statement of changes in equity on page 55 of this annual report.

Dividends

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2015 (2014: nil).

Donations

During the year ended December 31, 2015, the Group has not made any charitable and other donations.

Foreign Currency Exposure

Details of the foreign currency exposure are set out in the management discussion and analysis on page 11.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as of December 31, 2015 are set out in note 22 to the financial statements.

Purchase, Sales or Redemption of Our Company's Shares

During the year ended December 31, 2015, the Company repurchased an aggregate of 23,890,000 Shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$101.3 million (equivalent to RMB82.6 million).

The repurchases were effected by the Directors for the benefit of the Company and to create value to its Shareholders.

All the Shares repurchased were cancelled, including 1,955,000 Shares repurchased during December 2014, of which 4,935,000 Shares were cancelled on January 16, 2015, 8,867,000 Shares were cancelled on February 3, 2015, 11,843,000 Shares were cancelled on February 23, 2015 and 200,000 Shares were cancelled on July 24, 2015.

Subsequent to the period end date, the Company repurchased an aggregate of 4,512,000 Shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$36.5 million (equivalent to RMB30.9 million).

Further 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 Stock Exchange during the year ended December 31, 2015.

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, 2015, 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.

Net Gearing Ratio

Details of the net gearing ratio are set out in the management discussion and analysis on page 11.

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, 2015.

Significant Investments Held

The Company held available-for-sale assets amounted to RMB114.3 million as at the year ended December 31, 2015.

Connected Transactions

On December 11, 2015, Qianhai Cogobuy.com (Shenzhen) Limited ("**Qianhai Cogobuy.com**", 前海科通芯城通信技術(深圳)有限公司), Comtech Communication Technology (Shenzhen) Company Limited ("**Comtech Communication**", 科通通信技術(深圳)有限公司) and Shenzhen Comtech Small Loan Limited Company ("**Shenzhen Comtech**", 深圳市科通小額貸款有限責任公司) entered into a purchase option agreement (the "**Purchase Option Agreement**"), pursuant to which, among other things, it was agreed that Comtech Communication will grant Qianhai Cogobuy.com an option to acquire the entire equity interest in Shenzhen Comtech for a cash consideration of RMB300 million or part of the equity interest for a cash consideration proportional to the percentage of the equity interest being acquired. The option to acquire the equity interest in Shenzhen Comtech Small Loan Limited Company (深圳市科通小額貸款有限責任公司) has not been exercised as at the date of this annual report.

In connection with the Purchase Option Agreement, on December 11, 2015, Qianhai Cogobuy.com and Shenzhen Comtech entered into (1) the agency agreement (the "**Agency Agreement**"), pursuant to which Qianhai Cogobuy.com will provide certain client referral services to Shenzhen Comtech in exchange for agency fee payments amounting to 80% of the fees and interests payable by Shenzhen Comtech's clients to Shenzhen Comtech under any loan or cooperation agreement signed as a result of a referral by Qianhai Cogobuy.com to Shenzhen Comtech; and (2) the service agreement (the "**Service Agreement**"), pursuant to which Qianhai Cogobuy.com will provide certain administrative and consultancy services to Shenzhen Comtech in exchange for a service fee based on prevailing market rate of comparable services and amounting to no more than 1% of Shenzhen Comtech's yearly turnover.

Pursuant to the Agency Agreement, the annual caps set for the service fee payable by Shenzhen Comtech to Qianhai Cogobuy.com for the years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall not exceed RMB400,000 (equivalent to approximately HK$500,000), RMB12,000,000 (equivalent to approximately HK$15,000,000) and RMB16,000,000 (equivalent to approximately HK$20,000,000), respectively.

Pursuant to the Service Agreement, the annual caps set for the provision of the certain administrative and consultancy services to Shenzhen Comtech by Qianhai Cogobuy.com for the years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall not exceed RMB100,000 (equivalent to approximately HK$125,000), RMB3,000,000 (equivalent to approximately HK$3,750,000) and RMB4,000,000 (equivalent to approximately HK$5,000,000), respectively.

Mr. Kang Jingwei, Jeffrey is the Chairman, Chief Executive Officer and an Executive Director of the Company. Mr. Kang holds approximately 51.52% of the total issued share capital of the Company at the time of entering into the agreements and is a Controlling Shareholder. Comtech Communication and Shenzhen Comtech are indirect wholly-owned subsidiaries of Envision Global Investments Limited, which in turn is owned by Mr. Kang as to 100%. Comtech Communication and the Shenzhen Comtech are therefore associates of Mr. Kang and are connected persons of the Company.

Accordingly, the Purchase Option Agreement entered into between Qianhai Cogobuy.com, Comtech Communication and Shenzhen Comtech constitutes a connected transaction of the Company, and each of the Agency Agreement and the Service Agreement entered into between Qianhai Cogobuy.com and Shenzhen Comtech constitute a continuing connected transaction of the Company. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

For further details of the above agreements, please refer to the Company's announcement dated December 14, 2015 and the circular dated January 18, 2016.

Continuing Connected Transactions

Updates in relation to the Qualification Requirement

At the time of adoption of the contractual arrangements by the Company, under the then effective PRC law, the value-added telecommunications business of Shenzhen Cogobuy (i.e., the e-commerce business) was subject to restriction on the percentage of foreign ownership under the Guiding Catalogue for Foreign Investment Industries of 2011 (the "**2011 Catalogue**") and 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 (the **"FITE Regulations"**), that is, foreign investors were 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**").

On March 10, 2015, the Guiding Catalogue for Foreign Investment Industries of 2015 (the "**2015 Catalogue**") was promulgated and has replaced the 2011 Catalogue after it came into effect on April 10, 2015. Further, on June 19, 2015, the Ministry of Industry and Information Technology ("**MIIT**") promulgated the Circular on Lifting the Restriction on Foreign Shareholding in Online Data Processing and Transaction Processing Services (Operational E-commerce Businesses) (MIIT [2015] No. 196) (the "**196 Circular**"), which came into immediate effect on the date of promulgation. According to the 2015 Catalogue and the 196 Circular, the restriction on foreign ownership (i.e., not to exceed 50%) has been lifted for e-commerce businesses, which means that foreign-invested companies with 100% foreign ownership are now able to carry out the e-commerce business.

However, even though the 2015 Catalogue and the 196 Circular have come into force, it is not certain whether the Company can operate the business of Shenzhen Cogobuy without the contractual arrangements because the Qualification Requirement remains existent and unchanged.

Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the Qualification Requirement. The issuance of ICP license to foreign-invested companies should be approved by MIIT and MIIT will have discretion over interpretation of the Qualification Requirement. According to Guangdong Telecommunication Bureau, a few foreign-invested companies have submitted the ICP applications for e-commerce business to MIIT through Guangdong Telecommunication Bureau since promulgation of the 196 Circular, but so far none of them have obtained the ICP license from MIIT. Therefore, there do exist practical uncertainties as to whether the Company will be regarded as having fulfilled the Qualification Requirement by MIIT, even though the Company has taken measures to build up its track record of overseas telecommunications business operations as detailed below. Therefore, it is uncertain whether the Company could directly hold Shenzhen Cogobuy through equity ownership without having any adverse impact on the e-commerce business conducted by Shenzhen Cogobuy or otherwise on the ICP license held by Shenzhen Cogobuy.

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.

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 HK. 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 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, 2015, 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.

Mitigation actions taken by the Company

Our management works closely with Ms. Yao and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 39 to 45 of the Prospectus.

Contractual Arrangements

During the year ended December 31, 2015, 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 year ended December 31, 2015. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2015.

For the year ended December 31, 2015, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of the structured contracts under the Contractual Arrangements has been removed.

Pursuant to the master exclusive service agreement dated March 13, 2014 entered into between Shenzhen Cogobuy and Cogobuy E-commerce, 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 service fee is determined by Cogobuy E-commerce at its sole discretion taking into account the working capital requirements of Shenzhen Cogobuy and a number of other factors.

Revenue and Assets subject to the Contractual Arrangements

The revenue, profit for the year and total assets of Shenzhen Cogobuy are set out as follows:

	Year ended December 31, 2015 RMB'000	Year ended December 31, 2014 RMB'000
Revenue	**103,466**	27,901
Profit for the year	**23,184**	18,261

	As at December 31, 2015 RMB'000	As at December 31, 2014 RMB'000
Total assets	**84,527**	26,401

For the year ended December 31, 2015, the revenue and profit for the year of Shenzhen Cogobuy amounted to approximately 1.1% (2014: 0.4%) and 6.3% (2014: 8.7%) of the revenue and profit for the year of the Group respectively.

As at December 31, 2015, the total assets of Shenzhen Cogobuy amounted to approximately 1.7% (2014: 0.7%) of the total assets of the Group.

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 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 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 or better; and (iii) according to the relevant agreement governing the Contractual Arrangements that 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, 2015 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, 2015.

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 (Revised) "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.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended December 31, 2015 has been provided by the Company to the 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, 2015.

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 each of the year ended December 31, 2015 and December 31, 2014.

As of December 31, 2015, we had a strong network of approximately 6,000 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, 2015, our five largest suppliers in aggregate accounted for 57.3%, of our cost of revenue and our largest supplier accounted for 14.3% of our cost of revenue. None of our Directors, their respective associates, or any Shareholder, to the knowledge of our Directors, owns more than 5% of our issued capital or has any interest in any of our five largest suppliers.

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 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, 2015, 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.

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, 2015.

Auditors

The consolidated financial statements for the year ended December 31, 2015 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

Under relevant PRC laws and regulations, holders of the ICP License must also hold trademarks used for conducting the value-added telecommunication service. We conduct value-added telecommunication service through Shenzhen Cogobuy, which holds the ICP License. However, we submitted applications for registration of certain PRC trademarks used for conducting Shenzhen Cogobuy's value-added telecommunication service through our Hong Kong subsidiary, Cogobuy. Due to administrative oversight, since the date on which Shenzhen Cogobuy obtained the ICP License and up to April 18, 2015, those PRC trademarks (including one pending application for the trademark "科通芯城") had not been transferred to Shenzhen Cogobuy from Cogobuy.

To rectify the non-compliance relating to trademark ownership, we had submitted the applications to transfer six registered trademarks and one pending trademark application to Shenzhen Cogobuy. All trademark transfer steps have been completed on April 18, 2015.

Certain lease agreements we entered into with respective PRC landlords had not been registered with the relevant government authorities due to the non-cooperation of the relevant landlords. Under relevant PRC laws and regulations, the relevant governmental authority may ask the parties to a lease to register the lease within a given period, and a fine ranging between RMB1,000 to RMB10,000 may be imposed on the parties to a lease for failing to rectify within the given period. During the period between the Listing Date and December 31, 2015, we had not been ordered by any authorities to register the lease agreements within a given period. In addition, the fine which may potentially be imposed as a result of the failure to register the relevant leases would be immaterial.

Our PRC Legal Advisor is of the view that the above incident is not material to our Group as a whole, and all the PRC governmental authorities referred to are the competent authorities for the matters mentioned.

Our Directors are of the view that this non-compliance incident will not have a material operational or financial impact on us, given that the potential maximum fine for failure to register lease agreements for properties we leased would be immaterial.

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

On behalf of the Board

Kang Jingwei, Jeffrey
Chairman

Hong Kong, March 22, 2016

CORPORATE GOVERNANCE REPORT

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, to enhance corporate value and accountability, 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.

The Board is of the view that throughout the year ended December 31, 2015, the Company has complied with all of the code provisions as set out in the CG Code, save and except for code provision A.2.1, which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual, details of which is set out below.

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 individual ensures 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 circumstances of the Group as a whole.

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 (the "Securities Dealing Code").

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code throughout the year ended December 31, 2015.

The Securities Dealing 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 Securities Dealing Code by the employees was noted by the Company.

Board of Directors

The Board of Directors during the year ended December 31, 2015 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 13 to 17 of this annual report.

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

Independent Non-executive Directors

Throughout the year ended December 31, 2015, 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 written annual confirmation from each of the Independent Non-executive Directors 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, 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 are required to provide with their training records and to confirm their respective records on an annual basis.

During the year ended December 31, 2015, Mr. Kang Jingwei, Jeffrey and Ms. Ni Hong, Hope attended the in-house training on the topic "Senior Management Training (中高層管理培訓)". Also, the Directors of the Company have attended seminars and training sessions arranged by professional/financial institutions, and have read relevant materials relating to regulatory updates. The relevant details are set out below:

		Attending seminars and training sessions relevant to the following topics:		
Name of Directors	**Reading regulatory updates**	**Corporate laws, compliance laws and regulations**	**Economy/ Financial markets and products**	**Risk management and internal control**
Kang Jingwei, Jeffrey	√	√	√	
Wu Lun Cheung Allen	√	√	√	
Ni Hong, Hope	√	√	√	
Guo Jiang	√			
Zhong Xiaolin, Forrest	√			
Ye Xin	√			
Yan Andrew Y	√	√		√

Board Committees

The Board has established three committees, namely, the audit committee, remuneration, 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 Stock Exchange's website and are available to Shareholders upon request.

All members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The main duties of the audit committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures 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 year ended December 31, 2015, the audit committee held three meetings to review interim and annual financial results, significant issues on the financial reporting and compliance procedures, 2015 full year audit plan, financial control, internal control and risk management systems and whistleblowing policy.

The audit committee also met the external auditors twice without the presence of the Executive Directors for the year ended December 31, 2015.

During the year under review, the Board of Directors has approved to amend the terms of reference of audit committee pursuant to the amendments to the CG Code relating to internal control and risk management which applied to accounting periods beginning on or after January 1, 2016. The updated terms of reference of audit committee have been published at the websites of the Stock Exchange and the Company.

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 year ended December 31, 2015, the remuneration committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of all the Directors and senior management and other related matters.

Nomination Committee

The principal duties of the nomination committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of 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, 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 year ended December 31, 2015, the nomination committee met once 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, and 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 Functions

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

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2015 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**
Kang Jingwei, Jeffrey	4/4	n/a	n/a	n/a	1/1
Wu Lun Cheung Allen	4/4	n/a	n/a	n/a	1/1
Ni Hong, Hope	4/4	n/a	n/a	n/a	1/1
Guo Jiang	4/4	n/a	n/a	n/a	0/1
Zhong Xiaolin, Forrest	4/4	1/1	1/1	3/3	1/1
Yan Andrew Y	3/4	0/1	0/1	2/3	0/1
Ye Xin	4/4	1/1	1/1	3/3	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the Non-executive Directors (including 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, 2015.

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 Auditor's Report on pages 49 to 50.

Internal Controls

The Board is committed to conducting at least once a year a review on the effectiveness of the internal control systems of the Group, including the adequacy of resources, staff qualifications and experience of the Company's accounting and financial staffs, as well as their training programmes and budget.

The Board is responsible for the analyzing and making an assessment of the effectiveness of the Company's risk management and internal control system.

The Board, through the audit committee, has conducted a review on the internal control system of the Company and its subsidiaries for the year ended December 31, 2015. Such review covered the areas of financial, operational, compliance control and risk management of the Group. The Board confirmed that the internal control system of the Company is effective.

Auditors' Remuneration

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2015 is disclosed in note 5 of the "Notes to the Financial Statements" on page 78. There were no non-audit services provided during the year ended December 31, 2015.

Company Secretary

The Company Secretary supports the Board by ensuring board procedures are followed and board proceedings are efficiently and effectively conducted. The incumbent is also responsible for ensuring that the Board is fully apprised of all applicable law, rules, regulations and corporate governance developments. During the year under review, the Company Secretary has taken relevant professional training.

Shareholders' Rights

To safeguard Shareholder 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 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 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 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 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 Officer)
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 endeavours 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 year under review, 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 Stock Exchange's website.

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 51 to 123, which comprise the consolidated statement of financial position as at December 31, 2015, 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 22, 2016

	Note	**December 31, 2015 RMB'000**	December 31, 2014 RMB'000
Revenue	3	**9,453,389**	6,848,365
Cost of revenue		**(8,688,638)**	(6,315,247)
Gross profit		**764,751**	533,118
Other revenue	4	**24,813**	6,383
Other net income/(loss)	4	**1,043**	(2)
Selling and distribution expenses		**(151,597)**	(97,879)
Research and development expenses		**(55,874)**	(41,815)
Administrative and other operating expenses		**(129,697)**	(131,640)
Profit from operations		**453,439**	268,165
Finance costs	5(a)	**(30,070)**	(31,160)
Profit before taxation	5	**423,369**	237,005
Income tax	6(a)	**(56,888)**	(27,035)
Profit for the year		**366,481**	209,970
Attributable to:			
Equity shareholders of the Company		**342,875**	194,118
Non-controlling interests		**23,606**	15,852
Profit for the year		**366,481**	209,970

	Note	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Profit for the year		**366,481**	209,970
Other comprehensive income for the year, net of nil tax	9		
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		**34,680**	10,840
Total comprehensive income for the year		**401,161**	220,810
Attributable to:			
Equity shareholders of the Company		**377,450**	203,241
Non-controlling interests		**23,711**	17,569
Total comprehensive income for the year		**401,161**	220,810
Earnings per share	10		
Basic (RMB)		**0.257**	0.168
Diluted (RMB)		**0.253**	0.166

The notes on pages 58 to 123 form part of these financial statements.

	Note	**December 31, 2015 RMB'000**	December 31, 2014 RMB'000
Non-current assets			
Property, plant and equipment	11	**5,653**	1,635
Intangible assets	12	**63,508**	23,703
Goodwill	13	**184,260**	154,136
Available-for-sale investments	23	**114,330**	—
Other non-current assets	14	**670**	14,803
		368,421	194,277
Current assets			
Inventories	16	**609,172**	501,340
Trade and other receivables	17	**1,430,191**	748,507
Loans to third parties	18	**276,754**	208,629
Amount due from a related party	19	**—**	11,478
Short term deposits		**11,000**	11,000
Pledged deposits	22	**1,246,977**	742,152
Cash and cash equivalents	20	**1,024,269**	1,222,700
		4,598,363	3,445,806
Current liabilities			
Trade and other payables	21	**749,574**	565,564
Bank loans	22	**2,125,876**	1,411,424
Amount due to a related party	19	**35,687**	12,434
Current taxation	26(a)	**43,334**	21,792
		2,954,471	2,011,214

	Note	**December 31, 2015 RMB'000**	December 31, 2014 RMB'000
Net current assets		**1,643,892**	1,434,592
Total assets less current liabilities		**2,012,313**	1,628,869
Non-current liabilities			
Deferred tax liabilities	26(b)	**10,762**	3,912
NET ASSETS		**2,001,551**	1,624,957
CAPITAL AND RESERVES			
Share capital	27	**1**	1
Reserves	27	**1,921,199**	1,603,149
Total equity attributable to equity shareholders of the Company		**1,921,200**	1,603,150
Non-controlling interests		**80,351**	21,807
TOTAL EQUITY		**2,001,551**	1,624,957

Approved and authorized for issue by the board of directors on March 22, 2016.

KANG Jingwei, Jeffrey
Director

WU Lun Cheung Allen
Director

The notes on pages 58 to 123 form part of these financial statements.

		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	Shares held for the Restricted Share Unit Scheme ("RSU Scheme") (Note 27(h)) RMB'000	Exchange reserve (Note 27(i)) RMB'000	Statutory reserves (Note 27(j)) RMB'000	Retained Profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As of 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		–	–	–	–	–	–	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)(ii)	–	1,046,070	–	–	–	–	–	–	–	1,046,070	–	1,046,070
Issue of shares under the Restricted Share Units Scheme ("RSU Scheme")	27(c)(iii)	–	24,222	–	(24,222)	–	–	–	–	–	–	–	–
Purchase of own shares	27(c)(iv)	–	(6,225)	–	–	–	–	–	–	–	(6,225)	–	(6,225)
Appropriations		–	–	–	–	–	–	–	1,497	(1,497)	–	–	–
As of December 31, 2014 and January 1, 2015		**1**	**1,064,067**	**18,923**	**10,814**	**186,196**	**–**	**17,313**	**1,851**	**303,985**	**1,603,150**	**21,807**	**1,624,957**
Changes in equity for 2015:													
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**342,875**	**342,875**	**23,606**	**366,481**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**34,575**	**–**	**–**	**34,575**	**105**	**34,680**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**34,575**	**–**	**342,875**	**377,450**	**23,711**	**401,161**
Arising from business combination		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,583**	**28,583**
Contribution from non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,250**	**6,250**
Equity-settled share-based compensation		**–**	**–**	**–**	**32,045**	**–**	**–**	**–**	**–**	**–**	**32,045**	**–**	**32,045**
Issue of shares under the RSU Scheme	27(c)(iii)	**–**	**18,411**	**–**	**(18,411)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Purchase of own shares	27(c)(v)	**–**	**(82,600)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(82,600)**	**–**	**(82,600)**
Purchase of shares held for RSU Scheme	27(c)(vi)	**–**	**–**	**–**	**–**	**–**	**(8,845)**	**–**	**–**	**–**	**(8,845)**	**–**	**(8,845)**
Appropriations		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,466**	**(1,466)**	**–**	**–**	**–**
As of December 31, 2015		**1**	**999,878**	**18,923**	**24,448**	**186,196**	**(8,845)**	**51,888**	**3,317**	**645,394**	**1,921,200**	**80,351**	**2,001,551**

The notes on pages 58 to 123 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2015

	Note	**December 31, 2015 RMB'000**	December 31, 2014 RMB'000
Operating activities			
Profit before taxation		**423,369**	237,005
Adjustments for:			
Depreciation		**1,144**	459
Amortization of intangible assets		**13,766**	7,588
Finance costs		**30,070**	31,160
Interest income		**(24,813)**	(6,383)
Loss on sale of property, plant and equipment		**—**	2
Impairment loss on trade receivables		**31,880**	18,688
Reclassification from equity on disposal of available-for-sale investments		**(23,630)**	—
Reclassification from equity on impairment of available-for-sale investments		**23,917**	—
Write down of inventories		**7,706**	2,437
Equity-settled share-based compensation expenses		**32,045**	35,036
		515,454	325,992
Changes in working capital, net of effect of acquisitions			
Increase in inventories		**(91,880)**	(252,555)
Increase in trade and other receivables		**(674,736)**	(96,943)
Increase in loans to third parties		**(68,125)**	(208,629)
Decrease in amount due from a related party		**—**	101,553
Increase in trade and other payables		**169,110**	118,496
Increase in bank loans used for supply chain financing business		**538,268**	260,405
Cash generated from operations		**388,091**	248,319
Income tax paid		**(38,420)**	(16,451)
Net cash generated from operating activities		**349,671**	231,868

	Note	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Investing activities			
Increase in pledged deposits		**(483,273)**	(502,835)
Increase in short term deposit		**—**	(11,000)
Payment for the purchase of property, plant and equipment		**(5,153)**	(873)
Proceeds from sale of property, plant and equipment		**—**	12
Proceeds from sale of lease prepayments and land use right		**—**	3,988
Net payment for the purchase of available-for-sale investments		**(177,418)**	—
Proceeds from disposal of available-for-sale investments		**61,862**	—
Cash outflows from acquisitions of subsidiaries (net of cash and cash equivalents acquired)		**(5,681)**	(278)
Increase in prepayment for business acquisition		**—**	(13,446)
Interest received		**24,813**	6,383
Net cash used in investing activities		**(584,850)**	(518,049)
Financing activities			
Net proceeds from bank loans		**108,676**	204,041
Contribution from non-controlling interest		**6,250**	—
Decrease in amount due to shareholder		**—**	(1,000)
Increase in amount due to non-controlling interest		**18,158**	956
Payment for purchase of issued ordinary shares held for RSU Scheme		**(8,845)**	—
Gross proceeds from issue of new shares under the IPO		**—**	1,095,536
Payment for listing expenses		**—**	(49,466)
Payment for repurchase of issued ordinary shares		**(88,825)**	—
Interest and guarantee fees paid		**(30,070)**	(31,160)
Net cash generated from financing activities		**5,344**	1,218,907
Net (decrease)/increase in cash and cash equivalents		**(229,835)**	932,726
Cash and cash equivalents at the beginning of the year		**1,222,700**	281,542
Effect of foreign exchange rate changes		**31,404**	8,432
Cash and cash equivalents at the end of the year	20	**1,024,269**	1,222,700

The notes on pages 58 to 123 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies 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 Rule"). 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 Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company 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, 2015 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 and is also engaged in providing supply chain financing. The shares of the Company have been listed on the Main Board on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since July 18, 2014 (the "Listing").

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 except that financial instruments classified as available-for-sale are stated at their fair value as explained in the accounting policies set out below.

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.

1 Significant Accounting Policies (Continued)

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

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.

(c) Changes in accounting policies

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

— *Annual Improvements to HKFRSs 2010–2012 Cycle*

— *Annual Improvements to HKFRSs 2011–2013 Cycle*

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

(d) 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.

Cogobuy.com 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 (深圳市可購百信息技術有限公司, "Shenzhen Cogobuy"), wholly-owned by Ms. Yao Yi, 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.

1 Significant Accounting Policies (Continued)

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

Shenzhen Cogobuy holds an internet content provider licence (the "ICP licence") issued by the Guangdong Communications Administration. Due to applicable law and regulations of the PRC, foreign investors are prohibited from holding an ICP licence. As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Shenzhen Cogobuy, has the ability to affect those returns through its power over Shenzhen Cogobuy, and is considered to have control over Shenzhen Cogobuy. Consequently, Shenzhen Cogobuy is considered to be a subsidiary of the Group and the financial statements of Shenzhen Cogobuy are included in the Group's consolidated financial statements from February 1, 2013, the effective date of the Contractual Arrangements.

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

An investment in a subsidiary is consolidated into the 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.

1 Significant Accounting Policies (Continued)

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

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(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) 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.

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(k)).

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.

(f) 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, held-to-maturity securities and available-for-sale securities.

1 Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

(i) Initial recognition (Continued)

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.

(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.

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

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.

1 Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

(ii) Classification (Continued)

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 notes 1(t)(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(k)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Group commit to purchase/sell the investments or they expire.

(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.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

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

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.

1 Significant Accounting Policies (Continued)

(h) Property, plant and equipment (Continued)

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.

(i) 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(k)). 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(k)).

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
—	Supplier relationships	9 years
—	Non-compete agreements	9 years

Both the period and method of amortization are reviewed annually.

(j) 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.

1 Significant Accounting Policies (Continued)

(k) 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 or are classified as available-for-sale securities 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;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instruments below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

— For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed tor impairment collectively are based on historical loss experience tor 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.

1 Significant Accounting Policies (Continued)

(k) Impairment of assets (Continued)

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

— For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances are recognized in profit or loss.

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.

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.

1 Significant Accounting Policies (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— 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(k)(i) and (ii)).

Impairment losses recognized in an interim period in respect of goodwill and available-for-sale equity securities are 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. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognized in other comprehensive income and not profit or loss.

1 Significant Accounting Policies (Continued)

(l) 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.

(m) 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(k)), 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.

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

(n) 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.

(o) 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.

(p) 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)

(q) 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 Group grants shares of the Company to employees at nil consideration under the Restricted Share Units Scheme ("RSU Scheme"), and the awarded shares under the RSU Scheme are either newly issued or are purchased from the open market. The cost of shares purchased from the open market is recognized in equity as shares held for RSU Scheme. The fair value of Restricted Share Units ("RSUs") granted to employees is recognized as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value of the RSUs granted before Listing is measured at grant date by using the discounted cashflow method, taking into account the terms and conditions upon which the RSUs were granted while the fair value of the RSUs granted after Listing was measured by the quoted market price of the Company's shares at the grant date. 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 share-based compensation 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).

(r) 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.

1 Significant Accounting Policies (Continued)

(r) Income tax (Continued)

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.

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.

1 Significant Accounting Policies (Continued)

(r) Income tax (Continued)

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
- 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.

(s) 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.

(t) Revenue recognition

The Group engages primarily in the sales of IC and other electronic components in the PRC. The Group also operates an e-commerce marketplace platform, cogobuy.com, for the Sales 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. The Group also engaged in providing supply chain financing services.

1 Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

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.

(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 trade discounts.

(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) 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.

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.

1 Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(iv) 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 (see note 1(t)(iii)).

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) 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.

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.

(v) Borrowing costs

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

1 Significant Accounting Policies (Continued)

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly-controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(x) 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.

1 Significant Accounting Policies (Continued)

(x) Segment reporting (Continued)

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. 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, 2015 and 2014 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

Sources of estimation uncertainty

Notes 13, 25 and 31 contain information about the assumptions and their risk factors relating 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.

2 Accounting Judgements and Estimates (Continued)

Sources of estimation uncertainty (Continued)

(a) Impairment of non-financial assets (Continued)

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, loans to third parties and available-for-sale investments, by assessing the recoverability based on factors such as credit history and prevailing market conditions. This requires the use of estimates and judgements. Impairment losses 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.

(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 sales of IC and other electronic components by the Group and third-party electronic component merchants. The Group is also engaged in the provision of supply chain financing services.

3 Revenue (Continued)

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

	2015 RMB'000	2014 RMB'000
Sales of IC and other electronic components	**9,389,643**	6,819,723
Marketplace income	**45,987**	26,606
Supply chain financing interest income	**17,759**	2,036
	9,453,389	6,848,365

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, 2015 and 2014.

4 Other Revenue and Other Net Income/(Loss)

	2015 RMB'000	2014 RMB'000
Other revenue		
Bank interest income	**24,813**	6,383
Other net income/(loss)		
Available-for-sale securities: reclassified from equity		
— On disposal	**23,630**	—
— On impairment	**(23,917)**	—
Loss on sale of property, plant and equipment	**—**	(2)
Others	**1,330**	—
	1,043	(2)

5 Profit Before Taxation

Profit before taxation is arrived at after charging:

	2015 RMB'000	2014 RMB'000
(a) Finance costs		
Interest expense on bank loans	**30,070**	27,794
Guarantee fees (note 30)	**—**	3,366
	30,070	31,160
(b) Staff costs		
Contributions to defined contribution retirement plan (note 24)	**11,167**	9,956
Salaries, wages and other benefits	**106,237**	91,460
Equity-settled share-based compensation expenses (note 25)	**32,045**	35,036
	149,449	136,452
(c) Other items		
Amortization of intangibles assets	**13,766**	7,588
Auditors' remuneration	**5,436**	4,132
Cost of inventories	**8,680,932**	6,312,810
Impairment loss on trade receivables	**31,880**	18,688
Depreciation of property, plant and equipment	**1,144**	459
Listing expenses	**—**	31,638
Net foreign exchange loss	**2,310**	2,059
Operating lease charges in respect of property rentals	**12,337**	7,672
Research and development expenses (note)	**55,874**	41,815

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB40,041,000 for the year ended December 31, 2015 (2014: RMB31,451,000), 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 RMB4,008,000 for the year ended December 31, 2015 (2014: RMB1,829,000).

6 Income Tax in the Consolidated Statement of Comprehensive Income

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

	2015 RMB'000	2014 RMB'000
Current tax — PRC Corporation Income Tax		
Provision for the year	**22,984**	1,549
Under/(over)-provision in respect of prior years	**366**	(954)
	23,350	595
Current tax — Hong Kong Profits Tax		
Provision for the year	**35,807**	26,642
Under-provision in respect of prior years	**2**	1,050
	35,809	27,692
	59,159	28,287
Deferred tax		
Origination and reversal of temporary differences	**(2,271)**	(1,252)
	56,888	27,035

(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, 2015 (2014: 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, 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.

Qianhai Cogobuy.com (Shenzhen) Limited, being a qualified software enterprise, is granted a 2+3 tax holiday under the then effective tax regulations during 2015. As a result, it is exempted from income tax for 2015 and 2016, and is subject to income tax at 12.5% from 2017 to 2019 and 25% from 2020 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:

	2015 **RMB'000**	2014 RMB'000
Profit before taxation	**423,369**	237,005
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25%	**105,842**	59,251
Tax effect of 2+3 tax holiday for PRC entities	**(54,289)**	(46,878)
Tax rate differential for Hong Kong entities	**(12,513)**	(5,507)
Entities of other jurisdictions not subject to income tax	**565**	2,016
Tax effect of non-taxable income	**(1,786)**	(377)
Tax effect of non-deductible expenses	**11,365**	13,759
Tax effect of tax losses not recognized	**6,831**	5,096
Under-provision in respect of prior years	**368**	96
Others	**505**	(421)
Actual tax expense	**56,888**	27,035

7 Directors' Remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended December 31, 2015						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note (ii))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:							
Mr. Kang Jingwei ("Mr. Kang")*	—	1,020	—	23	1,043	880	1,923
Mr. Wu Lun Cheung Allen	—	1,020	—	15	1,035	880	1,915
Ms. Ni Hong, Hope	200	—	—	—	200	—	200
Non-executive director:							
Mr. Guo Jiang	200	—	—	—	200	—	200
Independent non-executive directors:							
Mr. Zhong Xiaolin, Forrest	240	—	—	—	240	—	240
Mr. Ye Xin	240	—	—	—	240	—	240
Mr. Yan Andrew Y	240	—	—	—	240	—	240
	1,120	2,040	—	38	3,198	1,760	4,958

7 Directors' Remuneration (Continued)

	Year ended December 31, 2014						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note (ii))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:							
Mr. Kang*	–	1,018	–	17	1,035	1,898	2,933
Mr. Wu Lun Cheung Allen	–	1,014	–	13	1,027	1,898	2,925
Independent non-executive directors:							
Mr. Zhong Xiaolin, Forrest	120	–	–	–	120	–	120
Mr. Ye Xin	120	–	–	–	120	–	120
Mr. Yan Andrew Y	120	–	–	–	120	–	120
	360	2,032	–	30	2,422	3,796	6,218

* Chairman of the Company

Notes:

(i) Mr. Kang and Mr. Wu Lun Cheung Allen were appointed as the executive directors 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. Ms. Ni Hong, Hope was appointed as an executive director and Mr. Guo Jiang was appointed as a non-executive director on March 1, 2015.

(ii) 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(q)(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, 2015, 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 (2014: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended December 31, 2015 (2014: Nil).

8 Individuals with Highest Emoluments

Of the five individuals with highest emoluments, two (2014: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

	2015	2014
	RMB'000	RMB'000
Salaries and other emoluments	**2,298**	2,099
Discretionary bonuses	**—**	1,110
Share-based payments	**2,125**	2,304
Retirement scheme contributions	**139**	133
	4,562	5,646

The emoluments of the three (2014: three) individuals with the highest emoluments in 2015 are within the following band:

	2015	2014
HK$1,500,001 to HK$2,000,000	**3**	—
HK$2,000,001 to HK$2,500,000	**—**	2
HK$2,500,001 to HK$3,000,000	**—**	1

9 Other Comprehensive Income

Components of other comprehensive income, including reclassification adjustments

	2015	2014
	RMB'000	RMB'000
Available-for-sale securities:		
Changes in fair value recognized during the period	**(287)**	—
Reclassification adjustments for amounts transferred to profit or loss:		
— gains on disposal (note 4)	**(23,630)**	—
— impairment losses (note 4)	**23,917**	—
Net movement in the fair value reserve during the period recognized in other comprehensive income	**—**	—

(Expressed in Renminbi unless otherwise indicated)

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 RMB342,875,000 (2014: RMB194,118,000) and the weighted average of 1,335,828,000 (2014: 1,158,238,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at the beginning of the year	**1,355,884,000**	100
Effect of share subdivision of the share capital of the Company in June 2014 (note 27(c)(i))	**—**	999,999,900
Issue of shares in connection with the Listing (note 27(c)(ii))	**—**	158,242,000
Issue of shares under the RSU Scheme (note 27(c)(iii))	**3,131,000**	—
Purchase of own shares (notes 27 (c)(iv), (v) and (vi))	**(23,187,000)**	(4,000)
Weighted average number of ordinary shares as of the end of the year	**1,335,828,000**	1,158,238,000

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)(i), on a retrospective basis as if the event had occurred on January 1, 2014.

(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 RMB342,875,000 (2014: RMB194,118,000) and the weighted average number of ordinary shares of 1,355,981,000 shares (2014: 1,170,514,000 shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2015	2014
Weighted average number of ordinary shares as of the end of the year	**1,335,828,000**	1,158,238,000
Effect of deemed issue of shares under the Company's RSU Scheme for nil consideration (note 25)	**20,153,000**	12,276,000
Weighted average number of ordinary shares (diluted) as of the end of the year	**1,355,981,000**	1,170,514,000

11 Property, Plant and Equipment

	Motor vehicles 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
As of January 1, 2015	585	406	1,440	2,431
Additions	—	1,811	3,342	5,153
Exchange adjustments	—	18	15	33
As of December 31, 2015	585	2,235	4,797	7,617
Accumulated depreciation:				
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
Accumulated depreciation:				
As of January 1, 2015	176	406	214	796
Charge for the year	136	345	663	1,144
Exchange adjustments	—	18	6	24
As of December 31, 2015	312	769	883	1,964
Net book value:				
As of December 31, 2014	409	—	1,226	1,635
As of December 31, 2015	273	1,466	3,914	5,653

12 Intangible Assets

	Internet platform RMB'000	Customer relationships RMB'000	Domain name and trademark RMB'000	Supplier relationships RMB'000	Non-compete agreements RMB'000	Total RMB'000
Cost:						
As of January 1, 2014 and December 31, 2014	2,659	33,662	1,981	—	—	38,302
As of January 1, 2015	2,659	33,662	1,981	—	—	38,302
Additions through business acquisition	—	2,374	—	45,507	5,216	53,097
Exchange adjustments	106	1,350	79	—	—	1,535
As of December 31, 2015	2,765	37,386	2,060	45,507	5,216	92,934
Accumulated amortization:						
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
As of January 1, 2015	1,698	12,555	346	—	—	14,599
Charge for the year	894	7,054	182	5,056	580	13,766
Exchange adjustments	96	947	18	—	—	1,061
As of December 31, 2015	2,688	20,556	546	5,056	580	29,426
Net book value:						
As of December 31, 2014	961	21,107	1,635	—	—	23,703
As of December 31, 2015	77	16,830	1,514	40,451	4,636	63,508

Intangible assets represent internet platform, customer relationships, domain name and trademark acquired, supplier relationships and non-compete agreements by the Group through business acquisition. The amortization charge for the year is included in "administrative and other operating expenses" in the consolidated statement of comprehensive income.

13 Goodwill

	RMB'000
Cost and carrying amount:	
At January 1, 2014 and December 31, 2014	154,136
Additions through business combination (note 32)	19,326
Exchange adjustments	10,798
At December 31, 2015	184,260

Impairment tests for cash-generating unit ("CGU") containing goodwill

For the purpose of goodwill impairment testing, goodwill arising from the business combinations was allocated to the CGU of the Group, which is the Group's sales of IC and other electronics 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 rate of 3.0% for the CGU (2014: 3.0%).

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 rate of 17.5% (2014: 17.5%). 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, 2015. 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 (2014: Nil).

14 Other Non-Current Assets

	2015	2014
	RMB'000	RMB'000
Prepayment for business acquisition (note)	**—**	13,446
Deposits	**670**	1,357
	670	14,803

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 subsequently completed during the year ended December 31, 2015 (see note 32(a)).

(Expressed in Renminbi unless otherwise indicated)

15 Interest in Subsidiaries

At December 31, 2015, which principally affected the results, assets or liabilities of the Group, 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:

Name of company	Place 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
Comtech Broadband Corporation Limited ("Comtech Broadband")	Hong Kong	20,000,000 shares	70%	—	70%	Sales of electronics components and related products
Comtech Digital Technology (Hong Kong) Limited ("Comtech Digital HK")	Hong Kong	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 (note (i))	The PRC	US$300,000	60%	—	100%	Sales of electronics components and related products
Comtech Industrial (Hong Kong) Limited	Hong Kong	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) (note (i))	The PRC	US$500,000	100%	—	100%	Provision of media communication and collaboration platforms and solutions

(Expressed in Renminbi unless otherwise indicated)

15 Interest in Subsidiaries (Continued)

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Comtech International (Hong Kong) Limited ("Comtech International Hong Kong")	Hong Kong	1,000,000 shares	100%	—	100%	Sales of electronics components and related products
Cogobuy Limited	Hong Kong	1 share	100%	—	100%	Investment holding
Cogobuy E-commerce (note (i))	The PRC	HK$150,000	100%	—	100%	Development of ecommerce software technology and provision of ecommerce services
Envision Communication Technology (Shenzhen) Company Limited 億維訊通信技術(深圳)有限公司 (note (i))	The PRC	US$300,000	100%	—	100%	Development and sales of electronic communication products
INGDAN.com Limited (formerly known as Envision Online Limited)	Hong Kong	1 share	70%	—	70%	Operate the INGDAN.com platform
Hong Kong JJT Limited	Hong Kong	1 share	100%	—	100%	Investment holding
Hardeggs Holdings Limited	The BVI	US$1	70%	—	70%	Investment holding
Shanghai Comtech Electronic Technology 上海科姆特電子技術有限公司 (note (i))	The PRC	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 (note (i))	The PRC	RMB10,000,000	100%	—	100%	Sales of electronics components and related products

(Expressed in Renminbi unless otherwise indicated)

15 Interest in Subsidiaries (Continued)

Name of company	Place 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
Shenzhen Cogobuy 深圳市可購百信息技術有限公司 (note (i) and 1(d))	The PRC	RMB1,000,000	100%	—	100%	Holder of the ICP licence in the PRC
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	HK$200,000,000	100%	—	100%	Sales of electronics components and related products
Cogobuy Finance Limited	Hong Kong	1 share	100%	—	100%	Provision of supply chain financing services in Hong Kong
United Wireless Technology (Hong Kong) Limited ("United Wireless") (formerly known as Cogobuy Wireless Technology (HK) Limited)	Hong Kong	1 share	51%	—	100%	Sales of electronics components and related products
Cogobuy Wireless Technology (Hong Kong) Limited	Hong Kong	1 share	51%	—	51%	Sales of electronics components and related products
Cogobuy Wireless Technology (Shenzhen) Limited 科通無線科技(深圳)有限公司 (note (i))	The PRC	US$300,000	51%	—	51%	Sales of electronics components and related products

Note:

(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.

15 Interest in Subsidiaries (Continued)

The following table lists out the information relating to Comtech Digital HK, Comtech Broadband and United Wireless, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination.

	Comtech Digital HK		Comtech Broadband		United Wireless
	2015	2014	**2015**	2014	**2015**
	(RMB'000,except percentage)		(RMB'000,except percentage)		**(RMB'000, except percentage)**
NCI percentage	**40%**	40%	**30%**	30%	**49%**
Current assets	**337,246**	244,222	**943,650**	1,012,285	**15,778**
Non-current assets	**2,131**	2,043	**91**	118	**—**
Current liabilities	**(295,351)**	(228,043)	**(888,460)**	(971,277)	**(10,844)**
Net assets	**44,026**	18,222	**55,281**	41,126	**4,934**
Carrying amount of NCI	**17,610**	7,289	**16,585**	12,338	**30,923**
Revenue	**584,664**	522,635	**2,580,031**	2,768,371	**107,799**
Profit for the year	**24,237**	16,206	**11,957**	25,433	**4,239**
Total comprehensive income	**25,803**	16,593	**14,155**	25,728	**4,399**
Profit allocated to NCI	**9,695**	6,482	**3,587**	7,630	**2,077**
Dividend paid to NCI	**—**	—	**—**	—	**—**
Cash flows from operating activities	**(18,902)**	10,129	**(7,189)**	(200,358)	**(7,103)**
Cash flows from investing activities	**50,227**	(1,523)	**104,600**	(43,857)	**—**
Cash flows from financing activities	**55,802**	(10,557)	**(133,413)**	347,546	**9,670**

16 Inventories

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

	2015	2014
	RMB'000	RMB'000
Finished goods	**609,172**	501,340

16 Inventories (Continued)

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

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	**8,680,932**	6,312,810
Written down of inventories	**7,706**	2,437
	8,688,638	6,315,247

17 Trade and Other Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**1,424,497**	749,694
Bills receivable	**29,799**	14,397
Trade and bills receivables	**1,454,296**	764,091
Less: allowance for doubtful debts	**(58,164)**	(26,284)
	1,396,132	737,807
Loan interest receivables	**4,393**	1,535
Deposits and prepayments	**25,048**	6,342
Other receivables	**4,618**	2,823
	1,430,191	748,507

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

During the reporting period, the Group was subject to several factoring agreements with banks under which the banks pay an amount net of discount to the Group and collect the factored trade receivable balances directly from the Group's customers. The costs of the factoring arrangement ranged from 1.7% to 2.7% (2014: 1.7% to 2.4%) of the balance transferred and are included in "finance costs". 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.

17 Trade and Other Receivables (Continued)

For the year ended December 31, 2015, the Group received proceeds from sales of trade receivables of RMB1,889,999,000 (2014: RMB1,262,913,000). The Group recognized discounts of RMB5,447,000 (2014: RMB3,993,000) in finance costs for trade receivables sold to the banks for the year ended December 31, 2015.

(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:

	2015 RMB'000	2014 RMB'000
Within 1 month	**813,575**	446,374
1 to 2 months	**369,716**	196,083
2 to 3 months	**128,554**	85,285
Over 3 months	**84,287**	10,065
	1,396,132	737,807

Trade and bills receivables are normally due within 30 to 90 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(k)(i)). No impairment loss has been recognized in respect of loan interest receivables for the year ended December 31, 2015 (2014: Nil).

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

	2015 RMB'000	2014 RMB'000
At January 1	**26,284**	7,596
Impairment loss recognized	**31,880**	18,688
At December 31	**58,164**	26,284

As of December 31, 2015, none of the trade and bills receivables or loan interest receivables was individually determined to be impaired (2014: Nil).

17 Trade and Other Receivables (Continued)

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

As at December 31, 2015, 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:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**909,630**	615,811
Less than 1 month past due	**413,669**	93,140
1 to 3 months past due	**66,095**	26,999
4 to 6 months past due	**6,738**	1,807
Over 6 months past due	**—**	50
	486,502	121,996
	1,396,132	737,807

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

	2015 RMB'000	2014 RMB'000
Unsecured loans	**112,168**	199,974
Secured loans	**164,586**	8,655
	276,754	208,629

Loans to third parties comprise unsecured loans without collateral and secured loans secured by the third-party borrowers' inventories, receivables or listed securities.

18 Loans to Third Parties (Continued)

(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:

	2015 RMB'000	2014 RMB'000
Within 1 month	**—**	140,536
1 to 2 months	**22,477**	31,921
2 to 3 months	**219,247**	36,172
Over 3 months	**35,030**	—
	276,754	208,629

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

(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(k)(i)).

As of December 31, 2015 and 2014, 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 Amount Due from/(to) a Related Party

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

	Note	**2015 RMB'000**	2014 RMB'000
Amount due from non-controlling interest	(i)	**—**	11,478

19 Amount Due from/(to) a Related Party (Continued)

Note:

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

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

	Note	**2015 RMB'000**	2014 RMB'000
Amount due to non-controlling interest	(i)	**35,687**	12,434

Note:

(i) 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 was unsecured, interest-free and repayable on demand.

As at December 31, 2015, the amount due to non-controlling interest represented the purchase consideration payable of RMB16,573,000 for the acquisition of the business operation of World Style Group (see note 32) and 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:

	2015 RMB'000	2014 RMB'000
Cash at bank and in hand	**1,024,269**	1,222,700

As of December 31, 2015, the Group's cash and cash equivalents in the amount of RMB122,300,000 (2014: RMB278,050,000) 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.

21 Trade and Other Payables

	2015 RMB'000	2014 RMB'000
Trade payables	**707,414**	532,371
Accrued staff costs	**22,006**	15,765
Other payables	**20,154**	17,428
	749,574	565,564

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 the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 month	**673,406**	450,439
1 to 3 months	**22,235**	76,275
Over 3 months	**11,773**	5,657
	707,414	532,371

22 Pledged Deposits and Bank Loans

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

As of December 31, 2014 and 2015, the Group had entered into several banking facilities including letters of guarantee, bank loans, trade receivables factoring facilities and irrecoverable letters of credit.

22 Pledged Deposits and Bank Loans (Continued)

(a) Banking Facilities

Details of the banking facilities and the borrowings drawn by the Group at the end of the reporting period are set out below:

	2015 RMB'000	2014 RMB'000
Aggregate credit limit	**3,486,999**	2,581,114
Outstanding loans	**(2,125,876)**	(1,411,424)
Trade receivables factoring facilities utilized	**(414,001)**	(308,573)
Unutilized facilities	**947,122**	861,117

As of December 31, 2015, the banking facilities were secured by cash of RMB1,246,977,000 (December 31, 2014: RMB742,152,000) pledged by the Group.

(b) Bank covenants

As of December 31, 2015, the 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, the controlling shareholder of the Company, remaining as the single largest shareholder of the Company and retaining at least 40% equity interest of the Company.

23 Available-For-Sale Investments

	2015 RMB'000
Available-for-sale equity securities	
— Listed in Hong Kong	**111,330**
— Unlisted (note 31(f))	**3,000**
	114,330

The unlisted equity securities amounting to RMB3,000,000 are stated at cost. These securities do not have quoted market price in an active market and their fair values cannot be reliably measured.

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

On March 1, 2014, the Company's shareholders and directors adopted the RSU Scheme and granted 30,200,000 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 trustees until their release to the beneficiaries upon vesting of the RSUs.

On July 8, 2015, the Company granted an additional 17,940,000 RSUs to employees of the Company and its subsidiaries under the RSU Scheme. Shares repurchased by the Company on the Stock Exchange were held by one of the RSU Scheme trustees for the purpose of the RSU Scheme (see note 27(c)(vi)).

The directors estimated the fair value of the RSUs granted on March 1, 2014 to be RMB51,963,000 (US$8,456,000) in total or RMB1.72 (US$0.28) per unit and the fair value of RSU granted on July 8, 2015 to be RMB69,861,000 (HK$88,085,000) in total or RMB3.89 (HK$4.91) per unit.

Share-based payment expenses of RMB32,045,000 were recognized as staff costs in the Company's profit or loss for the year ended December 31, 2015 (2014: RMB35,036,000) and the remaining balance is to be recognized in 2016, 2017 and 2018 based on the respective vesting periods.

(Expressed in Renminbi unless otherwise indicated)

25 Equity-Settled Share-Based Transactions (Continued)

(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)
— on July 8, 2015	17,940,000	Notes (iv), (v)
Total RSUs granted	48,140,000	

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.

(iv) The RSUs granted have a vesting period of three years as follows:

- One-third of which will vest for the year ended July 7, 2016 in equal quarterly installments
- One-third of which will vest for the year ended July 7, 2017 in equal quarterly installments
- One-third of which will vest for the year ended July 7, 2018 in equal quarterly installments

(v) Employees who leave the Group before July 7, 2018 forfeit their right to any unvested RSUs.

(Expressed in Renminbi unless otherwise indicated)

25 Equity-Settled Share-Based Transactions (Continued)

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

	2015 Number of RSUs	2014 Number of RSUs
Outstanding as of the beginning of the year	**14,730,800**	—
Granted during the year	**17,940,000**	30,200,000
Vested during the year	**(8,685,400)**	(14,038,700)
Forfeited during the year	**(750,000)**	(1,430,500)
Outstanding as of the end of the year	**23,235,400**	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 on March 1, 2014 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%

The fair value of RSUs granted on July 8, 2015 was measured by the quoted market price of the Company's shares at the grant date.

26 Income Tax in the Consolidated Statement of Financial Position

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

	2015 RMB'000	2014 RMB'000
Provision for PRC Corporate Income Tax	**20,317**	1,659
Provision for Hong Kong Profits Tax	**23,017**	20,133
	43,334	21,792

(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:

	Amortization of intangible assets RMB'000
As of January 1, 2014	5,164
Credited to profit or loss	(1,252)
As of December 31, 2014	3,912
As of January 1, 2015	3,912
Additions through business combination	8,761
Credited to profit or loss	(2,271)
Exchange adjustments	360
As of December 31, 2015	10,762

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 1(r), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB56,283,000 (2014: RMB33,187,000) 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 RMB2,432,000, RMBNil, RMB10,166,000, RMB16,289,000 and RMB27,324,000 will expire in 2016, 2017, 2018, 2019 and 2020 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, 2015, 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 RMB568,162,000 (2014: RMB284,931,000), 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	Shares held for the RSU Scheme RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As of 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

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	Shares held for the RSU Scheme RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As of December 31, 2014 and January 1, 2015	1	1,064,067	18,923	10,814	186,196	—	3,910	(91,032)	1,192,879
Changes in equity for 2015:									
Loss for the year	—	—	—	—	—	—	—	(28,539)	(28,539)
Other comprehensive income for the year	—	—	—	—	—	—	49,967	—	49,967
Total comprehensive income	—	—	—	—	—	—	49,967	(28,539)	21,428
Equity-settled share-based compensation	—	—	—	32,045	—	—	—	—	32,045
Issue of shares under the RSU Scheme	—	18,411	—	(18,411)	—	—	—	—	—
Purchase of own shares	—	(82,600)	—	—	—	—	—	—	(82,600)
Purchase of shares held for RSU Scheme	—	—	—	—	—	(8,845)	—	—	(8,845)
	—	(64,189)	—	13,634	—	(8,845)	—	—	(59,400)
As of December 31, 2015	1	999,878	18,923	24,448	186,196	(8,845)	53,877	(119,571)	1,154,907

(b) Dividend

The board of directors does not recommend the distribution of a final dividend for the year ended December 31, 2015 (2014: Nil).

(Expressed in Renminbi unless otherwise indicated)

27 Capital, Reserves and Dividends (Continued)

(c) Share capital

	2015 No. of shares	2015 Amount US$	2014 No. of shares	2014 Amount US$
Authorized:				
Ordinary shares of US$0.0000001/ US$1 each (note (i))	**500,000,000,000**	**50,000**	500,000,000,000	50,000
Ordinary shares, issued and fully paid:				
At the beginning of the year	**1,372,045,000**	**137**	100	100
Subdivision of share capital of the Company (note (i))	**—**	**—**	999,999,900	—
Issue of new shares in connection with the Listing (note (ii))	**—**	**—**	343,800,000	34
Issue of new shares under the RSU Scheme (note (iii))	**14,107,500**	**1**	30,200,000	3
Purchase of own shares (notes (iv), (v) and (vi))	**(23,890,000)**	**(2)**	(1,955,000)	—
At the end of the year	**1,362,262,500**	**136**	1,372,045,000	137

Notes:

(i) 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, 2014.

(ii) On July 18, 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, 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.

27 Capital, Reserves and Dividends (Continued)

(c) Share capital (Continued)

Notes: (Continued)

(iii) 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(q)(ii), RMB24,222,000 were credited to the share premium account. For the year ended December 31, 2015, an additional 14,107,000 ordinary shares were issued by the Company under the RSU Scheme. 8,685,400 units of RSUs were vested to the beneficiaries, RMB18,411,000 were credited to the share premium account. The remaining shares are held on trust by the RSU Scheme trustees until their release to the beneficiaries upon the vesting of the RSUs (see note 25).

(iv) 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. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$0.20 (equivalent to RMB1.24) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$7,833,000 (equivalent to RMB6,225,000) was charged to share premium.

(v) During the year ended December 31, 2015, 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**
January 2015	**15,791,000**	**4.43**	**4.08**	**67,760**
February 2015	**7,899,000**	**4.50**	**3.95**	**32,603**
July 2015	**200,000**	**5.00**	**4.83**	**980**
	23,890,000			**101,343**

These repurchased shares were cancelled immediately upon repurchase. The issued share capital of the Company was reduced by the nominal value of US$2.39. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$2.39 (equivalent to RMB14.81) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$101,343,000 (equivalent to RMB82,600,000) was charged to share premium.

27 Capital, Reserves and Dividends (Continued)

(c) Share capital (Continued)

Notes: (Continued)

(vi) During the year ended December 31, 2015, 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
February 2015	**800,000**	**4.15**	**3.95**	**3,257**
July 2015	**265,000**	**8.30**	**5.09**	**1,855**
August 2015	**887,000**	**7.45**	**5.50**	**5,613**
	1,952,000			**10,725**

These repurchased shares were held by one of the RSU Scheme trustees for the purpose of the RSU Scheme (note 25). The consideration paid on the repurchase of the shares of HK$10,725,000 (equivalent to RMB8,845,000) is presented as shares held for the RSU Scheme in the consolidated statement of changes in equity and deducted from total equity.

(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(q)(ii).

(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.

27 Capital, Reserves and Dividends (Continued)

(h) Shares held for RSU Scheme

The consideration paid for purchasing the Company's shares from the market is presented as "Shares held for RSU Scheme" and the amount is deducted from total equity.

When the Company's shares are transferred to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for RSU Scheme", with a corresponding adjustment made to "Share premium".

(i) 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(u).

(j) 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.

27 Capital, Reserves and Dividends (Continued)

(k) Distributable reserves

As of December 31, 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to RMB1,154,906,000 (2014: RMB1,192,878,000).

(l) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions affecting the Group.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total interest-bearing loans less cash and cash equivalents. The Group defines "capital" as all components of equity.

The net debt-to-capital ratio as of December 31, 2014 and 2015 was as follows:

	2015 **RMB'000**	2014 RMB'000
Interest-bearing borrowings	**2,125,876**	1,411,424
Less: Cash and cash equivalents	**(1,024,269)**	(1,222,700)
Pledged deposits	**(1,246,977)**	(742,152)
Net cash	**(145,370)**	(553,428)
Total equity	**2,001,551**	1,624,957
Net debt-to-capital ratio (note)	**—**	—

Note: No net debt-to-capital ratio as of December 31, 2014 and 2015 is presented as the Group 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, 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**8,400**	9,834
After one year but within five years	**4,599**	6,338
	12,999	16,172

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.

(b) As of December 31, 2015, the Group has outstanding purchase orders for components from suppliers in the amount of approximately RMB1,082,445,000 (2014: RMB890,387,000). 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, 2015 (2014: Nil).

29 Contingent Liabilities

As of December 31, 2015 and 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, 2015 and 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.

30 Material Related Party Transactions

(a) The Group entered into the following significant related party transactions during the year:

	Note	2015 RMB'000	2014 RMB'000
Guarantee fee paid/payable	(i)	**—**	3,366
Provision of services to a company controlled by a director of the Company	(ii)	**387**	—

30 Material Related Party Transactions (Continued)

(a) The Group entered into the following significant related party transactions during the year: (Continued)

Notes:

(i) Pursuant to the terms of the acquisition agreements signed with Viewtran Group, Inc. ("Viewtran"), of which the Chairman and Chief Executive Officer was Mr. Kang, dated October 23, 2012, the Company was to pay a guarantee fee to Viewtran amounting to US$250,000 each quarter for acting as the guarantors for the banking facilities of the Group for a transitional period up to December 31, 2014.

The guarantee fee has been recognized as administrative and other operating expenses in the consolidation statement of comprehensive income. The guarantee arrangements were terminated on July 18, 2014.

(ii) On December 11, 2015, the Group entered into a series of agreements (Purchase Option Agreement, Agency Agreement and Service Agreement) with Comtech Communication Technology (Shenzhen) Company Limited ("CCT") and Shenzhen Comtech Small Loan Company Limited (深圳市科通小額貸款有限責任公司, "Comtech Small Loan"), a subsidiary of CCT. CCT is a limited liability company incorporated on July 23, 2002 in the PRC and owned by Mr. Kang. Comtech Small Loan is a limited liability company incorporated on November 22, 2015 and holds a small loan license that allows it to provide financing to small enterprises, individual entrepreneurs and individuals in the PRC. The main purpose of such arrangements is to allow the Group to offer supply chain financing to its customers in the PRC through Comtech Small Loan.

Pursuant to the Purchase Option Agreement, CCT would grant the Group an option (the "Purchase Option") with the option term of three years for the Group or any third party designated by the Group to acquire, at its discretion and through one or more transactions, the entire equity interest in Comtech Small Loan for a cash consideration of RMB300,000,000, or part of the equity interest in Comtech Small Loan for a cash consideration proportional to the percentage of the equity interest being acquired. The cash consideration of RMB300,000,000 was determined based on the registered and paid up capital of Comtech Small Loan on the date of the Purchase Option Agreement.

Under the Purchase Option Agreement, the Group may transfer up to an aggregate of RMB200,000,000 to CCT within three years from December 11, 2015 as advance payment for the purchase of the equity interest in Comtech Small Loan (such sum will be deducted from the total consideration payable when the option to acquire the entire or part of the equity interest of Comtech Small Loan is exercised). The advance payment is not interest-bearing and does not constitute an exercise of the option by the Purchaser. As at December 31, 2015, no advance payment has been made. The Purchase Option Agreement constitutes a connected transaction subject to approval by the independent shareholders of the Company under the Listing Rules (See note 34).

Pursuant to the Agency Agreement signed with CCT, the Group would provide client referral service for a service fee amounting to 80% of the fees and interest receivables by Comtech Small Loan from the referred customers. Up to December 31, 2015, borrowings of RMB140,000,000 were extended to customers referred by the Group to Comtech Small Loan and service fee earned by the Group amounted to RMB 387,000 under the Agency Agreement.

Pursuant to the Service Agreement signed with CCT, the Group would provide administrative and consultancy services to Comtech Small Loan at the prevailing market rate of comparable services and amounting to no more than 1% of Comtech Small Loan's yearly turnover will be received by the Group.

The related party transactions in respect of the Purchase Option Agreement, Agency Agreement and Service Agreement above constitute a connected transaction or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the paragraph "Connected Transactions" of the directors' report.

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 business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(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 a related party. 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 90 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, 26.2% (2014: 33.2%) of the total trade receivables were due from the Group's five largest customers. Among which, 6.5% (2014: 12.5%) of the total trade receivables as of December 31, 2015 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, 2015, 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.

31 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(a) Credit risk (Continued)

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 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 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.

(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 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 financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

	2015		
	Contractual undiscounted cash outflow		**Carrying amount as of December 31, 2015**
	Within 1 year or on demand	**Total**	
	RMB'000	**RMB'000**	**RMB'000**
Trade and other payables	**749,574**	**749,574**	**749,574**
Bank loans	**2,139,545**	**2,139,545**	**2,125,876**
Amount due to a related party	**35,687**	**35,687**	**35,687**
	2,924,806	**2,924,806**	**2,911,137**

31 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(b) Liquidity risk (Continued)

	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
Amount due to a related party	12,434	12,434	12,434
	1,994,838	1,994,838	1,989,422

(c) Interest rate risk

The Group's interest rate risk arises primarily from fixed rate borrowings that expose the Group to fair value interest rate risk. The Group'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 total interest bearing borrowings as of the end of the reporting period:

	2015		2014	
	Effective interest rate	**Principal amount RMB'000**	Effective interest rate	Principal amount RMB'000
Fixed rate borrowing:				
Bank loans	**1.9%**	**2,125,876**	2.1%	1,411,424

The Group's future interest expense will fluctuate in line with any change in borrowing rates. Management considers the Group's exposure to interest rate risk is minimal as all borrowings are fixed rate borrowings.

(ii) Sensitivity analysis

As of December 31, 2015 and 2014, all of the Group's interest bearing borrowings are fixed rate borrowings, no sensitivity analysis on interest rate risk is presented.

31 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(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.

(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 year end date. 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.

	2015		2014	
	United States dollars RMB'000	**Renminbi RMB'000**	United States dollars RMB'000	Renminbi RMB'000
Trade and other receivables	**1,233,829**	**38,283**	691,884	5,901
Loans to third parties	**241,724**	**35,030**	205,308	3,321
Pledged deposits	**590,374**	**462,865**	300,943	441,209
Cash and cash equivalents	**573,572**	**318,581**	473,620	259,714
Trade and other payables	**(666,485)**	**—**	(514,587)	—
Bank loans	**(2,125,876)**	**—**	(1,411,424)	—
Net exposure arising from recognized assets and liabilities	**(152,862)**	**854,759**	(254,256)	710,145

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 profit before tax (and retained profits), 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.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax and retained profits RMB'000
United States dollars	**5%**	**(7,643)**	5%	(12,713)
	(5)%	**7,643**	(5)%	12,713
Renminbi	**5%**	**42,738**	5%	35,507
	(5)%	**(42,738)**	(5)%	(35,507)

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 and retained profits, 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) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investments (see note 23).

The Group's listed investments are listed on the Stock Exchange. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

31 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(e) Equity price risk (Continued)

At December 31, 2015, it is estimated that an increase/(decrease) of 5% (2014: N/A) in the relevant stock market index with all other variables held constant, would have increased/decreased the Group's profit before tax (and retained profits) and other components of consolidated equity as follows:

		2015	
		Effect on profit before tax and retained profits RMB'000	**Effect on other components of equity RMB'000**
Change in the relevant equity price risk variable:			
Increase	**5%**	**—**	**7,848**
Decrease	**(5)%**	**—**	**(7,848)**

The sensitivity analysis indicates the instantaneous change in the Group's profit before tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The Group was not exposed to equity price risk for the year ended December 31, 2014 and no analysis was performed for the year ended December 31, 2014.

(f) Fair value measurement

(a) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

— Level 3 valuations: Fair value measured using significant unobservable inputs

31 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(f) Fair value measurement (Continued)

(a) Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at December 31, 2015 RMB'000	Fair value measurements as at 31 December 2015 categorized into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Available-for-sale equity securities:				
— Listed	**111,330**	**111,330**	**—**	**—**
— Unlisted	**3,000**	**—**	**—**	**3,000**

No financial instruments were measured at fair value as of December 31, 2014.

During the year ended December 31, 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) All financial instruments are carried at amounts not materially different from their fair values as of December 31, 2014 and 2015.

32 Business Combinations

(a) Acquisition of the business operations of World Style Limited and Shenzhen Huaxinke Technologies Co., Ltd. ("World Style Group")

On January 1, 2015, Cogobuy Group, Inc., a wholly owned subsidiary of the Company, completed the acquisition of the business operations of World Style Group from a third party at a total consideration of RMB35,700,000. The principal activities of World Style Group were the distribution and sales of IC and other electronic components.

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

	Fair value RMB'000
Supplier relationships	45,507
Customer relationships	2,374
Non-compete agreement with seller	3,130
Non-compete agreement with employees	2,086
Other receivables	621
Deferred tax liabilities	(8,761)
Identifiable net assets	44,957
Fair value of non-controlling interests	(28,583)
Goodwill	19,326
Total consideration	35,700

The goodwill arising from the acquisition of the business operations of World Style Group represented the future economic benefits from the synergy effect of the business combination.

The fair value of the non-controlling interests in the business was estimated by the purchase price paid for acquisition of 51% stake in the business. This purchase price was adjusted for the lack of control that market participants would consider when the estimating the fair value of the non-controlling interests in the business.

As of December 31, 2014, a prepayment of RMB13,446,000 was made by the Group for the acquisition. A further payment of RMB5,681,000 was made on March 27, 2015. The remaining consideration of RMB16,573,000 was not yet settled as of December 31, 2015 (note 19).

The acquired business operation contributed revenue of RMB310,559,000 and net profit of approximately RMB14,019,000 to the Group during the year.

32 Business Combinations (Continued)

(b) 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 Company-Level Statement of Financial Position

	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Non-current asset		
Interest in subsidiaries	**718,899**	688,588
Current assets		
Trade and other receivables	**3,290**	—
Amount due from a related party	**—**	13,219
Pledged deposits	**559,940**	317,117
Cash and cash equivalents	**69,722**	286,662
	632,952	616,998
Current liabilities		
Trade and other payables	**5,219**	11,965
Current taxation	**1,731**	1,017
Amounts due to related parties	**189,994**	99,725
	196,944	112,707
Net current assets	**436,008**	504,291
NET ASSETS	**1,154,907**	1,192,879
CAPITAL AND RESERVES		
Share capital	**1**	1
Reserves	**1,154,906**	1,192,878
TOTAL EQUITY	**1,154,907**	1,192,879

(Expressed in Renminbi unless otherwise indicated)

34 Non-Adjusting Events After the Reporting Period

The Purchase Option Agreement (see note 30) constitutes a connected transaction subject to approval by the independent shareholders of the Company under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on February 3, 2016, the independent shareholders of the Company approved the Purchase Option Agreement and the transactions contemplated thereunder.

35 Immediate and Ultimate Controlling Party

As of December 31, 2015, the directors consider the immediate and ultimate controlling company of the Group to be Envision Global Investments Limited ("Envision Global"), which is incorporated in the BVI. This entity does not provide financial statements available for public use.

36 Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended December 31, 2015

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, 2015 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 2012–2014 cycle	January 1, 2016
Amendments to HKAS 1, *Disclosure initiative*	January 1, 2016
HKFRS 15, *Revenue from contracts with customers*	January 1, 2018
HKFRS 9, *Financial instruments*	January 1, 2018

The Group is still in the process of evaluating the impact that will result from adopting the amendments, new standards and interpretations issued by the HKICPA which are not yet effective for the current financial year. Based on the assessment so far, the Group has not determined whether the adoption of the amendments, new standards and interpretations will have a significant impact on the financial statements.

FOUR 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, 2015 RMB'000	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	**9,453,389**	6,848,365	2,417,277	199,306
Profit from operation	**453,439**	268,165	122,640	40,773
Finance costs	**(30,070)**	(31,160)	(20,192)	(2,574)
Profit before taxation	**423,369**	237,005	102,448	38,199
Income tax	**(56,888)**	(27,035)	(15,883)	(8,580)
Profit for the year	**366,481**	209,970	86,565	29,619
Attributable to:				
— Equity shareholders of the Company	**342,875**	194,118	82,099	29,619
— Non-controlling interests	**23,606**	15,852	4,466	—
Profit for the year	**366,481**	209,970	86,565	29,619
Earnings per share				
Basic (RMB)	**0.257**	0.168	0.089	2.962
Diluted (RMB)	**0.253**	0.166	0.089	2.962

	As of December 31, 2015 RMB'000	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	**4,966,784**	3,640,083	1,708,036	611,618
Total liabilities	**(2,965,233)**	(2,015,126)	(1,378,770)	(563,069)
NET ASSETS	**2,001,551**	1,624,957	329,266	48,549
Total equity attributable to equity shareholders of the Company	**1,921,200**	1,603,150	325,028	48,549
Non-controlling interests	**80,351**	21,807	4,238	—
TOTAL EQUITY	**2,001,551**	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 and the year ended December 31, 2013 are 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
"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%
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"China", "Mainland China" or "PRC"	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
"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 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
"E&T System"	Shanghai E&T System Company Limited (上海憶特斯自動化控制技術有限公司), a limited liability company established in the PRC on June 5, 2003

"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
"GMV"	Gross Merchandise Value
"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
"IC"	integrated circuits
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Memorandum"	the amended memorandum of association of the Company adopted on June 27, 2014 and effected on July 18, 2014 (the Listing Date)
"Mr. Kang"	Mr. Kang Jingwei, Jeffrey (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

"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the year ended December 31, 2015
"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$0.0000001 each
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Shenzhen Cogobuy"	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
"SME"	small and medium enterprise
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Total Dynamic"	Total Dynamic Holdings Limited, a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States