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COGOBUY GROUP
科 通 芯 城 集 團

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

(Stock Code: 400)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

The board (the "**Board**") of directors (the "**Directors**") of Cogobuy Group (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2019 (the "**Reporting Period**") and comparison with the operating results for the corresponding period in 2018. These results were based on the unaudited consolidated interim financial statements for the Reporting Period, which were prepared in compliance with the Hong Kong Accounting Standard ("**HKAS**") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

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.

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

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

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

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

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

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

We have built a large community of engineers and technical professionals who are able to contribute to the procurement decisions of electronics manufacturers. The procurement decisions of a Chinese electronics manufacturer are often made by a handful of its key personnel, many of whom are engineers and technical professionals. Accordingly, we target our marketing efforts at those professionals, aiming to form and enhance the sense of community among them.

We have developed a service model to streamline and complement the complex online and offline procurement system of the electronics manufacturing industry in China. Through a combination of offline and online customer engagement, we have been able to attract and retain electronics manufacturers that work with our sales and customer service teams and through our web and mobile e-commerce platform to efficiently search and define purchase order specifications, as well as execute and manage related procurement processes.

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

Future prospects

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

I. ***Capture opportunities on the deployment of 5G technologies***

The AIoT markets present tremendous business opportunities. We plan to consolidate INGDAN.com's position as the nation's leading AIoT enterprise service provider, covering all emerging core industries in China, including 5G communication devices, smart cars, smart homes, and security. As 5G base stations are becoming more extensive and the network built out is increasing coverage, all of China's industries will experience a digital, smart evolution. Upgrades of devices and applications will present tremendous opportunities for us. With our leading position in chip supplies and the large number of companies already registered on our INGDAN.com 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 services, order fulfilment and delivery capabilities in order to enhance our service reliability and shorten our customer response time to further strengthen the effectiveness of our platforms. We plan to increase the repeat purchase rates of newly acquired customers. We will continue to provide the key procurement personnel of our new customers with powerful online tools, enterprise resource planning and other complimentary services. These services will enable us to maintain constant interactive communications with the key personnel, which in turn allows us to better understand the customers' demands and their product development. Accordingly, we will be able to make customized marketing plans targeted at the new customers and cross-sell other products.

V. *Pursue strategic partnerships and acquisition opportunities*

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

First half of 2019 compared to first half of 2018

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

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

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

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

2. Revenue

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

3. Cost of Sales

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

4. Gross Profit

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

5. Other Income

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

6. Selling and Distribution Expenses

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

7. Research and Development Expenses

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

8. Administrative and Other Operating Expenses

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

9. Income Tax

Our income tax decreased by approximately 93.9% from approximately RMB13.1 million for the six months ended June 30, 2018 to approximately RMB0.8 million for the six months ended June 30, 2019, primarily due to a decrease in profit from operations due to the decreased revenue and gross profit. The effective tax rate for the six months ended June 30, 2019 was approximately

1.9%, as compared to approximately 5.1% for the six months ended June 30, 2018. The decrease was mainly due to deferred taxation related to amortization of intangible assets of approximately RMB3.5 million credited in the first half of 2019 whilst deferred taxation of approximately RMB0.3 million was credited in the same period of 2018.

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

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

11. Liquidity and Source of Funding

As of June 30, 2019, the current assets of the Group amounted to approximately RMB4,666.0 million, which mainly comprised cash and bank balances (including short-term bank deposits and pledged deposits), inventories, loans receivable and trade and other receivables, in the amount of approximately RMB778.7 million, approximately RMB1,160.6 million, approximately RMB588.9 million and approximately RMB1,444.7 million, respectively. Current liabilities of the Group amounted to approximately RMB1,904.7 million, of which approximately RMB942.4 million was bank loans and approximately RMB950.2 million was trade and other payables. As of June 30, 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 2.45, representing a decrease of 15.2% as compared with 2.89 as of December 31, 2018. The change in the current ratio was primarily due to an increase in trade and other payables, partly offset by an increase in inventories. The increase in both inventories and trade and other payables was resulted from more purchases of goods made in the second quarter of 2019 to cope with expected sales demand in the second half of this year.

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

12. Capital Expenditure

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

13. Net Gearing Ratio

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

14. Material Investments

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

15. Material Acquisitions and Disposals

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

16. Future Plans for Material Investments and Capital Assets

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

17. Pledge of Assets

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

18. Contingent Liabilities

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

19. Foreign Exchange Exposure

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

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

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

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

20. Events after the Reporting Period

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

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated financial results of the Group which are prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Group uses the following additional financial measures (i) profit attributable to equity shareholders of the Group, and (ii) basic and diluted earnings per share. We define: (1) non-GAAP profit attributable to equity shareholders of the Group as profit attributable to equity shareholders of the Group excluding share-based compensation costs, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect, and fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve; and (2) non-GAAP basic and diluted earnings per share as basic and diluted earnings per share excluding share-based compensation costs, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect, and fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve. The presentation of these non-GAAP financial measures is not intended to be considered in isolation of or as a substitute for the Group's financial 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 arised from acquisition of subsidiaries and its related deferred taxation effect, and fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve that may not be indicative of its operating performance from a cash perspective. The Group believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These non-GAAP financial measures also facilitate management's internal comparisons to the Group's historical performance and liquidity. The Group computes its non-GAAP financial measures using the same consistent method from quarter to quarter.

The Group believes these non-GAAP financial measures are useful to investors in allowing greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of using non-GAAP profit attributable to equity shareholders of the Group and non-GAAP basic and diluted earnings per share is that these non-GAAP measures exclude share-based compensation costs, amortization of intangible assets arised from acquisition of subsidiaries and its related deferred taxation effect, and fair value of interest in an associate retained on loss of control of the subsidiaries, net of release of related reserve that have been and will continue to be in the foreseeable future recurring expenses in our business. Management compensates for these limitations by providing specific information regarding the amounts excluded from each non-GAAP financial measure. The accompanying tables have more details on the reconciliations between HKFRS financial measures that are most directly comparable to non-GAAP financial measures. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

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

For the six months ended June 30, 2019 and 2018

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

	Note	Six months ended 30 June **2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**37,983**	238,984
Non-controlling interests		**2,397**	3,499
		40,380	242,483
Total comprehensive income for the period attributable to:			
Owners of the Company		**34,850**	299,261
Non-controlling interests		**2,440**	3,732
		37,290	302,993
Earnings per share			
Basic (RMB)	*11*	**0.026**	0.164
Diluted (RMB)	*11*	**0.026**	0.164

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**8,453**	9,497
Right-of-use assets		**19,163**	—
Intangible assets		**499,148**	451,246
Goodwill		**451,483**	451,492
Financial assets at fair value through other comprehensive income		**351,602**	7,700
Interests in associates		**175,370**	162,787
Interest in joint ventures		**292**	—
		1,505,511	1,082,722
Current assets			
Inventories		**1,160,599**	860,361
Trade, bills and other receivables	*12*	**1,444,674**	1,401,940
Loans to third parties	*13*	**588,869**	542,182
Amounts due from associates		**541,153**	575,708
Income tax recoverable		**2,057**	1,448
Financial assets at fair value through profit or loss		**150,000**	191,830
Short-term bank deposits		**60,311**	83,833
Pledged bank deposits		**63,491**	306,947
Cash and cash equivalents		**654,871**	926,997
		4,666,025	4,891,246
Current liabilities			
Trade and other payables	*14*	**950,212**	562,610
Contract liabilities		**2,201**	2,292
Lease liabilities		**9,895**	—
Bank loans		**942,357**	1,125,860
		1,904,665	1,690,762
Net current assets		**2,761,360**	3,200,484
Total assets less current liabilities		**4,266,871**	4,283,206

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

3.1 Impacts on adoption of HKFRS 16 *Leases*

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

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

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

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.57%.

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

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

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

Note:

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

3.2 Practical expedients applied

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

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an arrangement contains a lease.

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics, and

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

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

The Group as lessee

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

Lease liabilities

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

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

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

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

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

Lease modification

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

5. REVENUE

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

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

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

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

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

6. SEGMENT INFORMATION

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

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

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

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

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

Segment revenues and results

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

For the six months ended 30 June 2019

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

For the six months ended 30 June 2018

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

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

Segment assets and liabilities

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

Segment assets

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

Segment liabilities

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

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

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

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

7. OTHER INCOME

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

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

8. FINANCE COSTS

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

9. INCOME TAX EXPENSE

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

10. PROFIT FOR THE PERIOD

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

Note: Research and development expenses include depreciation of right-of-use assets of approximately RMB2,519,000 (six months ended 30 June 2018: nil), operating lease charges in respect of rented premises of nil (six months ended 30 June 2018: RMB2,857,000), and amortisation and depreciation charges of intangible assets and property, plant and equipment of approximately RMB508,000 (six months ended 30 June 2018: RMB487,000) for the six months ended 30 June 2019, such amounts are also included in the amortisation of intangible assets, depreciation of property, plant and equipment, depreciation of right-of-use assets and operating lease charges in respect of rented premises as disclosed above.

11. EARNINGS PER SHARE

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

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

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

12. TRADE, BILLS AND OTHER RECEIVABLES

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

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

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

13. LOANS TO THIRD PARTIES

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

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

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

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 view that the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules except for code provision A.2.1 as mentioned below during the Reporting Period.

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Kang 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 when it is appropriate, taking into account the circumstances of the Group as a whole.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to regulate all dealings by the Directors of the securities in the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the six months ended June 30, 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 has been noted by the Company throughout the Reporting Period after making reasonable enquiry.

AUDIT COMMITTEE

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

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

The interim financial report of the Group for the six months ended June 30, 2019 is unaudited but has been reviewed by the Audit Committee.

OTHER BOARD COMMITTEES

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

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

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

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

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

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

Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2019 and up to the date of this announcement.

MATERIAL LITIGATION

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

INTERIM DIVIDEND

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cogobuy.com. The 2019 interim report of the Group for the six months ended June 30, 2019 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, August 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.