COGOBUY GROUP

科 通 芯 城 集 團

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

(Stock Code: 400)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Cogobuy Group (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**") and comparison with the operating results for the year ended 31 December 2018.

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

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended 31 December 2019	31 December 2018	Year-on-year change
	*(Renminbi ("**RMB**") in millions, unless specified)*		
Revenue	**5,854.2**	5,534.8	5.8%
Gross profit	**565.6**	426.8	32.5%
Profit for the year	**145.0**	297.8	(51.3%)
Profit for the year attributable to owners of the Company	**110.1**	293.2	(62.4%)
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.077**	0.201	(61.7%)
— diluted	**0.076**	0.201	(62.2%)

BUSINESS REVIEW AND OUTLOOK

Overall Business and Financial Performance of the Group

We are a leading enterprise service platform, dedicated to trading integrated circuits ("**IC**") and related products and providing services to artificial intelligence ("**AI**") and Internet of Things ("**IoT**", together "**AIoT**") sectors in China. Following a major business restructuring in 2019, we merged our chips sales on Cogobuy.com and on INGDAN.com AIoT services into our Ingdan Innovations business unit ("**Ingdan Innovations**"), and merged our research and development ("**R&D**") and IoT product financing and corporate services, previously under INGDAN.com AIoT business services platform, into our Ingfin Services business unit ("**Ingfin Services**"), forming a new "Ingdan Innovations + Ingfin Services" dual business model. Upon completion of the reorganization, the Company will hold 75% of Ingdan Innovations and 100% of Ingfin Services, and both operations will continue to be consolidated into the Group's consolidated financial statements.

Ingdan Innovations leverages a network of over 50% of global IC suppliers including the world's top 100 suppliers and the top domestic chip companies. It also provides comprehensive and professional technology application solutions to upstream chip suppliers by promoting their products and technologies' applications using its INGDAN.com online technology platform ("**INGDAN.com**") and data analysis capabilities. Meanwhile, Ingfin Services focus on developing proprietary products for different industries, including the Internet of Vehicles, smart homes, AI surveillance, etc. Ingfin Services will also seek investment opportunities in high-quality startups within the Group's AIoT ecosystem, to improve our overall strategic position and generate investment income.

During the Reporting Period, a substantial portion of our revenue for the Reporting Period was generated through our direct sales of IC and other electronic components. Primarily due to the financial impacts of the disposal of EZ ROBOT, INC. ("**EZ Robot**"), the net profit after tax decreased significantly compared to the corresponding period of 2018. As previously disclosed in the Company's interim results announcement for the six months ended 30 June 2018, the Company disposed of its 51% equity 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 30 June 2018. As a result of such disposal, the Company no longer consolidates the results of EZ Robot in its consolidated financial statements, which also has an impact on the Group's profits for the year ended 31 December 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 of the Group for the year ended 31 December 2019 would have increased approximately 25% as compared to the corresponding period in 2018, and revenue of the Group for the year ended 31 December 2019 would have increased approximately 19% as compared to the corresponding period in 2018.

We are expected to directly benefit from China's new infrastructure construction, especially in science and technology infrastructure construction includes, 5G infrastructure, data centers, AI, and the Internet Industries. As at the end of 2019, over 100 countries/regions in the world have launched investments in 5G networks, and 5G has become the centerpiece of China's new infrastructure. A report published by the China Academy of Information and Communications Technology ("**CAICT**") estimated that the accumulated investments in 5G network construction will reach RMB1.2 trillion in the next 5 years. At the same time, 5G network construction will encourage application investments and network transformations within the upstream and downstream players along the industry chain, as well as for different industries. CAICT forecasted that the investment scale of upgrading China's existing network will reach RMB500 billion by 2025 while 5G network construction will also stimulate application investments worth RMB3.5 trillion in different industries. With 2020 being the starting year of the 5G era, 5G infrastructure is set to grow immensely with the support of various government policies. We believe this will create enormous market opportunities for our IC business.

Our business covers the entire 5G construction value chain, providing products such as communication chips, modules, antenna and radio frequency products, and more. Investments in 5G infrastructure will strongly boost the Group's business, and our Group's network gateway communications devices business is expected to grow significantly in 2020. Additionally, new infrastructure segments such as big data and cloud services, Industry of Internet, and AI are also expected to drive growth within the Group's IC business in the future.

Vehicle-to-Everything ("**V2X**") has also been positioned to become a new growth driver for the Group. Since 2018, the growth rate of IoT devices worldwide has maintained a strong momentum, with over 7 billion connected devices and a growing penetration rate, according to a report published by China Economic Information Service. IoT applications such as V2X, smart city, Industrial IoT, and others, are rapidly becoming reality, of which V2X is regarded as the most prominent segment within 5G vertical industry applications. According to the China Society of Automotive Engineers, the sales for new V2X-enabled vehicles in China will reach the rate of 80% and 100% by 2025 and 2030 respectively, with an over RMB1 trillion market. According to the "5G Economic and Social Impact White Paper" published by CAICT, the Chinese V2X industry investment in communication devices and services will reach RMB12 billion by 2030. We are optimistic about the potential of V2X and have already developed and invested in the V2X market through Ingfin Services. We have also established a V2X value-chain alliance with chip manufacturers, module suppliers, and car manufacturers in order to prepare in advance for the commercialization of V2X.

During the year, 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. We had also made a strategic investment in Locoway (HK) Limited, a Hong Kong-based service supplier specialized in in-depth research and development for automatic safe driving smart terminals, including Advanced Driver Assistance Systems ("**ADAS**") and Driver Monitoring Systems ("**DMS**") as well as providing hardware, software, and services for smart cars. We believe the investment will further enhance the Group's position in the V2X market.

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 at 31 December 2019, the outstanding loan balance of our IngFin Financing Services was approximately RMB818.9 million.

Future Prospects

Our goal is to become a leading AIoT ecosystem company with AIoT technology supply chain as the core. Using our "Ingdan Innovations + Ingfin Services 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 5G industry is set to grow rapidly in the coming years, and it is expected that demand for IC and modules from the upstream and downstream of the industry will continue to increase. Our Ingdan Innovations plans to penetrate the whole 5G industry chain, and to accommodate the strong market demand brought by 5G construction and device production in the future. Although the COVID-19 outbreak has had a severe impact on the world's economy, it, on the other hand, has hastened the implementation of new government infrastructure policies worth RMB25 trillion. The new infrastructure policy includes seven segments such as 5G network infrastructure, AI, IoT, big data, new energy automotive, and charging piles, creating important opportunities for the Chinese 5G and AIoT industries. As 5G technology develops and matures, the future will become an era for AI, high-performance cloud applications, and Internet of Everything. The need for device upgrades will drive greater demand for IC and AIoT chip solutions. Through our Ingdan Innovations enterprise service platform, we plan to provide enterprises with chip application solutions and drive the development of a "chip-devices-cloud" big data ecosystem in order to capture business opportunities from China's 5G transformation.

II. ***Enhance revenue streams of Ingfin Services***

We intend to further strengthen the revenue streams of Ingfin Services by developing it to an important R&D innovation and AIoT product financing and corporate services platform of the AIoT era. INGDAN.com acquires a myriad of customers, demands and data online, and provides a powerful data analysis tool for us to tailor Ingfin Services to meet industry trends and offer corporate services offline. This creates synergy that drives a greater contribution by Ingfin Services to the Group in the future. As Ingfin Services R&D projects have become more sophisticated, the platform will contribute 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2019, profit for the year of the Group amounted to approximately RMB145.0 million, representing a decrease of approximately RMB152.8 million as compared with approximately RMB297.8 million in 2018. Profit for the year attributable to owners of the Company amounted to approximately RMB110.1 million, representing a decrease of approximately RMB183.1 million compared with approximately RMB293.2 million in 2018.

As previously disclosed in the Company's interim results announcement for the six months ended 30 June 2018, the Company disposed of its 51% equity interest in EZ Robot during such period, which led to a one-off gain recorded in its results for the six months ended 30 June 2018. As a result of such disposal, the Company no longer consolidates the results of EZ Robot in its consolidated financial statements, which also has an impact on the Group's profits for the year ended 31 December 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 of the Group for the year ended 31 December 2019 would have increased approximately 25% as compared to the corresponding period in 2018, and revenue of the Group for the year ended 31 December 2019 would have increased approximately 19% as compared to the corresponding period in 2018.

Revenue

For the year ended 31 December 2019, revenue of the Group amounted to approximately RMB5,854.2 million, representing an increase of approximately RMB319.4 million or approximately 5.8% as compared with approximately RMB5,534.8 million in 2018. The Group's revenue comprised approximately RMB5,790.4 million of direct sales revenue, approximately RMB16.3 million of revenue from the Group's marketplace revenue and approximately RMB47.5 million of revenue from IngFin Financing Services. The increase was primarily due to the growth of sales of IC and other electronic components driven by development of more variety of products for different industries.

Cost of Sales

Cost of sales for the year ended 31 December 2019 was approximately RMB5,288.6 million, representing an increase of approximately 3.5% from approximately RMB5,108.0 million for the year ended 31 December 2018. The increase in cost of sales was due to an increase in direct sales revenue described under the paragraph headed "Revenue".

Gross Profit

Gross profit for the year ended 31 December 2019 was approximately RMB565.6 million, representing an increase of approximately 32.5% from approximately RMB426.8 million compared with the figures in 2018. The increase was primarily driven by the results of revenue and cost of sales for the reasons described under the paragraph headed "Revenue". The increase in gross profit was also contributed by change in sales mix in which sales in proprietary markets such as the Internet of Vehicles, smart homes, AI surveillance, etc. had a relatively higher gross margin than those of the traditional IC components.

Other Income

For the year ended 31 December 2019, other income of the Group amounted to approximately RMB39.8 million, representing a decrease of approximately RMB43.0 million or approximately 51.9% as compared with approximately RMB82.8 million in 2018. This was primarily due to a net foreign exchange gain of approximately RMB16.2 million recorded for the year of 2019 as compared to approximately RMB53.2 million recorded in the corresponding period of 2018.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2019 amounted to approximately RMB92.5 million, representing a decrease of approximately RMB18.7 million or 16.8% from approximately RMB111.2 million in 2018. This was primarily due to a decrease in selling expenses as a result of reduced marketing costs driven by adjustments in marketing strategies. The decrease was also contributed by impairment loss on trade receivables of approximately RMB17.5 million recorded for the year ended 31 December 2019 whilst impairment loss on trade receivables of approximately RMB35.3 million was recorded in the corresponding period of 2018.

Research and Development Expenses

Research and development expenses for the year ended 31 December 2019 amounted to approximately RMB135.6 million, representing an increase of approximately RMB8.6 million or approximately 6.8% from approximately RMB127.0 million in 2018. This was primarily due to more expenses spent on the research and development of AI products and technologies for IngDan Labs for the year ended 31 December 2019 as compared to the same period of 2018.

Administrative and Other Operating Expenses

During the year ended 31 December 2019, administrative and other operating expenses amounted to approximately RMB189.9 million, representing an increase of approximately RMB91.2 million or approximately 92.4% from approximately RMB98.7 million in 2018, which was primarily due to amortization of intangible assets amounting to RMB88.5 million recorded for the year ended 31 December 2019 as compared to RMB1.5 million recorded in the same period of 2018, and depreciation of right-of-use asset of RMB9.8 million recorded in the year ended 31 December 2019 whilst no such expense was recorded in the year ended 31 December 2018. The increase was partly offset by a decrease in general administrative costs and back office employee headcounts in 2019.

Income Tax

Our income tax increased by approximately 9.9% from approximately RMB16.2 million for the year ended 31 December 2018 to approximately RMB17.8 million for the year ended 31 December 2019, primarily due to an increase in profit from operations due to the increased revenue and gross profit. The effective tax rate for the year ended 31 December 2019 was 10.9%, as compared to 5.2% for the year ended 31 December 2018. The increase was mainly due to the non-taxable gain on disposal of subsidiaries amounting to approximately RMB181.8 million for the year ended 31 December 2018, whilst no such gain was recorded in 2019. The increase was in part due to deferred taxation related to amortization of intangible assets of approximately RMB7.8 million credited in 2019 whilst deferred taxation of approximately RMB0.3 million was credited in the same period of 2018.

Profit for the year Attributable to Owners of the Company for the Reporting Period

For the year ended 31 December 2019, profit for the year attributable to owners of the Company amounted to approximately RMB110.1 million, representing a decrease of approximately RMB183.1 million or approximately 62.4% as compared to approximately RMB293.2 million in 2018. The decrease was primarily due to a gain on disposal of subsidiaries amounting to approximately RMB181.8 million recorded in 2018, offset in part by an increase in profit from operations as a result of increased revenue and gross profit.

Liquidity and Source of Funding

As at 31 December 2019, the current assets of the Group amounted to approximately RMB3,160.9 million, which mainly comprised cash and bank balances (including pledged bank deposits), inventories and trade, bills and other receivables, in the amount of approximately RMB279.7 million, approximately RMB320.0 million and approximately RMB1,567.5 million, respectively. Current liabilities of the Group amounted to approximately RMB1,066.9 million, of which approximately RMB180.7 million was bank loans and approximately RMB854.3 million was trade and other payables. As at 31 December 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 2.96, representing an increase of approximately 2.4% as compared with 2.89 as at 31 December 2018. The change in the current ratio was primarily due to the decrease in both current assets and current liabilities as a result of net repayment of bank loans of approximately RMB945.2 million during 2019.

The Group does not have other debt financing obligations as of 31 December 2019 or the date of this annual results announcement and does not have any breaches of financial covenants.

Capital Expenditure

For the year ended 31 December 2019, the capital expenditure of the Group amounted to approximately RMB760 million, representing an increase of approximately RMB759.8 million or approximately 3.8% as compared with approximately RMB0.2 million in 2018. The increase in the capital expenditure was primarily due to purchases of intangible assets during 2019, which were related to research and development for automatic safe driving smart terminals, including ADAS and DMS.

Net Gearing Ratio

As at 31 December 2019, the net gearing ratio of the Group, which was calculated by dividing net debt (total bank loans and leases liabilities minus cash and cash equivalents, short-term bank deposits, pledged bank deposits) by the sum of net debt and total equity was approximately –1.7% as compared with approximately –4.5% as at 31 December 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 and purchases of intangible assets in 2019. The decrease in net cash balance was offset in part by increase in cash generated from operations.

Material Investments

The Group did not make any material investments for the year ended 31 December 2019.

Material Acquisitions and Disposals

On 17 December 2019, the Company entered into a legally binding letter of intent with Optimum Profuse Limited ("**Optimum**") in respect of (i) the acquisition of 30% of the entire issued share capital of Hardeggs Holdings Limited from Optimum by INGDAN.com Group, Inc., an indirect wholly-owned subsidiary of the Company, for a consideration of RMB35 million; and (ii) the subscription of Optimum in the shares of Comtech Industrial Technology (Shenzhen) Company Limited, in an indirect wholly-owned subsidiary of the Company, representing 25% of its entire issued share capital for RMB35 million. Please refer to the announcements dated 18 December 2019 and 13 January 2020. Due to the disruption of governmental services in Hong Kong, the People's Republic of China ("**PRC**") and the British Virgin Islands ("**BVI**") as a result of the COVID-19 pandemic, the Company currently expects a delay in completion due to a delay in the registrations of the relevant vehicles for the purpose of the transaction and a delay in obtaining the relevant government approvals in the PRC. Taking into account these factors, completion of this transaction is expected to take place in late April 2020 or such other time as mutually agreed by the parties.

Save as disclosed in this announcement, the Group did not have any material acquisitions and disposals for the year ended 31 December 2019.

Future Plans for Material Investments and Capital Assets

As at 31 December 2019, we did not have other plans for material investments and capital assets.

Pledge of Assets

Except for the pledged bank deposits of approximately RMB159.9 million and approximately RMB306.9 million as at 31 December 2019 and 31 December 2018, respectively, the Group did not pledge any assets for the year ended 31 December 2019. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

Contingent Liabilities

Neither the Group nor the Company had any significant contingent liabilities as at 31 December 2019.

Foreign Exchange Exposure

Foreign currency transactions during the year ended 31 December 2019 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 as at 31 December 2019. Exchange gains and losses are recognized as profit or loss.

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

The results of operations with functional currency other than Renminbi ("**RMB**") are translated into RMB at the exchange rates approximating the foreign exchange rates at the dates of transactions. Consolidated statements of financial position items are translated into RMB at the closing foreign exchange rates as at 31 December 2019. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

Events After the Reporting Period

(i) On 23 December 2019, the Company and Comtech (China) Holding Ltd ("**Comtech China**"), a company indirectly wholly-owned by Mr. Kang Jingwei, Jeffrey, the executive director of the Company, entered into a property leasing and complementary service framework agreement (the "Property Leasing and Complementary Service Framework Agreement"), pursuant to which Comtech China agreed to provide property leasing and complementary property management services to the Group from 1 January 2020 to 31 December 2022 at monthly fees of (i) RMB200 per square metre for rental of offices; (ii) RMB210 per square metre for rental of the showroom; and (iii) RMB18 per square metre for complementary property management service. Details are set out in the Company's announcements dated 23 December 2019 and 20 February 2020, respectively.

    Subsequent to the end of the Reporting Period, certain property leasing agreements have been entered by the Group and subsidiaries of Comtech China under the Property Leasing and Complementary Service Framework Agreement and the annual cap amount for the year ending 31 December 2020, as disclosed on the Company's announcement dated 20 February 2020, is approximately RMB78.6 million, representing the initial recognition of right-of-use assets for the above property leasing agreements.

(ii) The outbreak of the novel coronavirus disease (COVID-19) pandemic has affected both sales of IC and other electronic components and the provision of supply chain financing services of the Group. Given the ongoing nature of these circumstances, the related impact on the consolidated results of operations, cash flows and financial conditions of the Group could not be reasonably estimated at this stage and will be reflected in their interim financial information for the six months ending 30 June 2020 and consolidated financial statements for the year ending 31 December 2020.

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated financial results presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Group uses the following measures defined as Non-GAAP financial measures: (1) Non-GAAP profit attributable to equity shareholders of the Company is profit attributable to equity shareholders of the Company excluding share-based compensation costs, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect and; (2) Non-GAAP basic and diluted earnings per share, which is basic and diluted earnings per share excluding share-based compensation expenses, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect. The presentation of these Non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with HKFRSs. These non-GAAP financial measures should be considered in addition to measures of the Group's financial performance prepared in accordance with HKFRS. In addition, these non-GAAP financial measures may be defined differently and may not be directly comparable with similar terms used by other companies. For more information on these Non-GAAP financial measures, please see the table captioned "**Unaudited reconciliations of Non-GAAP measures to the most comparable HKFRS measures**" set forth below.

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

The Group believes these Non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of using Non-GAAP profit attributable to the Company and Non-GAAP basic and diluted earnings per share is that these Non-GAAP measures exclude share-based compensation expenses, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect 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 measure. The accompanying tables have more details on the reconciliations between HKFRS financial measures that are most directly comparable to Non-GAAP financial measures.

UNAUDITED RECONCILIATION OF NON-GAAP MEASURES TO THE MOST COMPARABLE HKFRS MEASURES
For the years ended 31 December 2019 and 2018

	For the year ended 31 December 2019 *RMB in million*	For the year ended 31 December 2018 *RMB in million*
Net income		
GAAP profit attributable to Cogobuy Group	**110.1**	293.2
Share-based compensation expense	**25.4**	21.5
Amortization of intangible assets arised from acquisition of subsidiaries and related deferred taxation	**58.1**	1.3
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 Cogobuy Group	**193.6**	245.6
	RMB	*RMB*
Earnings per share — basic		
GAAP profit attributable to Cogobuy Group per share	**0.077**	0.201
Share-based compensation expense per share	**0.018**	0.015
Amortization of intangible assets arised from acquisition of subsidiaries and related deferred taxation per share	**0.040**	0.001
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 Cogobuy Group per share	**0.135**	0.169
	RMB	*RMB*
Earnings per share — diluted		
GAAP profit attributable to Cogobuy Group per share	**0.076**	0.201
Share-based compensation expense per share	**0.018**	0.015
Amortization of intangible assets arised from acquisition of subsidiaries and related deferred taxation per share	**0.040**	0.006
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 Cogobuy Group per share	**0.134**	0.174

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	3	**5,854,247**	5,534,829
Cost of sales		**(5,288,607)**	(5,108,042)
Gross profit		**565,640**	426,787
Other income	5	**39,808**	82,776
Selling and distribution expenses		**(92,471)**	(111,180)
Research and development expenses		**(135,560)**	(126,979)
Administrative and other operating expenses		**(189,875)**	(98,679)
Finance costs	6	**(55,885)**	(47,749)
Gain on disposal of subsidiaries		**—**	181,787
Loss on disposal of a joint venture		**(23)**	—
Share of results of associates		**31,153**	7,306
Share of results of joint ventures		**—**	(44)
Profit before tax		**162,787**	314,025
Income tax expenses	7	**(17,802)**	(16,239)
Profit for the year	8	**144,985**	297,786
Profit for the year attributable to:			
Owners of the Company		**110,067**	293,179
Non-controlling interests		**34,918**	4,607
		144,985	297,786

	Note	2019 RMB'000	2018 RMB'000
Other comprehensive income (expense)			
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		**33,550**	131,905
Net change in fair value of financial assets at fair value through other comprehensive income		**3,869**	(13,920)
		37,419	117,985
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**—**	(312)
Reclassification adjustments for the cumulative loss included in profit or loss upon disposal of foreign operations		**—**	1,686
		—	1,374
Other comprehensive income for the year		**37,419**	119,359
Total comprehensive income for the year		**182,404**	417,145
Total comprehensive income for the year attributable to:			
Owners of the Company		**146,711**	412,172
Non-controlling interests		**35,693**	4,973
		182,404	417,145
Earnings per share			
Basic (RMB)	*10*	**0.077**	0.201
Diluted (RMB)		**0.076**	0.201

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Plant and equipment		**7,765**	9,497
Right-of-use assets		**24,546**	—
Intangible assets		**1,084,030**	451,246
Goodwill		**452,467**	451,492
Financial assets at fair value through other comprehensive income		**360,532**	7,700
Loans receivables		**155,847**	—
Interests in associates		**185,650**	162,787
Interest in a joint venture		**—**	—
		2,270,837	1,082,722
Current assets			
Inventories		**319,974**	860,361
Trade, bills and other receivables	*11*	**1,567,488**	1,401,940
Loans receivables	*12*	**663,096**	542,182
Amounts due from associates		**330,654**	575,708
Income tax recoverable		**—**	1,448
Financial assets at fair value through profit or loss		**—**	191,830
Short-term bank deposits		**—**	83,833
Pledged bank deposits		**159,858**	306,947
Cash and cash equivalents		**119,865**	926,997
		3,160,935	4,891,246
Current liabilities			
Trade and other payables	*13*	**854,316**	562,610
Lease liabilities		**11,490**	—
Contract liabilities		**3,978**	2,292
Income tax payables		**16,397**	—
Bank loans		**180,676**	1,125,860
		1,066,857	1,690,762
Net current assets		**2,094,078**	3,200,484
Total assets less current liabilities		**4,364,915**	4,283,206
Non-current liabilities			
Deferred tax liabilities		**51,609**	58,457
Lease liabilities	2	**13,297**	—
		64,906	58,457
Net assets		**4,300,009**	4,224,749

	Note	**2019**	2018
		RMB'000	*RMB'000*
Capital and reserves			
Share capital	*14*	**1**	1
Reserves		**4,114,883**	4,074,427
		4,114,884	4,074,428
Non-controlling interests		**185,125**	150,321
Total equity		**4,300,009**	4,224,749

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2019, but are extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which includes HKFRSs, Hong Kong Accounting Standards ("**HKASs**") amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**SEHK**") (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the HKICPA.

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 the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 *Leases* 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. 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. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

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

The Group as lessee

On adoption of HKFRS 16 *Leases*, 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 liabilities, adjusted by the amount of any prepaid or accrued lease payments — the Group applied this approach to all leases. There is no impact on the opening balances of equity.

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

	Carrying amount previously reported at 31 December 2018	**Impact on adoption of HKFRS 16**	**Carrying amount as restated at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets	—	5,570	5,570
Lease liabilities — current portion	—	(3,322)	(3,322)
Lease liabilities — non-current portion	—	(2,248)	(2,248)

Note: At 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately RMB5,570,000.

Practical expedients applied

On the date of initial application of HKFRS 16 *Leases*, 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 *Leases* and HK(IFRIC)-Int 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.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follows:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	25,044
Less: short-term leases and other lease with remaining lease term ended on or before 31 December 2019	(7,722)
	17,322
Discounted using the incremental borrowing rate at 1 January 2019	(11,752)
Lease liabilities as at 1 January 2019	5,570
Analysed as:	
Current portion	3,322
Non-current portion	2,248
	5,570

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

Revenue represents revenue arising on sales of IC and other electronic components, 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 year is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
— Sales of IC and other electronic components	**5,790,399**	5,427,785
— Marketplace income	**16,346**	40,778
	5,806,745	5,468,563
Revenue from other sources:		
— Interest income from IngFin Financing Services	**47,502**	66,266
	5,854,247	5,534,829

Set out below is the disaggregation of the Group's revenue from contracts with customers by (i) timing of recognition; and (ii) geographical markets, arising from different reporting segments:

For the year ended 31 December 2019	**Sales of IC and other electronic components and marketplace operation**	**Ingdan services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from goods and services:			
— Sales of IC and other electronic components	4,268,737	1,521,662	5,790,399
— Marketplace income	15,368	978	16,346
	4,284,105	1,522,640	5,806,745
Timing of revenue recognition:			
— At a point in time	4,284,105	1,522,640	5,806,745
Geographical markets:			
— The PRC (including Hong Kong)	3,981,728	1,522,640	5,504,368
— Southeast Asia	302,377	—	302,377
	4,284,105	1,522,640	5,806,745

	Sales of IC and other electronic components and marketplace operation *RMB'000*	Ingdan services *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018			
Revenue from goods and services:			
— Sales of IC and other electronic components	4,675,236	752,549	5,427,785
— Marketplace income	36,544	4,234	40,778
	4,711,780	756,783	5,468,563
Timing of revenue recognition:			
— At a point in time	4,711,780	756,783	5,468,563
Geographical markets:			
— The PRC (including Hong Kong)	4,570,095	756,783	5,326,878
— Southeast Asia	141,685	—	141,685
	4,711,780	756,783	5,468,563

4. 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. The executive directors of the Company have chosen to organise the Group around differences in products and services.

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

— Sales of IC and other electronic components and marketplace operation (except for AIoT products); and

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

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

During the year ended 31 December 2018, the Group reorganised its internal reporting structure by reclassifying the sales of products and marketplace operation provided for AIoT products and incubator business from "Sales of IC and other electronic components and marketplace operation" to "Ingdan services" so as to enhance operational efficiency. The CODM considers that sales of products and marketplace operation provided for AIoT products, Ingfin Financing Services and incubator having similar economic characteristics (i.e. AIoT industry) are aggregated for financial reporting purposes. This resulted in a change in the composition of the Group's reportable segments such that "Financing services" was renamed as "Ingdan services".

Segment revenues and results

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

For the year ended 31 December 2019

	Sales of IC and other electronic components and marketplace operation	**Ingdan services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**4,284,105**	**1,570,142**	**5,854,247**
Segment profit	**287,993**	**49,616**	**337,609**
Unallocated income			**39,808**
Unallocated corporate expenses			**(189,875)**
Unallocated finance costs			**(55,885)**
Loss on disposal of a joint venture			**(23)**
Share of results of associates			**31,153**
Profit before tax			**162,787**

For the year ended 31 December 2018

	Sales of IC and other electronic components and marketplace operation	Ingdan services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	4,711,780	823,049	5,534,829
Segment profit	183,334	5,294	188,628
Gain on disposal of subsidiaries	—	181,787	181,787
Unallocated income			82,776
Unallocated corporate expenses			(98,679)
Unallocated finance costs			(47,749)
Share of results of associates			7,306
Share of result of a joint venture			(44)
Profit before tax			314,025

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administrative and other operating expenses, gain on disposal of subsidiaries, other income, finance costs, share of results of associates, share of result of a joint venture and loss on disposal of a joint venture. 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 segments:

Segment assets

	2019	2018
	RMB'000	*RMB'000*
Sales of IC and other electronic components and marketplace operation	**1,744,913**	1,388,409
Ingdan services	**2,852,031**	2,198,670
Total segment assets	**4,596,944**	3,587,079
Interests in associates	**185,650**	162,787
Interest in a joint venture	**—**	—
Corporate and other assets	**649,178**	2,224,102
Total assets	**5,431,772**	5,973,968

Segment liabilities

	2019	2018
	RMB'000	*RMB'000*
Sales of IC and other electronic components and marketplace operation	**697,414**	413,510
Ingdan services	**101,140**	113,504
Total segment liabilities	**798,554**	527,014
Corporate and other liabilities	**333,209**	1,222,205
Total liabilities	**1,131,763**	1,749,219

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

— All assets are allocated to operating segments, other than right-of-use assets, interests in associates and a joint venture, financial assets at fair value through profit or loss, certain other receivables, amounts due from associates, income tax recoverable, short-term bank deposits, pledged bank deposits, cash and cash equivalents and other corporate assets; and

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

Other segment information

For the year ended 31 December 2019

	Sales of IC and other electronic components and marketplace operation *RMB'000*	Ingdan services *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets *(note)*	1,952	729,230	28,765	759,947
Depreciation and amortisation	3,202	88,831	9,789	101,822
Loss allowance on trade receivables	14,917	2,606	—	17,523
Loss on disposal of plant and equipment	592	—	—	592
Allowance for inventories, net	14,720	3,780	—	18,500
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Gain on disposal of financial asset at fair value through other comprehensive income	—	—	(3,600)	(3,600)
Gain on disposal of financial asset at fair value through profit or loss	—	—	(3,774)	(3,774)
Bank interest income	—	—	(3,736)	(3,736)
Finance costs	—	—	55,885	55,885
Interests in associates	—	—	185,650	185,650
Interest in a joint venture	—	—	—	—
Share of results of associates	—	—	(31,153)	(31,153)
Loss on disposal of a joint venture	—	—	23	23
Income tax expenses	—	—	17,802	17,802

For the year ended 31 December 2018

	Sales of IC and other electronic components and marketplace operation *RMB'000*	Ingdan services *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets *(note)*	209	566,828	—	567,037
Depreciation and amortisation	2,170	1,333	191	3,694
Loss allowance on trade receivables	30,030	5,246	—	35,276
Loss on disposal of plant and equipment	326	—	—	326
Loss on write-off of plant and equipment	216	—	—	216
Reversal of allowance for inventories, net	(18,803)	(12,022)	—	(30,825)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Gain on disposal of subsidiaries	—	(181,787)	—	(181,787)
Bank interest income	—	—	(27,480)	(27,480)
Finance costs	—	—	47,749	47,749
Interests in associates	—	—	162,787	162,787
Share of results of associates	—	—	(7,306)	(7,306)
Share of result of a joint venture	—	—	44	44
Income tax expenses	—	—	16,239	16,239

Note: Non-current assets excluded goodwill, loans receivables, financial assets at fair value through other comprehensive income and interests in associates and a joint venture.

Geographical information

Substantially all of the Group's operations and non-current assets are in the PRC (including Hong Kong), no geographic information is presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Customer A[1]	**1,084,586**	1,118,890

1 Revenue from sales of IC and other electronic components and marketplace operation.

5. OTHER INCOME

	2019 *RMB'000*	2018 *RMB'000*
Exchange gain, net	**16,194**	53,221
Bank interest income	**3,736**	27,480
Commission income	**3,949**	1,168
Government grants	**8,555**	907
Gain on disposal of financial assets at fair value through profit or loss	**3,774**	—
Gain on disposal of a financial asset at fair value through other comprehensive income	**3,600**	—
	39,808	82,776

6. FINANCE COSTS

	2019 *RMB'000*	2018 *RMB'000*
Interests on bank loans	**39,667**	47,749
Interests on lease liabilities	**953**	—
Factoring costs	**15,265**	—
	55,885	47,749

7. INCOME TAX EXPENSES

	2019 *RMB'000*	2018 *RMB'000*
Current tax:		
PRC Enterprises Income Tax ("**EIT**")	**9,713**	8,538
Hong Kong Profits Tax	**14,102**	7,949
Other jurisdiction	**1,820**	4
	25,635	16,491
Deferred taxation	**(7,833)**	(252)
	17,802	16,239

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax of the qualified entities of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

(iii) Under Singapore Income Tax Act, Singapore Corporate Income Tax is calculated at 17% of the estimated assessable profit for both years.

(iv) Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2018 onwards.

(v) Qianhai Cogobuy.com Communication Technology (Shenzhen) Limited* (前海科通芯城通信技術(深圳)有限公司) ("Qianhai Cogobuy") and INGDAN.com (Shenzhen) Limited* (硬蛋科技(深圳)有限公司) ("INGDAN Shenzhen"), being qualified software enterprises, are each granted two-year tax exemption followed by three-year 50% tax reduction under the then effective tax regulations during 2015. As a result, they are exempted from EIT for 2015 and 2016, and are subject to EIT at 12.5% from 2017 to 2019.

(vi) Shenzhen FOXSAAS Software Technology Limited* (深圳赤狐軟件技術有限公司) ("Shenzhen FOXSAAS") and Shenzhen Xeno Communication Technology Company Limited* (深圳市協諾通信技術有限公司) ("Shenzhen Xeno"), being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations ("two-year exemption and three-year reduction") during 2018. As a result, they are exempted from EIT for 2018 and 2019, and are subject to EIT at 12.5% from 2020 to 2022.

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

Under the Arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution).

* *The English name is for identification purpose only*

8. PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments	**3,204**	4,321
Salaries, wages, allowance and other benefits	**90,209**	119,111
Retirement benefit scheme contributions	**18,535**	21,918
Equity-settled share-based compensation expenses (excluding directors' and chief executive emoluments)	**25,443**	21,496
Total staff costs	**137,391**	166,846
Amortisation of intangible assets	**88,514**	1,522
Depreciation of plant and equipment	**3,519**	2,172
Depreciation of right-of-use assets	**9,789**	—
Auditors' remuneration	**5,801**	5,796
Loss allowance on trade receivables (included in selling and distribution expenses)	**17,523**	35,276
Loss allowance on other receivables	**—**	6,166
Loss on disposal of plant and equipment	**592**	326
Loss on write-off of plant and equipment	**—**	216
Allowance for (reversal of allowance for) inventories, net (included in cost of sales)	**18,500**	(30,825)
Operating lease charges in respect of rented premises	**7,772**	17,008
Research and development expenses	**135,560**	126,979
Amount of inventories recognised as an expense	**5,270,107**	5,079,657

Note: Research and development expenses include staff cost of employees in the design, research and development function of approximately RMB69,795,000 (2018: RMB76,791,000) for the year ended 31 December 2019, and such amount is also included in the staff costs as disclosed above.

Research and development expenses also include operating lease charges in respect of rented premises of nil (2018: RMB6,225,000), and amortisation and depreciation charge of approximately RMB1,023,000 (2018: RMB981,000) for the year ended 31 December 2019, and such amounts are also included in the operating lease charges in respect of rented premises, amortisation of intangible assets and depreciation of plant and equipment respectively as disclosed above.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. 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:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the year attributable to owners of the Company	**110,067**	293,179

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,430,088**	1,455,555
Effect of dilutive potential ordinary shares:		
Deemed issue of shares under the Company's restricted shares unit scheme (the "RSU Scheme") for nil consideration	**13,839**	2,591
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**1,443,927**	1,458,146

11. TRADE, BILLS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Receivables at amortised cost comprise:		
Trade receivables	**1,311,719**	1,393,953
Bills receivables	**10,935**	48,923
Trade and bills receivables	**1,322,654**	1,442,876
Less: loss allowance for trade receivables	**(77,911)**	(147,159)
	1,244,743	1,295,717
Loan interest receivables	**45,190**	15,195
Trade deposits and prepayments	**263,300**	75,942
Other receivables	**14,255**	15,086
	1,567,488	1,401,940

As at 31 December 2019, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB1,322,654,000 (2018: RMB1,442,876,000).

The Group allows credit period ranging from 30 to 90 days (2018: 30 to 90 days) from the date of billing. The following is an ageing analysis of trade receivables net of allowance for impairment of trade receivables presented based on the dates of delivery of goods or rendering services, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**502,709**	550,838
1 to 2 months	**261,250**	272,136
2 to 3 months	**233,717**	243,456
Over 3 months	**247,067**	229,287
	1,244,743	1,295,717

12. LOANS RECEIVABLES

The following is an ageing analysis of loan receivables, presented based on the drawdown dates, at the end of the reportng period:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**155,847**	14,588
3 to 6 months	**77,289**	290,961
6 months to 1 year	**324,485**	191,564
Over 1 year	**261,322**	45,069
	818,943	542,182

13. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**794,576**	524,722
Accrued staff costs	**16,119**	12,064
Other payables	**43,621**	25,824
	854,316	562,610

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**395,550**	283,703
1 to 3 months	**240,305**	133,464
Over 3 months	**158,721**	107,555
	794,576	524,722

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

14. SHARE CAPITAL

	Number of shares	Amount in original currency	Shown in the consolidated financial statements
		US$	*RMB'000*
Ordinary shares of US$0.0000001 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 31 December 2019	500,000,000,000	50,000	N/A
Issued and fully paid:			
At 1 January 2018	1,471,276,732	147	1
Issue of new shares *(notes (i))*	10,200,000	1	—
Cancellation of repurchased shares *(notes (ii))*	(4,336,000)	—	—
At 31 December 2018 and 1 January 2019	1,477,140,732	148	1
Issue of new shares *(note (iv))*	14,000,000	1	—
Cancellation of repurchased shares *(note (v))*	(63,808,000)	(6)	—
At 31 December 2019	1,427,332,732	143	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 Stock Exchange as follows:

Months	Number of ordinary shares of US$0.0000001 each	Price per share Highest	Price per share Lowest	Aggregate amount paid
		HK$	*HK$*	*HK$'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 during the year ended 31 December 2018, and the remaining 231,000 shares were cancelled during the year ended 31 December 2019. The issued share capital of the Company was reduced by the nominal value of US$0.43 during the year ended 31 December 2018. 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.

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

Months	Number of ordinary shares of US$0.0000001 each	Price per share Highest	Price per share Lowest	Aggregate amount paid
		HK$	*HK$*	*HK$'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. The consideration paid on the repurchase of the shares of HK$23,285,000, equivalent to approximately RMB20,404,000, is presented as shares held for the RSU Scheme in the consolidated statement of changes in equity and deducted from Shares held for the RSU scheme.

(iv) On 3 September 2019, an additional 14,000,000 new shares of HK$1.41 (equivalent to RMB1.24) per share were issued by the Company under the RSU Scheme in order to satisfy the grant of shares under the RSU Scheme.

(v) During the year ended 31 December 2019, the Company repurchased its own shares through the Stock Exchange as follows:

Months	Number of ordinary shares of US$0.0000001 each	Price per share Highest	Price per share Lowest	Aggregate amount paid
		HK$	*HK$*	*HK$'000*
March 2019	451,000	2.91	2.86	1,300
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	2,027
July 2019	24,229,000	2.24	2.14	53,089
September 2019	11,158,000	1.48	1.37	15,900
	63,577,000			149,399

All of the above shares, together with 231,000 shares which were repurchased during the year ended 31 December 2018, were cancelled during the year ended 31 December 2019. The issued share capital of the Company was reduced by the nominal value of US$6.38. Pursuant to section 37(4) of the Companies Law of the

Cayman Islands, the nominal value of the shares cancelled of US$6.38 (equivalent to RMB43.9) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of HK$149,399,000, equivalent to approximately RMB131,723,000, was charged to share premium.

(vi) No share was repurchased for the RSU Scheme during the year ended 31 December 2019.

(vii) For the year ended 31 December 2019, 6,176,674 (2018: 4,105,000) units of RSUs were vested to the beneficiaries, and approximately RMB26,118,000 (2018: RMB26,131,000) were credited to the shares held for 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.

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

During the year ended 31 December 2019, the Company repurchased an aggregate of 63,577,000 shares (2018: 4,567,000 shares) of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of approximately HK$149.4 million (2018: HK$15.7 million) (equivalent to approximately RMB131.7 million (2018: RMB13.8 million)).

All the shares repurchased were cancelled, of which 20,973,000 shares were cancelled on 29 April 2019, 6,240,000 shares were cancelled on 20 June 2019, 977,000 shares were cancelled on 15 July 2019, 24,229,000 shares were cancelled on 7 August 2019 and 11,158,000 shares were cancelled on 30 September 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 securities listed on the Stock Exchange during the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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. The Board is of the opinion that, save as disclosed below, throughout the year ended 31 December 2019, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

Code Provision A.2.1 requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Kang Jingwei, Jeffrey currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time if it is considered appropriate by taking into account the circumstances of the Group as a whole.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the

Directors and the relevant employees of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the year ended 31 December 2019 and up to the date of this announcement.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees for the Reporting Period was noted by the Company after making reasonable enquiry.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As at the date of the announcement, the Audit Committee comprises three members, namely, Mr. 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 annual results of the Group for the year ended 31 December 2019. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, SHINEWING (HK) CPA Limited ("**SHINEWING**").

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Company's auditor, SHINEWING, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2019.

ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the annual general meeting (the "**AGM**") as soon as practicable. A notice convening the AGM will be published and dispatched to the shareholders of the Company in a manner required by the Listing Rules. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of the Company in a separate announcement and in the notice of the AGM.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cogobuy.com. The annual report of the Group for the year ended 31 December 2019 will be published on the aforesaid websites and will be dispatched to the Company's shareholders in due course.

By Order of the Board
Cogobuy Group
KANG Jingwei, Jeffrey
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors of the Company are Mr. KANG Jingwei, Jeffrey, Mr. WU Lun Cheung Allen and Ms. NI Hong, Hope; and the independent non-executive Directors of the Company are Mr. YE Xin, Dr. MA, Qiyuan and Mr. HAO Chunyi, Charlie.