COGOBUY GROUP
科 通 芯 城 集 團

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

(Stock Code: 400)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

The board (the "**Board**") of directors (the "**Directors**") of Cogobuy Group (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2014 (the "**Reporting Period**") and comparison with the operating results for the year ended December 31, 2013.

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

FINANCIAL PERFORMANCE HIGHLIGHTS

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

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 integrated circuits ("**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 2014, we fulfilled orders and derived a GMV of approximately RMB8.4 billion, of which 81.7% was derived from direct sales value, 15.1% from transaction value in online marketplace and 3.2% from loan value in supply chain financing business. We serve electronics manufacturers including small and medium enterprises ("**SMEs**"), which we believe represent a lucrative and fast-growing segment of the IC and other electronic components market with a significant demand for our services. We offer a wide selection of products at competitive prices through our e-commerce platform, which are sourced from approximately 500 suppliers, including some of the top brand-name suppliers in key product categories.

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

We derive substantially all of our revenue from direct sales of IC and other electronic components. We source high quality IC and other electronic components from leading suppliers around the world and sell them to both SME and blue-chip electronics manufacturers in China through our e-commerce platform and dedicated sales representatives, who work closely with our customers to understand their needs, provide technical consultation and help support their procurement function. In the year ended December 31, 2014, we derived 48.8% and 51.2% for our direct sales revenue from SME customers and blue-chip customers respectively. We also operate an online marketplace that allows third-party merchants to sell their products to our customers through our e-commerce platform. A small percentage of our revenue in 2013 and 2014 represented commission fees that we charged these third-party merchants. We plan to further enhance our marketplace platform to complement our direct sales platform.

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

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

We commenced a new supply chain financing business in September 2014 whereby we earn interest income for providing certain financial services to third 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 RMB270.2 million.

Future Prospects

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

Expand the SME Customer Base

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

Enhance Our Marketplace Platform to Complement the Existing Direct Sales Platform

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

Further Enhance Customer Loyalty and Increase Purchases Per Customer

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

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

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

Pursue Strategic Partnerships and Acquisition Opportunities

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

Revenue

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

Cost of Revenue

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

Gross Profit

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

Other Revenue

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

Selling and Distribution Expenses

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

Research and Development Expenses

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

Administrative and Other Operating Expenses

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

Income Tax

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

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

For the year ended December 31, 2014, profit attributable to equity shareholders of the Company amounted to RMB194.1 million, representing an increase of RMB112.0 million or 136.4% as compared to RMB82.1 million in 2013. The increase was primarily due to an increase in direct sales revenue and an increase in sales through our marketplace platform, from which we can obtain a 100% gross profit margin.

Liquidity and Source of Funding

As of December 31, 2014, the current assets of the Group amounted to RMB3,445.8 million, which mainly comprised cash and bank balances (including pledged deposits), inventories and trade and other receivables, in the amount of RMB1,964.9 million, RMB501.3 million and RMB751.8 million, respectively. Current liabilities of the Group amounted to RMB2,011.2 million, of which RMB1,411.4 million was bank loans and RMB565.6 million was trade and other payables. As of December 31, 2014, the current ratio (the current assets to current liabilities ratio) of the Group was 1.7, representing an increase of 54.5% as compared with 1.1 as of December 31, 2013. The change in the current ratio was primarily due to the increase in cash and cash equivalents in 2014 as a result of proceeds received from issuance of new shares under the Global Offering.

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

Capital Expenditure

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

Material Investments

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

Material Acquisitions and Disposals

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

Pledge of Assets

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

Contingent Liabilities

As of December 31, 2013, the Group was among the entities covered by certain cross guarantee arrangements with Viewtran Group, Inc. ("**Viewtran**"). Under these arrangements, the Group and Viewtran are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. These cross guarantee arrangements were terminated in connection with the Global Offering. As of December 31, 2014, neither the Group nor the Company had any significant contingent liabilities.

Foreign Exchange Exposure

Foreign currency transactions during the year ended December 31, 2014 are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling as at December 31, 2014. Exchange gains and losses are recognized as profit or loss.

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

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Consolidated statements of financial position items are translated into RMB at the closing foreign exchange rates as at December 31, 2014. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated financial results presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Group uses the following measures defined as Non-GAAP financial measures: (1) Non-GAAP profit attributable to equity shareholders of the Company is profit attributable to equity shareholders of the Company excluding share-based compensation costs, amortization of intangible assets and its related deferred taxation effect, and expenses incurred in relation to the Global Offering and (2) Non-GAAP basic and diluted earnings per share, which is basic and diluted earnings per share excluding share-based compensation costs, amortization of intangible assets and its related deferred taxation effect, and expenses incurred in relation to the Global Offering. The presentation of these Non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with HKFRSs. For more information on these Non-GAAP financial measures, please see the table captioned "Unaudited reconciliations of Non-GAAP measures to the most comparable HKFRS measures" set forth below.

The Group believes that these Non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity by excluding share-based compensation costs, amortization of intangible assets and its related deferred taxation effect, and expenses incurred in relation to the Global Offering that may not be indicative of its operating performance from a cash perspective. The Group believes that both management and investors benefit from referring to these Non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These Non-GAAP financial measures also facilitate management's internal comparisons to the Group's historical performance and liquidity.

The Group believes these Non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of using Non-GAAP profit attributable to the Company and Non-GAAP basic and diluted earnings per share is that these Non-GAAP measures exclude share-based compensation costs, amortization of intangible assets and its related deferred taxation effect, and expenses incurred in relation to the Global Offering that have been and (save for expenses incurred in relation to the Global Offering) will continue to be in the foreseeable future recurring expenses in our business. Management compensates for these limitations by providing specific information regarding the amounts excluded from each Non-GAAP measure. The accompanying tables have more details on the reconciliations between HKFRS financial measures that are most directly comparable to Non-GAAP financial measures.

UNAUDITED RECONCILIATION OF NON-GAAP MEASURES TO THE MOST COMPARABLE HKFRS MEASURES

For the year ended December 31, 2014 and 2013

	For the year ended December 31, 2014	For the year ended December 31, 2013
	RMB in million	*RMB in million*
Net profit		
Profit attributable to equity shareholders of the Company	**194.2**	82.1
Share-based compensation expense	**35.0**	—
Amortization of intangible assets and its related deferred taxation effect	**6.3**	5.8
Expenses in relation to Global Offering	**31.6**	4.6
Non-GAAP profit attributable to equity shareholders of the Company	**267.1**	92.5
Earnings per share — basic	***RMB***	*RMB*
Earnings per share — basic	**0.168**	0.089
Share-based compensation expense per share	**0.030**	—
Amortization of intangible assets and its related deferred taxation effect per share	**0.005**	0.006
Expenses in relation to Global Offering per share	**0.027**	0.005
Non-GAAP earnings per share — basic	**0.230**	0.100
Earnings per share — diluted	***RMB***	*RMB*
Earnings per share — diluted	**0.166**	0.089
Share-based compensation expense per share	**0.030**	—
Amortization of intangible assets and its related deferred taxation effect per share	**0.005**	0.006
Expenses in relation to Global Offering per share	**0.027**	0.005
Non-GAAP earnings per share — diluted	**0.228**	0.100

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	*5*	**6,848,365**	2,417,277
Cost of revenue		**(6,315,247)**	(2,215,191)
Gross profit		**533,118**	202,086
Other revenue	*6*	**6,383**	1,406
Other net (loss)/income	*6*	**(2)**	1,037
Selling and distribution expenses		**(97,879)**	(13,749)
Research and development expenses		**(41,815)**	(16,144)
Administrative and other operating expenses		**(131,640)**	(51,996)
Profit from operations		**268,165**	122,640
Finance costs	*7(a)*	**(31,160)**	(20,192)
Profit before taxation	*7*	**237,005**	102,448
Income tax	*8*	**(27,035)**	(15,883)
Profit for the year		**209,970**	86,565
Attributable to:			
Equity shareholders of the Company		**194,118**	82,099
Non-controlling interests		**15,852**	4,466
Profit for the year		**209,970**	86,565

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**209,970**	86,565
Other comprehensive income for the year, net of nil tax			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of entities with functional currency other than RMB		**10,840**	7,955
Total comprehensive income for the year		**220,810**	94,520
Attributable to:			
Equity shareholders of the Company		**203,241**	90,282
Non-controlling interests		**17,569**	4,238
Total comprehensive income for the year		**220,810**	94,520
Earnings per share	*9*		
Basic (RMB)		**0.168**	0.089
Diluted (RMB)		**0.166**	0.089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	Note	December 31, 2014 RMB'000	December 31, 2013 RMB'000
Non-current assets			
Property, plant and equipment		**1,635**	1,216
Intangible assets		**23,703**	31,291
Goodwill		**154,136**	154,136
Other non-current assets		**14,803**	663
		194,277	187,306
Current assets			
Inventories		**501,340**	243,800
Trade and other receivables	*10*	**748,507**	656,766
Loans to third parties	*11*	**208,629**	—
Amounts due from related parties		**11,478**	105,541
Short term deposits		**11,000**	—
Pledged deposits		**742,152**	233,081
Cash and cash equivalents		**1,222,700**	281,542
		3,445,806	1,520,730
Current liabilities			
Trade and other payables	*12*	**565,564**	433,198
Bank loans		**1,411,424**	929,388
Amounts due to related parties		**12,434**	1,000
Current taxation		**21,792**	10,020
		2,011,214	1,373,606

	Note	2014 RMB'000	2013 RMB'000
Net current assets		**1,434,592**	147,124
Total assets less current liabilities		**1,628,869**	334,430
Non – current liabilities			
Deferred tax liabilities		**3,912**	5,164
NET ASSETS		**1,624,957**	329,266
CAPITAL AND RESERVES			
Share capital	*14*	**1**	1
Reserves		**1,603,149**	325,027
Total equity attributable to equity shareholders of the Company		**1,603,150**	325,028
Non-controlling interests		**21,807**	4,238
TOTAL EQUITY		**1,624,957**	329,266

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

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 IC and other electronic components in the People's Republic of China ("PRC"). The Group also operates an e-commerce platform for the sales of IC and other electronic components. Starting from 2014, the Group is also engaged in providing supply chain financing.

During the period from February 1, 2012 (date of inception) to December 31, 2012 and the year ended December 31, 2013, the Company has made several acquisitions, the details of which are set out in the prospectus of the Company dated July 18, 2014. The shares of the Company have been listed on the Main Board of the Stock Exchange since July 18, 2014.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended December 31, 2014, but are extracted from those consolidated financial statements.

The financial figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2014 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and consequently no assurance has been expressed by the auditors.

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the disclosure requirements of the Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

4 SEGMENT REPORTING

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

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

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

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

5 REVENUE

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

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

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

6 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

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

7 PROFIT BEFORE TAXATION

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

	2014	2013
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expense on bank loans	**27,794**	14,062
Guarantee fees	**3,366**	6,130
	31,160	20,192
(b) Staff costs		
Contributions to defined contribution retirement plan	**9,956**	2,739
Salaries, wages and other benefits	**91,460**	24,262
Equity-settled share-based compensation expenses	**35,036**	—
	136,452	27,001
(c) Other items		
Amortization of intangibles assets	**7,588**	6,978
Auditors' remuneration	**4,132**	252
Cost of inventories	**6,312,810**	2,213,760
Impairment loss on trade receivables	**18,688**	—
Depreciation of property, plant and equipment	**459**	2,485
Listing expenses	**31,638**	4,611
Net foreign exchange loss/(gain)	**2,059**	(893)
Operating lease charges in respect of property rentals	**7,672**	3,315
Research and development expenses *(note)*	**41,815**	16,144

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB31,451,000 (2013: RMB11,811,000) for the year ended December 31, 2014, where the amount is also included in the staff costs as disclosed in note 7(b).

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

8 INCOME TAX IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

(i) Cayman Islands and the British Virgin Island ("BVI")

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

(ii) Hong Kong

The entities that are incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the year ended December 31, 2014 (2013: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(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.com E-commerce Services (Shenzhen) Limited (庫購網電子商務(深圳)有限公司), Shenzhen Cogobuy Information Technologies Limited (深圳可購百信息技術有限公司) and Envision Communications Technology (Shenzhen) Company Limited (億維訊通信技術(深圳)有限公司), being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations ("2+3 tax holiday") during 2013. As a result, they are exempted from income tax for 2013 and 2014, and are subject to income tax at 12.5% from 2015 to 2017 and at 25% from 2018 onwards.

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

9 EARNINGS PER SHARE

(a) Basic earnings per share

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

(i) *Weighted average number of ordinary shares*

	2014	2013
Issued ordinary shares at the beginning of the year	**100**	1
Issue of shares *(note 14(ii))*	**—**	91
Effect of share subdivision of the share capital of the Company in June 2014 *(note 14 (iii))*	**999,999,900**	917,499,908
Issue of shares in connection with the Listing *(note 14 (iv))*	**158,242,000**	—
Purchase of own shares *(note 14 (vi))*	**(4,000)**	—
Weighted average number of ordinary shares as of the end of the year	**1,158,238,000**	917,500,000

For the purpose of calculating basic and diluted earnings per share, the number of ordinary shares used in the calculation reflected the effects of the share subdivision of the Company in June 2014, as disclosed in note 14, on a retrospective basis as if the events had occurred on January 1, 2013.

(b) Diluted earnings per share

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

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

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

Restricted Share Units ("RSUs") were not considered as dilutive potential ordinary shares for the year ended December 31, 2013 as they were issuable contingently upon the occurrence of the Listing.

10 TRADE AND OTHER RECEIVABLES

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:

	2014	2013
	RMB'000	*RMB'000*
Within 1 month	**446,374**	446,152
1 to 2 months	**196,083**	142,786
2 to 3 months	**85,285**	19,547
Over 3 months	**10,065**	42,046
Trade and bills receivables	**737,807**	650,531
Loan interest receivables	**1,535**	—
Deposits and prepayments	**6,342**	5,366
Other receivables	**2,823**	869
	748,507	656,766

Trade and bills receivables are normally due within 30 to 60 days from the date of billing.

For the year ended December 31, 2013, the Group became subject to several factoring agreements with banks under which the banks pay an amount net of discount to the Group and collect the factored trade receivable balances directly from the Group's customers. The costs of the factoring arrangement ranged from 1.7% to 2.4% (2013: 1.6% to 3.1%) of the balance transferred and are included in "finance costs" for the year ended December 31, 2014.

11 LOANS TO THIRD PARTIES

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

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

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

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

12 TRADE AND OTHER PAYABLES

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

	2014	2013
	RMB'000	*RMB'000*
Within 1 month	**450,439**	267,144
1 to 3 months	**76,275**	130,119
Over 3 months	**5,657**	15,264
Trade payables	**532,371**	412,527
Accrued staff costs	**15,765**	5,939
Other payables	**17,428**	14,732
	565,564	433,198

13 DIVIDEND

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

14 SHARE CAPITAL

	2014		**2013**	
	No. of shares	**Amount**	No. of shares	Amount
		US$		*US$*
Authorized:				
Ordinary shares of United States dollar ("US$") $0.0000001/US$1 each *(notes (i), (ii) and (iii))*	**500,000,000,000**	**50,000**	50,000	50,000
Ordinary shares, issued and fully paid:				
At the beginning of the year	**100**	**100**	1	1
Issue of shares *(note (ii))*	**—**	**—**	99	99
Subdivision of share capital of the Company *(note (iii))*	**999,999,900**	**—**	—	—
Issue of new shares in connection with the Listing *(note (iv))*	**343,800,000**	**34**	—	—
Issue of new shares under the RSU Scheme *(note (v))*	**30,200,000**	**3**	—	—
Purchase of own shares *(note (vi))*	**(1,955,000)**	**—**	—	—
At the end of the year	**1,372,045,000**	**137**	100	100

Notes:

(i) The Company was incorporated on February 1, 2012 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each. On the same date, one share of US$1 was allocated and issued at par.

(ii) By an ordinary resolution passed at the annual general meeting held on March 15, 2013, a total of 99 ordinary shares of US$1 each were allocated and issued at par.

(iii) Pursuant to the written resolutions of the shareholders of the Company passed on June 27, 2014, the shareholders of the Company approved the subdivision of ordinary share of US$1.00 each in the authorized and issued share capital of the Company into 10,000,000 ordinary shares of US$0.0000001 each. Immediately following the share subdivision, the Company is authorized to issue a maximum of 500,000,000,000 ordinary shares of par value of US$0.0000001 and the issued share capital of the Company became US$100 comprising 1,000,000,000 shares of US$0.0000001 each.

All per the share information in "Earnings per share" (note 9) has been adjusted retrospectively as if the share subdivision had occurred on January 1, 2013.

(iv) 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$0.0000001 each were issued at a price of Hong Kong dollar ("HK$") 4.00 per share by the Company. The gross proceeds from the issue of these shares amounted to

HK$1,375,200,000 (equivalent to approximately RMB1,095,536,000). Proceeds of HK$287 (equivalent to US$37), representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of approximately HK$1,313,168,000 (equivalent to approximately RMB1,046,070,000) after deducting the listing expenses included underwriting fee of approximately RMB49,466,000, were credited to the share premium account.

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

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

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

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

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

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

The repurchases were effected by the Directors for the benefit of the Company and to create value to its shareholders. The shares repurchased were cancelled on January 16, 2015. 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, 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period commencing from July 18, 2014 (the "**Listing Date**") to December 31, 2014, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except for a deviation from code provision A.2.1 which requires 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 currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time if it is considered appropriate by taking into account the circumstances of the Group as a whole.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors and the relevant employees of the Company, they have confirmed that they have strictly complied with the required standards set out in the Model Code throughout the period from the Listing Date to December 31, 2014.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of the announcement, the Audit Committee comprises three members, namely, Mr. Zhong Xiaolin Forrest, Mr. Ye Xin and Mr. Yan Andrew, all being independent non-executive Directors. Mr. Zhong Xiaolin Forrest is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2014. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, KPMG.

The financial figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2014 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditors.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2014.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Tuesday, June 2, 2015 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members will be closed from Friday, May 29, 2015 to Tuesday, June 2, 2015 (both days inclusive), during which period no transfer of shares will be effected. All transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, May 28, 2015.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cogobuy.com. The annual report of the Group for the year ended December 31, 2014 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

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

Hong Kong, March 16, 2015

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