科通芯城
Cogobuy.com

COGOBUY GROUP
科 通 芯 城 集 團

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

(Stock Code: 400)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

The board (the "**Board**") of directors (the "**Directors**") of Cogobuy Group (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2018 (the "**Reporting Period**") and comparison with the operating results for the year ended December 31, 2017.

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

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended December 31, 2018	December 31, 2017	Year-on-year change
	*(Renminbi ("**RMB**") in millions, unless specified)*		
Revenue	**5,534.8**	9,613.7	(42.4)%
Gross profit	**426.8**	770.2	(44.6)%
Profit for the year	**297.8**	301.3	(1.2)%
Profit attributable to equity shareholders of the Company	**293.2**	302.0	(2.9)%
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.201**	0.207	(2.9)%
— diluted	**0.201**	0.206	(2.9)%

BUSINESS REVIEW AND OUTLOOK

Overall business and financial performance of the Group

We are a leading enterprise service platform, dedicated to selling integrated circuits ("**IC**") and related products and providing services to artificial intelligence ("**AI**") and Internet of Things ("**IoT**", together "**AIoT**") 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 created new opportunities for this AIoT ecosystem.

Due to the adjustment of the Group's business structure, reduction in dependence on external funds, and a greater focus on quality to support long-term growth, we recorded lower revenue during 2018.

In 2018, INGDAN.com realized its 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, realization of gain from equity investments into AIoT companies it incubated. The role of INGDAN.com in sustaining our long-term growth in the fast-growing aspects of chip sales has become more prominent.

The arrival and development of 5G and IoT have dramatically increased the demand for IC components and chips. During the Reporting Period, we strengthened our industry advantages and resources in IC component marketing and sales trading platform.

In addition, the auto industry has made a dramatic shift towards smart cars and networking. We prepared for this opportunity by gradually making smart cars one of our key business development areas, and continue to penetrate the smart car market through partnerships with different 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 in 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 to show our strengths to generate new revenue stream by providing additional services based on the Group's existing platform. As of December 31, 2018, the outstanding loan balance of our IngFin Financing Services was RMB542.2 million.

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 loT 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. While 5G devices are currently at a very early development stage, as 5G base stations becoming more extensive and the network built out with 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 our incubation platform, 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.

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 service, order fulfilment and delivery capabilities in order to enhance our service reliability and shorten our customer response time to further strengthen the effectiveness of our 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 services free of charge. These services will enable us to maintain constant interactive communications with the key personnel, which in turn allow 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 December 31, 2018, profit of the Group amounted to approximately RMB297.8 million, representing a decrease of approximately RMB3.5 million as compared with approximately RMB301.3 million in 2017. Profit attributable to equity shareholders of the Company amounted to approximately RMB293.2 million, representing a decrease of approximately RMB8.8 million compared with approximately RMB302.0 million in 2017.

Revenue

For the year ended December 31, 2018, revenue of the Group amounted to approximately RMB5,534.8 million, representing a decrease of approximately RMB4,078.9 million or approximately 42.4% as compared with approximately RMB9,613.7 million in 2017. The Group's revenue comprised approximately RMB5,427.8 million of revenue from direct sales, approximately RMB40.8 million of revenue from the Group's marketplace and approximately RMB66.2 million of revenue from IngFin Financing Services. The decrease was primarily due to (i) the Group's business structure adjustment to reduce dependency on bank credit facility for certain IC components business in response to an increase in loan interest rate following a change in US interest rates, and (ii) EZ Robot, Inc. ceasing to be a subsidiary of the Company and its financial results ceasing to be consolidated with the results of the Group following the completion of the exercise of the call option in the second half of 2018.

Cost of revenue

Cost of revenue for the year ended December 31, 2018 was approximately RMB5,108.0 million, representing a decrease of approximately 42.2% from approximately RMB8,843.5 million for the year ended December 31, 2017. The decrease in cost of revenue was due to a decrease in direct sales revenue described under the paragraph headed "Revenue".

Gross profit

Gross profit for the year ended December 31, 2018 was approximately RMB426.8 million, representing a decrease of approximately 44.6% from approximately RMB770.2 million compared with the figures in 2017. The decrease was primarily driven by the results of direct sales revenue and cost of revenue described under the paragraph headed "Cost of revenue".

Other income

For the year ended December 31, 2018, other income of the Group amounted to approximately RMB82.8 million, representing an increase of approximately RMB8.5 million or approximately 11.3% as compared with approximately RMB74.3 million in 2017. This was primarily due to exchange gain, net of RMB53.2 million whilst exchange loss, net was recorded for the corresponding period of 2017. The increase in other income was partly offset by a gain on disposal of available-for-sale investments of RMB37.0 million realized for the first half of 2017 whilst no such gain was recorded in the corresponding period of 2018.

Selling and distribution expenses

Selling and distribution expenses for the year ended December 31, 2018 amounted to approximately RMB111.2 million, representing a decrease of approximately RMB27.0 million or approximately 19.5% from approximately RMB138.2 million in 2017. This was primarily due to a decrease in selling expenses as a result of decreased direct sales revenue and reduced marketing costs as a result of adjustments in marketing strategies, and such decrease was partly offset by additional impairment loss on trade receivables of approximately RMB35.3 million for the year ended December 31, 2018 as compared to approximately RMB21.7 million in the same period of 2017.

Research and development expenses

Research and development expenses for the year ended December 31, 2018 amounted to approximately RMB127.0 million, representing an increase of approximately RMB8.7 million or approximately 7.4% from approximately RMB118.3 million in 2017. 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 December 31, 2018 as compared to the same period of 2017.

Administrative and other operating expenses

During the year, administrative and other operating expenses amounted to approximately RMB98.7 million, representing a decrease of approximately RMB55.8 million or approximately 36.1% from approximately RMB154.5 million in 2017, which was primarily due to a decrease in general administrative costs and employee headcounts.

Income tax

Our income tax decreased by approximately 68.5% from approximately RMB51.7 million for the year ended December 31, 2017 to approximately RMB16.2 million for the year ended December 31, 2018, primarily due to a decrease in profit from operations as a result of decreased revenue and gross profit. The effective tax rate for the year ended December 31, 2018 was 5.2%, as compared to 14.6% for the year ended December 31, 2017. The decrease was mainly due to the non-taxable gain on disposal of subsidiaries amounting to approximately RMB181.8 million for the year ended December 31, 2018.

Profit attributable to equity shareholders of the Company for the Reporting Period

For the year ended December 31, 2018, profit attributable to equity shareholders of the Company amounted to approximately RMB293.2 million, representing a decrease of approximately RMB8.8 million or approximately 2.9% as compared to approximately RMB302.0 million in 2017. The decrease was primarily due to a decrease in profit from operations as a result of decreased revenue and gross profit, and offset partially by a gain on disposal of subsidiaries amounting to approximately RMB181.8 million.

Liquidity and source of funding

As of December 31, 2018, the current assets of the Group amounted to approximately RMB4,891.2 million, which mainly comprised cash and bank balances (including short-term bank deposits and pledged deposits), inventories and trade and other receivables, in the amount of approximately RMB1,317.8 million, approximately RMB860.4 million and approximately RMB1,401.9 million, respectively. Current liabilities of the Group amounted to approximately RMB1,690.8 million, of which approximately RMB1,125.9 million was bank loans and approximately RMB562.6 million was trade and other payables. As of December 31, 2018, the current ratio (the current assets to current liabilities ratio) of the Group was 2.89, representing an increase of approximately 3.2% as compared with 2.80 as of December 31, 2017. The change in the current ratio was primarily due to higher efficiency in cash flow management resulting from improvement in working capital position.

The Group does not have other debt financing obligations as of December 31, 2018 or the date of this annual results announcement and does not have any breaches of financial covenants.

Capital expenditure

For the year ended December 31, 2018, the capital expenditure of the Group amounted to approximately RMB0.2 million, representing a decrease of approximately RMB0.6 million or approximately 75% compared with approximately RMB0.8 million in 2017. The decrease in the capital expenditure was primarily resulted from the plan of tighten budget for purchase of fixed assets for existing operation.

Net gearing ratio

As of December 31, 2018, 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 the sum of net debt and total equity was approximately –4.5% as compared with approximately –31.6% as of December 31, 2017. The increase was primarily due to a decrease in net cash balance as a result repayment of deposits from customers in the first half of 2018.

Material investments

The Group did not make any material investments for the year ended December 31, 2018.

Material acquisitions and disposals

The Group did not have any material acquisitions and disposals for the year ended December 31, 2018.

Pledge of assets

Except for the pledged bank deposits of approximately RMB306.9 million and approximately RMB184.8 million as of December 31, 2018 and December 31, 2017, respectively, the Group did not pledge any assets for the year ended December 31, 2018. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

Contingent liabilities

Neither the Group nor the Company had any significant contingent liabilities as of December 31, 2018. As of December 31, 2018, 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 December 31, 2018, management of the Company did not consider it is probable that a claim will be made against the Company under any of the guarantees.

Events after the Reporting Period

There was no other significant events that might affect the Group since the end of the year ended December 31, 2018.

Foreign exchange exposure

Foreign currency transactions during the year ended December 31, 2018 are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling as at December 31, 2018. Exchange gains and losses are recognized as profit or loss.

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

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Consolidated statements of financial position items are translated into RMB at the closing foreign exchange rates as at December 31, 2018. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

NON-GAAP FINANCIAL MEASURES

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

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

The Group believes these Non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of using Non-GAAP profit attributable to the Company and Non-GAAP basic and diluted earnings per share is that these Non-GAAP measures exclude share-based compensation costs, amortization of intangible assets and its related deferred taxation effect 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 December 31, 2018 and 2017

	For the year ended December 31, 2018 *RMB in million*	For the year ended December 31, 2017 *RMB in million*
Net income		
GAAP profit attributable to Cogobuy Group	**293.2**	302.0
Share-based compensation expense	**21.5**	44.6
Amortization of intangible assets and related deferred taxation	**1.3**	9.0
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	**245.6**	355.6
	RMB	*RMB*
Earnings per share — basic		
GAAP profit attributable to Cogobuy Group per share	**0.201**	0.207
Share-based compensation expense per share	**0.015**	0.030
Amortization of intangible assets and related deferred taxation per share	**0.001**	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	**0.169**	0.243
	RMB	*RMB*
Earnings per share — diluted		
GAAP profit attributable to Cogobuy Group per share	**0.201**	0.206
Share-based compensation expense per share	**0.015**	0.030
Amortization of intangible assets and related deferred taxation per share	**0.001**	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	**0.169**	0.242

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OF LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	3	**5,534,829**	9,613,696
Cost of sales		**(5,108,042)**	(8,843,461)
Gross profit		**426,787**	770,235
Other income	5	**82,776**	74,342
Selling and distribution expenses		**(111,180)**	(138,174)
Research and development expenses		**(126,979)**	(118,269)
Administrative and other operating expenses		**(98,679)**	(154,500)
Finance costs	6	**(47,749)**	(109,131)
Gain on disposal of subsidiaries		**181,787**	26,493
Share of result of associates		**7,306**	2,872
Share of result of a joint venture		**(44)**	(956)
Profit before taxation		**314,025**	352,912
Income tax expenses	7	**(16,239)**	(51,609)
Profit for the year	8	**297,786**	301,303
Profit for the year attributable to:			
Owners of the Company		**293,179**	302,025
Non-controlling interests		**4,607**	(722)
		297,786	301,303

	Note	2018 RMB'000	2017 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 function currency to presentation currency		**131,905**	(144,235)
Net change in fair value of equity investments at fair value through other comprehensive income		**(13,920)**	—
		117,985	(144,235)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(312)**	40
Reclassification adjustments for the cumulative loss included in profit or loss upon disposal of foreign operations		**1,686**	—
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		**—**	(4,904)
		1,374	(4,864)
Other comprehensive income (expense) for the year		**119,359**	(149,099)
Total comprehensive income for the year		**417,145**	152,204
Total comprehensive income for the year attributable to:			
Owners of the Company		**412,172**	154,666
Non-controlling interests		**4,973**	(2,462)
		417,145	152,204
Earnings per share			
Basic (RMB)	*10*	**0.201**	0.207
Diluted (RMB)	*10*	**0.201**	0.206

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**9,497**	11,819
Intangible assets		**451,246**	1,128
Goodwill		**451,492**	170,857
Available-for-sale investments		**—**	20,918
Financial assets at fair value through other comprehensive income		**7,700**	—
Interest in associates		**162,787**	18,318
Interest in a joint venture		**—**	44
		1,082,722	223,084
Current assets			
Inventories		**860,361**	504,403
Trade, bills and other receivables	*11*	**1,401,940**	1,635,818
Loans to third parties	*12*	**542,182**	942,558
Amounts due from associates		**575,708**	—
Income tax recoverable		**1,448**	—
Financial assets at fair value through profit or loss		**191,830**	—
Short-term bank deposits		**83,833**	1,943
Pledged bank deposits		**306,947**	184,770
Cash and cash equivalents		**926,997**	2,048,431
		4,891,246	5,317,923
Current liabilities			
Trade and other payables	*13*	**562,610**	213,014
Contract liabilities		**2,292**	—
Deposits from customers		**—**	589,178
Income tax payables		**—**	14,916
Bank loans		**1,125,860**	1,084,085
		1,690,762	1,901,193
Net current assets		**3,200,484**	3,416,730
Total assets less current liabilities		**4,283,206**	3,639,814
Non-current liability			
Deferred tax liabilities		**58,457**	570
Net assets		**4,224,749**	3,639,244

	Note	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	*14*	**1**	1
Reserves		**4,074,427**	3,609,868
		4,074,428	3,609,869
Non-controlling interests		**150,321**	29,375
Total equity		**4,224,749**	3,639,244

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 December 31, 2018, but are extracted from those consolidated financial statements.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in the preliminary announcement have been compared by the Group's auditors, SHINEWING (HK) CPA Limited ("**SHINEWING (HK)**"), to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by SHINEWING (HK) in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and consequently no assurance has been expressed by the auditors.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**SEHK**") (the "**Listing Rules**").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, HKASs, amendments and interpretations ("**Int(s)**") issued by the HKICPA.

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and revised HKFRSs in the current year 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 consolidated financial statements.

2.1 HKFRS 9 Financial Instruments

HKFRS 9 replaced the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. January 1, 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at January 1, 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets will be disclosed in detail in Note 3 to the consolidated financial statements set out in the Annual Report.

2.1.1 *Classification and measurements of financial instruments*

The directors of the Company have reviewed and assessed the Group's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at the date and concluded that all initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

(a) *Unlisted equity investments previously classified as available-for-sale investments carried at cost less impairment:*

The Group had elected to present in other comprehensive income for the fair value changes in respect of certain of the Group's unlisted equity instruments amounting to approximately RMB20,918,000 as they are held for medium or long-term strategic purpose, and reclassified them to financial assets at FVTOCI upon initial application of HKFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve, which will not be reclassified to profit or loss when they are derecognised. As the directors of the Company assessed that the fair values of these investments approximated their carrying amounts, and therefore no adjustment was made to the carrying amounts and opening retained earnings as at January 1, 2018.

(b) *Debt investments previously classified as loan and receivables carried at amortised cost:*

Some of the debt investments (including trade and other receivables, loans to third parties and amounts due from associates) amounting to approximately RMB2,487,790,000 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these investments continue to be measured at cost and were reclassified to financial assets at amortised cost upon application of HKFRS 9.

2.1.2 *Loss allowance for expected credit losses ("ECL")*

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking expected credit loss ("**ECL**") model. As at January 1, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and other items subject to ECL for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

Based on the assessment by the directors of the Company, the new impairment requirements have not resulted in any material impact to the loss allowance for ECL on the Group's financial assets on initial application of HKFRS 9.

2.1.3 ***Summary of effects arising from initial application of HKFRS 9***

The table below summaries the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under HKAS 39 to the carrying amounts under HKFRS 9 on January 1, 2018.

	Carrying amount at December 31, 2017 (HKAS 39)	**Adoption of HKFRS 9 — Reclassification**	**Carrying amount at January 1, 2018 (HKFRS 9)**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loan and receivables			
— Trade, bills and others receivables	1,545,232	(1,545,232)	—
— Loans to third parties	942,558	(942,558)	—
— Short-term bank deposits	1,943	(1,943)	—
— Pledged bank deposits	184,770	(184,770)	—
— Cash and cash equivalents	2,048,431	(2,048,431)	—
At amortised cost			
— Trade, bills and others receivables	—	1,545,232	1,545,232
— Loans to third parties	—	942,558	942,558
— Short-term bank deposits	—	1,943	1,943
— Pledged bank deposits	—	184,770	184,770
— Cash and cash equivalents	—	2,048,431	2,048,431
Available-for-sale ("AFS") investments			
— Unlisted equity investments	20,918	(20,918)	—
Financial assets at fair value through other comprehensive income ("FVTOCI")			
— Unlisted equity investments	—	20,918	20,918

There is no impact of transition to HKFRS 9 on retained earnings at January 1, 2018.

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

2.2 HKFRS 15 Revenue from contracts with customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. January 1, 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue. Details are described below.

The Group's accounting policies for its revenue streams will be disclosed in detail in Note 3 to the consolidated financial statements set out in the Report.

The impact of transition to HKFRS 15 was insignificant on the retained earnings at January 1, 2018.

As required for the consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of the revenue and cash flows are affected by economic factors. Enhanced disclosures are set out in note 3.

The Group is principally engaged in the sales of integrated circuits ("**IC**") and other electronic components and the provision of supply chain financing services. The sales of IC and other electronic components are sold both on their own in separately identified contracts with customers.

2.2.1 *Sale of goods and marketplace income*

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition in this regard.

The Group concluded that revenue from commission fees charged to third-party merchants that sell products on the Group's marketplace platforms, should be recognised at the point of delivery of corresponding products by the merchants, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition in this regard.

2.2.2 *Advances received from customers*

The Group receives advanced payments from customers related to the sale of IC components and other electronic components. Prior to the adoption of HKFRS 15, the Group presented these advances in trade and other payables in the consolidated statement of financial position. Upon adoption of HKFRS 15, the Group assessed whether there is a significant financing component for the contracts where the length of time between the customer's advance payment and the transfer of goods to the customer is more than one year, taking into account the prevailing interest rate, and where appropriate adjusted the transaction price at contract inception. However, the Group applies the practical expedient not to adjust the transaction price for any significant financing component as the period between payment and transfer of the associated services is generally less than one year. The Group recognised contract liabilities, as named as advance received, in trade and other payables for the advances from customers for sale of IC components and other electronic components yet to be rendered or delivered.

Other than the abovementioned, the directors of the Company considered that the application of HKFRS 15 has had no material impact on i) the amount or timing of revenue recognition in the respective periods; and ii) the Group's presentation in the consolidated financial statements.

2.2.3 ***Summary of effects arising from initial application of HKFRS 15***

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at January 1, 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at December 31, 2017	**Impact on adoption of HKFRS 15 — Reclassification**	**Impact on adoption of HKFRS 15 — Measurement**	**Carrying amount as restated at January 1, 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	213,014	(3,591)	—	209,423
Contract liabilities	—	3,591	—	3,591

2.2.4 ***Disclosure of the estimated on the amounts reported in respect of the year ended December 31, 2018 as a result of the adoption of HKFRS 15 on January 1, 2018***

The following tables summarise the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at December 31, 2018, by comparing the amounts reported under HKAS 11, HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

Impact on the consolidated statement of financial position at December 31, 2018

	As reported	**Impact of adopting HKFRS 15**	**Amount excluding impacts of adopting HKFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals	562,610	2,292	564,902
Contract liabilities	2,292	(2,292)	—

3. 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 year is as follows:

	2018	2017*
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Sales of IC and other electronic components	**5,427,785**	9,364,467
— Marketplace income	**40,778**	75,553
	5,468,563	9,440,020
Revenue from other sources		
— IngFin Financing Services income	**66,266**	173,676
	5,534,829	9,613,696

* The amounts for the year ended December 31, 2017 were recognised in HKAS 18.

Set out below is the disaggregation of the Group's revenue from contracts with customers within the scope of HKFRS 15:

For the year ended December 31, 2018	**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	4,675,236	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			
A point in time	4,711,780	756,783	5,468,563
Geographical markets			
The People's Republic of China (including Hong Kong) ("PRC")	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 directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services provided. Sales of IC and other electronic components and Marketplace income, identified by the chief operating decision maker, have been aggregated in arriving at the reportable segments of the Group.

In a manner consistent with the way in which information is reported internally to the Group's operating decision make 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; and

— Ingdan services (including sales of IC and electronic components for retail business, IngFin Financing Services and incubator).

During the year ended December 31, 2018, the Group reorganised its internal reporting structure by reclassifying the incubator business from "Sales of IC and other electronic components and marketplace operation" to "Ingdan services" so as to enhance operational efficiency, and the chief operating decision maker (i.e. directors of the Company) considers that IngFin Financing Services and incubator having similar economic characteristics 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 reorganized into "Ingdan services". Accordingly, the comparative segment information has been re-presented to conform to current year's presentation.

Segment revenues and results

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

For the year ended December 31, 2018

	Sales of IC and other electronic components and marketplace operation *RMB'000*	**Ingdan services** *RMB'000*	**Total** *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 result of associates			**7,306**
Share of result of a joint venture			**(44)**
Profit before tax			**314,025**

For the year ended December 31, 2017

	Sales of IC and other electronic components and marketplace operation	Ingdan services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	7,742,598	1,871,098	9,613,696
Segment profit	409,236	104,556	513,792
Gain on disposal of property, plant and equipment			2,027
Unallocated income			72,315
Unallocated corporate expenses			(154,500)
Unallocated finance costs			(109,131)
Gain on disposal of subsidiaries			26,493
Share of result of an associate			2,872
Share of result of a joint venture			(956)
Profit before tax			352,912

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 administration costs, directors' salaries, impairment loss on available-for-sale investments, certain other income, finance costs, share of result of an associate and share of result of a joint venture. This is the measure reported to the chief operating decision maker 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

	2018	2017
	RMB'000	*RMB'000*
Sales of IC and other electronic components and marketplace operation	**1,388,409**	1,568,298
Ingdan services	**2,198,670**	1,584,649
Total segment assets	**3,587,079**	3,152,947
Interests in associates	**162,787**	18,318
Interest in a joint venture	**—**	44
Corporate and other assets	**2,224,102**	2,369,698
Total assets	**5,973,968**	5,541,007

Segment liabilities

	2018	2017
	RMB'000	*RMB'000*
Sales of IC and other electronic components and marketplace operation	**413,510**	84,042
Ingdan services	**113,504**	695,257
Total segment liabilities	**527,014**	779,299
Corporate and other liabilities	**1,222,205**	1,122,464
Total liabilities	**1,749,219**	1,901,763

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

— All assets are allocated to operating segment, other than intangible assets, goodwill, interest in associates and a joint venture, financial assets at FVTOCI, financial assets at FVTPL certain other receivables, amounts due from associates, short-term bank deposits, pledged bank deposits, cash and cash equivalent and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

— All liabilities are allocated to operating segments, other than certain other payables and accruals, unallocated amount due to a related party, income tax payables, bank loans, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended December 31, 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**	**452,281**	**—**	**452,490**
Depreciation and amortisation	**2,282**	**1,412**	**—**	**3,694**
Loss allowance on trade receivables	**35,276**	**—**	**—**	**35,276**
Loss on disposal of property, plant and equipment	**326**	**—**	**—**	**326**
Loss on written-off of property, plant and equipment	**216**	**—**	**—**	**216**
Allowance for inventories	**17,354**	**5,259**	**—**	**22,613**
Amounts regularly provided to the chief operating decision maker 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**
Interest expense	**—**	**—**	**47,749**	**47,749**
Interests in associates	**—**	**—**	**162,787**	**162,787**
Interest in a joint venture	**—**	**—**	**—**	**—**
Share of result of associates	**—**	**—**	**(7,306)**	**(7,306)**
Share of result of a joint venture	**—**	**—**	**44**	**44**
Income tax expense	**—**	**—**	**16,239**	**16,239**

For the year ended December 31, 2017

	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)*	781	—	—	781
Depreciation and amortisation	2,484	—	10,762	13,246
Impairment loss on trade receivables	21,679	—	—	21,679
Gain on disposal of property, plant and equipment	(2,027)	—	—	(2,027)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Gain on disposal of available-for-sale investments	—	—	(37,036)	(37,036)
Gain on disposal of subsidiaries	—	—	(26,493)	(26,493)
Bank interest income	—	—	(29,727)	(29,727)
Interest expense	—	—	109,131	109,131
Interest in an associate	—	—	18,318	18,318
Interest in a joint venture	—	—	44	44
Share of result of an associate	—	—	(2,872)	(2,872)
Share of result of a joint venture	—	—	956	956
Income tax expense	—	—	51,609	51,609

Note: Non-current assets included property, plant and equipment and intangible assets.

Geographical information

Substantially all of the Group's operations 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:

	2018	2017
	RMB'000	*RMB'000*
Customer A[1]	**1,118,890**	1,694,817

[1] Revenue from sales of IC and other electronic component and marketplace operation.

5. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Exchange gain, net	**53,221**	—
Bank interest income	**27,480**	29,727
Commission income	**1,168**	2,191
Government grants *(note)*	**907**	1,265
Gain on disposal of available-for-sale investments	**—**	37,036
Gain on disposal of property, plant and equipment	**—**	2,027
Dividend income on available-for-sale investments	**—**	2,096
	82,776	74,342

Note: Included in the amount of government grant recognised during the year ended December 31, 2018, approximately of RMB907,000 (2017: RMB1,265,000) 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 year as the Group fulfilled all the relevant granting criteria.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interests on bank loans	**47,749**	69,853
Factoring costs	**—**	39,278
	47,749	109,131

7. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Corporate Income Tax ("**CIT**")	**8,538**	26,804
Hong Kong Profits Tax	**7,949**	25,739
Other jurisdictions	**4**	842
	16,491	53,385
Deferred taxation	**(252)**	(1,776)
	16,239	51,609

Notes:

(a) 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.

b) On March 21, 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 March 28, 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 year ended December 31, 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities 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%. For the year ended December 31, 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profit.

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

(d) Under the Law of the PRC on Corporate Income Tax (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

(e) Cogobuy.com E-commerce Services (Shenzhen) Limited* ("**Cogobuy E-commerce**") 庫購網電子商務(深圳)有限公司, Shenzhen Cogobuy Information Technologies Limited* ("**Shenzhen Cogobuy**") 深圳市可購百信息技術有限公司 and FOXSAAS Information Technology (Shenzhen) Limited* ("**FOXSAAS Shenzhen**") 赤狐信息技術(深圳)有限公司, being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations ("**two-year exemption and three-year reduction**") during 2013. As a result, they are exempted from CIT for 2013 and 2014, and are subject to CIT at 12.5% from 2015 to 2017.

* *For identification purpose only*

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

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

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

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

(i) For the purpose of the consolidated financial statements, the directors of the Company determine that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

* *For identification purpose only*

8. PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	**4,321**	3,370
Salaries, wages, allowance and other benefits	**119,111**	113,719
Retirement benefit scheme contributions	**21,918**	22,622
Equity-settled share-based compensation expenses (excluding directors' and chief executive emoluments)	**21,496**	44,581
Total staff costs	**166,846**	184,292
Amortisation of intangible assets	**1,522**	10,762
Depreciation of property, plant and equipment	**2,172**	2,484
Auditors' remuneration	**5,796**	4,993
Loss allowance on trade receivables	**35,276**	21,679
Loss allowance on other receivables	**6,166**	—
Loss on disposal of property, plant and equipment	**326**	—
Loss on written-off of property, plant and equipment	**216**	—
Allowance for inventories	**22,613**	—
Exchange loss, net	**—**	1,208
Operating lease charges in respect of rented premises	**17,008**	15,480
Research and development expenses	**126,979**	118,269
Amount of inventories recognised as an expense	**5,079,657**	8,730,675

Note: Research and development expenses include staff costs of employees in the design, research and development function of approximately RMB76,791,000 (2017: RMB85,402,000) for the year ended December 31, 2018, such amount is also included in the staff costs as disclosed as above.

Research and development expenses also include operating lease charges in respect of rented premises of approximately RMB6,225,000 (2017: RMB4,836,000), and amortisation and depreciation charge of approximately RMB981,000 (2017: RMB935,000) for the year ended December 31, 2018, such amounts are also included in the amortisation of intangible assets, depreciation of property, plant and equipment and operating lease charges in respect of rented premises as disclosed above.

9. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
2018 Interim — HK$ nil (2017 Interim — HK$0.05) per share	**—**	62,467

No final dividend was proposed during the year ended December 31, 2018, nor has any dividend been proposed since the end of the reporting period (2017: RMB62,467,000).

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:

	2018	2017
	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	**293,179**	302,025

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,455,555**	1,456,679
Effect of dilutive potential ordinary shares:		
Deemed issue of shares under the Company's RSU scheme for nil consideration	**2,591**	6,945
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**1,458,146**	1,463,624

11. TRADE, BILLS AND OTHER RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Receivables at amortised cost comprise:		
Trade receivables	**1,393,953**	1,590,405
Bills receivables	**48,923**	22,742
Trade and bills receivables	**1,442,876**	1,613,147
Less: loss allowance for trade receivables	**(147,159)**	(111,883)
	1,295,717	1,501,264
Loan interest receivables	**15,195**	21,073
Trade deposits and prepayments	**75,942**	90,586
Other receivables	**21,252**	22,895
	1,408,106	1,635,818
Less: loss allowance for other receivables	**(6,166)**	—
	1,401,940	1,635,818

As at December 31, 2018, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB1,393,953,000 (2017: RMB1,590,405,000).

During the year ended December 31, 2017, the Group was subject to several factoring agreements (2018: nil) with banks under which the banks pay an amount net of discount to the Group and collect the factored trade receivable balances directly from the Group's customers. The costs of the factoring arrangement ranged from 2.1% to 3.3% (2018: nil) of the balance transferred and are included in "finance costs". The Group considered it had transferred the contractual rights to receive the cash flows of the trade receivables being factored and therefore recorded the transfers of trade receivables pursuant to the factoring agreements as sales. All of the factored trade receivables were accounted for as sales of trade receivables and derecognised upon transfer.

For the year ended December 31, 2017, the Group received proceeds of approximately RMB1,979,257,000 (2018: nil) from sales of trade receivables. The Group recognised discounts of RMB39,278,000 (2018: nil) in finance costs for trade receivables sold to the banks for the year ended December 31, 2017.

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.

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**550,838**	1,306,185
1 to 2 months	**272,136**	148,432
2 to 3 months	**243,456**	18,830
Over 3 months	**229,287**	27,817
	1,295,717	1,501,264

12. LOANS TO THIRD PARTIES

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**12,136**	222,181
1 to 2 months	**2,689**	157,148
2 to 3 months	**1,795**	425,156
Over 3 months	**525,562**	138,073
	542,182	942,558

13. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**524,722**	190,121
Accrued staff costs	**12,064**	13,140
Receipt in advance	**—**	3,591
Other payables	**25,824**	6,162
	562,610	213,014

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**283,703**	156,907
1 to 3 months	**133,464**	27,575
Over 3 months	**107,555**	5,639
	524,722	190,121

The average credit period granted by 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 January 1, 2017, December 31, 2017 and December 31, 2018	500,000,000,000	50,000	N/A
Issued and fully paid:			
At January 1, 2017	1,501,272,732	150	1
Cancellation of repurchased shares *(notes i and ii)*	(29,996,000)	(3)	—
At December 31, 2017	1,471,276,732	147	1
Issue of new shares *(note iv)*	10,200,000	1	—
Cancellation of repurchased shares *(note v)*	(4,336,000)	—	—
At December 31, 2018	1,477,140,732	148	1

Notes:

(i) During the year ended December 31, 2016, the Company repurchased 39,179,000 shares. Of the 39,179,000 shares, 17,769,000 shares were cancelled during the year ended December 31, 2017.

(ii) During the year ended December 31, 2017, the Company repurchased its own shares through the SEHK 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*
January 2017	1,215,000	11.70	10.32	13,374
February 2017	668,000	10.78	10.30	7,008
May 2017	10,344,000	10.40	7.67	97,417
	12,227,000			117,799

All of the above shares were cancelled as at December 31, 2017. The issued share capital of the Company was reduced by the nominal value of US$1.22. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$1.22 (equivalent to RMB8.28) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of HK$117,799,000 (equivalent to approximately to RMB105,508,000) was charged to share premium.

(iii) During the year ended December 31, 2017, the Company repurchased its own shares through the SEHK 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*
January 2017	1,250,000	11.05	10.73	13,631
February 2017	500,000	10.90	10.77	5,425
May 2017	500,000	9.78	9.78	4,892
	2,250,000			23,948

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$23,948,000 (equivalent to approximately RMB21,127,000) 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 December 18, 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.

(v) During the year ended December 31, 2018, the Company repurchased its own shares through the SEHK 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 as at December 31, 2018, and the remaining 231,000 shares were cancelled during the year ending December 31, 2019. 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 to approximately RMB13,755,000) was charged to share premium.

(vi) During the year ended December 31, 2018, the Company repurchased its own shares through the SEHK 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.

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

During the year ended December 31, 2018, the Company repurchased an aggregate of 4,567,000 shares (2017: 12,227,000 shares) of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$15.7 million (2017: HK$117.8 million) (equivalent to RMB13.8 million (2017: RMB105.5 million)).

All the shares repurchased were cancelled, of which 1,265,000 shares were cancelled on May 21, 2018, 731,000 shares were cancelled on June 4, 2018, 629,000 shares were cancelled on August 6, 2018, 1,711,000 shares were cancelled on August 17, 2018 and 231,000 shares were cancelled on January 11, 2019, subsequent to the period end date.

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 year ended December 31, 2018.

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 December 31, 2018, 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.1.1 requires that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. During the Reporting Period, only three regular Board meetings were held to review and discuss the 2017 annual results and 2018 interim results, and consider and discuss the important matters and overall financial performance of the Group. However, the Directors, who were provided with supporting explanatory materials, as supplemented by additional verbal and/or written information from the company secretary or senior management of the Company as and when required, passed several written resolutions to approve routine and operational matters of the Company during the Reporting Period. The Company will make appropriate arrangements to hold at least four regular Board meetings during the year ended 2019.

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 December 31, 2018 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 December 31, 2018. 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 financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in the preliminary announcement have been compared by the Group's auditors, SHINEWING, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by SHINEWING in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditors.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2018.

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 December 31, 2018 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

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

Hong Kong, March 28, 2019

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.