Cogobuy Group 科通芯城集團

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

科通芯城

Cogobuy.com

Cogobuy Group is a leading enterprise service platform dedicated to selling IC and related products and providing services to AIoT sectors. Our "AIoT Business Service Platform + IC Component Trading Platform dual business model" has taken the form of an AIoT ecosystem through which we provide services such as AIoT solutions and electronic component sales for various applications including smart cars, smart homes, smart healthcare, robotics, and customized AIoT chips.

We focus on three monetization strategies: first, the sale of smart hardware such as chips and AI modules to AIoT enterprises; second, the provision of customized chip designs, proprietary AI modules and AIoT technologies, as well as supply chain finance and other industrial chain services to generate revenue; and third, the ongoing investments in selective AIoT incubation projects for potential gain on equity investments in the future.

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)*

Independent Non-Executive Directors

YE Xin
MA Qiyuan
HAO Chunyi, Charlie

AUDIT COMMITTEE

HAO Chunyi, Charlie *(Chairman)*
YE Xin
MA Qiyuan

REMUNERATION COMMITTEE

MA Qiyuan *(Chairman)*
YE Xin
HAO Chunyi, Charlie

NOMINATION COMMITTEE

YE Xin *(Chairman)*
MA Qiyuan
HAO Chunyi, Charlie

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

11/F, Microsoft Comtech Tower
No. 55 Gaoxin South 9th Road
Nanshan District
Shenzhen, China

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

Conyers 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

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants

Corporate Information (Continued)

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

LISTING INFORMATION

Stock Exchange, Stock Code: 00400

COMPANY WEBSITE

www.cogobuy.com

Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

	Unaudited Six months ended		
(Renminbi ("**RMB**") in millions, unless specified)	**June 30, 2019**	June 30, 2018	Year-on-year change
Revenue	**2,671.2**	2,961.2	(9.8)%
Gross profit	**200.4**	222.1	(9.8)%
Profit for the period	**40.4**	242.5	(83.3)%
Profit attributable to equity shareholders of the Company	**38.0**	239.0	(84.1)%
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.026**	0.164	(84.1)%
— diluted	**0.026**	0.164	(84.1)%

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Overall business and financial performance of the Group

We are a leading enterprise service platform, dedicated to selling IC and related products and providing services to AI and IoT sectors. Through our INGDAN.com platform ("**INGDAN.com**") and a direct sales platform, along with a committed team of technical consultants and professional sales representatives, we provide our customers with comprehensive online and offline services across the supply chain, from pre-sale, sale to post-sale stages.

Our "AIoT Business Service Platform + IC Component Trading Platform dual business model" continued to facilitate the Group's business development. This dual business model has taken the form of an AIoT ecosystem through which the Group provides services such as AIoT solutions and electronic component sales for various applications including smart cars, smart homes, smart healthcare, robotics, and customized AIoT chips. The industry transformation riding on 5G has created new opportunities for this AIoT ecosystem.

Primarily due to the financial impacts of the disposal of EZ ROBOT, INC. ("**EZ Robot**"), we recorded lower revenue during the first half of 2019 while the net profit after tax decreased significantly compared to the corresponding period of 2018. As previously disclosed in the Company's announcement of its results for the six months ended June 30, 2018, the Company disposed of its interest in EZ Robot in such period, which led to a one-off gain of RMB181.8 million recorded in its results for the six months ended June 30, 2018. As a result of the disposal, the Company no longer consolidates the results of EZ Robot in its financial statements, which also has an impact on the Group's profits for the six months ended June 30, 2019.

However, we wish to highlight that, for illustration purposes only, if the financial impacts of the disposal of EZ Robot during the six months ended 30 June 2018 were excluded, the net profit after tax of the Group for the six months ended June 30, 2019 would have increased approximately 2% as compared to the corresponding period in 2018, and revenue of the Group for the six months ended June 30, 2019 would have increased approximately 6% as compared to the corresponding period in 2018.

According to China Semiconductor Industry Association, the global semiconductor market in the first quarter of 2019 fell by approximately 5.5% year-on-year. Affected by the set back of the global semiconductor market, China's IC industry also experienced a slower growth rate in the first half of 2019. The sales of China's IC industry in the first quarter of 2019 reached approximately RMB127.4 billion, an increase of approximately 10.5% year-on-year, a significant decline of approximately 10.2% from the year-on-year growth rate of approximately 20.8% in the first quarter of 2018. In the midst of the US-China trade conflicts, domestic IC chips substitution has become an irreversible trend. The arrival and development of 5G and IoT have maintained the demand for IC components and chips. During the Reporting Period, we continued to strengthen our industry advantages and resources in IC component marketing and sales trading platform.

In the first half of 2019, INGDAN.com continued to focus on three monetization strategies: first, the sale of smart hardware such as chips and AI modules to AIoT enterprises; second, the provision of customized chip designs, proprietary AI modules and AIoT technologies, as well as supply chain finance and other industrial chain services to generate revenue; and third, the ongoing investments in selective AIoT incubation projects for potential gain on equity investments in the future. The role of INGDAN.com in sustaining our long-term growth in chip sales has become more prominent.

Management Discussion and Analysis (Continued)

In addition, the auto industry has made a dramatic shift towards smart cars and networking. We have prepared for this opportunity by gradually making smart cars one of our key business development areas, and continually penetrating the smart car market through partnerships with different companies. During the Reporting Period, the Group's INGDAN.com continued to capture new opportunities from the Internet of Everything (IoE) space and expanded its exposure to the growing Vehicle-to-Everything (V2X) space. INGDAN.com entered a strategic cooperation with Toyota, one of the largest global vehicle suppliers, to establish a smart car ecosystem in China. The Group successfully introduced various vehicle suppliers into Toyota's supply chain certification system, which will help facilitate the adoption of Chinese smart car projects by globally leading companies. With the deployment of 5G technologies making the IoT era a reality, various network devices are also experiencing explosive growth, driving increasing demand for AIoT chips. The Group also completed its transition from an IC component sales and marketing platform to a more diversified, business services, investment, and strategic sales platform serving the electronics industry in China. INDGAN.com's customized chip business has been receiving customer orders since 2018.

A substantial portion of our revenue for the Reporting Period was generated through our traditional business, namely, direct sales of IC and other electronic components. We partnered with over 50% of the world's top 100 chip suppliers, such as Intel, and expanded our cooperation with dozens of first- and second-tier domestic chip suppliers. We source high quality IC and other electronic components from leading suppliers around the world and sell them at competitive prices to both small and medium enterprises and blue-chip electronics manufacturers in China through our direct sales platform and dedicated sales representatives, who work closely with our customers to understand their needs, provide technical consultation and help support their procurement function.

We 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.

We have developed a service model to streamline and complement the complex online and 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.

Well-positioned to offer more value-added services, we commenced our supply chain financing business in September 2014 whereby we earn interest income for providing certain financial services to third-party manufacturers, including provision of working capital financing programs. In December 2016, we extended our supply chain financing business and established a new business unit, IngFin Financing Services. With IngFin Financing Services business, we aim to increase investments in the big-data based enterprise financing business, including loans to third parties for investment initiatives and other enterprise financing services. IngFin Financing Services is a good demonstration of our strength to generate new revenue stream by providing additional services based on the Group's existing platform. As of June 30, 2019, the outstanding loan balance of our IngFin Financing Services was approximately RMB0.59 billion.

Management Discussion and Analysis (Continued)

Future prospects

Our goal is to become a leading AIoT ecosystem company with AIoT technology supply chain as the core. Using our "AIoT Business Service Platform + IC Component Trading Platform dual business model", we are dedicated to serving China's growing IoT market. We intend to pursue the following growth strategies to achieve our goal:

I. Capture opportunities on the deployment of 5G technologies

The AIoT markets present tremendous business opportunities. We plan to consolidate INGDAN.com's position as the nation's leading AIoT enterprise service provider, covering all emerging core industries in China, including 5G communication devices, smart cars, smart homes, and security. As 5G base stations are becoming more extensive and the network built out is increasing coverage, all of China's industries will experience a digital, smart evolution. Upgrades of devices and applications will present tremendous opportunities for us. With our leading position in chip supplies and the large number of companies already registered on INGDAN.com, our IC business and roadmap are set to benefit greatly from the market opportunities brought by the roll out of 5G devices and applications.

II. Enhance monetization rate of INGDAN.com platform

We intend to further increase the monetization rate of INGDAN.com by developing it to an important innovation and traditional business upgrade services platform of the AIoT era. INGDAN.com acquires a myriad of customers, demands and data online, and monetizes transactions by supply chain resources and other corporate services offline. This creates synergy that drives a greater contribution by INGDAN.com to the Group in the future. As INGDAN.com commercialization projects have become more sophisticated, especially in AI for industrial robotics and smart cars areas, the platform will contribute significant momentum to the Group's performance. We plan to further enhance the Group's performance through the offer of value-added services, including but not limited to the provision of corporate and technology services and investment services such as incubation programs.

III. Foster the development of an ecosystem serving the electronics manufacturing value chain

We plan to foster the development of an open, collaborative and prosperous electronic manufacturing industry 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 platforms' 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.

Management Discussion and Analysis (Continued)

IV. 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 online and offline platforms more efficient and useful to our customers. We will continue to enhance the customized contents on our platforms 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 services, 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 platforms. 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 complimentary services. 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.

V. Pursue strategic partnerships and acquisition opportunities

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

FIRST HALF OF 2019 COMPARED TO FIRST HALF OF 2018

The following table sets forth the comparative figures for the first half of 2019 and the first half of 2018:

	Unaudited Six months ended	
(RMB in millions)	**June 30, 2019**	June 30, 2018
Revenue	**2,671.2**	2,961.2
Cost of sales	**(2,470.8)**	(2,739.1)
Gross profit	**200.4**	222.1
Other income	**14.2**	46.6
Selling and distribution expenses	**(32.8)**	(73.3)
Research and development expenses	**(67.2)**	(52.5)
Administrative and other operating expenses	**(71.5)**	(47.4)
Profit from operations	**43.1**	95.5
Finance costs	**(24.9)**	(22.1)
Gain on disposal of subsidiaries	**—**	181.8
Share of results of associates	**23.0**	0.5
Share of result of a joint venture	**—**	(0.1)
Profit before taxation	**41.2**	255.6
Income tax	**(0.8)**	(13.1)
Profit for the period	**40.4**	242.5
Profit for the period attributable to:		
Equity shareholders of the Company	**38.0**	239.0
Non-controlling interests	**2.4**	3.5
Profit for the period	**40.4**	242.5

Management Discussion and Analysis (Continued)

1. Overview

For the six months ended June 30, 2019, profit of the Group decreased significantly and amounted to approximately RMB40.4 million, representing a decrease of approximately RMB202.1 million as compared with approximately RMB242.5 million for the corresponding period of 2018. Profit attributable to equity shareholders of the Company amounted to approximately RMB38.0 million, representing a decrease of approximately RMB201.0 million compared with approximately RMB239.0 million for the corresponding period of 2018.

As previously disclosed in the Company's announcement of its results for the six months ended June 30, 2018, the Company disposed of its interest in EZ Robot during such period, which led to a one-off gain recorded in its results for the six months ended June 30, 2018. As a result of such disposal, the Company no longer consolidates the results of EZ Robot in its financial statements, which also has an impact on the Group's profits for the six months ended June 30, 2019.

However, we wish to highlight that, for illustration purposes only, if the financial impacts of the disposal of EZ Robot during the six months ended 30 June 2018 were excluded, the net profit after tax of the Group for the six months ended June 30, 2019 would have increased approximately 2% as compared to the corresponding period in 2018, and revenue of the Group for the six months ended June 30, 2019 would have increased approximately 6% as compared to the corresponding period in 2018.

2. Revenue

For the six months ended June 30, 2019, revenue of the Group amounted to approximately RMB2,671.2 million, representing a decrease of approximately RMB290.0 million or 9.8% as compared with approximately RMB2,961.2 million for the corresponding period of 2018. The decrease was primarily due to the disposal of the Group's interest in EZ Robot in June 2018. As a result of such disposal, the Group no longer consolidated the revenue of EZ Robot.

3. Cost of Sales

Cost of sales for the six months ended June 30, 2019 was approximately RMB2,470.8 million, representing a decrease of approximately 9.8% from approximately RMB2,739.1 million for the six months ended June 30, 2018. The decrease was primarily due to a decrease in direct sales revenue for the reason described above.

4. Gross Profit

Gross profit for the six months ended June 30, 2019 was approximately RMB200.4 million, representing a decrease of approximately 9.8% from approximately RMB222.1 million for the six months ended June 30, 2018. The decrease was primarily driven by the decreases in our direct sales revenue and cost of sales for the reasons described above.

5. Other Income

For the six months ended June 30, 2019, other income of the Group amounted to approximately RMB14.2 million, representing a decrease of approximately RMB32.4 million or approximately 69.5% as compared with approximately RMB46.6 million for the corresponding period of 2018. This was primarily due to a net foreign exchange gain of approximately RMB2.2 million recorded for the first half of 2019 as compared to approximately RMB33.2 million recorded in the corresponding period of 2018.

6. Selling and Distribution Expenses

Selling and distribution expenses of the Group for the six months ended June 30, 2019 amounted to approximately RMB32.8 million, representing a decrease of approximately RMB40.5 million or approximately 55.3% from approximately RMB73.3 million over the corresponding period of 2018. This was primarily due to a decrease in selling expenses as a result of decreased direct sales revenue and reduced marketing costs driven by adjustments in marketing strategies. The decrease was also contributed by impairment loss on trade receivables of approximately RMB29.6 million for the six months ended June 30, 2018 whilst a reversal of impairment loss on trade receivables of approximately RMB0.2 million was recorded in the corresponding period of 2019.

7. Research and Development Expenses

For the six months ended June 30, 2019, research and development expenses of the Group amounted to approximately RMB67.2 million, representing an increase of approximately RMB14.7 million or approximately 28.0% from approximately RMB52.5 million over the corresponding period of 2018. This was primarily due to more expenses spent on the research and development of AI products and technologies for IngDan Labs in the first half of 2019 as compared to the same period of 2018.

8. Administrative and Other Operating Expenses

Administrative and other operating expenses for the six months ended June 30, 2019 were approximately RMB71.5 million, representing an increase of approximately RMB24.1 million or approximately 50.8% from approximately RMB47.4 million over the corresponding period of 2018. This was primarily due to amortization of intangible assets amounting to RMB32.5 million recorded for the six months ended June 30, 2019 as compared to RMB0.01 million recorded in the same period of 2018. The increase was partly offset by a decrease in general administrative costs and employee headcounts in the first half of 2019.

9. Income Tax

Our income tax decreased by approximately 93.9% from approximately RMB13.1 million for the six months ended June 30, 2018 to approximately RMB0.8 million for the six months ended June 30, 2019, primarily due to a decrease in profit from operations due to the decreased revenue and gross profit. The effective tax rate for the six months ended June 30, 2019 was approximately 1.9%, as compared to approximately 5.1% for the six months ended June 30, 2018. The decrease was mainly due to deferred taxation related to amortization of intangible assets of approximately RMB3.5 million credited in the first half of 2019 whilst deferred taxation of approximately RMB0.3 million was credited in the same period of 2018.

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

For the six months ended June 30, 2019, profit attributable to equity shareholders of the Company amounted to approximately RMB38.0 million, representing a decrease of approximately RMB201.0 million or approximately 84.1% as compared with approximately RMB239.0 million for the corresponding period of 2018. The decrease was primarily due to a decrease in profit from operations as a result of decreased revenue and gross profit, and a gain on disposal of subsidiaries amounting to approximately RMB181.8 million recorded in the first half of 2018.

11. Liquidity and Source of Funding

As of June 30, 2019, the current assets of the Group amounted to approximately RMB4,666.0 million, which mainly comprised cash and bank balances (including short-term bank deposits and pledged deposits), inventories, loans receivable and trade and other receivables, in the amount of approximately RMB778.7 million, approximately RMB1,160.6 million, approximately RMB588.9 million and approximately RMB1,444.7 million, respectively. Current liabilities of the Group amounted to approximately RMB1,904.7 million, of which approximately RMB942.4 million was

Management Discussion and Analysis (Continued)

bank loans and approximately RMB950.2 million was trade and other payables. As of June 30, 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 2.45, representing a decrease of 15.2% as compared with 2.89 as of December 31, 2018. The change in the current ratio was primarily due to an increase in trade and other payables, partly offset by an increase in inventories. The increase in both inventories and trade and other payables was resulted from more purchases of goods made in the second quarter of 2019 to cope with expected sales demand in the second half of this year.

The Group does not have other debt financing obligations as of June 30, 2019 or the date of this interim report and does not have any breaches of financial covenants.

12. Capital Expenditure

For the six months ended June 30, 2019, the capital expenditure of the Group amounted to approximately RMB79.1 million, representing an increase of approximately RMB79.0 million compared with approximately RMB0.1 million for the corresponding period in 2018. The increase in capital expenditure was primarily due to the purchase of information systems for AIoT products and technologies.

13. Net Gearing Ratio

As of June 30, 2019, the net gearing ratio of the Group, which was calculated by dividing net debt (total bank loans minus cash and cash equivalents, short-term bank deposits and pledged deposits) by total equity was approximately 3.9% as compared with –4.5% as of December 31, 2018. The increase was primarily due to a decrease in net cash balance as a result of additional investment in financial assets at fair value through other comprehensive income in the first half of 2019.

14. Material Investments

The Group did not make any material investments for the six months ended June 30, 2019.

15. Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals during the Reporting Period.

16. Future Plans for Material Investments and Capital Assets

As of June 30, 2019, we did not have other plans for material investments and capital assets.

17. Pledge of Assets

Except for the pledged bank deposits of approximately RMB63.5 million and approximately RMB306.9 million as of June 30, 2019 and December 31, 2018, respectively, the Group did not pledge any assets for the six months ended June 30, 2019. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong, which would be subject to renewal annually.

18. Contingent Liabilities

Neither the Group nor the Company had any significant contingent liabilities as of June 30, 2019. As of June 30, 2019, the Company issued several guarantees to banks in respect of the banking facilities granted to subsidiaries of the Company. The maximum liability of the Company at the end of the Reporting Period under these guarantees issued is the outstanding amount of the bank loans drawn down by the subsidiaries. As of June 30, 2019, management of the Company did not consider it to be probable that a claim will be made against the Company under any of the guarantees.

19. Foreign Exchange Exposure

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

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

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

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

20. Events after the Reporting Period

Mr. Kang, the chairman, chief executive officer and an executive Director of the Company, has entered into a compensation agreement (the "**Compensation Agreement**") with each of the placees of the conditional placing of the Shares issued or allotted under the general mandate granted to the Directors (the "**Placing**"). For further details of the Compensation Agreement, please refer to the announcement of the Company dated September 1, 2016 in relation to the Placing. Mr. Kang has reached an agreement with each of the placees of the Placing in respect of his compensation obligation under the Compensation Agreement (the "**Compensation Obligation**"), pursuant to which Mr. Kang will use his own assets, including his Shares, to satisfy the Compensation Obligation. As such, despite contemplation that there will be a decrease in the approximately 49% beneficial shareholding in the Company of Mr. Kang, the largest shareholder of the Company as at the date of this interim report, after Mr. Kang satisfies his Compensation Obligation, he will remain the largest shareholder of the Company and the use of his Shares to satisfy his Compensation Obligation will not affect his controlling power of the Company and the business operations of the Company.

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated financial results of the Group which are prepared and presented in accordance with HKFRSs, the Group uses the following additional financial measures (i) profit attributable to equity shareholders of the Group, and (ii) basic and diluted earnings per share. We define: (1) non-GAAP profit attributable to equity shareholders of the Group as profit attributable to equity shareholders of the Group excluding share-based compensation costs, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect, and fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve; and (2) non-GAAP basic and diluted earnings per share as basic and diluted earnings per share excluding share-based compensation costs, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect, and fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve. The presentation of these non-GAAP financial measures is not intended to be considered in isolation of or as a substitute for the Group's financial

Management Discussion and Analysis (Continued)

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.

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

For the six months ended June 30, 2019 and 2018

	For the six months ended June 30, 2019 RMB in million	For the six months ended June 30, 2018 RMB in million
Net income		
GAAP profit attributable to the Group	**38.0**	239.0
Share-based compensation expense	**11.6**	12.1
Amortization of intangible assets arised from acquisition of subsidiaries and related deferred taxation	**16.8**	—
Fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve	**—**	(70.4)
Non-GAAP profit attributable to equity shareholders of the Group	**66.4**	180.7
	RMB	*RMB*
Earnings per share — basic		
GAAP profit attributable to the Group per share	**0.026**	0.164
Share-based compensation expense per share	**0.008**	0.008
Amortization of intangible assets arised from acquisition of subsidiaries and related deferred taxation per share	**0.011**	—
Fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve	**—**	(0.048)
Non-GAAP profit attributable to equity shareholders of the Group per share	**0.045**	0.124
	RMB	*RMB*
Earnings per share — diluted		
GAAP profit attributable to the Group per share	**0.026**	0.164
Share-based compensation expense per share	**0.008**	0.008
Amortization of intangible assets arised from acquisition of subsidiaries and related deferred taxation per share	**0.011**	—
Fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve	**—**	(0.048)
Non-GAAP profit attributable to equity shareholders of the Group per share	**0.045**	0.124

Management Discussion and Analysis (Continued)

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 arised from acquisition of subsidiaries and its related deferred taxation effect, and fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve 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 computes its non-GAAP financial measures using the same consistent method from quarter to quarter.

The Group believes these non-GAAP financial measures are useful to investors in allowing 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 equity shareholders of the Group and non-GAAP basic and diluted earnings per share is that these non-GAAP measures exclude share-based compensation costs, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect, and fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve that have been and 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 financial measure. The table above has more details on the reconciliations between HKFRS financial measures that are most directly comparable to non-GAAP financial measures. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

Other Information

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

As at June 30, 2019, 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 have taken or deemed to have taken under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be recorded 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 were as follows:

(i) Interests in the Shares of the Company

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of shareholding[3]
Mr. Kang	Interest of controlled corporation[2]	700,200,000	48.30%
Mr. Kang	Beneficial owner	1,800,000	0.12%
Mr. Wu	Beneficial owner	1,800,000	0.12%

Notes:

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

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

(3) The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of Shares in issue as at June 30, 2019.

(ii) Interests in any associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Name of associated corporation of the Company within the meaning of Part XV of the SFO	Nature of interest	Number of securities interested	Approximate percentage of shareholding
Mr. Kang	Envision Global[2]	Beneficial owner	1 share	100%

Notes:

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

(2) Mr. Kang directly owns 100% of Envision Global.

Save as disclosed above, as at June 30, 2019, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (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 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 recorded 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 June 30, 2019, so far as the Directors are aware, the following substantial Shareholders had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register 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 shareholding[4]
Envision Global	Beneficial owner	700,200,000	48.30%
Mr. Kang[2]	Interest of a controlled corporation	700,200,000	48.30%
Mr. Kang	Beneficial owner	1,800,000	0.12%
Total Dynamic	Beneficial owner	182,888,000	12.62%
Ms. Yao[3]	Interest of a controlled corporation	182,888,000	12.62%

Notes:

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

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

(3) Ms. Yao owns 100% of Total Dynamic, which in turn owns these Shares. Therefore, Ms. Yao is deemed to be interested in these Shares held by Total Dynamic.

(4) The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of Shares in issue as at June 30, 2019 (without taking into account the Shares to be issued pursuant to the RSU Scheme).

Save as disclosed above, as at June 30, 2019, 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.

Other Information (Continued)

EMPLOYEE AND REMUNERATION POLICIES

As at June 30, 2019, the Group had 482 full-time employees (June 30, 2018: 548). The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

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.

The total remuneration cost incurred by the Group for the six months ended June 30, 2019 was approximately RMB49.29 million (for the six months ended June 30, 2018: RMB54.47 million).

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.

Other Information (Continued)

Details of the movement of the RSUs granted pursuant to the RSU Scheme to the Directors and employees during the six months ended June 30, 2019 are set out below:

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at June 30, 2019	Unvested as at June 30, 2019	Vesting period
Directors					
Mr. Kang	March 1, 2014	1,800,000	1,800,000	—	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Mr. Wu	March 1, 2014	1,800,000	1,800,000	—	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	18,071,300	—	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	15,800,000	—	12 quarterly installments from July 8, 2015 to July 7, 2018
Other grantees with a vesting period of three years(note 4)	February 1, 2017	6,000,000	4,140,000	1,320,000	12 quarterly installments from February 1, 2017 to January 31, 2020
Other grantees with a vesting period of three years	November 23, 2018	10,200,000	1,700,000	8,500,000	12 quarterly installments from November 23, 2018 to November 22, 2021

Note 1: As at June 30, 2019, 1,275,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 2: As at June 30, 2019, 830,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 3: As at June 30, 2019, 2,140,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 4: As at June 30, 2019, 540,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Other Information (Continued)

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. Save for a deviation from code provision A.2.1, the Board is of the view that the Company has complied with all the code provisions set out in the CG Code during the Reporting Period.

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

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in the securities of the Company by the Directors (the "**Securities Dealing Code**"). Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Securities Dealing Code for the Reporting Period.

The Board has also adopted the Securities Dealing Code 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 with the Securities Dealing Code by the Company's relevant employees was noted after making reasonable enquiry throughout the Reporting Period.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in accordance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Hao Chunyi, Charlie, Mr. Ye Xin and Dr. Ma Qiyuan, all being independent non-executive Directors. Mr. Hao Chunyi, Charlie is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2019. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and risk management with senior management members and the external auditor of the Company, SHINEWING (HK) CPA Limited.

The interim financial report of the Group for the six months ended June 30, 2019 is unaudited but has been reviewed by the Audit Committee and by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA.

OTHER BOARD COMMITTEE

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

CHANGES TO DIRECTORS' INFORMATION

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2018 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2019, the Company repurchased an aggregate of 28,190,000 Shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of approximately HK$80.4 million (equivalent to approximately RMB69.5 million).

All the Shares repurchased were cancelled, of which 20,973,000 Shares were cancelled on April 29, 2019, 6,240,000 Shares were cancelled on June 20, 2019 and 977,000 Shares were cancelled on July 15, 2019.

Subsequent to the end of the Reporting Period, the Company repurchased an aggregate of 24,229,000 Shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of approximately HK$53.1 million (equivalent to approximately RMB46.7 million). All the Shares were cancelled on August 7, 2019.

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

Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to the date of this interim report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: Nil).

Other Information (Continued)

MATERIAL LITIGATION

As of June 30, 2019, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

UPDATES IN RELATION TO THE QUALIFICATION REQUIREMENT

At the time of adoption of the contractual arrangements by the Company, under the subsequent effective PRC law, (i) 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, and (ii) 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 replaced the 2011 Catalogue after it came into effect on April 10, 2015; and the 2015 Catalogue was eventually replaced by the *Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2018)* (the "**2018 Negative List**"), which became effective on July 28, 2018. 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 subsequent 2018 Negative List) 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 subsequent 2018 Negative List) and the 196 Circular have come into force, it is not certain whether the Group can operate the business of Shenzhen Cogobuy without the Contractual Arrangements (as listed in the annual report of the Company for the year ended December 31, 2018, to which there have not been any updates during the Reporting Period) because the Qualification Requirement remains existent.

Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the Qualification Requirement. Accordingly, the interpretation of the Qualification Requirement will mainly be subject to the administrative discretion of the MIIT, and there do exist practical uncertainties as to whether the Company will be regarded as having fulfilled the Qualification Requirement by the MIIT, even though the Company has taken measures to build up its track record of overseas telecommunications business operations as detailed below. According to the Information Disclosure System of MIIT, since the promulgation of the 196 Circular, only a limited number of foreign invested companies in the PRC have obtained the Electronic Data Interchange License (the "**EDI License**"), which is the license required for the e-commerce business under the 196 Circular, taking place of the previously required ICP license. Therefore, it is uncertain whether the Company could directly operate e-commerce business in the PRC without having any adverse impact on the e-commerce business conducted by Shenzhen Cogobuy or otherwise on the EDI License held by Shenzhen Cogobuy.

Other Information (Continued)

According to the Information Disclosure System of MIIT, a number of wholly foreign owned enterprises ("**WFOEs**") in the PRC have obtained the EDI Licenses from MIIT since the promulgation of the 196 Circular. Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Group has been gradually building up the track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, and is contemplating to terminate the Contractual Arrangement by transferring all of its value-added telecommunications business in the PRC and assets currently held by Shenzhen Cogobuy to Cogobuy E-commerce or its affiliate, such that Cogobuy E-commerce will be operating the e-commerce platform on its own and applying for an EDI License with MIIT.

The Group operates a website in Hong Kong (the "**Hong Kong Website**") through its Hong Kong operating subsidiary, Cogobuy, and aims to provide the relevant PRC authorities with materials demonstrating its track record and experience in providing value-added telecommunications services overseas to prove its satisfaction of the Qualification Requirement in order to apply for the EDI License with MIIT. Cogobuy maintains the Group's cloud service and database and provide services in Hong Kong that support our cogobuy.com e-commerce platform including technical support for overseas users of our e-commerce platform. We believe that such operations 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.

As of June 30, 2019, the Company has no further update to disclose in relation to the Qualification Requirement.

UPDATE ON NON-COMPLIANCE MATTERS

Certain lease agreements we entered into with respective PRC landlords outside of Shenzhen 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 June 30, 2019, 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.

Other Information (Continued)

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended June 30, 2019 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available for review on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cogobuy.com) in due course.

For and on behalf of the Board

KANG Jingwei, Jeffrey
Chairman, Chief Executive Officer and Executive Director
Hong Kong
August 28, 2019

Independent Review Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF COGOBUY GROUP
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Cogobuy Group (the "Company") and its subsidiaries set out on pages 26 to 62, which comprise the condensed consolidated statement of financial position as at 30 June 2019, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
28 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	 2018 RMB'000 (Unaudited)
Revenue	5	**2,671,224**	2,961,168
Cost of sales		**(2,470,866)**	(2,739,072)
Gross profit		**200,358**	222,096
Other income	7	**14,248**	46,560
Selling and distribution expenses		**(32,825)**	(73,299)
Research and development expenses		**(67,199)**	(52,492)
Administrative and other operating expenses		**(71,507)**	(47,386)
Finance costs	8	**(24,931)**	(22,065)
Gain on disposal of subsidiaries	21	**–**	181,787
Share of results of associates		**23,021**	466
Share of results of joint ventures		**–**	(44)
Profit before taxation		**41,165**	255,623
Income tax expenses	9	**(785)**	(13,140)
Profit for the period	10	**40,380**	242,483
Other comprehensive (expense) income for the period			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**(1,139)**	58,766
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(1,951)**	58
Reclassification adjustments for the cumulative loss included in profit or loss upon disposal of foreign operations		**–**	1,686
		(1,951)	1,744
Other comprehensive (expense) income for the period		**(3,090)**	60,510
Total comprehensive income for the period		**37,290**	302,993

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **RMB'000** **(Unaudited)**	 2018 RMB'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**37,983**	238,984
Non-controlling interests		**2,397**	3,499
		40,380	242,483
Total comprehensive income for the period attributable to:			
Owners of the Company		**34,850**	299,261
Non-controlling interests		**2,440**	3,732
		37,290	302,993
Earnings per share			
Basic (RMB)	12	**0.026**	0.164
Diluted (RMB)	12	**0.026**	0.164

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**8,453**	9,497
Right-of-use assets		**19,163**	—
Intangible assets	13	**499,148**	451,246
Goodwill		**451,483**	451,492
Financial assets at fair value through other comprehensive income	14	**351,602**	7,700
Interests in associates		**175,370**	162,787
Interests in joint ventures		**292**	—
		1,505,511	1,082,722
Current assets			
Inventories		**1,160,599**	860,361
Trade, bills and other receivables	15	**1,444,674**	1,401,940
Loans to third parties	16	**588,869**	542,182
Amounts due from associates	17	**541,153**	575,708
Income tax recoverable		**2,057**	1,448
Financial assets at fair value through profit or loss		**150,000**	191,830
Short-term bank deposits		**60,311**	83,833
Pledged bank deposits		**63,491**	306,947
Cash and cash equivalents		**654,871**	926,997
		4,666,025	4,891,246
Current liabilities			
Trade and other payables	18	**950,212**	562,610
Contract liabilities		**2,201**	2,292
Lease liabilities		**9,895**	—
Bank loans		**942,357**	1,125,860
		1,904,665	1,690,762
Net current assets		**2,761,360**	3,200,484
Total assets less current liabilities		**4,266,871**	4,283,206

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		**9,442**	—
Deferred tax liability		**54,925**	58,457
		64,367	58,457
Net assets		**4,202,504**	4,224,749
Capital and reserves			
Share capital	19	**1**	1
Reserves		**4,051,400**	4,074,427
		4,051,401	4,074,428
Non-controlling interests		**151,103**	150,321
Total equity		**4,202,504**	4,224,749

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company												
	Share capital RMB'000 (note 19)	Share premium RMB'000	Capital reserve RMB'000 (note i)	Share-based compensation reserve RMB'000 (note ii)	Other reserve RMB'000 (note iii)	Shares held for the Restricted Share Unit Scheme ("RSU Scheme") RMB'000 (note iv)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note v)	Fair value reserve RMB'000 (note vi)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (audited)	1	2,270,025	18,923	30,539	(26,286)	(92,021)	41,620	13,891	–	1,353,177	3,609,869	29,375	3,639,244
Profit for the period	–	–	–	–	–	–	–	–	–	238,984	238,984	3,499	242,483
Other comprehensive income													
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	58,591	–	–	–	58,591	233	58,824
Reclassification adjustments for the cumulative loss included in profit or loss upon disposal of foreign operations (note 21(b))	–	–	–	–	–	–	1,686	–	–	–	1,686	–	1,686
Total comprehensive income	–	–	–	–	–	–	60,277	–	–	238,984	299,261	3,732	302,993
Disposal of interests in subsidiaries without losing the control (note 21(a))	–	–	–	–	65,050	–	–	–	–	–	65,050	4,950	70,000
Disposal of subsidiaries (note 21(b))	–	–	–	–	–	–	–	–	–	–	–	(11,968)	(11,968)
Issue of shares under the RSU Scheme	–	–	–	(16,843)	–	16,843	–	–	–	–	–	–	–
Equity-settled share-based compensation expenses (note 20)	–	–	–	18,512	–	–	–	–	–	–	18,512	–	18,512
Repurchase and cancellation of own shares	–	(6,405)	–	–	–	–	–	–	–	–	(6,405)	–	(6,405)
At 30 June 2018 (unaudited)	1	2,263,620	18,923	32,208	38,764	(75,178)	101,897	13,891	–	1,592,161	3,986,287	26,089	4,012,376

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019

	Attributable to owners of the Company												
	Share capital RMB'000 (note 19)	Share premium RMB'000	Capital reserve RMB'000 (note i)	Share-based compensation reserve RMB'000 (note ii)	Other reserve RMB'000 (note iii)	Shares held for the Restricted Share Unit Scheme ("RSU Scheme") RMB'000 (note iv)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note v)	Fair value reserve RMB'000 (note vi)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (audited)	1	2,256,270	18,923	25,904	38,764	(86,294)	174,533	13,891	(13,920)	1,646,356	4,074,428	150,321	4,224,749
Profit for the period	–	–	–	–	–	–	–	–	–	37,983	37,983	2,397	40,380
Other comprehensive expense													
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(3,133)	–	–	–	(3,133)	43	(3,090)
Total comprehensive income	–	–	–	–	–	–	(3,133)	–	–	37,983	34,850	2,440	37,290
Dividends declared to non-controlling equity holders (note 11)	–	–	–	–	–	–	–	–	–	–	–	(1,633)	(1,633)
Disposal of interest in a subsidiary without losing control (note 21(c))	–	–	–	–	25	–	–	–	–	–	25	(25)	–
Issue of shares under the RSU Scheme (note 19(v))	–	–	–	(6,299)	–	6,299	–	–	–	–	–	–	–
Equity-settled share-based compensation expenses (note 20)	–	–	–	11,593	–	–	–	–	–	–	11,593	–	11,593
Repurchase and cancellation of own shares (note 19(iv))	–	(69,495)	–	–	–	–	–	–	–	–	(69,495)	–	(69,495)
At 30 June 2019 (unaudited)	1	2,186,775	18,923	31,198	38,789	(79,995)	171,400	13,891	(13,920)	1,684,339	4,051,401	151,103	4,202,504

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019

Notes:

(i) Capital reserve

It represents an amount of US$3,000,000 (equivalent to approximately RMB18,923,000) contributed by the shareholder in the form of cash during 2012.

(ii) Share-based compensation reserve

It 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 recognised in accordance with the accounting policy adopted for share-based payments.

(iii) Other reserve

On 15 March 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.

On 29 April 2016, Gold Tech Holdings Limited ("Gold Tech"), a wholly owned subsidiary of the Group, purchased the remaining 40% equity interest of Comtech Digital Technology (Hong Kong) Limited ("Comtech Digital HK"), a subsidiary of the Group, at a consideration of RMB240,000,000. The difference between the consideration and the relevant share of the carrying amount of the net assets of Comtech Digital HK, amounting to RMB212,482,000, was debited to other reserve.

On 18 January 2018, Cogobuy Group, Inc, a wholly-owned subsidiary of the Group, transferred its 30% of the issued share capital of EZ Robot, Inc in exchange of the entire 100% equity interest, held by Rich Wisdom Venture Limited, in 上海科姆特電子技術有限公司 ("Shanghai KMT") and its wholly owned subsidiary, 上海科姆特自動化控制技術有限公司 ("Shanghai KMT Auto"). The difference between the amount of the value of consideration shares and the amount of non-controlling interest upon acquisition, amounting to RMB65,050,000, was credited to other reserve. Please refer to note 21(a) for details.

(iv) Shares held for the 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".

(v) Statutory reserves

According to laws applicable to the foreign investment enterprises in the People's Republic of China (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 and statutory surplus reserve.

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.

(vi) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies stated in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash generated from (used in) operations	**84,372**	(128,581)
Income tax paid	**(4,960)**	(21,908)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**79,412**	(150,489)
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income ("FVTOCI")	**(343,902)**	—
Purchase of financial assets at fair value through profit or loss ("FVTPL")	**(150,000)**	—
Purchase of intangible assets	**(79,058)**	—
Investment in a joint venture	**(292)**	—
Purchase of property, plant and equipment	**(95)**	(127)
Withdrawal of pledged bank deposits	**243,456**	—
Proceeds on disposal of financial assets at FVTPL	**193,667**	—
Repayment from associates	**34,555**	—
Withdrawal of short-term deposits	**23,522**	—
Dividend received from an associate	**10,561**	—
Interest received	**4,807**	11,086
Proceeds on disposal of property, plant and equipment	**3**	2
Net cash inflow on acquisition of subsidiaries (note 21(a))	**—**	9,953
Net cash outflow on disposal of subsidiaries (note 21(b))	**—**	(39,229)
NET CASH USED IN INVESTING ACTIVITIES	**(62,776)**	(18,315)
FINANCING ACTIVITIES		
New bank loans raised	**112,967**	140,833
Repayment of bank loans	**(294,717)**	(120,461)
Repurchase of issued ordinary shares	**(69,495)**	(6,405)
Interest paid	**(24,414)**	(22,065)
Payment of lease liabilities	**(5,068)**	—
Dividends paid to non-controlling interests	**(1,633)**	—
NET CASH USED IN FINANCING ACTIVITIES	**(282,360)**	(8,098)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(265,724)**	(176,902)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**926,997**	2,048,431
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	**(6,402)**	16,278
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**654,871**	1,887,807

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2019

1. GENERAL INFORMATION

Cogobuy Group (the "Company") is a limited company incorporated on 1 February 2012 in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 18 July 2014.

The immediate holding company and the ultimate holding company of the Group are also Envision Global Investments Limited which was incorporated in the British Virgin Islands (the "BVI").

The Group was principally engaged in the sales of integrated circuits ("IC") and other electronic components and the provision of supply chain financing services.

The functional currency of the Company and its subsidiaries (collectively referred to as the "Group") incorporated in Hong Kong is United States dollar ("US$") while the functional currency of the subsidiaries established in the PRC are Renminbi ("RMB"). The condensed consolidated financial statements are presented in RMB for the convenience of users of the consolidated financial statements as the central management of the Group was located in the PRC.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial assets that are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarise the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Note	**Carrying amount previously reported at 31 December 2018** RMB'000 (Audited)	**Impact on adoption of HKFRS 16** RMB'000	**Carrying amount as restated at 1 January 2019** RMB'000 (Unaudited)
Right-of-use assets	(a)	—	14,138	14,138
Lease liabilities	(a)	—	(14,138)	(14,138)

Note:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately RMB14,138,000.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an arrangement contains a lease;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4. CHANGE IN ACCOUNTING POLICIES (Continued)

Leases (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

5. REVENUE

Revenue represents the sales of goods delivered to customers, commission fees charged to third-party merchants for using the e-commerce marketplaces ("marketplace income") and interest income generated from the supply chain financing services, namely Ingfin Financing Services ("IngFin Financing Services"). An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
— Sales of IC and other electronic components	**2,619,959**	2,913,382
— Marketplace income	**28,848**	7,689
	2,648,807	2,921,071
Revenue from other sources		
— IngFin Financing Services income	**22,417**	40,097
	2,671,224	2,961,168

Set out below is the disaggregation of the Group's revenue from contracts with customers.

For the six months ended 30 June 2019 (unaudited)	**Sales of IC and other electronic components and marketplace operation RMB'000**	**Ingdan services RMB'000**	**Total RMB'000**
Revenue from goods and services:			
Sales of IC and other electronic components	**1,892,957**	**727,002**	**2,619,959**
Marketplace income	**24,766**	**4,082**	**28,848**
	1,917,723	**731,084**	**2,648,807**
Timing of revenue recognition			
At a point in time	**1,917,723**	**731,084**	**2,648,807**
Geographical markets			
The PRC (including Hong Kong)	**1,845,819**	**731,084**	**2,576,903**
Southeast Asia	**71,904**	**—**	**71,904**
	1,917,723	**731,084**	**2,648,807**

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

5. REVENUE (Continued)

For the six months ended 30 June 2018 (unaudited)	Sales of IC and other electronic components and marketplace operation RMB'000	Ingdan services RMB'000	Total RMB'000
Revenue from goods and services:			
Sales of IC and other electronic components	2,781,293	132,089	2,913,382
Marketplace income	7,689	—	7,689
	2,788,982	132,089	2,921,071
Timing of revenue recognition			
At a point in time	2,788,982	132,089	2,921,071
Geographical markets			
The PRC (including Hong Kong)	2,732,630	132,089	2,864,719
Southeast Asia	56,352	—	56,352
	2,788,982	132,089	2,921,071

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services provided.

In a manner consistent with the way in which information is reported internally to the Group's operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments:

— Sales of IC and other electronic components for distribution business and marketplace operation (except for Artificial Intelligence and Internet of Things ("AIoT") products); and

— Ingdan services, including sales of products and marketplace operation provided for AIoT products, Ingfin Financing Services and incubator.

Sales of IC and other electronic components and marketplace income (except for AIoT products), identified by the CODM, have been aggregated in arriving at the reportable segments of the Group.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the six months ended 30 June 2019

	Sales of IC and other electronic components and marketplace operation RMB'000 (Unaudited)	Ingdan services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	**1,917,723**	**753,501**	**2,671,224**
Segment profit	**77,689**	**17,922**	**95,611**
Unallocated income			**14,248**
Unallocated corporate expenses			**(66,784)**
Unallocated finance costs			**(24,931)**
Share of results of associates			**23,021**
Profit before taxation			**41,165**

For the six months ended 30 June 2018

	Sales of IC and other electronic components and marketplace operation RMB'000 (Unaudited)	Ingdan services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	2,788,982	172,186	2,961,168
Segment profit	70,530	25,770	96,300
Gain on disposal of subsidiaries			181,787
Unallocated income			46,560
Unallocated corporate expenses			(47,381)
Unallocated finance costs			(22,065)
Share of results of associates			466
Share of result of a joint venture			(44)
Profit before taxation			255,623

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Segment profit represents the profit earned by each segment without allocation of central administrative costs, directors' emoluments, other income, finance costs, share of results of associates and joint ventures, amortization of intangible assets and gain on disposal of subsidiaries. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Sales of IC and other electronic components and marketplace operation	**1,652,282**	1,388,409
Ingdan services	**2,748,012**	2,198,670
Total segment assets	**4,400,294**	3,587,079
Interests in associates	**175,370**	162,787
Interests in joint ventures	**292**	—
Corporate and other assets	**1,595,580**	2,224,102
Total assets	**6,171,536**	5,973,968

Segment liabilities

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Sales of IC and other electronic components and marketplace operation	**600,959**	413,510
Ingdan services	**316,217**	113,504
Total segment liabilities	**917,176**	527,014
Corporate and other liabilities	**1,051,856**	1,222,205
Total liabilities	**1,969,032**	1,749,219

For the purposes of monitoring segment performance and allocating resources between segments:

— All assets are allocated to operating segment, other than interests in associates and joint ventures, financial assets at fair value through profit or loss, other receivables, amounts due from associates, income tax recoverable, short-term bank deposits, pledged bank deposits and cash and cash equivalents; and

— All liabilities are allocated to operating segments, other than other payables, bank loans, and deferred tax liability.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

7. OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**4,807**	11,086
Net foreign exchange gains	**2,197**	33,158
Gain on disposal of financial assets at fair value through profit or loss	**1,837**	—
Government grants (note)	**4,918**	901
Others	**489**	1,415
	14,248	46,560

Note: Included in the amount of government grants recognised during the six months ended 30 June 2019, approximately of RMB4,918,000 (six months ended 30 June 2018: RMB901,000) was received from the PRC local government authorities in respect of subsidising the Group's research and development activities, which were immediately recognised as other income for the period as the Group fulfilled all the relevant granting criteria.

8. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
— bank loans	**24,414**	22,065
— lease liabilities	**517**	—
	24,931	22,065

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

9. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprises Income Tax	**2,659**	5,816
Hong Kong Profits Tax	**1,442**	7,232
Other jurisdictions	**216**	—
	4,317	13,048
Deferred taxation	**(3,532)**	92
	785	13,140

10. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortization of intangible assets	**32,471**	14
Depreciation of property, plant and equipment	**1,025**	1,085
Depreciation of right-of-use assets	**4,828**	—
Loss on disposal of property, plant and equipment	**117**	36
Loss on write off of property, plant and equipment	**—**	211
(Reversal of) impairment loss on trade receivables (included in selling and distribution expenses)	**(219)**	29,576
Allowance for inventories (included in cost of sales)	**18,500**	13,350
Operating lease charges in respect of rented premises	**—**	8,450
Amount of inventories recognised as an expense	**2,449,926**	2,689,785

Note: Research and development expenses include depreciation of right-of-use assets of approximately RMB2,502,000 (six months ended 30 June 2018: nil), operating lease charges in respect of rented premises of nil (six months ended 30 June 2018: RMB2,857,000), and amortization and depreciation charges of intangible assets and property, plant and equipment of approximately RMB508,000 (six months ended 30 June 2018: RMB487,000) for the six months ended 30 June 2019, such amounts are also included in the amortization of intangible assets, depreciation of property, plant and equipment, depreciation of right-of-use assets and operating lease charges in respect of rented premises as disclosed above.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

11. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2019, nor has any dividend been proposed since the end of the interim period (six months ended 30 June 2018: nil).

During the six months ended 30 June 2019, subsidiaries of the Group declared dividends of RMB3,627,000 (six months ended 30 June 2018: nil) to its shareholders, of which RMB1,633,000 (six months ended 30 June 2018: nil) was paid to its non-controlling equity holders.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to owners of the Company	**37,983**	238,984

	For the six months ended 30 June	
	2019 '000 (Unaudited)	2018 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,440,760**	1,456,354
Effect of dilutive potential ordinary shares:		
Deemed issue of shares under the Company's RSU scheme for nil consideration	**11,796**	3,215
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,452,556**	1,459,569

13. INTANGIBLE ASSETS

During the six months ended 30 June 2019, the Group spent approximately RMB79,058,000 (six months ended 30 June 2018: nil) on acquisition of intangible assets.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Equity investment designated as at fair value through other comprehensive income ("FVTOCI") — Unlisted	**351,602**	7,700
Analysed for reporting purposes as: Non-current assets	**351,602**	7,700

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities or partnership incorporated in the PRC and the BVI.

These equity investments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these equity investments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

15. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Trade receivables	**1,444,289**	1,393,953
Bills receivables	**23,628**	48,923
Trade and bills receivables	**1,467,917**	1,442,876
Less: loss allowance for trade receivables	**(146,940)**	(147,159)
	1,320,977	1,295,717
Loan interest receivables	**22,229**	15,195
Trade deposits and prepayments	**82,731**	75,942
Other receivables	**24,903**	21,252
	1,450,840	1,408,106
Less: loss allowance for other receivables	**(6,166)**	(6,166)
	1,444,674	1,401,940

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

15. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

The Group allows credit period ranging from 30 days to 90 days from the date of billing. The following is an aged analysis of trade receivables, net of loss allowance for trade and bills receivables, presented based on the invoice date which approximates revenue recognition date at the end of each reporting period.

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Within 1 month	**767,678**	550,838
1 to 2 months	**97,925**	272,136
2 to 3 months	**77,992**	243,456
Over 3 months	**377,382**	229,287
	1,320,977	1,295,717

16. LOANS TO THIRD PARTIES

	RMB'000
At 1 January 2018 (audited)	942,558
Additions (note i)	1,255,530
Repayments from borrowers (note ii)	(1,691,152)
Exchange adjustments	35,246
At 31 December 2018 and 1 January 2019 (audited)	542,182
Additions (note i)	465,394
Repayments from borrowers (note ii)	(418,468)
Exchange adjustments	(239)
At 30 June 2019 (unaudited)	588,869

Notes:

(i) Included in the amount of additions during the year ended 31 December 2018, US$22,833,000 (equivalent to approximately RMB145,346,000) represented the principal amount of loans made to Blueberry Capital Limited ("Blueberry Capital") (six months ended 30 June 2019: nil).

During the year ended 31 December 2018, the maximum outstanding amount of loans to Blueberry Capital was US$22,833,000 (equivalent to approximately RMB145,346,000) (six months ended 30 June 2019: nil).

(ii) Included in the amount of repayments from borrowers during the year ended 31 December 2018, US$22,833,000 (equivalent to approximately RMB145,346,000) represented the repayment of loans from Blueberry Capital (six months ended 30 June 2019: nil).

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

16. LOANS TO THIRD PARTIES (Continued)

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Unsecured loans	**305,831**	175,699
Secured loans	**283,038**	366,483
Total	**588,869**	542,182

The secured loans are secured by the third-party borrowers' cash deposits, inventories, receivables or listed equity securities.

A maturity profile of the loans to third parties at the end of each reporting periods, based on the maturity date, is as follows:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Within 1 month	**–**	12,136
1 to 2 months	**–**	2,689
2 to 3 months	**–**	1,795
Over 3 months	**588,869**	525,562
	588,869	542,182

As at 30 June 2019, loans to third parties carried effective interest at fixed rates ranging from 6% to 14% per annum. As at 31 December 2018, loans at third parties carried effective interest at fixed rates ranging from 6% to 12% per annum and floating rates ranging from 7% to 8% per annum.

17. AMOUNTS DUE FROM ASSOCIATES

The amounts are repayable on demand, non-interest bearing and secured by the trade receivables and inventories held by the associates.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

18. TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Trade payables	**895,638**	524,722
Accrued staff costs	**5,461**	12,064
Other payables	**49,113**	25,824
	950,212	562,610

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Within 1 month	**824,348**	283,703
1 to 3 months	**7,436**	133,464
Over 3 months	**63,854**	107,555
	895,638	524,722

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

19. SHARE CAPITAL

	Number of shares	Amount in original currency US$	Shown in the consolidated financial statements RMB'000
Ordinary shares of US$0.0000001 each			
Authorised:			
At 1 January 2018, 31 December 2018 , 1 January 2019 and 30 June 2019	500,000,000,000	50,000	N/A
Issued and fully paid:			
At 1 January 2018 (audited)	1,471,276,732	147	1
Issue of new shares (note i)	10,200,000	1	—
Cancellation of repurchased shares (note ii)	(4,336,000)	—	—
At 31 December 2018 and 1 January 2019 (audited)	1,477,140,732	148	1
Cancellation of repurchased shares (note iv)	(27,444,000)	(3)	—
At 30 June 2019 (unaudited)	1,449,696,732	145	1

Notes:

(i) On 18 December 2018, an additional 10,200,000 new shares of HK$2.89 (equivalent to RMB2.54) per share were issued by the Company under the RSU Scheme in order to satisfy the grant of shares under the RSU Scheme.

(ii) During the year ended 31 December 2018, the Company repurchased its own shares through the SEHK as follows:

Month	Number of ordinary shares of US$0.0000001 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate amount paid HK$'000
March 2018	731,000	4.05	3.99	2,928
April 2018	1,265,000	4.03	3.64	4,959
July 2018	2,340,000	3.19	2.97	7,182
December 2018	231,000	2.63	2.52	599
	4,567,000			15,668

Of the 4,567,000 shares repurchased, 4,336,000 shares were cancelled as at 31 December 2018, and the remaining 231,000 shares were cancelled after the end of the reporting period. The issued share capital of the Company was reduced by the nominal value of US$0.43. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$0.43 (equivalent to RMB2.84) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of HK$15,668,000 (equivalent to approximately RMB13,755,000) was charged to share premium.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

19. SHARE CAPITAL (Continued)

Notes: (Continued)

(iii) During the year ended 31 December 2018, the Company repurchased its own shares through the Stock Exchange for the RSU Scheme as follows:

Month	Number of ordinary shares of US$0.0000001 each	Price per share Highest HK$	Lowest HK$	Aggregate amount paid HK$'000
September 2018	3,700,000	2.94	2.63	10,215
October 2018	4,700,000	2.98	2.54	13,070
	8,400,000			23,285

These repurchased shares were held by the RSU Scheme trustee for the purpose of the RSU Scheme (note 20). The consideration paid on the repurchase of the shares of HK$23,285,000 (equivalent to approximately RMB20,404,000) was presented as shares held for the RSU Scheme in the consolidated statement of changes in equity for the year ended 31 December 2018 and deducted from shares held for the RSU Scheme.

(iv) During the year ended 30 June 2019, the Company repurchased its own shares through the SEHK as follows:

Month	Number of ordinary shares of US$0.0000001 each	Price per share Highest HK$	Lowest HK$	Aggregate amount paid HK$'000
March 2019	451,000	2.91	2.86	1,299
April 2019	20,984,000	3.09	2.75	62,670
May 2019	5,778,000	2.72	2.30	14,413
June 2019	977,000	2.11	2.04	2,028
	28,190,000			80,410

Of the 28,190,000 shares repurchased, 27,213,000 shares were cancelled as at 30 June 2019, and the remaining 977,000 shares were cancelled after the end of the reporting period. The issued share capital of the Company was reduced by the nominal value of US$2.72. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$2.72 (equivalent to RMB18.68) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of HK$80,410,000 (equivalent to approximately RMB69,495,000) was charged to share premium.

(v) For the six months ended 30 June 2019, 1,290,000 units (year ended 31 December 2018: 4,105,000 units) of RSUs were vested to the beneficiaries, and approximately RMB6,299,000 (year ended 31 December 2018: RMB26,131,000) were credited to the shares held for the RSU Scheme.

The remaining shares are held on trust by the RSU Scheme trustee until their release to the beneficiaries upon the vesting of the RSUs (see note 20).

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

20. SHARE-BASED PAYMENT TRANSACTIONS

RSU scheme of the Company

On 23 November 2018, the Company granted an additional 10,200,000 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 the RSU Scheme trustee for the purpose of the RSU Scheme.

Equity-settled share-based compensation expenses of approximately RMB11,593,000 were recognised as staff costs in profit or loss for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB18,512,000) and the remaining balance is to be recognised in 2019, 2020 and 2021 based on the respective vesting periods.

(a) Details of the terms and conditions of the grant of RSUs are as follows:

	Number of RSUs	Fair value as at grant date Per share RMB	Fair value as at grant date Aggregate amount RMB'000	Vesting conditions
RSUs granted to directors:				
— on 1 March 2014	3,600,000	1.72	6,192	Notes (i), (iii)
RSUs granted to employees:				
— on 1 March 2014	19,346,300	1.72	33,276	Notes (i), (iii)
— on 1 March 2014	7,253,700	1.72	12,476	Notes (ii), (iii)
— on 8 July 2015	17,940,000	3.89	69,787	Notes (iv), (v)
— on 1 February 2017	6,000,000	9.37	56,220	Notes (vi), (vii)
— on 23 November 2018	10,200,000	2.56	26,112	Notes (viii), (ix)
Total RSUs granted	64,340,000			

Notes:

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

- One-third of which have vested for the year ended 31 December 2014 in equal quarterly installments.
- One-third of which have vested for the year ended 31 December 2015 in equal quarterly installments.
- One-third of which have vested for the year ended 31 December 2016 in equal quarterly installments.

(ii) The RSUs granted have a one-year vesting period ended 31 December 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.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

RSU scheme of the Company (Continued)

(a) Details of the terms and conditions of the grant of RSUs are as follows: (Continued)

Notes: (Continued)

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

- One-third of which have vested for the 12 months ended 7 July 2016 in equal quarterly installments.
- One-third of which have vested for the 12 months ended 7 July 2017 in equal quarterly installments.
- One-third of which have vested for the 12 months ended 7 July 2018 in equal quarterly installments.

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

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

- One-third of which will vest for the 12 months ended 31 January 2018 in equal quarterly installments.
- One-third of which will vest for the 12 months ended 31 January 2019 in equal quarterly installments.
- One-third of which will vest for the 12 months ended 31 January 2020 in equal quarterly installments.

(vii) Employees who leave the Group before 31 January 2020 forfeit their right to any unvested RSUs.

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

- One-third of which will vest for the 12 months ended 22 November 2019 in equal quarterly installments.
- One-third of which will vest for the 12 months ended 22 November 2020 in equal quarterly installments.
- One-third of which will vest for the 12 months ended 22 November 2021 in equal quarterly installments.

(ix) Employees who leave the Group before 22 November 2021 forfeit their right to any unvested RSUs.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

RSU scheme of the Company (Continued)

(b) The movement of the grant of RSUs are as follows:

	Number of RSUs
Outstanding as at 1 January 2018 (audited)	6,945,000
Granted during the year	10,200,000
Vested during the year	(4,105,000)
Forfeited during the year	(640,000)
Outstanding as at 31 December 2018 and 1 January 2019 (audited)	12,400,000
Vested during the period	(2,580,000)
Outstanding as at 30 June 2019 (unaudited)	9,820,000

(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 1 March 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:

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 8 July 2015, 1 February 2017 and 23 November 2018 were measured by the quoted market price of the Company's shares at the grant date, being HK$4.91 per share, HK$10.56 per share and HK$2.89 per share, respectively.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

21. CHANGE IN OWNERSHIP INTERESTS

(a) Share transfer of equity interests in an indirect wholly-owned subsidiary of the Company and acquisition of subsidiaries

On 18 January 2018, Cogobuy Group, Inc. ("CGI"), the wholly-owned subsidiary of the Company, entered an agreement with Rich Wisdom Ventures Limited ("RWV"), an independent third party, that CGI agreed to sell and RWV agreed to purchase 30% of the issued share capital of Mega Smart Group Limited, a wholly-owned subsidiary of CGI (the "Share Transfer Agreement"). In accordance with the Share Transfer Agreement, the consideration is the entire 100% equity interest, held by RWV, in Shanghai KMT and its wholly owned subsidiary, Shanghai KMT Auto (the "Share Transfer Transaction").

On 9 March 2018, Mega Smart Group Limited has changed its name as EZ Robot, Inc ("EZ Robot").

The principal activity of EZ Robot was investment holding, while the principal activities of Shanghai KMT and Shanghai KMT Auto were engaged in the development and sales of electronic, automation and related products.

Upon the completion of the Share Transfer Transaction on 12 March 2018, the Group's interest in EZ Robot has been changed from 100% to 70%. At the same time, this resulted in an acquisition of the net assets of Shanghai KMT and Shanghai KMT Auto of which has been accounted for using the acquisition method.

The fair values of the identifiable assets acquired and liabilities recognised of Shanghai KMT and Shanghai KMT Auto upon the completion of the Share Transfer Transaction were as follows:

	RMB'000
Property, plant and equipment	532
Intangible assets	114,547
Inventories	10,867
Trade, bills and other receivables	234,980
Cash and cash equivalents	9,953
Trade and other payables	(300,879)
	70,000

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

21. CHANGE IN OWNERSHIP INTERESTS (Continued)

(a) Share transfer of equity interests in a indirect wholly-owned subsidiary of the Company and acquisition of subsidiaries (Continued)

Upon the date of completion of Share Transfer Transaction, this resulted in an increased in non-controlling interests of approximately RMB4,950,000 and an increase in equity attributable to owners of the Company of approximately RMB65,050,000. The non-controlling interests in EZ Robot and its subsidiaries (collectively referred to as "EZ Robot Group") were measured by reference to the proportionate share of the net assets of EZ Robot Group. A schedule of the effect of the Share Transfer Transaction is as follows:

	RMB'000
Carrying amount of the interest of non-controlling interest upon acquisition	(4,950)
Value of consideration shares	70,000
Difference recognised in other reserve within equity	65,050

The value of the consideration shares was reference to the fair value of EZ Robot Group on the date of Share Transfer Transaction which was performed by an independent valuation firm, Trinity Corporate Finance Limited.

An analysis of the net cash inflow in respect of the Share Transfer Transaction is as follows:

	RMB'000
Cash consideration paid	—
Less: cash and cash equivalent balance acquired	(9,953)
	9,953

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

21. CHANGE IN OWNERSHIP INTERESTS (Continued)

(b) Disposal of EZ Robot Group

On 18 January 2018, CGI also entered a shareholder agreement with RWV that CGI agreed to grant an option to RWV to acquire further 60% of the issued share capital of EZ Robot from CGI with the consideration of not less than HK$6,874 per share and not less the price offered by other third party bidders ("pre-emptive arrangement") within 12 months after the completion of the Share Transfer Transaction.

On 25 June 2018, RWV exercised such option to acquire additional 21% of the issued share capital of EZ Robot from CGI with a consideration of HK$8,249 per share. Since then, CGI remains 49% of total issued share capital of EZ Robot. The total cash consideration was HK$123,735,000 (equivalent to approximately RMB104,308,000). Finally, the Group lost the control over EZ Robot Group and the EZ Robot Group became an associate of the Group.

The net assets of EZ Robot Group at the date of disposal were as follows:

Consideration received:	RMB'000
Cash	104,308

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	465
Intangible assets	114,547
Trade, bills and other receivables	490,677
Cash and cash equivalents	143,537
Trade and other payables	(55,356)
Amounts due to related companies	(644,440)
Income tax payables	(9,536)
Net assets disposed of	39,894
Less: Non-controlling interests	(11,968)
	27,926

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

21. CHANGE IN OWNERSHIP INTERESTS (Continued)

(b) Disposal of EZ Robot Group (Continued)

Gain on disposal of EZ Robot Group:

	RMB'000
Consideration received	104,308
Net assets disposed of	(39,894)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiaries	(1,686)
Non-controlling interests	11,968
	74,696
Fair value of interest in associates retained on loss of control of the subsidiaries	135,407
Waiver of intercompany balances (note)	(28,316)
Gain on disposal	181,787

An analysis of the net cash outflow in respect of the disposal of EZ Robot Group is as follows:

	RMB'000
Cash consideration	104,308
Less: bank balances and cash disposed of	(143,537)
	(39,229)

Included in the Group's profit for the six months ended 30 June 2018 was approximately RMB23,131,000 attributable to the disposed business generated by EZ Robot Group. The Group's revenue for the six months ended 30 June 2018 included approximately RMB627,475,000 generated from EZ Robot Group.

During the six months ended 30 June 2018, EZ Robot Group contributed approximately RMB27,323,000 to the Group's net operating cash inflow, contributed approximately RMB1,003,000 in respect of investing activities and nil in respect of financing activities.

(c) Acquisition of Cingko Holdings Limited and disposal of Cingko Technology (HK) Limited

On 9 April 2019, Hardeggs Holdings Limited ("Hardeggs"), a non-wholly owned subsidiary of the Company, entered into a subscription and shareholders agreement with Texas Blockdata Inc. ("Texas"), an independent third party, pursuant to which among other things, Hardeggs subscribed for the registered capital of Cingko Holdings Limited ("Cingko Holdings"), a company incorporated in the BVI, of 20,000 ordinary shares; and Hardeggs acquired 15,000 ordinary shares of Cingko Holdings from Texas at a consideration of HK$1 (equivalent to approximately RMB1); and Hardeggs advanced a loan up to HK$499,999 (equivalent to approximately RMB432,000) to Cingko. At the date of acquisition, Cingko Holdings is dormant. Upon the completion of subscription and acquisition of shares, the Group disposed of 100% equity interest of Cingko Technology (HK) Limited (formerly known as Cogobuy Investments Limited) ("Cingko Technology"), an indirect wholly owned subsidiary of the Company, to Cingko Holdings. As a result, the equity interest in Cingko Holdings being held by Hardeggs was 70%. The equity interest in Cingko Technology being held by the Group decreased from 100% to 70%. The share of net liabilities in Cingko Technology of approximately RMB25,000 is recognised by the Group as other reserve.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2019 and 31 December 2018, some of the Group's financial assets are measured at fair value. The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	At 30 June 2019			
	Level 1 RMB'000 (Unaudited)	**Level 2 RMB'000 (Unaudited)**	**Level 3 RMB'000 (Unaudited)**	**Total RMB'000**
Financial assets at FVTPL				
Structure deposits	**—**	**150,000**	**—**	**150,000**
Financial assets at FVTOCI				
Unlisted equity investments	**—**	**—**	**351,602**	**351,602**

	At 31 December 2018			
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000
Financial assets at FVTPL				
Structure deposits	—	191,830	—	191,830
Financial assets at FVTOCI				
Unlisted equity investments	—	—	7,700	7,700

There were no transfer between levels of fair value hierarchy in the current period and prior years.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 30 June 2019 RMB'000 (Unaudited)	Fair value as at 31 December 2018 RMB'000 (Audited)	Valuation technique
Passive investments	Level 3	**343,902**	—	Present value of expected cash flows in the foreseeable future discounted at the required yield
Structure deposits	Level 2	**150,000**	191,830	Quoted rate of return by issuing bank
Unlisted equity instruments	Level 3	**7,700**	7,700	Adjusted net asset method*

* The Group has determined that the reported net asset values represent fair value of the unlisted equity instruments.

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Unlisted equity investments* RMB'000
At 1 January 2018 (audited)	20,918
Total loss in other comprehensive income	(13,920)
Exchange adjustment	702
At 31 December 2018, 1 January 2019 (audited)	7,700
Acquisition of financial assets during the period	343,902
At 30 June 2019 (unaudited)	351,602

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

23. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the period as follows:

Related party	Nature of transaction	For the six months ended 30 June **2019** **RMB'000** **(Unaudited)**	 2018 RMB'000 (Unaudited)
Comtech Industrial (Hong Kong) Limited ("Comtech Industrial")	Sales of IC and other electronic components (note i)	**85,396**	—
	Purchase of IC and other electronic components (note i)	**181,740**	
Comtech Industrial (Hong Kong) Limited ("Comtech Industrial")	Interest income received (note ii)	**496**	—
Shanghai KMT Auto	Interest income received (note iii)	**933**	—
Comtech Small Loan Company Limited ("Comtech Small Loan")* 深圳市科通小額貸款有限責任公司	Agency services, administrative and consultancy services fee income received (note iv)	**7,745**	4,784
Zim Hong Kong Limited ("Zim HK")	Interest income received (note v)	**7,397**	10,476
Comtech Communication Technology (Shenzhen) Company Limited ("CCT Shenzhen")* 科通通信技術(深圳)有限公司	Rental expenses paid (note vi)	**829**	1,157

Notes:

(i) Sales and purchase of IC and other electronic components with Comtech Industrial

Comtech Industrial is a subsidiary of EZ Robot, which is an associate of the Company. The sales and purchase transactions were carried out at terms determined and agreed by the Group and Comtech Industrial.

* English name for identification purpose only

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

23. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes: (Continued)

(ii) Interest income received from Comtech Industrial

During the six months ended 30 June 2019, the Group has provided loans in aggregate of US$4,541,000 (equivalent to approximately RMB31,174,000) (six months ended 30 June 2018: nil) to Comtech Industrial, at an interest rate of 6% per annum (six months ended 30 June 2018: nil) for the purpose of supply chain financing.

(iii) Interest income received from Shanghai KMT Auto

During the six months ended 30 June 2019, the Group has provided loans in aggregate of US$4,561,000 (equivalent to approximately RMB31,311,000) (six months ended 30 June 2018: nil) to Shanghai KMT Auto, at an interest rate of 6% per annum (six months ended 30 June 2018: nil) for the purpose of supply chain financing.

(iv) Agency services, administrative and consultancy services fee income received from Comtech Small Loan (included in revenue)

On 11 December 2015, the Group entered into a series of agreements, including Purchase Option Agreement, Agency Agreement and Service Agreement, with CCT Shenzhen and Comtech Small Loan, a subsidiary of CCT Shenzhen. CCT Shenzhen is owned by Mr. Kang, the director of the Group. Comtech Small Loan 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 provide the Group's supply chain customers access to financing in the PRC from Comtech Small Loan.

Pursuant to the Purchase Option Agreement, CCT Shenzhen 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 Shenzhen within three years from 11 December 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. During the six months period ended 30 June 2018, no advance payment was made.

On 6 June 2018, the Company made an announcement on "Continuing Connected Transactions — New Agency Agreement and New Service Agreement". According to the announcement, the Company announced that, on 8 June 2018, it entered a new agency agreement and new service agreement dated 8 January 2018 with a period of three years commencing on 1 January 2018 (the "New Agency Agreement and New Service Agreement"). The New Agency Agreement and New Service Agreement agreed upon new maximum annual amounts of agency fee income and service fee income.

Pursuant to the New Agency Agreement signed with CCT Shenzhen, the Group would provide customers referral service for a service fee amounting to 80% of the fees and interest receivables introduced by Comtech Small Loan to the referred customers. As at 30 June 2019, RMB258,815,000 borrowings (31 December 2018: RMB12,315,000) were extended to customers referred by the Group to Comtech Small Loan and service fee earned by the Group for the six months ended 30 June 2019 amounted to approximately RMB7,565,000 (six months ended 30 June 2018: RMB4,598,000) under the New Agency Agreement.

Pursuant to the New Service Agreement signed with CCT Shenzhen, the Group would also 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. Service fee earned by the Group from provision of administrative and consultancy services to Comtech Small Loan for the six months ended 30 June 2019 amounted to approximately RMB180,000 (six months ended 30 June 2018: RMB186,000) under the New Service Agreement.

Notes to the Condensed Interim Financial Information (Continued)

For the six months ended 30 June 2019

23. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes: (Continued)

(v) Interest income received from Zim HK

During the six months ended 30 June 2019, the Group has provided loans in aggregate of US$29,159,000 (equivalent to approximately RMB200,177,000) (six months ended 30 June 2018: US$32,919,000 (equivalent to approximately RMB217,831,000)) to Zim HK, at an interest rate ranged from 9% to 9.72% per annum (six months ended 30 June 2018: 7.00% to 9.72%) for the purpose of supply chain financing.

(vi) Rental expenses paid to CCT Shenzhen

The rental expenses were charged on a monthly fixed amount mutually agreed by the Group and CCT Shenzhen.

(b) Compensation to key management personnel

The remuneration of directors of the Company and other members of key management personnel during the period was as follows:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short-term benefits	**3,133**	3,038
Post-employment benefits	**84**	79
Share-based compensation expenses	**1,530**	1,385
	4,747	4,502

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Definitions

"AI"	artificial intelligence
"AIoT"	AI and IoT
"associate"	has the meaning ascribed to it under the Listing Rules
"Board of Directors" or "Board"	the Board of Directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"chief executive"	has the meaning ascribed to it under the Listing Rules
"Cogobuy"	Cogobuy Limited, a limited liability company incorporated in Hong Kong on October 6, 2011 and our indirectly wholly-owned subsidiary
"Cogobuy E-commerce"	Cogobuy.com E-commerce Services (Shenzhen) Limited (庫購網電子商務(深圳)有限公司), a limited liability 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
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this interim report, means Mr. Kang and Envision Global
"Director(s)"	the director(s) of the Company
"Envision Global"	Envision Global Investments Limited, a limited liability company incorporated in the BVI on February 1, 2012 which is wholly-owned by Mr. Kang and is our immediate Controlling Shareholder
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and Shenzhen Cogobuy (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the contractual arrangements) or, where the context requires, the companies that currently comprise the subsidiaries of the Company prior to their acquisition by the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"IC"	integrated circuits
"IoT"	Internet of Things
"Listing Date"	July 18, 2014, the date the Shares were listed on the Stock Exchange

Definitions (Continued)

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Kang"	Mr. Kang Jingwei, Jeffrey (康敬偉), chairman, chief executive officer and executive Director of the Company and our Controlling Shareholder
"Mr. Wu"	Mr. Wu Lun Cheung Allen (胡麟祥), Chief Financial Officer, Executive Director and Company Secretary of the 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
"PRC", "China" or "mainland China"	the People's Republic of China and, except where the context requires and only for the purpose of this report, references in this report to the PRC, China or mainland China do not include Taiwan, Hong Kong or the Macau Special Administrative Region of the PRC; the term "Chinese" has a similar meaning
"PRC Legal Advisor"	Broad & Bright Law Firm
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the six months ended June 30, 2019
"RSU Scheme"	the scheme adopted by the Company to grant RSUs to directors, senior management and employees and those of subsidiaries which took effect as at March 1, 2014 and amended on December 21, 2014
"RSUs"	Restricted share units
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.0000001 each
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Shenzhen Cogobuy"	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Total Dynamic"	Total Dynamic Holdings Limited, a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States