科通芯城 Cogobuy.com

Cogobuy Group 科通芯城集團

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

INTERIM REPORT 2018

Cogobuy Group is headquartered in Shenzhen, with offices and branches across major cities in China, including Hong Kong, Shanghai, Beijing, Wuhan, Chengdu, Nanjing, Hangzhou and Xi'an, as well as overseas branches in Singapore, Israel and Japan. The Group operates an IC Components Direct Sales Platform, Cogobuy.com, and an AIoT Business Service Platform, INGDAN.com, and strives to foster the development of an AIoT ecosystem that connects cloud computing and AI core technologies with the Group's expertise in edge computing, machine learning and deep customization. With the ecosystem, the Group aims to provide AIoT solutions to vertical industries such as smart cars, smart homes, smart healthcare, robotics and customized AIoT chips.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

KANG Jingwei, Jeffrey
(Chief Executive Officer and Chairman of the Board)
WU Lun Cheung Allen *(Chief Financial Officer)*
NI Hong, Hope *(Chief Investment Officer)*

Independent Non-Executive Directors

YE Xin
MA Qiyuan
HAO Chunyi, Charlie *(appointed on February 13, 2018)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Block A, 5th Floor
Goodman Kwai Chung Logistics Centre
585 – 609 Castle Peak Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY SECRETARY

WU Lun Cheung Allen

AUTHORIZED REPRESENTATIVES

KANG Jingwei, Jeffrey
WU Lun Cheung Allen

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants

Corporate Information

LEGAL ADVISORS

As to Hong Kong and U.S. laws:
Skadden, Arps, Slate, Meagher & Flom

As to PRC law:
Broad & Bright Law Firm

As to Cayman Islands law:
Conyers Dill & Pearman (Cayman) Limited

PRINCIPAL BANKERS

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

LISTING INFORMATION

Stock Exchange, Stock Code: 00400

COMPANY WEBSITE

www.cogobuy.com

Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

	Unaudited Six months ended June 30, 2018	June 30, 2017	Year-on-year change
	(RMB in millions, unless specified)		
Revenue	**2,961.2**	6,121.6	(51.6)%
Gross profit	**222.1**	540.0	(58.9)%
Profit for the period	**242.5**	287.1	(15.5)%
Profit attributable to equity shareholders of the Company	**239.0**	270.5	(11.6)%
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.164**	0.185	(11.4)%
— diluted	**0.164**	0.184	(10.9)%
Interim dividend per share (HKD per share)	**—**	0.05	(100.0)%

Management Discussion and Analysis

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 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.

In the first half of 2018, we have successfully implemented our "AIoT Business Service Platform + IC Component Sales Platform dual business model" strategy. 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 the first half of 2018, while our profit has increased significantly from the second half of 2017. Chinese chip sales continued to grow at a fast pace following a national policy promoting vertical industry applications of IoT, AI, and 5G technologies. According to China Semiconductor Industry Association, the sales of China's IC industry in the first quarter of 2018 reached RMB115.3 billion, an increase of 20.8% year-on-year. In the midst of the US-China trade conflicts, domestic IC chips substitution has become an irreversible trend. In respond to such industry trend, we have been deepening cooperation with domestic chip companies. To date, we have established long-term partnerships with 36 domestic leading chip manufacturers to capture the market opportunities of domestic chip substitution, while we also continue to work with a number of first-tier international chip manufacturers to meet market demand.

As a leading AIoT enterprise service platform in China, INGDAN.com uses its first-mover advantage to expand AIoT industry chain resources. We have defined five markets to be developed in depth to build an ecosystem, including robotics, smart cars, smart homes, smart healthcare and new materials. INGDAN.com have entered into these industries, the deepened development of which not only brings us more new business opportunities, but also further improves INGDAN.com's monetization strategies and enhances our industry reputation. INGDAN.com emphasizes serving innovative companies in emerging industries, as well as providing smart upgrade services to traditional enterprises. INGDAN.com's AIoT ecosystem has brought on over 38,000 companies to date, including AI computing companies, bottom chip companies, module companies, technical solutions providers, and IoT projects, many of which often have high procurement demands, especially for smart cars, smart homes, robotics, and customized AIoT chips. As reported by researcher International Data Corporation (IDC), global IoT spending is expected to reach US$1.29 trillion by 2020, representing a compound annual growth rate (CAGR) of 15.6% between 2015 and 2020. Meanwhile, the Ministry of Industry and Information Technology of the PRC sets a target for the size of the IoT industry to exceed RMB1.5 trillion by 2020.

In the first half of 2018, INGDAN.com realized its three monetization strategies: first, the sale of smart hardware such as IC 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; and third, realization of gain from equity investments into AIoT companies it incubated.

As our traditional business, direct sales of IC and other electronic components still generates a substantial portion of our revenue. We source high quality IC and other electronic components from leading suppliers around the world and sell them at competitive prices to both SME 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.

Management Discussion and Analysis

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.

Using IC components business as an entry point, we have gradually expanded to a higher value-added service system that includes chips customization, hardware modules, technical support, software, and supply chain finance and solutions. In the first half of 2018, INGDAN.com platform has realized commercialization. During the Reporting Period, revenue generated from INGDAN.com represented 5.8% of the Group's total revenue. Its role in sustaining our long-term growth in the fast-growing aspects of chip sales is becoming prominent.

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 strengths in generating new revenue stream by providing additional services based on the Group's existing platform. As of June 30, 2018, the outstanding loan balance of our IngFin Financing Services business was RMB0.7 billion.

FUTURE PROSPECTS

Our goal is to become the leading service provider of the AIoT era using our platforms to serve China's unique value proposition industry. We intend to pursue the following growth strategies to achieve our goal:

I. Capture Opportunities in Intelligent Manufacturing Upgrades and AI+ Industrial Automation

Intelligent manufacturing upgrades and AI+ industrial automation present tremendous market opportunities. Backed by cloud computing, the integration of automatic control systems for machines and production lines, Manufacturing Execution Systems (MES) of factories and Enterprise Resource Planning (ERP) systems bridge the gap between information and automation system, and optimize the manufacturing capabilities of factories and companies. According to the report of China Academy of Information and Communications Technology (CAICT), China's robotics technology and peripheral services market share is expected to reach RMB379 billion by 2020, representing 70% of global market output. As the world's fastest-growing market for industrial robot sales, we anticipate great demand for AI hardware business from various industries. We plan to accelerate the AI and IoT hardware product design and product commercialization development of IngDan Labs to take advantage of the opportunities presented by the favorable national policy and the rise in intelligent manufacturing and online migration of traditional industries, and to expand INGDAN.com's market share.

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.

Management Discussion and Analysis

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. We will invest more resources in the research and development of technologies to acquire additional analytical power and deeper understanding of customer behaviors, 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

FINANCIAL REVIEW

First half of 2018 compared to first half of 2017

The following table sets forth the comparative figures for the first half of 2018 and the first half of 2017:

	Unaudited Six months ended June 30, 2018	June 30, 2017
	(RMB in millions)	(Restated)
Revenue	2,961.2	6,121.6
Cost of sales	(2,739.1)	(5,581.6)
Gross profit	222.1	540.0
Other income	46.6	64.5
Selling and distribution expenses	(73.3)	(80.7)
Research and development expenses	(52.5)	(51.1)
Administrative and other operating expenses	(47.4)	(86.8)
Profit from operations	95.5	385.9
Finance costs	(22.1)	(51.1)
Gain on disposal of subsidiaries	181.8	—
Share of result of an associate	0.5	2.7
Share of result of a joint venture	(0.1)	—
Profit before taxation	255.6	337.5
Income tax expenses	(13.1)	(50.4)
Profit for the period	242.5	287.1
Attributable to:		
Equity shareholders of the Company	239.0	270.5
Non-controlling interests	3.5	16.6
Profit for the period	242.5	287.1

Management Discussion and Analysis

1. **Overview**

For the six months ended June 30, 2018, profit of the Group decreased and amounted to RMB242.5 million, representing a decrease of RMB44.6 million as compared with RMB287.1 million for the corresponding period of 2017. Profit attributable to equity shareholders of the Company amounted to RMB239.0 million, representing a decrease of RMB31.5 million compared with RMB270.5 million for the corresponding period of 2017.

2. **Revenue**

For the six months ended June 30, 2018, revenue of the Group amounted to RMB2,961.2 million, representing a decrease of RMB3,160.4 million or 51.6% as compared with RMB6,121.6 million for the corresponding period of 2017. The decrease was primarily due to an unexpected challenge that occurred in May 2017, which certain malicious short selling reports about the Company caused banks in Hong Kong to tighten the credit facilities granted to the Group, resulting in a sudden disruption of liquidity. In the process of reducing the procurement and repaying bank debts, the Group's IC components direct sales revenue in the second half of 2017 significantly decreased. As banks still tightened the credit facilities granted to the Group in 2018, our IC components direct sales business has been greatly impacted, which contributed to the decrease in revenue.

3. **Cost of Sales**

Cost of sales for the six months ended June 30, 2018 was RMB2,739.1 million, representing a decrease of 50.9% from RMB5,581.6 million for the six months ended June 30, 2017. The decrease was due to a decrease in direct sales revenue for the reasons described above.

4. **Gross Profit**

Gross profit for the six months ended June 30, 2018 was RMB222.1 million, representing a decrease of 58.9% from RMB540.0 million for the six months ended June 30, 2017. The decrease in gross profit was primarily driven by the results of our direct sales revenue and cost of revenue for the reasons described above.

5. **Other Income**

For the six months ended June 30, 2018, other income of the Group amounted to RMB46.6 million, representing a decrease of RMB17.9 million or 27.8% as compared with RMB64.5 million for the corresponding period of 2017. This was primarily due to a gain on disposal of available-for-sale investments realized for the first half of 2017 whilst no such gain was 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, 2018 amounted to RMB73.3 million, representing a decrease of RMB7.4 million or 9.2% from RMB80.7 million over the corresponding period of 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. The decrease was partly offset by additional impairment loss on trade receivables of RMB29.6 million for the six months ended June 30, 2018 as compared to RMB9.6 million in the same period of 2017.

7. **Research and Development Expenses**

For the six months ended June 30, 2018, research and development expenses of the Group amounted to RMB52.5 million, representing an increase of RMB1.4 million or 2.7% from RMB51.1 million over the corresponding period of 2017. 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 2018 as compared to the same period of 2017.

8. **Administrative and Other Operating Expenses**

Administrative and other operating expenses for the six months ended June 30, 2018 were RMB47.4 million, representing a decrease of RMB39.4 million or 45.4% from RMB86.8 million over the corresponding period of 2017. This was primarily due to a decrease in general administrative costs and employee headcounts.

Management Discussion and Analysis

9. Income Tax

Our income tax decreased by 73.9% from approximately RMB50.4 million for the six months ended June 30, 2017 to approximately RMB13.1 million for the six months ended June 30, 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 six months ended June 30, 2018 was 5.1%, as compared to 14.9% for the six months ended June 30, 2017. The decrease was mainly due to the non-taxable gain on disposal of subsidiaries amounting to RMB181.8 million for the six months ended June 30, 2018.

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

For the six months ended June 30, 2018, profit attributable to equity shareholders of the Company amounted to RMB239.0 million, representing a decrease of RMB31.5 million or 11.6% as compared with RMB270.5 million for the corresponding period of 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 RMB181.8 million.

11. Liquidity and Source of Funding

As of June 30, 2018, the current assets of the Group amounted to RMB5,005.6 million, which mainly comprised cash and bank balances (including pledged deposits), inventories, loans receivable, trade and other receivables and amounts due from associates, in the amount of RMB2,075.7 million, RMB457.8 million, RMB660.2 million, RMB1,190.5 million, and RMB616.1 million respectively. Current liabilities of the Group amounted to RMB1,353.5 million, of which RMB1,086.0 million was bank loans and RMB267.5 million was trade and other payables. As of June 30, 2018, the current ratio (the current assets to current liabilities ratio) of the Group was 3.70, representing an increase of 32.1% 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 June 30, 2018 or the date of this interim report and does not have any breaches of financial covenants.

12. Capital Expenditure

For the six months ended June 30, 2018, the capital expenditure of the Group amounted to approximately RMB0.1 million, representing a decrease of RMB0.5 million or 77.4% compared with RMB0.6 million for the corresponding period in 2017. The decrease in capital expenditure was primarily resulted from the plan of tighten budget for purchase of fixed assets for existing operation.

13. Net Gearing Ratio

As of June 30, 2018, the net gearing ratio of the Group, which was calculated by dividing net debt (total bank loans minus cash and cash equivalents and pledged deposits) by total equity, was –24.7% as compared with –31.6% as of December 31, 2017. The increase was primarily due to a decrease in net cash balance as a result of repayment of deposits from customers in the first half of 2018.

14. Material Investments

The Group did not make any material investments for the six months ended June 30, 2018.

15. Future plans for material investments and capital assets

As of June 30, 2018, we did not have other plans for material investments and capital assets.

16. Material Acquisitions and Disposals

During the six months ended June 30, 2018, Cogobuy Group, Inc., a wholly-owned subsidiary of the Company ("**Cogobuy Inc.**"), and EZ ROBOT, INC. ("**Cogobuy Sub**"), a wholly-owned subsidiary of the Company, entered into a share subscription agreement for the acquisition of the entire equity interest in Shanghai KMT Electronic Technology Ltd. Co. (上海科姆特電子技術有限公司) ("**Shanghai KMT**") and Shanghai KMT Automation Control Technology Ltd. Co. (上海科姆特自動化控制技術有限公司) ("**Shanghai KMT Automation**") and certain assets owned by RICH WISDOM VENTURES LIMITED ("**KMT Automation Parent Co.**"), Shanghai KMT and Shanghai KMT Automation, in consideration of Cogobuy Sub agrees to issue 30% of its issued share capital to KMT Automation Parent Co. after completion. Pursuant to the shareholders agreement entered into by Cogobuy Inc. and KMT Automation Parent Co., and Cogobuy Sub on January 18, 2018, Cogobuy Inc. granted to KMT Automation Parent Co. the option to purchase shares in Cogobuy Sub held by Cogobuy Inc., equivalent to up to 60% of the issued share capital of Cogobuy Sub (the "**Call Option**"). On June 25, 2018, Cogobuy Inc. received a notice of exercise of the Call Option by KMT Automation Parent Co. for the acquisition of 15,000 shares in Cogobuy Sub. The per share exercise price was HK$8,249, which was determined by the parties after arm's length negotiations. The aggregate consideration payable to Cogobuy Inc. was HK$123,735,000 or its equivalent in USD. Upon completion of the exercise of the Call Option, Cogobuy Sub would be owned by KMT Automation Parent Co. as to 51% and by Cogobuy Inc. as to 49%. Cogobuy Sub would therefore cease to be a subsidiary of the Company and its financial results would not be consolidated with the results of the Group. The transaction constitutes a discloseable transaction under the Listing Rules. Further details of the transaction are set out in the Company's announcements dated January 18, 2018 and June 25, 2018.

Save for the above, we did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the six months ended June 30, 2018.

17. Pledge of Assets

Except for the pledged bank deposits of RMB187.9 million and RMB184.8 million as of June 30, 2018 and December 31, 2017, respectively, the Group did not pledge any assets for the six months ended June 30, 2018. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

18. Contingent Liabilities

Neither the Group nor the Company had any significant contingent liabilities as of June 30, 2018.

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.

Management Discussion and Analysis

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated financial results presented in accordance with HKFRSs, the Group uses the following measures defined as Non-GAAP financial measures: 1) Non-GAAP profit attributable to equity shareholders of Cogobuy Group which is profit attributable to equity shareholders of Cogobuy Group excluding share-based compensation costs, amortization of intangible assets 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 which is basic and diluted earnings per share excluding share-based compensation costs, amortization of intangible assets 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 or as a substitute for the financial information prepared and presented in accordance with HKFRSs. For more information on these Non-GAAP financial measures, please see the table captioned "**Unaudited reconciliations of Non-GAAP measures to the most comparable HKFRS measures**" set forth below.

The Group believes that these Non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity by excluding share-based compensation costs, amortization of intangible assets and its related deferred taxation effect, and 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 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 Cogobuy 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 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 measure. The accompanying tables have more details on the reconciliations between HKFRS financial measures that are most directly comparable to Non-GAAP financial measures.

Other Information

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

As at June 30, 2018, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executives have taken or deemed to have taken under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein; (iii) required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) disclosed according to the knowledge of the Directors were as follows:

(i) Interests in the Shares of our Company

Name of Director	Nature of interest	Number of Shares *(Long position)*	Approximate percentage of shareholding[1]
Mr. Kang	Interest of controlled corporation[2]	700,200,000	47.66%
Mr. Kang	Beneficial owner	1,800,000	0.12%
Mr. Wu	Beneficial owner	1,800,000	0.12%

Notes:

(1) The percentage is for illustrative purpose only, is calculated based on the number of Shares in issue as at June 30, 2018 and rounded up to two decimal places.

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

(ii) Interests in associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of securities listed *(Long position)*	Approximate percentage of shareholding
Mr. Kang	Envision Global[Note]	Beneficial owner	1 share	100%

Note: Mr. Kang owns Envision Global directly as to 100%.

Save as disclosed above, as at June 30, 2018, so far as is known to any Director or the chief executives of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were (i) required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director has taken or deemed to have taken under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at June 30, 2018, so far as the Directors are aware, the following substantial Shareholders had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Name	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding[4]
Envision Global	Beneficial owner	700,200,000	47.66%
Mr. Kang[2]	Interest of a controlled corporation	700,200,000	47.66%
Mr. Kang	Beneficial owner	1,800,000	0.12%
Da Cheng	Investment Manager	73,650,000	5.01%
Total Dynamic	Beneficial owner	182,888,000	12.45%
Ms. Yao[3]	Interest of a controlled corporation	182,888,000	12.45%

Notes:

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

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

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

(4) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as at June 30, 2018 (without taking into account the Shares to be issued pursuant to the RSU Scheme) and rounded up to two decimal places.

Save as disclosed above, as at June 30, 2018, according to the register kept by the Company under section 336 of the SFO, there was no other person who had interests or short positions in the Shares or underlying Shares of the Company.

EMPLOYEE AND REMUNERATION POLICIES

As at June 30, 2018, the Group had 548 full-time employees (June 30, 2017: 798). The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company also has an RSU Scheme.

Other Information

The total remuneration cost incurred by the Group for the six months ended June 30, 2018 was RMB54.47 million (for the six months ended June 30, 2017: RMB57.53 million).

RSU SCHEME

The Company has adopted an RSU Scheme. The purpose of the RSU Scheme is to reward the fidelity of the directors, executive officers, senior managers and employees of the Company and of its subsidiaries (collectively, "**Scheme Companies**" and each, a "**Scheme Company**") and align their interests with those of the Shareholders.

The grant of the RSUs recognized the contribution of the Scheme Companies' directors, executive officers, senior managers and employees to the historical achievements of the Company. The Company has the intention to continue exploring ways to incentivise, retain and reward Scheme Companies' directors, executive officers, senior management and employees and may implement other RSU schemes or other share-based remuneration schemes in the future.

Details of the movement of the RSUs granted pursuant to the RSU Scheme to the Directors and employees during the six months ended June 30, 2018 are set out below:

Name of participant	Date of award	Number of Shares underlying the RSUs granted	Vested as at June 30, 2018	Unvested as at June 30, 2018	Vesting period
Directors					
Mr. Kang	March 1, 2014	1,800,000	1,800,000	—	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Mr. Wu	March 1, 2014	1,800,000	1,800,000	—	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Other grantees					
Other grantees with a vesting period of three years(note 1)	March 1, 2014	19,346,300	18,071,300	—	One-third of the entitlement in each of 2014, 2015 and 2016 (in quarterly installments)
Other grantees with a vesting period of one year(note 2)	March 1, 2014	7,253,700	6,423,200	—	December 31, 2014
Other grantees with a vesting period of three years(note 3)	July 8, 2015	17,940,000	14,732,500	1,042,500	12 quarterly installments from July 8, 2015 to July 7, 2018
Other grantees with a vesting period of three years(note 4)	February 1, 2017	6,000,000	2,380,000	3,080,000	12 quarterly installments from February 1, 2017 to January 31, 2020

Note 1: As at June 30, 2018, 1,275,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 2: As at June 30, 2018, 830,500 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 3: As at June 30, 2018, 2,165,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 4: As at June 30, 2018, 540,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Other Information

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. Save for a deviation from code provision A.2.1, the Board is of the view that the Company has complied with all the code provisions set out in the CG Code during the period from January 1, 2018 to June 30, 2018.

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 by taking into account the circumstances of the Group as a whole.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended June 30, 2018, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in the securities of the Company by the Directors (the "**Securities Dealing Code**"). The Company has made enquiries with all Directors, and all the Directors confirmed that they have strictly complied with the Securities Dealing Code for the six months ended June 30, 2018.

The Board has also adopted the Securities Dealing Code to regulate all securities transactions by relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance with the Securities Dealing Code by the Group's relevant employees was noted after making reasonable enquiry throughout the Reporting Period.

REVIEW BY AUDIT COMMITTEE

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

Other Information

The audit committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 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.

The interim financial report of the Group for the six months ended June 30, 2018 has been reviewed by the audit committee of the Company and by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA.

OTHER BOARD COMMITTEE

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

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO LISTING RULE 13.51(B)(1)

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the change in information of Directors is set out below:

Ms. Ni Hong, Hope

Ms. Ni has ceased to be an independent director of JA Solar Holdings Co., Ltd., a NASDAQ listed company (NASDAQ: JASO), with effect from July 16, 2018.

Save as mentioned above, there is no other change in the Directors' information required to be disclosed under Rule 13.51(B)(1) of the Listing Rules since the date of publication of the 2017 annual report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2018, the Company repurchased an aggregate of 1,996,000 Shares of its own issued ordinary share capital through the Stock Exchange for an aggregate consideration of HK$7.9 million (equivalent to RMB6.4 million). All of the repurchased Shares were cancelled, of which 1,265,000 Shares were cancelled on May 21, 2018 and 731,000 Shares were cancelled on June 4, 2018.

Subsequent to the end of the Reporting Period, the Company repurchased an aggregate of 2,340,000 Shares of its own issued ordinary share capital through the Stock Exchange for an aggregate consideration of HK$7.2 million (equivalent to RMB6.1 million). All the repurchased Shares were cancelled, of which 629,000 Shares were cancelled on August 6, 2018 and 1,711,000 Shares were cancelled on August 17, 2018.

All of the above repurchases were effected by the Directors for the benefit of the Company and to create value the Shareholders.

Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange during the Reporting Period.

Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2018. (Six months ended June 30, 2017: HK$0.05 per Share)

MATERIAL LITIGATION

As of June 30, 2018, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Company's issue of new Shares in its initial public offering (after deducting expenses relating specifically to the issue of new Shares in the initial public offering and expenses relating generally to the listing of all the Shares of the Company, whether existing or new, included underwriting fee of approximately RMB49,466,000) amounted to approximately HK$1,313,168,000 (equivalent to approximately RMB1,046,070,000). As at June 30, 2018, the net proceeds from the initial public offering had been utilized as follows:

	Planned amount per Prospectus	Amount utilized up to December 31, 2017	Amount utilized up to June 30, 2018	Balances as at June 30, 2018
	(RMB in millions, unless specified)			
Expanding our marketing and promotion activities	366.1	366.1	—	—
Expanding and enhancing of our e-commerce platform, investing in our technology infrastructure, as well as for conducting other research and development activities	313.8	259.7	313.8	—
Funding potential acquisitions of, or investment in, technologies and complementary online business, partnerships and licensing opportunities	261.5	261.5	—	—
Working capital and other general corporate purposes	104.6	104.6	—	—

CONTINUING CONNECTED TRANSACTIONS

Updates in relation to the Qualification Requirement

At the time of adoption of the contractual arrangements by the Company, under the subsequent effective PRC law, the value-added telecommunications business of Shenzhen Cogobuy (i.e., the e-commerce business) was subject to restriction on the percentage of foreign ownership under the Guiding Catalogue for Foreign Investment Industries of 2011 (the "**2011 Catalogue**") and the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises promulgated by the State Council on December 11, 2001, which were subsequently amended on September 10, 2008 and February 6, 2016, respectively (the "**FITE Regulations**"), that is, foreign investors were not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet content provision services.

Other Information

In addition, a foreign investor who invests in a value-added telecommunications businesses in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (“**Qualification Requirement**”).

On March 10, 2015, the Guiding Catalogue for Foreign Investment Industries of 2015 (the “**2015 Catalogue**”) was promulgated and has replaced the 2011 Catalogue after it came into effect on April 10, 2015; and the 2015 Catalogue was later replaced by the *Guiding Catalogue for Foreign Investment Industries of 2017* (the “**2017 Catalogue**”), which became effective on July 28, 2017. Further, on June 19, 2015, the Ministry of Industry and Information Technology (“**MIIT**”) promulgated the Circular on Lifting the Restriction on Foreign Shareholding in Online Data Processing and Transaction Processing Services (Operational E-commerce Businesses) (MIIT [2015] No. 196) (the “**196 Circular**”), which came into immediate effect on the date of promulgation. According to the 2015 Catalogue (and the subsequent 2017 Catalogue) and the 196 Circular, the restriction on foreign ownership (i.e., not to exceed 50%) has been lifted for e-commerce businesses, which means that foreign-invested companies with 100% foreign ownership are now able to carry out the e-commerce business.

However, in spite of the changes brought about by the 2015 Catalogue (and the subsequent 2017 Catalogue) and the 196 Circular, it is not certain whether the Company can operate the business of Shenzhen Cogobuy without the contractual arrangements because the Qualification Requirement remains existent and unchanged.

Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the Qualification Requirement. Accordingly, the interpretation of the Qualification Requirement will mainly be subject to the administrative discretion of the MIIT, and there do exist practical uncertainties as to whether the Company will be regarded as having fulfilled the Qualification Requirement by the MIIT, even though the Company has taken measures to build up its track record of overseas telecommunications business operations as detailed below. According to the Information Disclosure System of MIIT, since promulgation of the 196 Circular, nationwide only a very limited number of foreign invested companies have obtained the Electronic Data Interchange License (the “**EDI license**”), which is the license required for the e-commerce business under the 196 Circular, taking place of the previously required ICP license; and throughout the first half of the year 2018, no foreign invested company has obtained the EDI license. Therefore, it is uncertain whether the Company could directly hold Shenzhen Cogobuy through equity ownership without having any adverse impact on the e-commerce business conducted by Shenzhen Cogobuy or otherwise on the ICP license held by Shenzhen Cogobuy or the EDI license which Shenzhen Cogobuy is currently applying for.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Company has been gradually building up the track record of overseas telecommunications business operations for the purpose of being qualified, as early as possible, to acquire the entire equity interests of Shenzhen Cogobuy.

The Company has operating subsidiaries incorporated in Hong Kong whose principal business activities are sales of electronic components and related products. These Hong Kong subsidiaries maintain the Group’s cloud service and database, provide services that support our Cogobuy.com e-commerce platform including technical support for overseas users of our e-commerce platform, including suppliers, and also engage in the operation of our online data analysis system, inventory management system and delivery tracking system. We believe that such business activities help to demonstrate our experience in areas related to overseas value-added telecommunications business. In particular, according to the Catalogue of Telecommunications Businesses attached to the Telecommunications Regulations of the PRC, value-added telecommunication services include, among others, online data and transaction handling businesses.

These services provided by our Hong Kong subsidiaries are important components of our e-commerce platform and relate directly to online data and transaction handling. Going forward, our Hong Kong subsidiaries will play a greater role in serving the overseas users of our e-commerce platform, including the provision of mobile application services.

As of June 30, 2018, the Company has no further update to disclose in relation to the Qualification Requirement.

Other Information

UPDATE ON NON-COMPLIANCE MATTERS

Certain lease agreements we entered into with respective PRC landlords had not been registered with the relevant government authorities due to the non-cooperation of the relevant landlords. Under relevant PRC laws and regulations, the relevant governmental authority may ask the parties to a lease to register the lease within a given period, and a fine ranging between RMB1,000 to RMB10,000 may be imposed on the parties to a lease for failing to rectify within the given period. During the period between January 1, 2018 and June 30, 2018, we had not been ordered by any authorities to register the lease agreements within a given period. In addition, the fine which may potentially be imposed as a result of the failure to register the relevant leases would be immaterial.

Our PRC Legal Advisor is of the view that the above incident is not material to our Group as a whole.

Our Directors are of the view that this non-compliance incident will not have a material operational or financial impact on us, given that the potential maximum fine for failure to register lease agreements for properties we leased would be immaterial.

The Company undertakes that it will rectify all non-compliances in a timely manner and will update the progress of the rectification of the non-compliance incidents in the Company's subsequent interim and annual reports.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended June 30, 2018 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available for review on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cogobuy.com) in due course.

For and on behalf of the Board

KANG Jingwei, Jeffrey
Chairman, Chief Executive Officer and Executive Director
Hong Kong
August 28, 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited) (Restated)
Revenue	5	2,961,168	6,121,617
Cost of sales		(2,739,072)	(5,581,602)
Gross profit		222,096	540,015
Other income	7	46,560	64,531
Selling and distribution expenses		(73,299)	(80,750)
Research and development expenses		(52,492)	(51,080)
Administrative and other operating expenses		(47,386)	(86,797)
Finance costs	8	(22,065)	(51,133)
Gain on disposal of subsidiaries	22	181,787	—
Share of result of an associate		466	2,740
Share of result of a joint venture		(44)	—
Profit before taxation		255,623	337,526
Income tax expenses	9	(13,140)	(50,415)
Profit for the period	10	242,483	287,111
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations:			
Exchange gain (losses) during the period		58,824	(64,962)
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)
Other comprehensive income (expense) for the period		60,510	(69,866)
Total comprehensive income for the period		302,993	217,245

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	For the six months ended 30 June 2017 RMB'000 (Unaudited) (Restated)
Profit for the period attributable to:			
Owners of the Company		238,984	270,464
Non-controlling interests		3,499	16,647
		242,483	287,111
Total comprehensive income for the period attributable to:			
Owners of the Company		299,261	202,338
Non-controlling interests		3,732	14,907
		302,993	217,245
Earnings per share			
Basic (RMB)	12	0.164	0.185
Diluted (RMB)	12	0.164	0.184

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	10,657	11,819
Intangible assets		1,114	1,128
Goodwill		173,774	170,857
Available-for-sale investments		—	20,918
Financial assets at fair value through other comprehensive income		21,082	—
Interests in associates		154,351	18,318
Interest in a joint venture		—	44
		360,978	223,084
Current assets			
Inventories		457,766	504,403
Trade, bills and other receivables	14	1,190,477	1,635,818
Loans to third parties	15	660,231	942,558
Amounts due from associates	16	616,124	—
Income tax recoverable		3,236	—
Short-term bank deposits		2,011	1,943
Pledged bank deposits		187,926	184,770
Cash and cash equivalents		1,887,807	2,048,431
		5,005,578	5,317,923
Current liabilities			
Trade and other payables	17	267,508	213,014
Deposits from customers		—	589,178
Income tax payables		—	14,916
Bank loans		1,086,010	1,084,085
		1,353,518	1,901,193
Net current assets		3,652,060	3,416,730
Total assets less current liabilities		4,013,038	3,639,814
Non-current liability			
Deferred tax liabilities		662	570
Net assets		4,012,376	3,639,244
Capital and reserves			
Share capital	18	1	1
Reserves		3,986,286	3,609,868
		3,986,287	3,609,869
Non-controlling interests		26,089	29,375
Total equity		4,012,376	3,639,244

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company												
	Share capital RMB'000 (note 18)	Share premium RMB'000 (Restated)	Capital reserve RMB'000 (note i)	Share-based compensation reserve RMB'000 (note ii)	Other reserve RMB'000 (note iii)	Shares held for the Restricted Share Unit Scheme ("RSU Scheme") RMB'000 (note iv) (Restated)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note v)	Fair value reserve RMB'000 (note vi)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (Audited)	1	2,375,533	18,923	23,785	(26,286)	(108,721)	184,845	4,602	4,904	1,122,908	3,600,494	85,441	3,685,935
Profit for the period	–	–	–	–	–	–	–	–	–	270,464	270,464	16,647	287,111
Other comprehensive expense													
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	(63,222)	–	–	–	(63,222)	(1,740)	(64,962)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	–	–	–	(4,904)	–	(4,904)	–	(4,904)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(63,222)	–	(4,904)	270,464	202,338	14,907	217,245
Issue of shares under the RSU Scheme	–	–	–	(19,247)	–	19,247	–	–	–	–	–	–	–
Equity-settled share-based compensation expenses	–	–	–	23,603	–	–	–	–	–	–	23,603	–	23,603
Cancelled of own shares	–	(105,508)	–	–	–	–	–	–	–	–	(105,508)	–	(105,508)
Purchase of shares held for the RSU Scheme	–	–	–	–	–	(21,127)	–	–	–	–	(21,127)	–	(21,127)
At 30 June 2017 (Unaudited)	1	2,270,025	18,923	28,141	(26,286)	(110,601)	121,623	4,602	–	1,393,372	3,699,800	100,348	3,800,148

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company												
	Share capital RMB'000 (note 18)	Share premium RMB'000	Capital reserve RMB'000 (note i)	Share-based compensation reserve RMB'000 (note ii)	Other reserve RMB'000 (note iii)	Shares held for the Restricted Share Unit Scheme ("RSU Scheme") RMB'000 (note iv)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note v)	Fair value reserve RMB'000 (note vi)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (Audited)	1	2,270,025	18,923	30,539	(26,286)	(92,021)	41,620	13,891	–	1,353,177	3,609,869	29,375	3,639,244
Profit for the period	–	–	–	–	–	–	–	–	–	238,984	238,984	3,499	242,483
Other comprehensive income													
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	58,591	–	–	–	58,591	233	58,824
Reclassification adjustments for the cumulative loss included in profit or loss upon disposal of foreign operations (note 22(b))	–	–	–	–	–	–	1,686	–	–	–	1,686	–	1,686
Total comprehensive income	–	–	–	–	–	–	60,277	–	–	238,984	299,261	3,732	302,993
Disposal of interests in subsidiaries without losing the control (note 22(a))	–	–	–	–	65,050	–	–	–	–	–	65,050	4,950	70,000
Disposal of subsidiaries (note 22(b))	–	–	–	–	–	–	–	–	–	–	–	(11,968)	(11,968)
Issue of shares under the RSU Scheme (note 18(vi))	–	–	–	(16,843)	–	16,843	–	–	–	–	–	–	–
Equity-settled share-based compensation expenses	–	–	–	18,512	–	–	–	–	–	–	18,512	–	18,512
Repurchase and cancelled of own shares (note 18(iv))	–	(6,405)	–	–	–	–	–	–	–	–	(6,405)	–	(6,405)
At 30 June 2018 (Unaudited)	1	2,263,620	18,923	32,208	38,764	(75,178)	101,897	13,891	–	1,592,161	3,986,287	26,089	4,012,376

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

Notes:

(i) Capital reserve

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

(ii) Share-based compensation reserve

It represents the portion of the grant date fair value of RSUs granted to the directors and employees of the Company and its subsidiaries that has been recognised in accordance with the accounting policy adopted for share-based payments.

(iii) Other reserve

On 15 March 2013, 99 new shares of the Company were issued in connection with the acquisition of Total Dynamic Entities. The fair value of the Company's new shares was estimated to be approximately RMB186,196,000 and was credited to share capital (nominal value) and other reserve.

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

On 18 January 2018, Cogobuy Group, Inc, a wholly-owned subsidiary of the Group, transferred its 30% of the issued share capital of EZ ROBOT, INC. (formally known as Mega Smart Group Limited) in exchange of the entire 100% interest, held by Rich Wisdom Venture Limited, in 上海科姆特電子技術有限公司 ("Shanghai KMT") and its wholly owned subsidiary, 上海科姆特自動化控制技術有限公司 ("Shanghai KMT Automation"). The difference between the amount of the value of consideration shares and the amount of non-controlling interest upon acquisition, amounting to RMB65,050,000, was credited to other reserve. Please refer to note 22(a) for details.

(iv) Shares held for the RSU Scheme

The consideration paid for purchasing the Company's shares from the market is presented as "Shares held for RSU Scheme" and the amount is deducted from total equity.

When the Company's shares are transferred to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for RSU Scheme", with a corresponding adjustment made to "Share premium".

(v) Statutory reserves

According to laws applicable to the foreign investment enterprises in the People's Republic of China ("PRC") and the Articles of Association of certain subsidiaries of the Company in the PRC, the PRC entities are required to appropriate part of their net profits as determined in accordance with the PRC GAAP to various reserves. These include general reserve and statutory surplus reserve.

For general reserve, appropriation to general reserve is at the discretion of the directors of the relevant PRC entities. The reserve can only be used for specific purposes and is not distributable as cash dividends.

For statutory surplus reserve, 10% of the net profit, as determined in accordance with the PRC GAAP, of the relevant PRC entities is transferred to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital of the relevant PRC companies. The transfer to this reserve must be made before distribution of dividends to shareholders can be made. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issue is not less than 25% of the registered capital. Any amount of funds outside of the 50% reserve balance can be distributed as by the relevant PRC entities, as advances or cash dividends, subject however, to complying with applicable requirements. Such dividend or loans could take a considerable amount of time to implement and to be processed by certain governmental agencies.

(vi) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with *HKAS 39 Financial Instruments: Recognition and Measurement.*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash (used in) generated from operations	**(128,581)**	415,795
Income tax paid	**(21,908)**	(58,539)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(150,489)**	357,256
INVESTING ACTIVITIES		
Net cash inflow on disposal of subsidiaries (note 22(b))	**(39,229)**	—
Purchase of property, plant and equipment	**(127)**	(561)
Interest received	**11,086**	14,511
Net cash inflow on acquisition of subsidiaries (note 22(a))	**9,953**	—
Proceeds on disposal of property, plant and equipment	**2**	—
Dividend received	**—**	1,908
Proceeds on disposal of available-for-sale investments	**—**	471,212
Withdrawal of pledged bank deposits	**—**	38,958
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(18,315)**	526,028
FINANCING ACTIVITIES		
New bank borrowings raised	**140,833**	—
Repayment of bank loans	**(120,461)**	(798,134)
Interest and factoring costs paid	**(22,065)**	(51,133)
Repurchase of issued ordinary shares	**(6,405)**	(105,507)
Purchase of shares held for the RSU Scheme	**—**	(21,128)
Increase in cash restricted from use	**—**	(1,065,610)
NET CASH USED IN FINANCING ACTIVITIES	**(8,098)**	(2,041,512)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(176,902)**	(1,158,228)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**2,048,431**	1,825,543
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	**16,278**	(51,218)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**1,887,807**	616,097

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

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 ("**Stock Exchange**") on 18 July 2014.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is 11th Floor, Microsoft Comtech Tower, No. 55 Gaoxin South 9th Road, High-Tech Industrial Park, Nanshan, Shenzhen, Guangdong Province, the PRC.

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 interim 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 interim consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the condensed interim consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed interim 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 2017 except as described below.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which include HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and interpretation ("**Int(s)**") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycles
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of HKFRS 9 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed interim consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and revised 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 interim consolidated financial statements.

3.1 HKFRS 9 *Financial Instruments*

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets and 3) general 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. 1 January 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 1 January 2018.

3.1.1 Classification and measurements

At the date of initial application of HKFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

Trade receivables and other receivables, loans to third parties, amounts due from associates previously classified as loans and receivables carried at amortised cost:

They 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 financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 HKFRS 9 *Financial Instruments* (Continued)

3.1.1 Classification and measurements (Continued)

Bill receivables without recourse previously classified as loans and receivables carried at amortised cost:

They are held within a business model whose objective is achieved both by collecting contractual cash flows and endorsing the bill receivables to suppliers or discounting to banks, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, these bill receivables amounting to approximately RMB43,898,000 were reclassified from loans and receivables to financial assets at fair value through other comprehensive income ("**FVTOCI**") upon the application of HKFRS 9, with the fair value gains or losses accumulated in reserve and reclassified to profit or loss when they are derecognised. However, the directors of the Company assessed that the fair values of bills receivables approximated their carrying amounts given all bills receivables have a maturity within one year, and therefore no adjustment was made to the carrying amounts and opening retained earnings as at 1 January 2018.

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

These unlisted equity investments qualified for designation as measured at FVTOCI as these investments are held for 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 in other comprehensive income and accumulated in the investment revaluation reserve, which will not be reclassified to profit or loss when they are derecognised. As a result, assets with a fair value of approximately RMB20,918,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI. 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 1 January 2018.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

The following table summarises the opening balance adjustments recognised for each line item in the condensed interim consolidated statement of financial position on initial application of HKFRS 9:

	As at 31 December 2017	**Effect from application of HKFRS 9**	**As at 1 January 2018**
	RMB'000	RMB'000	RMB'000
Non-current assets			
Financial assets at FVTOCI	—	20,918	20,918
Available-for-sale investments	20,918	(20,918)	—

There has no impact of transition to HKFRS 9 on opening equity at 1 January 2018 and basic and diluted earnings per share for the six months ended 30 June 2017.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 HKFRS 9 *Financial Instruments* (Continued)

3.1.2 Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under HKFRS 9.

Trade receivables at amortised cost:

The Group applied the simplified approach to provide for expected credit losses ("**ECL**") under HKFRS 9 and recognised lifetime expected losses for all trade receivables. The trade receivables are grouped based on shared credit risk characteristics for measuring ECL.

Financial assets with low credit risk/credit risk has not increased significantly:

The Group measured a 12-month ECL in respect of the following financial instruments:

- Other financial assets including short-term bank deposits, pledged bank deposits, cash and cash equivalents, other receivables, loans to third parties and amounts due from associates for which credit risk has not increased significantly since initial recognition. Financial assets are determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The directors of the Company considered that these financial assets to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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.

3.2 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. 1 January 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. Details are described below.

As required for the condensed interim 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 5.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 HKFRS 15 *Revenue from contracts with customers* (Continued)

The Group is principally engaged in the sales of IC and other electronic components and the provision of supply chain financing services. The IC and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

3.2.1 Sale of goods and marketplace income

The Group concluded that revenue from sale of goods and marketplace income 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.

3.2.2 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 condensed interim 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 condensed interim consolidated financial statements.

4. CHANGE IN ACCOUNTING POLICIES

4.1 HKFRS 9 *Financial Instruments*

4.1.1 Classification and measurements

All recognised financial assets that are within the scope of HKFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

In respect of the Group's equity instruments, the Group subsequently measures them at fair value. On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate equity instrument as at FVTOCI if the instrument is neither held for trading nor a contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies, with fair value gains and losses recognised in other comprehensive income and accumulated in investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss when they are derecognised. Instead, they will be transferred to retained earnings. Dividends from equity instruments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of equity instruments at fair value through profit or loss are recognised in "other gains/(losses)" in the condensed interim consolidated statement of profit or loss and other comprehensive income as applicable.

4.1.2 Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loans to third parties, amounts due from associates carried at amortised cost). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

For other financial instruments including short-term bank deposits, pledged bank deposits, cash and cash equivalents, other receivables, loans to third parties and amounts due from associates, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

4. CHANGE IN ACCOUNTING POLICIES (Continued)

4.1 HKFRS 9 *Financial Instruments* (Continued)

4.1.2 Impairment of financial assets (Continued)

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet it contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Except for financial assets carried at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade, bills and other receivables, loans to third parties and amounts due from associates where the corresponding adjustment is recognised through a loss allowance account. For financial assets carried at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the revaluation reserve without reducing the carrying amount of the financial assets.

4.2 HKFRS 15 *Revenue from contracts with customers*

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

4. CHANGE IN ACCOUNTING POLICIES (Continued)

4.2 HKFRS 15 *Revenue from contracts with customers* (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

4.2.1 Significant financing component

For contracts where the period between payment and transfer of the associated goods is one year or less, the Group applies the practical expedient not to adjust the transaction price for any significant financing component.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

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**").

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

For the six months ended 30 June 2018 (unaudited)	Sales of IC and other electronic components RMB'000	Ingdan services RMB'000	Total RMB'000
Revenue from goods and services:			
Sales of IC and other electronic components	2,781,293	132,089	2,913,382
Marketplace income	7,689	—	7,689
Ingfin Financing Services income	—	40,097	40,097
	2,788,982	172,186	2,961,168
Timing of revenue recognition			
A point in time	2,788,982	132,089	2,921,071
Over time	—	40,097	40,097
	2,788,982	172,186	2,961,168
Geographical markets			
The People's Republic of China (including Hong Kong)	2,732,630	172,186	2,904,816
Southeast Asia	56,352	—	56,352
	2,788,982	172,186	2,961,168

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

5. REVENUE (Continued)

For the six months ended 30 June 2017 (unaudited)	Sales of IC and other electronic components RMB'000	Ingdan services RMB'000	Total RMB'000
Revenue from goods and services:			
Sales of IC and other electronic components	5,802,962	193,370	5,996,332
Marketplace income	55,659	—	55,659
Ingfin Financing Services income	—	69,626	69,626
	5,858,621	262,996	6,121,617
Timing of revenue recognition			
A point in time	5,858,621	193,370	6,051,991
Over time	—	69,626	69,626
	5,858,621	262,996	6,121,617
Geographical markets			
The People's Republic of China (including Hong Kong)	5,795,853	262,996	6,058,849
Southeast Asia	62,768	—	62,768
	5,858,621	262,996	6,121,617

6. SEGMENT REPORTING

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; and

— Ingdan services (including Ingfin Financing Services and incubator).

During the six months ended 30 June 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 renamed as "Ingdan services". Accordingly, the comparative segment information has been re-presented to conform to current year's presentation.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

6. SEGMENT REPORTING (Continued)

Segment revenues and results

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

For the six months ended 30 June 2018 (unaudited)

	Sales of IC and other electronic components 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	181,787
Unallocated income			46,560
Unallocated corporate expenses			(47,381)
Unallocated finance costs			(22,065)
Share of result of an associate			466
Share of result of a joint venture			(44)
Profit before taxation			255,623

For the six months ended 30 June 2017 (unaudited)

	Sales of IC and other electronic components RMB'000 (Unaudited) (Restated)	Ingdan services RMB'000 (Unaudited) (Restated)	Total RMB'000 (Unaudited) (Restated)
Segment revenue	5,858,621	262,996	6,121,617
Segment profit	344,875	63,310	408,185
Unallocated income			64,531
Unallocated corporate expenses			(86,797)
Unallocated finance costs			(51,133)
Share of result of an associate			2,740
Profit before taxation			337,526

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

6. SEGMENT REPORTING (Continued)

Segment revenues and results (Continued)

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, 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	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited) (Restated)
Sales of IC and other electronic components	1,129,812	1,358,438
Ingdan services	1,116,628	1,643,597
Total segment assets	2,246,440	3,002,035
Interest in an associate	154,351	18,318
Interest in a joint venture	—	44
Corporate and other assets	2,965,765	2,520,610
Total assets	5,366,556	5,541,007

Segment liabilities	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited) (Restated)
Sales of IC and other electronic components	84,524	84,042
Ingdan services	160,104	695,257
Total segment liabilities	244,628	779,299
Corporate and other liabilities	1,109,552	1,122,464
Total liabilities	1,354,180	1,901,763

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

6. SEGMENT REPORTING (Continued)

Segment assets and liabilities (Continued)

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

— All assets are allocated to operating segment, other than intangible assets, goodwill, interests in associates and a joint venture, financial assets at FVTOCI, available-for-sale investments, certain other receivables, amounts due from associates, income tax recoverable, short-term bank deposits, pledged bank deposits, cash and cash equivalents and other corporate assets. 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, 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.

7. OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Bank interest income	**11,086**	14,511
Gain on disposal of available-for-sale investments	**—**	36,457
Dividend income on available-for-sale investments	**—**	1,908
Net foreign exchange gain	**33,158**	8,780
Government grants (note)	**901**	1,148
Others	**1,415**	1,727
	46,560	64,531

Note: Included in the amount of government grants recognised during the six months ended 30 June 2018, approximately of RMB901,000 (six months ended 30 June 2017: RMB1,148,000) 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.

8. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	**22,065**	43,174
Factoring costs	**—**	7,959
	22,065	51,133

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

9. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprises Income Tax ("**EIT**")	**5,816**	15,440
Hong Kong Profits Tax	**7,232**	35,114
Other jurisdictions	**—**	975
	13,048	51,529
Deferred taxation	**92**	(1,114)
	13,140	50,415

10. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Amortisation of intangible assets	**14**	6,753
Depreciation of property, plant and equipment	**1,085**	1,054
Loss on disposal of property, plant and equipment	**36**	—
Loss on write off of property, plant and equipment	**211**	—
Impairment loss on trade receivables (included in selling and distribution expenses)	**29,576**	9,639
Allowance for inventories (included in cost of sales)	**13,350**	—
Operating lease charges in respect of rented premises	**8,450**	8,593
Amount of inventories recognised as an expense	**2,704,347**	5,581,602

Note: Research and development expenses include operating lease charges in respect of rented premises of approximately RMB2,857,000 (six months ended 30 June 2017: RMB2,457,000), and amortisation and depreciation charge of approximately RMB487,000 (six months ended 30 June 2017: RMB462,000) for the six months ended 30 June 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.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

11. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2018, nor has any dividend been proposed since the end of the interim period (six months ended 30 June 2017: approximately RMB63,891,000).

12. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to owners of the Company	238,984	270,464

	For the six months ended 30 June	
	2018 '000 (Unaudited)	2017 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,456,354	1,462,043
Effect of dilutive potential ordinary shares:		
Deemed issue of shares under the Company's RSU scheme for nil consideration (note 19)	3,215	10,897
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,459,569	1,472,940

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group spent approximately RMB127,000 (six months ended 30 June 2017: approximately RMB561,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2018, the Group has disposed of certain property, plant and equipment with an aggregate carrying value of approximately RMB38,000 (six months ended 30 June 2017: nil) for cash proceeds of approximately RMB2,000 (six months ended 30 June 2017: nil), resulting in a loss on disposal of approximately RMB36,000 (six months ended 30 June 2017: nil).

During the six months ended 30 June 2018, the Group has disposed of certain property, plant and equipment with an aggregate carrying value of approximately RMB465,000 (six months ended 30 June 2017: nil) through the disposal of subsidiaries as disclosed in note 22(b).

During the six months ended 30 June 2018, the Group has written off certain property, plant and equipment with an aggregate carrying value of approximately RMB211,000 (six months ended 30 June 2017: nil), resulting in a loss on write off of approximately RMB211,000 (six months ended 30 June 2017: nil).

14. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Trade receivables	1,217,201	1,590,405
Bills receivables	43,898	22,742
Trade and bills receivables	1,261,099	1,613,147
Less: allowance for doubtful debts	(141,459)	(111,883)
	1,119,640	1,501,264
Loan interest receivables	36,558	21,073
Trade deposits and prepayments	13,282	90,586
Other receivables	20,997	22,895
	1,190,477	1,635,818

The Group does not hold any collateral over these balances.

During the year ended 31 December 2017, the Group was subject to several factoring agreements with banks under which the banks pay an amount net of discount to the Group and collect the factored trade receivable balances directly from the Group's customers. The costs of the factoring arrangement ranged from 2.1% to 3.3% (six months ended 30 June 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.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

14. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

For the year ended 31 December 2017, the Group received proceeds of approximately RMB1,979,257,000 (six months ended 30 June 2018: nil) from sales of trade receivables. The Group recognised discounts of RMB39,278,000 (six months ended 30 June 2018: nil) in finance costs for trade receivables sold to the banks for the year ended 31 December 2017.

The Group allows credit period ranging from 30 days to 90 days from the date of billing. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the invoice date which approximates revenue recognition date at the end of each reporting period.

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 1 month	892,423	1,306,185
1 to 2 months	136,039	148,432
2 to 3 months	14,683	18,830
Over 3 months	76,495	27,817
Total	1,119,640	1,501,264

15. LOANS TO THIRD PARTIES

	RMB'000
At 1 January 2017	794,596
Additions (note i)	2,991,237
Repayments from borrowers (note ii)	(2,793,262)
Exchange adjustments	(50,013)
At 31 December 2017	942,558
Additions (note i)	714,304
Repayments from borrowers (note ii)	(1,001,375)
Exchange adjustments	4,744
At 30 June 2018	660,231

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

15. LOANS TO THIRD PARTIES (Continued)

Notes:

(i) Included in the amount of additions during the six months ended 30 June 2018, approximately of US$22,833,000 (equivalent to approximately RMB145,346,000) (for the year ended 31 December 2017: US$331,300,000 (equivalent to approximately RMB2,155,434,000)) represented the principal amount of loans made to Blueberry Capital Limited ("Blueberry Capital").

During the six months ended 30 June 2018, the maximum outstanding amount of loans to Blueberry Capital is approximately US$22,833,000 (equivalent to approximately RMB145,346,000) (for the year ended 31 December 2017: US$288,566,000 (equivalent to approximately RMB1,877,408,000)).

As at 30 June 2018, the outstanding principal amount of loan made to Blueberry Capital was US$21,686,000 ((equivalent to approximately RMB143,507,000) (for the year ended 31 December 2017: nil).

(ii) Included in the amount of repayments from borrowers during the six months ended 30 June 2018, approximately of US$1,148,000 (equivalent to approximately RMB7,305,000) (for the year ended 31 December 2017: US$401,645,000 (equivalent to approximately RMB2,613,102,000)) represented the repayment of loans from Blueberry Capital.

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Unsecured loans	253,817	398,220
Secured loans	406,414	544,338
Total	660,231	942,558

The secured loans are secured by the third-party borrowers' 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 follow:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 1 month	2,350	222,181
1 to 2 months	1,923	157,148
2 to 3 months	1,485	425,156
Over 3 months	654,473	138,073
	660,231	942,558

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For the six months ended 30 June 2018

15. LOANS TO THIRD PARTIES (Continued)

The ageing analysis of loans to third parties based on the loans draw down date at the end of the reporting periods is as follows:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 1 month	49,804	336,186
1 to 2 months	199,175	13,839
2 to 3 months	103,042	283,361
Over 3 months	308,210	309,172
	660,231	942,558

16. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, non-interest bearing and repayable on demand upon the disposal of EZ ROBOT, INC. as disclosed in note 22(b).

17. TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Trade payables	244,628	190,121
Accrued staff costs	10,612	13,140
Receipt in advance	2,187	3,591
Other payables	10,081	6,162
	267,508	213,014

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

17. TRADE AND OTHER PAYABLES (Continued)

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 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 1 month	**145,393**	156,907
1 to 3 months	**48,999**	27,575
Over 3 months	**50,236**	5,639
	244,628	190,121

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.

18. SHARE CAPITAL

	Number of shares	Amount in original currency US$	Shown in the consolidated financial statements RMB'000
Ordinary shares of US$0.0000001 each			
Authorised:			
At 1 January 2017, 31 December 2017 and 30 June 2018	500,000,000,000	50,000	N/A
Issued and fully paid:			
At 1 January 2017	1,501,272,732	150	1
Cancellation of repurchased shares (notes i and ii)	(29,996,000)	(3)	—
At 31 December 2017	1,471,276,732	147	1
Cancellation of repurchased shares (note iv)	(1,996,000)	—	—
At 30 June 2018	1,469,280,732	147	1

Notes to the Condensed Interim Financial Information

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18. SHARE CAPITAL (Continued)

Notes:

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

(ii) During the year ended 31 December 2017, the Company repurchased its own shares through the Stock Exchange as follows:

Month	Number of ordinary shares of US$0.0000001 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate amount paid HK$'000
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 31 December 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 31 December 2017, the Company repurchased its own shares through the Stock Exchange for the RSU scheme as follows:

Month	Number of ordinary shares of US$0.0000001 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate amount paid 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 (note 19). 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) During the six months ended 30 June 2018, the Company repurchased its own shares through the Stock Exchange as follows:

Month	Number of ordinary shares of US$0.0000001 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate amount paid HK$'000
March 2018	731,000	4.05	3.99	2,928
April 2018	1,265,000	4.03	3.64	4,959
	1,996,000			7,887

18. SHARE CAPITAL (Continued)

Notes: (Continued)

(iv) (Continued)

All of the above shares were cancelled as at 30 June 2018. The issued share capital of the Company was reduced by the nominal value of US$0.2. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$0.2 (equivalent to RMB1.27) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of HK$7,887,000 (equivalent to approximately to RMB6,405,000) was charged to share premium.

(v) During the six months ended 30 June 2018, the Company did not repurchased its own shares through the Stock Exchange for the purpose of the RSU Scheme (note 19).

(vi) For the six months ended 30 June 2018, 3,090,000 units (year ended 31 December 2017: 7,605,000 units) of RSUs were vested to the beneficiaries, and approximately RMB16,843,000 (year ended 31 December 2017: RMB37,827,000) were credited to the Shares held for the RSU scheme account.

The remaining shares are held on trust by the RSU Scheme trustee until their release to the beneficiaries upon the vesting of the RSUs (see note 19).

19. SHARE-BASED PAYMENT TRANSACTIONS

RSU scheme of the Company

On 1 March 2014, the Company's shareholders and directors adopted the RSU Scheme and granted 30,200,000 RSUs to directors and employees of the Company and its subsidiaries. The purpose of the RSU Scheme is to reward the fidelity and performance of the directors and employees of the Company and its subsidiaries. The RSUs are the rights to receive Company's shares when they vest pursuant to the conditions provided for under the RSU Scheme. Each RSU gives the holder a right to receive a share at the end of respective vesting period. Immediately after the Listing, 30,200,000 ordinary shares were issued by the Company under the RSU Scheme and they represented 2.20% of the total issued share capital of the Company. The shares were held on trust by the RSU Scheme trustee until their release to the beneficiaries upon vesting of the RSUs.

On 8 July 2015, the Company granted an additional 17,940,000 RSUs to employees of the Company and its subsidiaries under the RSU Scheme. Shares repurchased by the Company on the Stock Exchange were held by the RSU Scheme trustee for the purpose of the RSU Scheme.

On 1 February 2017, the Company granted an additional 6,000,000 RSUs to employees of the Company and its subsidiaries under the RSU Scheme. Shares repurchased by the Company on the Stock Exchange were held by the RSU Scheme trustee for the purpose of the RSU Scheme.

Equity-settled share-based compensation expenses of approximately RMB18,512,000 were recognised as staff costs in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately RMB23,603,000) and the remaining balance is to be recognised in six months ending 31 December 2018, years ending 31 December 2019 and 2020 based on the respective vesting periods.

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For the six months ended 30 June 2018

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

RSU scheme of the Company (Continued)

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

		Fair value as at grant date		
	Number of RSUs	**Per share** RMB	**Aggregate amount** RMB'000	**Vesting conditions**
RSUs granted to directors:				
— on 1 March 2014	3,600,000	1.72	6,192	Notes (i), (iii)
RSUs granted to employees:				
— on 1 March 2014	19,346,300	1.72	33,276	Notes (i), (iii)
— on 1 March 2014	7,253,700	1.72	12,476	Notes (ii), (iii)
— on 8 July 2015	17,940,000	3.89	69,787	Notes (iv), (v)
— on 1 February 2017	6,000,000	9.37	56,220	Notes (vi), (vii)
Total RSUs granted	54,140,000			

Notes:

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

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

(ii) The RSUs granted have a one-year vesting period ended 31 December 2014.

(iii) Vesting of the RSUs is conditional upon the Listing and after a share subdivision of the share capital of the Company from US$1 per share to 10,000,000 shares of US$0.0000001 per share. Directors and employees who leave the Group forfeit their right to any unvested RSUs.

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

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

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

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

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

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

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

RSU scheme of the Company (Continued)

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

	Number of RSUs	
	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Outstanding as at the beginning of the period	**6,945,000**	9,555,000
Granted during the period	**—**	6,000,000
Vested during the period	**(3,090,000)**	(3,475,833)
Forfeited during the period	**(640,000)**	(297,500)
Outstanding as at the end of the period	**3,215,000**	11,781,667

(c) **Fair value of RSUs and assumptions**

The fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of the RSUs granted on 1 March 2014 was determined using the discounted cash flow method and adopting an equity allocation method to determine the fair value of the RSUs as at the grant date. Key assumptions are set out as below:

Fair value of RSUs and assumptions	
Discount rate	17.5%
Risk-free interest rate	3.265%
Volatility	16.0%
Dividend yield	0.0%

The fair value of RSUs granted on 8 July 2015 and 1 February 2017 were measured by the quoted market price of the Company's shares at the grant date, being HK$4.91 per share and HK$10.56 per share, respectively.

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20. OPERATING LEASE COMMITMENT

The Group as lessee

Operating lease payments represent rentals payable by the Group for its office premises and warehouses. Leases are negotiated for terms of one to five years (as at 31 December 2017: one to five years) and rentals are fixed for an average of two years (as at 31 December 2017: two years).

At 30 June 2018 and 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within one year	14,109	7,374
In the second to fifth years inclusive	2,953	2,227
	17,062	9,601

21. CAPITAL COMMITMENT

As at 30 June 2018, the Group had capital expenditure in respect of the acquisition of an associate of approximately JPY38,276,000 (equivalent to approximately RMB2,315,000) contracted for but not provided in the condensed interim consolidated financial statements (2017: nil).

22. CHANGE IN OWNERSHIP INTERESTS

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

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

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

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

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22. CHANGE IN OWNERSHIP INTERESTS (Continued)

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

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

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

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

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

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

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

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

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

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22. CHANGE IN OWNERSHIP INTERESTS (Continued)

(b) Disposal of EZ Robot Group

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

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

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

Consideration received:	RMB'000
Cash	104,308

Analysis of assets and liabilities over which control was lost:

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

22. CHANGE IN OWNERSHIP INTERESTS (Continued)

(b) Disposal of EZ Robot Group (Continued)

Gain on disposal of EZ Robot Group:

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

Note: The fair value of amounts due to related companies at the date of disposal amounted to approximately RMB616,124,000. The gross contractual amount of amounts due to related companies disposed amounted to approximately RMB644,440,000 at the date of disposal. The best estimate at disposal date of the contractual cash flows not expected to be collected amounted to approximately RMB28,316,000.

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

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

Included in the Group's profit for the period is approximately RMB23,131,000 attributable to the disposed business generated by EZ Robot Group. The Group's revenue for the year includes approximately RMB627,475,000 generated from EZ Robot Group.

During the six months ended 30 June 2018, EZ Robot Group contributed approximately RMB27,323,000 to the Group's net operating cash inflow (six months ended 30 June 2017: RMB53,038,000), contributed approximately RMB1,003,000 (six months ended 30 June 2017: RMB1,000) in respect of investing activities and nil (six months ended 30 June 2017: paid of RMB4,280,000) in respect of financing activities.

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23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2018, some of the Group's financial assets are measured at fair value (as at 31 December 2017: nil). The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	At 30 June 2018			
	Level 1 RMB'000 (Unaudited)	**Level 2** RMB'000 (Unaudited)	**Level 3** RMB'000 (Unaudited)	**Total** RMB'000
Financial assets at FVTOCI				
— Unlisted equity investments	—	—	21,082	21,082

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	Unlisted equity investments* RMB'000
At 1 January 2017 and 31 December 2017	—
Reclassification of unlisted equity investments measured at cost less impairment to fair value	20,918
Exchange adjustment	164
At 30 June 2018	21,082

* As at 1 January 2018, these equity securities were reclassified from available-for-sale investments to financial assets at FVTOCI

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

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

Financial instruments	**Fair value hierarchy**	Fair value as at **30 June 2018** **RMB'000** **(Unaudited)**	Fair value as at 31 December 2017 RMB'000 (Audited)	**Valuation technique**	**Unobservable inputs**	**Input values**
Unlisted equity instruments	Level 3	**21,082**	—	Net asset values*	N/A	N/A

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

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

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

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

The directors of the Company consider that the carrying amounts of other current financial assets and financial liabilities recognised in the condensed interim consolidated financial statements approximate their fair values due to short-term maturities.

24. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

Related party	Nature of transaction	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Comtech Communication Technology (Shenzhen) Company Limited ("Comtech Communication SZ")* 科通通信技術(深圳)有限公司	Rental expenses paid (note i)	**1,157**	—
Zim HK	Interest income received (note ii)	**10,476**	—
Comtech Small Loan Company Limited ("Comtech Small Loan")* 深圳市科通小額貸款有限責任公司	Agency services, administrative and consultancy services fee income received (note iii)	**4,784**	4,429

Notes:

(i) Rental expenses paid to Comtech Communication SZ

The rental expenses were charged on a monthly fixed amount mutually agreed by the Group and Comtech Communication SZ, a company that the director of the Company has beneficial interests in the company.

(ii) Interest income received from Zim HK

During the six months ended 30 June 2018, the Group has provided loans in aggregate of US$32,919,000 (six months ended 30 June 2017: nil) (equivalent to approximately RMB217,831,000 (six months ended 30 June 2017: nil)) to ZIM HK, at an interest rate ranged from 7.00% to 9.72% (six months ended 30 June 2017: nil) for the purpose of supply chain financing.

* English name for identification purpose only

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

24. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes: (Continued)

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

On December 11, 2015, the Group entered into a series of agreements, including Purchase Option Agreement, Agency Agreement and Service Agreement, with Comtech Communication Technology (Shenzhen) Company Limited ("CCT") and Comtech Small Loan, a subsidiary of CCT. CCT is a limited liability company incorporated on 23 July 2002 in the PRC and owned by Mr. Kang, the director of the Group. Comtech Small Loan is a limited liability company incorporated on 22 November 2015 and holds a small loan license that allows it to provide financing to small enterprises, individual entrepreneurs and individuals in the PRC. The main purpose of such arrangements is to provide the Group's supply chain customers access to financing in the PRC from Comtech Small Loan.

Pursuant to the Purchase Option Agreement, CCT would grant the Group an option (the "Purchase Option") with the option term of three years for the Group or any third party designated by the Group to acquire, at its discretion and through one or more transactions, the entire equity interest in Comtech Small Loan for a cash consideration of RMB300,000,000, or part of the equity interest in Comtech Small Loan for a cash consideration proportional to the percentage of the equity interest being acquired. The cash consideration of RMB300,000,000 was determined based on the registered and paid up capital of Comtech Small Loan on the date of the Purchase Option Agreement.

Under the Purchase Option Agreement, the Group may transfer up to an aggregate of RMB200,000,000 to CCT within three years from 11 December 2015 as advance payment for the purchase of the equity interest in Comtech Small Loan (such sum will be deducted from the total consideration payable when the option to acquire the entire or part of the equity interest of Comtech Small Loan is exercised). The advance payment is not interest-bearing and does not constitute an exercise of the option by the Purchaser. As at 30 June 2018 and 31 December 2017, no advance payment has been made.

Pursuant to the Agency Agreement signed with CCT, the Group would provide client referral service for a service fee amounting to 80% of the fees and interest receivables introduced by Comtech Small Loan to the referred customers.

As at 30 June 2018, borrowings of approximately RMB209,415,000 (six months ended 30 June 2017: nil) were extended to customers referred by the Group to Comtech Small Loan and service fee earned by the Group for the six months ended 30 June 2018 amounted to approximately RMB4,598,000 (six months ended 30 June 2017: RMB4,255,000) under the Agency Agreement.

Pursuant to the Service Agreement signed with CCT, the Group would also provide administrative and consultancy services to Comtech Small Loan at the prevailing market rate of comparable services and amounting to no more than 1% of Comtech Small Loan's yearly turnover will be received by the Group. Service fee earned by the Group from provision of administrative and consultancy services to Comtech Small Loan for the six months ended 30 June 2018 amounted to approximately RMB186,000 (six months ended 30 June 2017: RMB174,000) under the Service Agreement.

The related party transactions in respect of the Purchase Option Agreement, Agency Agreement and Service Agreement above constitute a connected transaction or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the paragraph Connected Transactions of the directors' report of the Company.

Notes to the Condensed Interim Financial Information

For the six months ended 30 June 2018

24. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation to key management personnel

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**3,038**	3,355
Post-employment benefits	**79**	89
Share-based compensation expenses	**1,385**	1,099
	4,502	4,543

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

25. COMPARATIVE FIGURES

During the current period, the Company had revised the presentation of the condensed interim consolidated statement of profit or loss and other comprehensive income. The exchange gain of approximately RMB8,780,000 for the six months ended 30 June 2017 was previously included in administrative and other operating expenses in the condensed consolidated statement of profit or loss and other comprehensive income. To conform to current year's presentation, the abovementioned amounts have been presented in other income to facilitate a better presentation.

During the current period, the prior year segment revenues and results, assets and liabilities had been restated to conform to current year's presentation. Details are disclosed in note 6.

There was no effect to the condensed interim consolidated statement of financial position as at 1 January 2017 and thus not presented.

Independent Review Report

信永中和
ShineWing

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

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

INTRODUCTION

We have reviewed the accompanying condensed interim consolidated financial statements of Cogobuy Group (the "Company") and its subsidiaries set out on page 21 to 59 which comprise the condensed consolidated statement of financial position as at 30 June 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes.

The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Independent Review Report

CONCLUSION

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

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

Hong Kong
28 August 2018

Definitions

"AI"	artificial intelligence
"AIoT"	AI and IoT
"associate"	has the meaning ascribed to it under the Listing Rules
"Board of Directors" or "Board"	the board of directors of our Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Cogobuy"	Cogobuy Limited, a limited liability company incorporated in Hong Kong on October 6, 2011 and our indirectly wholly-owned subsidiary
"Company", "our Company", "the Company"	Cogobuy Group (科通芯城集團), an exempted company incorporated in the Cayman Islands with limited liability on February 1, 2012 and formerly known as Envision Global Group
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this interim report, means Mr. Kang and Envision Global
"Da Cheng"	Da Cheng International Asset Management Company Limited (大成國際資產管理有限公司), a limited liability company incorporated in Hong Kong on March 19, 2009, which is our Shareholder
"Director(s)"	the director(s) of our Company
"Envision Global"	Envision Global Investments Limited, a limited liability company incorporated in the BVI on February 1, 2012 which is wholly-owned by Mr. Kang and is our immediate Controlling Shareholder
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and Shenzhen Cogobuy (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the contractual arrangements) or, where the context requires, the companies that currently comprise the subsidiaries of the Company prior to their acquisition by the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"IC"	integrated circuits
"IoT"	Internet of Things

Definitions

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Kang"	Mr. Kang Jingwei, Jeffrey (康敬偉), chairman, chief executive officer and executive Director of our Company and one of our Controlling Shareholders
"Mr. Wu"	Mr. Wu Lun Cheung Allen (胡麟祥), chief financial officer, executive Director and company secretary of our Company
"Ms. Yao"	Ms. Yao Yi (姚怡), our substantial Shareholder, the sole shareholder of Shenzhen Cogobuy, and the wife of Mr. Li Feng, one of our members of senior management
"PRC" or "China"	the People's Republic of China and, except where the context requires and only for the purpose of this report, references in this report to the PRC or China do not include Taiwan, Hong Kong or the Macau Special Administrative Region of the PRC; the term "Chinese" has a similar meaning
"PRC Legal Advisor"	Broad & Bright Law Firm
"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended June 30, 2018
"RSU Scheme"	the scheme adopted by the Company to grant RSUs to directors, senior management and employees and those of subsidiaries which took effect as at March 1, 2014 and amended on December 21, 2014
"RSUs"	Restricted share units
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0000001 each
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Shenzhen Cogobuy"	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
"SME"	small and medium enterprise
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"Total Dynamic"	Total Dynamic Holdings Limited a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States