

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  
2020**



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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)*

### Non-Executive Director

NI Hong, Hope

### Independent Non-Executive Directors

YE Xin  
MA Qiyuan  
HAO Chunyi, Charlie

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY SECRETARY

WU Lun Cheung Allen

## AUTHORIZED REPRESENTATIVES

KANG Jingwei, Jeffrey  
WU Lun Cheung Allen

## AUDITOR

SHINEWING (HK) CPA Limited  
*Certified Public Accountants*

## Corporate Information (Continued)

### LEGAL ADVISORS

*As to Hong Kong and U.S. laws:*

Skadden, Arps, Slate, Meagher & Flom

*As to PRC law:*

Broad & Bright Law Firm

*As to Cayman Islands law:*

Conyers Dill & Pearman (Cayman) Limited

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

### LISTING INFORMATION

Stock Exchange, Stock Code: 0400

### COMPANY WEBSITE

[www.cogobuy.com](http://www.cogobuy.com)

# Highlights

## FINANCIAL PERFORMANCE HIGHLIGHTS

(Renminbi (“RMB”) in millions, unless specified)	Unaudited Six months ended		Year-on-year change
	June 30, 2020	June 30, 2019	
Revenue	<b>3,281.2</b>	2,671.2	22.8%
Gross profit	<b>254.6</b>	200.4	27.0%
Profit for the period	<b>118.6</b>	40.4	193.6%
Profit attributable to owners of the Company	<b>100.1</b>	38.0	163.4%
Earnings per share (“EPS”) (RMB per share)			
– basic	<b>0.072</b>	0.026	176.9%
– diluted	<b>0.071</b>	0.026	173.1%

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

### Overall business and financial performance of the Group

We are a technology service company focusing on servicing global IC chips industry and AI and IoT (together, “**AIoT**”) ecosystem in China. Following a business restructuring completed in early 2020, the Group was reorganized into two primary businesses of Ingdan Innovations (“**Ingdan Innovations**”) and Ingfin Services (“**Ingfin Services**”). We combined our Cogobuy.com IC components sales and marketing platform with our ING DAN.com AIoT business service platform to form Ingdan Innovations, to focus on the sales and promotion of IC chips to AIoT enterprises in China. Targeted to the Vehicle-to-Everything (“**V2X**”), 5G applications and memory/storage areas, our Ingfin Services focuses on the research and development (“**R&D**”) and sales of proprietary products, as well as developing customized technical solutions which include bundles of software, hardware and/or core components. Ingfin Services also provides financing services and seeks investment or acquisition and merger opportunities in high-quality startups within the Group’s AIoT ecosystem to improve our overall strategic position and generate investment income. Upon completion of the restructuring, the Company holds 75% of Ingdan Innovations and 100% of Ingfin Services, which also operates certain non-wholly owned subsidiaries and retains certain investments with less than 100% interests strategically. In August 2020, Ingdan Innovations signed a strategic investment agreement with the vehicles of Guangdong Finance Fund Management Co., Ltd., making it the leading strategic investor in Ingdan Innovations. The investment supports Ingdan Innovations’ rapid development in the trillion-RMB domestic chip market, and will contribute to the resumption of high growth for the Group’s core business. Upon completion of such transaction, the Company will hold at least 73.47% of Ingdan Innovations, and Ingdan Innovations will continue to be consolidated into the Group’s consolidated financial statements.

Ingdan Innovations entered into agency agreements with over 50% of the world’s top high-end IC suppliers and many leading domestic chip companies, allowing it to serve hundreds of global high-end chip suppliers upstream, and thousands of AIoT companies downstream. During the Reporting Period, a substantial portion of our revenue was generated through direct sales of IC and other electronic components. The rapid penetration of 5G across different industries is driving demand for chips and related technology applications. Directly benefited from the boom in industrial demand, we recorded an increase of 193.6% in the Group’s net profit after tax compared to the corresponding period in 2019. Meanwhile, the Group realised a total revenue of approximately RMB3,281.2 million, representing an increase of approximately 22.8% year-on-year. Gross profit was approximately RMB254.6 million, representing an increase of approximately 27.0% year-on-year. The Group delivered a significant improvement in the performance of overall results and is getting back on the track of organic growth gradually. The Group will continue to penetrate deep into IC sales and modules for smart hardware markets, and further invest in developing proprietary products and technology, so as to contribute to the profitability and revenue of the Group.

We are expected to directly benefit from China’s new infrastructure construction. The “5G Economic and Social Impact White Paper” (5G經濟社會影響白皮書) published by the China Academy of Information and Communications Technology estimated that the key driving forces for gross domestic product (“**GDP**”) growth in 2020 will be the investments in 5G network by telecommunication operators and the acquisition expenditures of devices by users, which will generate GDP of approximately RMB74 billion. As the prevalence of 5G grows to penetrate and integrate into industrial application, the expenditures for 5G devices in all industries will increase steadily. It is forecasted that the expenditures for devices and telecommunication services of users and other industries will continue to grow and by 2025, they will reach RMB1.4 trillion and RMB0.7 trillion, respectively. Our business covers the entire 5G construction value chain, including related 5G network construction, AIoT applications and AI, such as V2X, intelligent medical devices, and intelligent manufacturing equipment. The new demand for chips from these growing industries will create important new growth momentum for the Group in the future.

## Management Discussion and Analysis (Continued)

V2X is regarded as the most prominent segment within 5G vertical industry applications. According to CCID Consulting, by 2021, China's V2X market is estimated to reach US\$115 billion, with a compound annual growth rate of approximately 28.1%. Recognizing V2X's potentials and market opportunities, we have already established V2X value-chain alliance with chip manufacturers, module suppliers, and car manufacturers. We believe this will bring significant market opportunities and become a new growth momentum for the Group. During the Reporting Period, Ingfin Services' V2X application solution received its first order. Using AI to analyse data collected from terminal devices, Ingfin Services provides one-stop solution for precise vehicle rescue, service tracking, and driving analysis, remote accident identification and fast claims settlement in the Chinese market.

Well-positioned to offer more value-added services, we commenced our supply chain financing business in September 2014 whereby we earn interest income for providing certain financial services to third-party manufacturers, including provision of working capital financing programs. In December 2016, we extended our supply chain financing business and established a new business unit, IngFin Financing Services. Upon completion of the business restructuring, IngFin Financing Services became an arm of Ingfin Services and continues to concentrate its investments in enterprise financing business, including loans for investment initiatives and other enterprise financing services. IngFin Financing Services exemplifies our strength to generate new revenue stream by providing additional services based on the Group's existing platform. As at June 30, 2020, the outstanding loan balance of our IngFin Financing Services was approximately RMB333.0 million.

### Future prospects

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

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

The 5G industry is set to grow rapidly in the coming years, and it is expected that demand for IC and modules from the upstream and downstream of the industry will continue to increase. Our Ingdan Innovations plans to penetrate the whole 5G industry chain and accommodate the strong market demand brought by 5G construction and device production in the future. To meet the demand for 5G, the Group has built a business chain for "Chips-Devices-Cloud" Industrial Ecosystem. "Chips" represents the provision of comprehensive and professional chip solutions to upstream chip suppliers by promoting and marketing their products and technologies' applications. "Devices" represents the provision of a variety of quality and high-end chip products to tens of thousands of smart hardware companies in the upstream and downstream of the industry. "Cloud" represents the offer of customized solutions to different emerging industries with mature chip solutions. Although the COVID-19 outbreak has had a severe impact on the world's economy, it, on the other hand, has hastened the implementation of new government infrastructure policies worth RMB25 trillion. The new infrastructure policy includes segments such as 5G network infrastructure, AI, IoT, big data, and new energy automotive, etc. creating important opportunities for the Chinese 5G and AIoT industries. As 5G technology develops and matures, the future will become an era for AI, high-performance cloud applications, and Internet of Everything. The need for device upgrades will drive greater demand for IC and AIoT chip solutions. Through the Ingdan Innovations enterprise service platform, we will provide enterprises with chip application solutions and drive the development of a "chip-devices-cloud" big data ecosystem in order to capture business opportunities from China's 5G transformation.

## Management Discussion and Analysis (Continued)

### II. Enhance revenue streams of Ingfin Services

We intend to further strengthen the revenue streams of Ingfin Services by developing it to an important R&D innovation and AIoT product financing and corporate services platform of the AIoT era. We acquire a myriad of customers, demands and data online, and provide a powerful data analysis tool for us to tailor Ingfin Services to meet industry trends and offer corporate services offline. This creates synergy that drives a greater contribution by Ingfin Services to the Group in the future. As Ingfin Services' R&D projects have become more sophisticated, our proprietary products will contribute momentum to the Group's performance. We plan to further enhance the Group's performance through the offer of value-added services, including but not limited to the provision of corporate and technology services and investment services such as incubation programs.

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

We plan to foster the development of an open, collaborative and prosperous electronic manufacturing industry ecosystem that will benefit the business operations of our customers and suppliers, which we believe will also drive our own long-term business growth. We intend to broaden our platforms' value-added services by extending into related businesses that serve the electronics manufacturing value chain, such as supply chain financing, insurance and cloud computing services. As solutions and services are becoming increasingly imperative for enterprises, we believe that these complementary services are natural extensions of our offerings and will gain traction among our customers. During the process, we also plan to diversify our service offerings by monetizing the massive amount of data collected from our customers and suppliers to diversify our service offerings. We will invest more resources in the research and development of technologies to acquire additional analytical power and deeper understanding of customer behaviors, which will enable us to identify and address the needs of customers and suppliers through data mining and offering suppliers customized solutions. Our data driven services will include marketing and advertising planning, merchandising, customized products, fulfilment management and third-party data services.

### IV. Further enhance customer loyalty and increase purchases per customer

We plan to continue to enhance customer loyalty and induce more purchases from our existing customers. We intend to leverage our advanced market analytics tools to make our online and offline platforms more efficient and useful to our customers. We will continue to enhance the customized contents on our platforms and develop new tools for our customers based on their business needs. We plan to continue to develop new complementary services aiming to offer a complete range of products and solutions to our customers. We will also expand our investment in customer services, order fulfilment and delivery capabilities in order to enhance our service reliability and shorten our customer response time to further strengthen the effectiveness of our platforms. We plan to increase the repeat purchase rates of newly acquired customers. We will continue to provide the key procurement personnel of our new customers with powerful online tools, enterprise resource planning and other complimentary services. These services will enable us to maintain constant interactive communications with the key personnel, which in turn 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 (Continued)

### FINANCIAL REVIEW

#### First half of 2020 compared to first half of 2019

The following table sets forth the comparative figures for the first half of 2020 and the first half of 2019:

(RMB in millions)	Unaudited Six months ended	
	June 30, 2020	June 30, 2019
<b>Revenue</b>	<b>3,281.2</b>	2,671.2
Cost of sales	<b>(3,026.6)</b>	(2,470.8)
<b>Gross profit</b>	<b>254.6</b>	200.4
Other income	<b>66.4</b>	14.2
Selling and distribution expenses	<b>(32.3)</b>	(32.8)
Research and development expenses	<b>(80.0)</b>	(67.2)
Administrative and other operating expenses	<b>(82.8)</b>	(71.5)
<b>Profit from operations</b>	<b>125.9</b>	43.1
Finance costs	<b>(5.3)</b>	(24.9)
Share of results of associates	<b>6.3</b>	23.0
<b>Profit before tax</b>	<b>126.9</b>	41.2
Income tax expenses	<b>(8.3)</b>	(0.8)
<b>Profit for the period</b>	<b>118.6</b>	40.4
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>100.1</b>	38.0
Non-controlling interests	<b>18.5</b>	2.4
<b>Profit for the period</b>	<b>118.6</b>	40.4

# Management Discussion and Analysis (Continued)

## 1. Overview

For the Reporting Period, profit of the Group increased significantly and amounted to approximately RMB118.6 million, representing an increase of approximately RMB78.2 million as compared with approximately RMB40.4 million for the corresponding period of 2019. Profit attributable to equity shareholders of the Company amounted to approximately RMB100.1 million, representing an increase of approximately RMB62.1 million compared with approximately RMB38.0 million for the corresponding period of 2019.

## 2. Revenue

For the Reporting Period, revenue of the Group amounted to approximately RMB3,281.2 million, representing an increase of approximately RMB610.0 million or approximately 22.8% as compared with approximately RMB2,671.2 million for the corresponding period of 2019. The increase was primarily due to the increased sales volume contributed mainly by the rapid construction of the 5G market in China. Increase in revenue was also driven by development of more variety of products for different industries.

## 3. Cost of Sales

Cost of sales for the Reporting Period was approximately RMB3,026.6 million, representing an increase of approximately 22.5% from approximately RMB2,470.8 million for the six months ended June 30, 2019. The increase was due to an increase in direct sales revenue described under the paragraph headed "Revenue".

## 4. Gross Profit

Gross profit for the Reporting Period was approximately RMB254.6 million, representing an increase of approximately 27.0% from approximately RMB200.4 million for the six months ended June 30, 2019. The increase was primarily driven by the results of revenue for the reasons described under the paragraph headed "Revenue". The increase in gross profit margin was also contributed by the change in sales mix in which sales in proprietary markets such as the Internet of Vehicles, smart homes, AI surveillance, etc. had a relatively higher gross margin than those of the traditional IC components.

## 5. Other Income

For the Reporting Period, other income of the Group amounted to approximately RMB66.4 million, representing an increase of approximately RMB52.2 million or approximately 367.6% as compared with approximately RMB14.2 million for the corresponding period of 2019. This was primarily due to a net foreign exchange gain of approximately RMB35.6 million recorded for the first half of 2020 as compared to approximately RMB2.2 million recorded in the corresponding period of 2019 and the reversal of loss allowance of trade receivables of approximately RMB24.0 million recorded for the Reporting Period.

## 6. Selling and Distribution Expenses

Selling and distribution expenses of the Group for the Reporting Period amounted to approximately RMB32.3 million, representing a decrease of approximately RMB0.5 million or approximately 1.5% from approximately RMB32.8 million over the corresponding period of 2019.

## Management Discussion and Analysis (Continued)

### 7. Research and Development Expenses

For the Reporting Period, research and development expenses of the Group amounted to approximately RMB80.0 million, representing an increase of approximately RMB12.8 million or approximately 19.0% from approximately RMB67.2 million over the corresponding period of 2019. 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 2020 as compared to the same period of 2019.

### 8. Administrative and Other Operating Expenses

Administrative and other operating expenses for the Reporting Period were approximately RMB82.8 million, representing an increase of approximately RMB11.3 million or approximately 15.8% from approximately RMB71.5 million over the corresponding period of 2019. This was primarily due to staff bonus accruals made for the six months ended June 30, 2020. The increase was partly offset by a decrease in general administrative costs and back office employee headcounts during the Reporting Period.

### 9. Income Tax Expenses

Our income tax expenses increased by approximately RMB7.5 million or 937.5% from approximately RMB0.8 million for the six months ended June 30, 2019 to approximately RMB8.3 million for the Reporting Period, primarily due to an increase in profit from operations as a result of the increased revenue and gross profit. The effective tax rate for the Reporting Period was approximately 6.5%, as compared to approximately 1.9% for the six months ended June 30, 2019. The increase was mainly due to the passing of a tax holiday of two-year tax exemption of two PRC subsidiaries during 2020.

### 10. Profit Attributable to Owners of the Company for the Reporting Period

For the Reporting Period, profit attributable to owners of the Company amounted to approximately RMB100.1 million, representing an increase of approximately RMB62.1 million or approximately 163.4% as compared with approximately RMB38.0 million for the corresponding period of 2019. The increase was primarily due to an increase in profit from operations as a result of increased revenue and gross profit.

### 11. Liquidity and Source of Funding

As at June 30, 2020, the current assets of the Group amounted to approximately RMB3,376.7 million, which mainly comprised cash and bank balances (including pledged bank deposits), inventories, loan receivables and trade and other receivables, in the amount of approximately RMB343.3 million, RMB791.7 million, RMB174.5 million and RMB1,791.2 million, respectively. Current liabilities of the Group amounted to approximately RMB1,333.1 million, of which approximately RMB145.7 million was bank loans and approximately RMB1,150.1 million was trade and other payables. As at June 30, 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 2.53, representing a decrease of 14.5% as compared with 2.96 as at December 31, 2019. The change in the current ratio was primarily due to an increase in trade and other payables, and a decrease in loans receivables, partly offset by an increase in inventories. The increase in both inventories and trade and other payables was resulted from more purchases of goods made in the second quarter of 2020 to cope with expected sales demand in the second half of this year. The decrease in loans receivables was resulted from a net repayment of loans to customers during 2020.

The Group does not have other debt financing obligations as at June 30, 2020 or the date of this interim report and does not have any breaches of financial covenants.

## Management Discussion and Analysis (Continued)

### 12. Capital Expenditure

For the Reporting Period, the capital expenditure of the Group amounted to approximately RMB159.8 million, representing an increase of approximately RMB80.7 million or approximately 102.0% compared with approximately RMB79.1 million for the corresponding period in 2019. The increase in capital expenditure was primarily due to purchases of intangible assets during 2020, which were related to research and development for different AIoT industries, including the Internet of vehicles and robotics.

### 13. Net Gearing Ratio

As of June 30, 2020, the net gearing ratio of the Group, which was calculated by dividing net debt (total bank loans and lease liabilities minus cash and cash equivalents and pledged deposits) by total equity was approximately -3.1% as compared with -1.7% as at December 31, 2019. The decrease was primarily due to an increase in net cash balance as a result of an increase in cash generated from operations. The increase in net cash balance was offset in part by additional investment in financial assets at fair value through other comprehensive income and purchases of intangible assets in 2020.

### 14. Material Investments

The Group did not make any material investments for the Reporting Period.

### 15. Material Acquisitions and Disposals

On December 17, 2019, the Company entered into a legally binding letter of intent with Optimum Profuse Limited (“**Optimum**”) in respect of (i) the acquisition of 30% of the entire issued share capital of Hardeggs Holdings Limited from Optimum by ING DAN.com Group, Inc., an indirect wholly-owned subsidiary of the Company, for a cash consideration of RMB35 million; and (ii) the subscription of Optimum in the shares of Comtech Industrial Technology (Shenzhen) Company Limited, an indirect wholly-owned subsidiary of the Company, representing 25% of its entire issued share capital for RMB35 million. Please refer to the announcements dated December 18, 2019 and January 13, 2020. For the purposes of account consolidation and financial benefits, the cut-off date of January 1, 2020 was adopted for the transaction. Save as disclosed, the Group did not have any material acquisitions and disposals during the Reporting Period.

### 16. Future plans for material investments and capital assets

As at June 30, 2020, we did not have other plans for material investments and capital assets.

### 17. Pledge of Assets

Except for the pledged bank deposits of approximately RMB126.7 million and approximately RMB159.9 million as at June 30, 2020 and December 31, 2019, respectively, the Group did not pledge any assets for the Reporting Period. 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 at June 30, 2020.

## Management Discussion and Analysis (Continued)

### 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 RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Condensed consolidated statement of financial position items are translated into RMB 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 RMB, the cumulative amount of the exchange differences relating to that operation with functional currency other than RMB is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

During the Reporting Period, the Group did not use any derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business. The Group's management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### 20. Events after the Reporting Period

There was no other significant events that might affect the Group since the end of the six months ended June 30, 2020.

### 21. Discontinuation of Non-GAAP Measures

To supplement our consolidated financial statements which are presented in accordance with Hong Kong Financial Reporting Standards, the Group has also used unaudited non-Generally Accepted Accounting Principles ("**non-GAAP**") adjusted financials as an additional financial measure to evaluate our financial performance since the listing of the Company's shares on the Stock Exchange in 2014. Given that non-GAAP measures will not provide meaningful information to the shareholders of the Company, the Company determines that it will no longer disclose non-GAAP 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, 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executives have taken or deemed to have taken under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein; (iii) required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) disclosed according to the knowledge of the Directors were as follows:

#### (i) Interests in the Shares of the Company

Name of Director	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding <sup>(3)</sup>
Mr. Kang	Interest of controlled corporation <sup>(2)</sup>	650,200,000	45.87%
Mr. Kang	Beneficial owner	1,800,000	0.13%
Mr. Wu	Beneficial owner	1,800,000	0.13%

Notes:

- (1) All the Shares are held in long position (as defined under Part XV of the SFO).
- (2) Mr. Kang owns 100% of Envision Global, which in turn owns these Shares. Mr. Kang is therefore deemed to be interested in these Shares held by Envision Global.
- (3) The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of Shares in issue as at June 30, 2020.

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

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

Notes:

- (1) All the shares are held in long position (as defined under Part XV of the SFO).
- (2) Mr. Kang directly owns 100% of Envision Global.

## Other Information (Continued)

Save as disclosed above, as at June 30, 2020, 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 (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2020, 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 <sup>(1)</sup>	Approximate percentage of shareholding <sup>(4)</sup>
Envision Global	Beneficial owner	650,200,000	45.87%
Mr. Kang <sup>(2)</sup>	Interest of a controlled corporation	650,200,000	45.87%
Mr. Kang	Beneficial owner	1,800,000	0.13%
Total Dynamic	Beneficial owner	182,888,000	12.90%
Ms. Yao <sup>(3)</sup>	Interest of a controlled corporation	182,888,000	12.90%

Notes:

- (1) All the Shares are held in long position (as defined under Part XV of the SFO).
- (2) Mr. Kang owns 100% of Envision Global, which in turn owns these Shares. Therefore, Mr. Kang is deemed to be interested in these Shares held by Envision Global.
- (3) Ms. Yao owns 100% of Total Dynamic, which in turn owns these Shares. Therefore, Ms. Yao is deemed to be interested in these Shares held by Total Dynamic.
- (4) The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of Shares in issue as at June 30, 2020 (without taking into account the Shares to be issued pursuant to the RSU Scheme).

Save as disclosed above, as at June 30, 2020, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

## Other Information (Continued)

### EMPLOYEE AND REMUNERATION POLICIES

As at June 30, 2020, the Group had 479 full-time employees (June 30, 2019: 482). The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

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

The Company also has an RSU Scheme.

The total remuneration cost incurred by the Group for the six months ended June 30, 2020 was approximately RMB48.5 million (for the six months ended June 30, 2019: RMB49.29 million).

### RSU Scheme

The Company has adopted an RSU Scheme on March 1, 2014, which was amended on December 21, 2014. The purpose of the RSU Scheme is to reward the fidelity of the Directors, executive officers, senior managers and employees of the Company and of its subsidiaries (collectively, "**Scheme Companies**" and each, a "**Scheme Company**") and align their interests with those of the Shareholders.

The grant of the RSUs recognized the contribution of the Scheme Companies' Directors, executive officers, senior managers and employees to the historical achievements of the Company. The Company has the intention to continue exploring ways to incentivise, retain and reward Scheme Companies' Directors, executive officers, senior management and employees and may implement other RSU schemes or other share-based remuneration schemes in the future. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

## Other Information (Continued)

Details of the movement of the RSUs granted pursuant to the RSU Scheme to the Directors and employees during the six months ended June 30, 2020 are set out below:

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at June 30, 2020	Unvested as at June 30, 2020	Vesting period
<b>Directors</b>					
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)
<b>Other grantees</b>					
Other grantees with a vesting period of three years <sup>(1)</sup>	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 <sup>(2)</sup>	March 1, 2014	7,253,700	6,423,200	—	December 31, 2014
Other grantees with a vesting period of three years <sup>(3)</sup>	July 8, 2015	17,940,000	15,800,000	—	12 quarterly installments (from July 8, 2015 to July 7, 2018)
Other grantees with a vesting period of three years <sup>(4)</sup>	February 1, 2017	6,000,000	5,460,000	—	12 quarterly installments (from February 1, 2017 to January 31, 2020)
Other grantees with a vesting period of three years <sup>(5)</sup>	November 23, 2018	10,200,000	4,300,000	2,100,000	12 quarterly installments (from November 23, 2018 to November 22, 2021)
Other grantees with a vesting period of three years <sup>(6)</sup>	September 3, 2019	14,000,000	2,666,684	2,999,992	12 quarterly installments (from September 3, 2019 to September 2, 2022)

Notes:

(1) As at June 30, 2020, 1,275,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(2) As at June 30, 2020, 830,500 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(3) As at June 30, 2020, 2,140,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(4) As at June 30, 2020, 540,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(5) As at June 30, 2020, 3,800,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(6) As at June 30, 2020, 8,333,324 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

## Other Information (Continued)

### CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. Save for deviations from code provisions A.2.1 and C.1.2, the Board is of the view that the Company has complied with all the code provisions set out in the CG Code during the Reporting Period.

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

Pursuant to code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates, giving a balanced and understandable assessment of the issuer's performance, position, and prospects in sufficient details to enable the board as a whole and each director to discharge their duties. During the Reporting Period, although the management of the Company did not provide a regular monthly update to the members of the Board, the management has provided to the Board on quarterly basis and when appropriate, the updated business information of the Group to keep all Directors abreast of the performance, position and prospects of the Group and to enable them to discharge their duties.

### DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

## Other Information (Continued)

### REVIEW BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2020. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and risk management with senior management members and the external auditor of the Company, SHINEWING (HK) CPA Limited.

The interim financial report of the Group for the six months ended June 30, 2020 has been reviewed by the Audit Committee and by the Company’s external auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants.

### OTHER BOARD COMMITTEE

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

### CHANGES TO DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors’ biographical details are set out below:

#### Ms. Ni Hong, Hope

Ms. Ni was re-designated as a non-executive Director and ceased to be the Chief Investment Officer with effect from June 10, 2020, and was appointed as an independent director of Ucloudlink Group, Inc., a NASDAQ listed company (NASDAQ: UCL), with effect from June 10, 2020.

#### Mr. Hao Chunyi, Charlie

Mr. Hao was appointed as the chief financial officer and chairman to the board of directors of East Stone Acquisition Corporation, an investment company incorporated in the BVI and listed on NASDAQ (NASDAQ: ESSC), in January 2020.

Save as mentioned above, there is no other change in the Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of publication of the 2019 annual report of the Company.

## Other Information (Continued)

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

During the six months ended June 30, 2020, the Company repurchased an aggregate of 9,916,000 Shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of approximately HK\$8.4 million (equivalent to approximately RMB7.6 million).

All the Shares repurchased were cancelled, of which 7,234,000 Shares were cancelled on May 11, 2020 and 2,682,000 shares were cancelled on June 19, 2020.

The repurchases were effected by the Directors for the benefit of the Company and to create value to 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 during the Reporting Period and up to the date of this interim report.

### INTERIM DIVIDEND

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

### MATERIAL LITIGATION

As of June 30, 2020, 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.

### THE RISINGNOVAS ACQUISITIONS AND THE BCT ACQUISITIONS

The following transactions in relation to the financial year ended December 31, 2019 are disclosed on a voluntary basis.

Certain subsidiaries of the Company acquired several distinctive software licenses from Huameng Software (Shenzhen) Co., Ltd. (華盟軟體(深圳)有限公司), an independent third party whose principal business activity is the provision of system integration of software and hardware services and customized product development of middleware software.

On July 9, 2019, Risingnovas (HK) Limited acquired software licenses with the following functionalities for an aggregate consideration of US\$32 million:

- (i) a data management system to collect data about the vehicle and the driver;
- (ii) an information collection and data analysis and management system to upload data to the server;
- (iii) an advanced driver-assistance system and data analysis system to provide alerts when driving;
- (iv) a GPS high-precision positioning system to monitor the location of the vehicles and the surrounding circumstances; and

## Other Information (Continued)

(v) an autopilot vision processing system to increase safety by way of processing images and surrounding circumstances.

(collectively, the “**Risingnovas Acquisitions**”)

On October 8, 2019, BCT Holdings Limited acquired software licenses with the following functionalities for an aggregate consideration of RMB150 million:

- (i) a charging station management system for alternative fuel vehicles to control the speed of the vehicle;
- (ii) an electric-driven control system for alternative fuel vehicles to enhance efficiency and to conserve energy when the vehicle is idle;
- (iii) a comprehensive diagnosis system for alternative fuel vehicles to provide diagnosis when the vehicle is idle; and
- (iv) a battery management system for alternative fuel vehicles to manage and calculate how much fees should be charged for a battery recharge.

(collectively, the “**BCT Acquisitions**”)

The consideration of each of the licenses under the Risingnovas Acquisitions and the BCT Acquisitions were arrived at after arm’s length negotiations between the parties.

The Risingnovas Acquisitions and the BCT Acquisitions were entered into to expand the Company’s capabilities in conducting further research and development and to conduct testing with a view of potentially developing components that can be sold in the future.

## 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 the Listing Date and June 30, 2020, we had not been ordered by any authorities to register the lease agreements within a given period. In addition, the fine which may potentially be imposed as a result of the failure to register the relevant leases would be immaterial.

Our PRC Legal Advisor is of the view that the above incident is not material to our Group as a whole, and all the PRC governmental authorities referred to are the competent authorities for the matters mentioned.

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

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

## Other Information (Continued)

### PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended June 30, 2020 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](http://www.hkexnews.hk)) and the Company ([www.cogobuy.com](http://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 31, 2020

# Report on Review of Condensed Consolidated Interim Financial Information



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

## TO THE BOARD OF DIRECTORS OF COGOBUY GROUP

*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated interim financial information of Cogobuy Group (the “Company”) and its subsidiaries set out on pages 23 to 64, which comprise the condensed consolidated statement of financial position as at 30 June 2020, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information 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  
31 August 2020

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>3,281,205</b>	2,671,224
Cost of sales		<b>(3,026,652)</b>	(2,470,866)
<b>Gross profit</b>		<b>254,553</b>	200,358
Other income	6	<b>66,410</b>	14,248
Selling and distribution expenses		<b>(32,312)</b>	(32,825)
Research and development expenses		<b>(80,022)</b>	(67,199)
Administrative and other operating expenses		<b>(82,727)</b>	(71,507)
Finance costs	7	<b>(5,328)</b>	(24,931)
Share of results of associates		<b>6,263</b>	23,021
<b>Profit before tax</b>		<b>126,837</b>	41,165
Income tax expenses	8	<b>(8,278)</b>	(785)
Profit for the period	9	<b>118,559</b>	40,380
Profit for the period attributable to:			
Owners of the Company		<b>100,077</b>	37,983
Non-controlling interests		<b>18,482</b>	2,397
		<b>118,559</b>	40,380

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

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Other comprehensive income (expense) for the period</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		57,105	(1,139)
Net change in fair value of financial assets at fair value through other comprehensive income		(48,005)	—
		9,100	(1,139)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		13,082	(1,951)
		13,082	(1,951)
Other comprehensive income (expense) for the period		22,182	(3,090)
<b>Total comprehensive income for the period</b>		140,741	37,290
Total comprehensive income for the period attributable to:			
Owners of the Company		121,683	34,850
Non-controlling interests		19,058	2,440
		140,741	37,290
<b>EARNINGS PER SHARE</b>	11		
Basic (RMB)		0.072	0.026
Diluted (RMB)		0.071	0.026

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment		7,993	7,765
Right-of-use assets	12	53,994	24,546
Intangible assets	13	1,135,655	1,084,030
Goodwill		452,467	452,467
Financial assets at fair value through other comprehensive income	14	475,115	360,532
Loan receivables	15	158,473	155,847
Interests in associates		196,769	185,650
Interest in a joint venture		—	—
		<b>2,480,466</b>	2,270,837
<b>Current assets</b>			
Inventories		791,679	319,974
Trade, bills and other receivables	16	1,791,185	1,567,488
Loan receivables	15	174,521	663,096
Amounts due from associates	17	276,028	330,654
Pledged bank deposits		126,670	159,858
Cash and cash equivalents		216,582	119,865
		<b>3,376,665</b>	3,160,935
<b>Current liabilities</b>			
Trade and other payables	18	1,150,114	854,316
Lease liabilities	12	16,404	11,490
Contract liabilities		5,866	3,978
Income tax payables		14,992	16,397
Bank loans	19	145,699	180,676
		<b>1,333,075</b>	1,066,857
<b>Net current assets</b>		<b>2,043,590</b>	2,094,078
<b>Total assets less current liabilities</b>		<b>4,524,056</b>	4,364,915

## Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities		48,342	51,609
Lease liabilities	12	38,429	13,297
		<b>86,771</b>	64,906
<b>Net assets</b>		<b>4,437,285</b>	4,300,009
<b>Capital and reserves</b>			
Share capital	20	1	1
Reserves		4,230,543	4,114,883
		<b>4,230,544</b>	4,114,884
<b>Non-controlling interests</b>		<b>206,741</b>	185,125
<b>Total equity</b>		<b>4,437,285</b>	4,300,009

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company												Non-controlling interests RMB'000	Total RMB'000
	Share Capital RMB'000 (note 20)	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 (the "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			
At 1 January 2019 (audited)	1	2,256,270	18,923	25,904	38,764	(86,294)	174,533	13,891	(13,920)	1,646,356	4,074,428	150,321	4,224,749	
Profit for the period	—	—	—	—	—	—	—	—	—	37,983	37,983	2,397	40,380	
Other comprehensive (expense) income for the period														
Exchange differences arising on translation of financial statements of functional currency to presentation currency	—	—	—	—	—	—	(1,182)	—	—	—	(1,182)	43	(1,139)	
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	—	(1,951)	—	—	—	(1,951)	—	(1,951)	
Total comprehensive (expense) income for the period	—	—	—	—	—	—	(3,133)	—	—	37,983	34,850	2,440	37,290	
Dividends paid to non-controlling shareholders (note 10)	—	—	—	—	—	—	—	—	—	—	—	(1,633)	(1,633)	
Disposal of interest in a subsidiary without loss of control	—	—	—	—	25	—	—	—	—	—	25	(25)	—	
Issue of shares under the RSU Scheme	—	—	—	(6,299)	—	6,299	—	—	—	—	—	—	—	
Equity-settled share-based compensation expenses (note 21)	—	—	—	11,593	—	—	—	—	—	—	11,593	—	11,593	
Repurchase and cancellation of own shares	—	(69,495)	—	—	—	—	—	—	—	—	(69,495)	—	(69,495)	
At 30 June 2019 (unaudited)	1	2,186,775	18,923	31,198	38,789	(79,995)	171,400	13,891	(13,920)	1,684,339	4,051,401	151,103	4,202,504	

# Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

	Attributable to owners of the Company												
	Share Capital RMB'000 (note 20)	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 (the "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 2020 (audited)	1	2,124,547	18,923	25,229	38,789	(60,176)	207,308	13,891	(6,451)	1,752,823	4,114,884	185,125	4,300,009
Profit for the period	-	-	-	-	-	-	-	-	-	100,077	100,077	18,482	118,559
Other comprehensive (expense) income for the period													
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(48,005)	-	(48,005)	-	(48,005)
Exchange differences arising on translation of financial statements of functional currency to presentation currency	-	-	-	-	-	-	56,529	-	-	-	56,529	576	57,105
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	13,082	-	-	-	13,082	-	13,082
Total comprehensive income (expense) for the period	-	-	-	-	-	-	69,611	-	(48,005)	100,077	121,683	19,058	140,741
Acquisition of additional equity interest in a subsidiary (note 24(a))	-	-	-	-	(8,056)	-	-	-	-	-	(8,056)	(26,944)	(35,000)
Disposal of interest in a subsidiary without loss of control (note 24(b))	-	-	-	-	2,474	-	-	-	-	-	2,474	32,526	35,000
Dividends paid to non-controlling shareholders (note 10)	-	-	-	-	-	-	-	-	-	-	-	(3,024)	(3,024)
Issue of shares under the RSU Scheme (note 20(v))	-	-	-	(8,875)	-	8,875	-	-	-	-	-	-	-
Equity-settled share-based compensation expenses (note 21)	-	-	-	7,179	-	-	-	-	-	-	7,179	-	7,179
Repurchase and cancellation of own shares (note 20(iv))	-	(7,620)	-	-	-	-	-	-	-	-	(7,620)	-	(7,620)
At 30 June 2020 (unaudited)	1	2,116,927	18,923	23,533	33,207	(51,301)	276,919	13,891	(54,456)	1,852,900	4,230,544	206,741	4,437,285

# Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

## Notes:

### (i) Capital reserve

It represents an amount of United States dollars (“US\$”) 3,000,000, equivalent to approximately Renminbi (“RMB”) 18,923,000, contributed by the shareholder of the Company in the form of cash during the year ended 31 December 2012.

### (ii) Share-based compensation reserve

It represents the portion of the grant date fair value of shares granted to the directors and employees of the Company and its subsidiaries under the RSU Scheme 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 the entire equity interest in Cogobuy Holding Limited and its subsidiaries. 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, an indirect wholly-owned subsidiary of the Company, purchased the remaining 40% equity interest in Comtech Digital Technology (Hong Kong) Limited (“Comtech Digital HK”), an indirect non-wholly owned subsidiary of the Company, at a cash consideration of RMB240,000,000. The difference between the cash consideration and the relevant share of the carrying amount of the net assets of Comtech Digital HK, being approximately RMB212,482,000, was debited to other reserve.

On 18 January 2018, Cogobuy Group, Inc, a direct wholly-owned subsidiary of the Company, transferred its 30% equity interest in EZ Robot, Inc (“EZ Robot”) in exchange of the entire equity interest in Shanghai Comtech Electronic Technology Co., Ltd (上海科姆特電子技術有限公司) (“Shanghai Comtech”) and its wholly-owned subsidiary, Shanghai E&T Automation System Co., Ltd. (上海科姆特自動化控制技術有限公司) (“Shanghai E&T Auto”). The difference between the fair value of consideration shares and the amount of non-controlling interest upon acquisition, amounting to approximately RMB65,050,000, was credited to other reserve.

On 9 April 2019, Hardeggs Holdings Limited (“Hardeggs”), an indirect subsidiary of the Company with 70% equity interest owned by the Company, and Texas Blockdata Inc. (“Texas Blockdata”), an independent third party to the Group, entered into a capital injection agreement (the “Capital Injection Agreement”) for an acquisition of 70% equity interest in Cingko Holdings Limited (“Cingko”). On 14 May 2019, Hardeggs acquired 70% equity interest in Cingko with the considerations of (i) cash consideration of HK\$1; and (ii) provision of interest-free loan of approximately HK\$500,000 to Cingko Technology (HK) Limited (“Cingko HK”). Cingko HK was a direct wholly-owned subsidiary of Cingko and was acquired by Cingko at the same date of this transaction.

As a result, the effective interest of Cingko HK held by the Company has been diluted from 100% to 49% and it was considered as disposal of a subsidiary without loss of control. The difference between (i) the fair value of the consideration upon transfer and the amount of non-controlling interest upon acquisition; and (ii) net liabilities of Cingko HK, amounting to approximately RMB25,000, was credited to other reserve.

INGDAN.com Group, Inc. (“INGDAN.com Group”), an indirect wholly-owned subsidiary of the Company, acquired additional 30% equity interest in Hardeggs from Optimum Profuse Limited (“Optimum”), a non-controlling shareholder of Hardeggs, at a cash consideration of RMB35,000,000. The acquisition was effective on 1 January 2020 and Hardeggs became an indirect wholly-owned subsidiary of the Company. The difference between the cash consideration and the relevant share of the carrying amount of the net assets of Hardeggs, being approximately RMB8,056,000, was debited to other reserve. For details, please refer to note 24(a).

Alphalink Global Limited (“Alphalink”), an indirect wholly-owned subsidiary of the Company, entered into a share subscription agreement with Optimum in which Optimum subscribed for 25% equity interest in Comtech Industrial Technology (Shenzhen) Limited (“Comtech Industrial (SZ)”), an indirect wholly-owned subsidiary of the Company at a cash consideration of RMB35,000,000. The subscription was effective on 1 January 2020 and Comtech Industrial (SZ) became an indirect subsidiary with 75% equity interest owned by the Company. The difference between the cash consideration and the carrying amount of the net assets of Comtech Industrial (SZ), being approximately RMB2,474,000, was credited to other reserve. For details, please refer to note 24(b).

## Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

(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 the 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 the RSU Scheme", with a corresponding adjustment made to "Share-based compensation reserve".

(v) Statutory reserves

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

For general reserve, appropriation to general reserve is at the discretion of the directors of the relevant subsidiaries in the PRC. 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 entities. The transfer to this reserve must be made before distribution of dividends. 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 shareholdings 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, however, subject to complying with applicable requirements. Such dividend or loans could take a considerable amount of time to implement and to be processed by certain governmental agencies.

(vi) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income ("FVTOCI") at the end of the reporting period and is dealt with in accordance with the Group's accounting policies.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	267,754	114,009
Income tax paid	(12,950)	(4,960)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>254,804</b>	109,049
INVESTING ACTIVITIES		
Purchase of intangible assets	(157,532)	(79,058)
Purchase of plant and equipment	(1,370)	(95)
Purchase of financial assets at FVTOCI	—	(343,902)
Purchase of financial assets at fair value through profit or loss ("FVTPL")	—	(150,000)
Capital injection to a joint venture	—	(292)
Withdrawal of pledged bank deposits	34,850	243,456
Dividend received from an associate	890	10,561
Interest received	586	4,807
Proceeds on disposal of financial assets at FVTPL	—	193,667
Withdrawal of short-term deposits	—	23,522
Proceeds on disposal of plant and equipment	—	3
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(122,576)</b>	(97,331)
FINANCING ACTIVITIES		
New bank loans raised	336,668	112,967
Proceeds from disposal of equity interest in a subsidiary without loss of control	35,000	—
Government grants received	3,485	4,918
Repayment of bank loans	(374,345)	(294,717)
Payment for acquisition of additional equity interest in a subsidiary	(35,000)	—
Repayment of lease liabilities	(10,346)	(5,068)
Repurchase of issued ordinary shares	(7,620)	(69,495)
Interests paid	(5,328)	(24,414)
Dividends paid to non-controlling shareholders	(3,024)	(1,633)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(60,510)</b>	(277,442)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>71,718</b>	(265,724)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	119,865	926,997
Effect of foreign exchange rates changes	24,999	(6,402)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash</b>	<b>216,582</b>	654,871

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

## 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 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “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, Nanshan District, Shenzhen, the PRC.

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company are Envision Global Investments Limited, which was incorporated in the British Virgin Islands.

The Group was principally engaged in the sales of integrated circuits (“IC”), other electronic components, Artificial Intelligence and Internet of Things (“AIoT”) products and proprietary and semi-conductor products, commission fees charged to third-party merchants for using the e-commerce marketplaces (“marketplaces income”) 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 US\$ while the functional currency of the subsidiaries established in the PRC are RMB. The condensed consolidated interim financial information are presented in RMB for the convenience of users of the condensed consolidated interim financial information as the central management of the Group was located in the PRC.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis except for financial assets at FVTOCI, which are measured at fair value.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019 except as described below.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), which includes HKFRSs, HKASs and amendments issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the above new and amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

## 4. REVENUE

Revenue represents the sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products, marketplace income and interest income generated from the supply chain financing services, namely Ingfin Financing Services (“IngFin Financing Services”). An analysis of the Group’s revenue for the period is as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from contracts with customers, within the scope of HKFRS 15		
— Sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products	<b>3,222,404</b>	2,619,959
— Marketplace income	<b>30,543</b>	28,848
	<b>3,252,947</b>	2,648,807
Revenue from other sources		
— Interest income from IngFin Financing Services	<b>28,258</b>	22,417
	<b>3,281,205</b>	2,671,224

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 4. REVENUE (Continued)

In order to align the restructured internal management and reporting structure as disclosed in note 5, the revenue of comparative period has been restated to conform with current period's presentation. Set out below is the disaggregation of the Group's revenue from contracts with customers by (i) timing of recognition; and (ii) geographical markets, arising from different reporting segments:

For the six months ended 30 June 2020 (unaudited)	Ingdan Innovations RMB'000	Ingfin Services RMB'000	Total RMB'000
Revenue from goods and services:			
— Sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products	1,784,453	1,437,951	3,222,404
— Marketplace income	—	30,543	30,543
	<b>1,784,453</b>	<b>1,468,494</b>	<b>3,252,947</b>
Timing of revenue recognition:			
— At a point in time	1,784,453	1,468,494	3,252,947
Geographical markets:			
— The PRC (including Hong Kong)	1,784,453	1,305,366	3,089,819
— Southeast Asia	—	163,128	163,128
	<b>1,784,453</b>	<b>1,468,494</b>	<b>3,252,947</b>
For the six months ended 30 June 2019 (unaudited)	Ingdan Innovations RMB'000 (Restated)	Ingfin Services RMB'000 (Restated)	Total RMB'000
Revenue from goods and services:			
— Sales of IC, and other electronic components, AIoT products and proprietary and semi-conductor products	1,717,586	902,373	2,619,959
— Marketplace income	—	28,848	28,848
	1,717,586	931,221	2,648,807
Timing of revenue recognition:			
— At a point in time	1,717,586	931,221	2,648,807
Geographical markets:			
— The PRC (including Hong Kong)	1,717,586	859,317	2,576,903
— Southeast Asia	—	71,904	71,904
	1,717,586	931,221	2,648,807

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

## 5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services provided. The executive directors of the Company have chosen to organise the Group around differences in products and services.

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

- Ingdan Innovations: Sales of IC, other electronic components and AIoT products
- Ingfin Services: Sales of proprietary and semi-conductor products, Ingfin Financing Services, marketplace income and incubator business

Operating segments in Ingdan Innovations and Ingfin Services, as identified by the CODM, have been aggregated in arriving at reportable segments of the Group.

During the six months ended 30 June 2020, as a result of the completion of the internal re-organisation of the Group, the structure of the Group’s internal organisation has been changed such that the CODM commenced to review the Group’s business by types of products or services, namely Ingdan Innovations and Ingfin Services. The (i) sales of IC and other electronic components; and (ii) sales of AIoT products included in Ingdan Services have been merged into “Ingdan Innovations”, while the remaining business of Ingdan Services remained as “Ingfin Services”. The CODM considers that such internal re-organisation could better reflect the financial performance of each business and enhance operational efficiency by aggregating similar businesses (i.e. sales of IC and other electronic components and sales of AIoT products) into one reporting segment “Ingdan Innovations”.

In order to align the restructured internal management and reporting structure reviewed by the CODM during the six months ended 30 June 2020, the segment information of comparative period has been restated to conform with current period’s presentation.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 5. SEGMENT INFORMATION (Continued)

#### Segment revenues and results

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

For the six months ended 30 June 2020

	Ingdan Innovations RMB'000 (Unaudited)	Ingfin Services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
— External sales	1,784,453	1,496,752	3,281,205
— Inter-segment sales	158,460	31,423	189,883
Segment revenue	1,942,913	1,528,175	3,471,088
Eliminations			(189,883)
Group revenue			3,281,205
Segment profit	80,832	54,140	134,972
Unallocated income			42,406
Unallocated corporate expenses			(51,476)
Unallocated finance costs			(5,328)
Share of results of associates			6,263
Profit before tax			126,837

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 5. SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

For the six months ended 30 June 2019 (Restated)

	Ingdan Innovations RMB'000 (Unaudited)	Ingfin Services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
— External sales	1,717,586	953,638	2,671,224
— Inter-segment sales	143,817	81,606	225,423
Segment revenue	1,861,403	1,035,244	2,896,647
Eliminations			(225,423)
Group revenue			2,671,224
Segment profit	57,611	4,504	62,115
Unallocated income			14,248
Unallocated corporate expenses			(33,288)
Unallocated finance costs			(24,931)
Share of results of associates			23,021
Profit before tax			41,165

The accounting policies of the operating segments are the same with the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administrative and other operating expenses, certain other income, finance costs and share of results of associates. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 5. SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities

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

#### Segment assets

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited and restated)
Ingdan Innovations	1,686,752	1,086,705
Ingfin Services	3,557,892	3,840,893
Total segment assets	5,244,644	4,927,598
Interests in associates	196,769	185,650
Interest in a joint venture	—	—
Corporate and other assets	415,718	318,524
Total assets	5,857,131	5,431,772

#### Segment liabilities

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited and restated)
Ingdan Innovations	621,773	39,181
Ingfin Services	467,745	759,373
Total segment liabilities	1,089,518	798,554
Corporate and other liabilities	330,328	333,209
Total liabilities	1,419,846	1,131,763

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

## 5. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

#### Segment liabilities (Continued)

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

- All assets are allocated to operating segments, other than right-of-use assets, interests in associates and a joint venture, certain other receivables, pledged bank deposits and cash and cash equivalents; and
- All liabilities are allocated to operating segments, other than certain other payables, lease liabilities, income tax payables, bank loans, and deferred tax liabilities.

## 6. OTHER INCOME

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Bank interest income	586	4,807
Net foreign exchange gains	35,640	2,197
Gain on disposal of financial assets at FVTPL	—	1,837
Government grants (note)	3,485	4,918
Reversal of loss allowance on trade receivables	24,004	—
Others	2,695	489
	<b>66,410</b>	14,248

Note: The amount represented government grants received from the PRC local government authorities in respect of subsidising the Group's research and development activities, which were immediately recognised as other income for the period as the Group fulfilled all the relevant granting criteria.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 7. FINANCE COSTS

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on bank loans	3,505	24,414
Interest on lease liabilities	1,823	517
	<b>5,328</b>	24,931

### 8. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax:		
— PRC Enterprises Income Tax	7,007	2,659
— Hong Kong Profits Tax	4,389	1,442
— Other jurisdictions	149	216
	<b>11,545</b>	4,317
Deferred taxation	<b>(3,267)</b>	(3,532)
	<b>8,278</b>	785

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 9. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets included in cost of sales	75,794	—
Amortisation of intangible assets included in administrative and other operating expenses	30,073	32,471
	<b>105,867</b>	32,471
Depreciation of plant and equipment	1,178	1,025
Depreciation of right-of-use assets	10,944	4,828
Loss on disposal of plant and equipment	—	117
(Reversal of) allowance for inventories, net (included in cost of sales) (note)	(15,500)	18,500
Amount of inventories recognised as an expense	<b>2,938,561</b>	2,432,024

Note: During the six months ended 2020, reversal of allowance for inventories of approximately RMB15,500,000 (2019: nil) has been recognised and included in cost of sales as a result of the subsequent sales.

### 10. DIVIDENDS

No dividend was paid, declared or proposed during the six months ended 30 June 2020, nor has any dividend been proposed since the end of the interim period (2019: nil).

During the six months ended 30 June 2020, certain indirectly non-wholly owned subsidiaries of the Company declared interim dividends to its shareholders, of which approximately RMB3,024,000 (2019: RMB1,633,000) was paid to its non-controlling shareholders. No dividend has been proposed, by the subsidiaries of the Company since the end of the interim period (2019: nil).

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 11. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to owners of the Company	<b>100,077</b>	37,983

	For the six months ended 30 June	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,389,728</b>	1,440,760
Effect of dilutive potential ordinary shares: Deemed issue of shares under the Company's RSU scheme for nil consideration	<b>10,393</b>	11,796
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,400,121</b>	1,452,556

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

#### (a) Right-of-use assets

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Buildings	<b>53,994</b>	24,546

As at 30 June 2020, the Group has lease arrangements for office buildings, factories and warehouses with the lease terms of generally ranged from two to six years (31 December 2019: two to four years).

Additions to the right-of-use assets and lease liabilities for the six months ended 30 June 2020 amounted to approximately RMB40,392,000 (2019: RMB9,853,000), due to new leases in respect of office buildings.

#### (b) Lease liabilities

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current	<b>38,429</b>	13,297
Current	<b>16,404</b>	11,490
	<b>54,833</b>	24,787

Included in the lease liabilities as at 30 June 2020 were approximately RMB40,392,000 (31 December 2019: RMB1,974,000) arising from leases with Comtech Communication Technology (Shenzhen) Company Limited ("CCT Shenzhen").

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

#### (b) Lease liabilities (Continued)

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Amounts payable under lease liabilities		
Within one year	<b>16,404</b>	11,490
After one year but within two years	<b>14,061</b>	9,616
After two years but within five years	<b>20,868</b>	3,681
After five years	<b>3,500</b>	—
	<b>54,833</b>	24,787
Less: amount due for settlement within 12 months (shown under current liabilities)	<b>(16,404)</b>	(11,490)
Amount due for settlement after 12 months	<b>38,429</b>	13,297

#### (c) Amounts recognised in profit or loss

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation expense on right-of-use assets	<b>10,944</b>	4,828
Interest expense on lease liabilities	<b>1,823</b>	517
Expense relating to short-term leases	<b>223</b>	5,796

#### (d) Others

During the six months ended 30 June 2020, the total cash outflows for leases amounting to approximately RMB12,392,000 (2019: RMB11,381,000).

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 13. INTANGIBLE ASSETS

During the six months ended 30 June 2020, additions of intangible assets amounted to approximately RMB157,532,000, comprised of information system of (i) RMB50,000,000 used in the robotics business; and (ii) RMB107,532,000 used in the automotive business, both are used under Ingfin Services segment (2019: information system of approximately RMB79,058,000 used in the automotive business and was used under Ingfin Services segment).

No impairment loss has been recognised as at 30 June 2020 (31 December 2019: nil) based on the impairment assessment on the intangible assets, with reference to the calculation of value-in-use of the respective cash-generating units performed by the directors of the Company.

The value-in-use was calculated based on the discounted cash flows model with the use of budgeted revenue, gross margins and pre-tax discount rate. The directors of the Company were not aware of any possible change in the key assumptions used in value-in-use calculation would cause an impairment loss as at 30 June 2020 and 31 December 2019.

### 14. FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Unlisted investments designated as at FVTOCI		
— Unlisted equity investments	<b>463,587</b>	349,195
— Unlisted equity fund	<b>11,528</b>	11,337
	<b>475,115</b>	360,532
Analysed for reporting purposes as:		
— Non-current assets	<b>475,115</b>	360,532

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated/established in Hong Kong, the PRC and the British Virgin Islands (the "BVI") and equity fund.

For the six months ended 30 June 2020, the Group, through capital contributions, acquired (i) 40% equity interest in Mobile Safetech Limited ("Mobile Safetech") at a cash consideration of approximately RMB75,972,000; and (ii) 40% equity interest in Triumph Storage Technology Limited ("Triumph Storage") at a cash consideration of approximately RMB77,919,000. Mobile Safetech is principally engaged into the sales, research and development in Advanced Driving Assistance Systems for automotive industry while Triumph Storage is principally engaged into the provision of solution services in storage device business.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 14. FINANCIAL ASSETS AT FVTOCI (Continued)

For the six months ended 30 June 2019, the Group, through capital contributions, acquired of (i) 40% equity interest in Locoway Technology Holdings Limited (“Locoway”) and its subsidiary (collectively referred to as the “Locoway Group”) at a cash consideration of HK\$200,000,000, equivalent to approximately RMB175,409,000; and (ii) 35% equity interest in Aliothtech Holdings Limited (“Aliothtech”) at a cash consideration of HK\$193,000,000, equivalent to approximately RMB169,270,000. Locoway is principally engaged into the sales, research and development for Advanced Driving Assistance Systems and Driver Monitoring Systems for the automobile industry while the Aliothtech is principally engaged into the sales of AIoT products and other custom chip design.

The Group did not have any right to appoint any directors in the board of directors of Mobile Safetech, Triumph Storage, Locoway and Aliothtech. In the opinion of the directors of the Company, these equity investments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these equity investments as at FVTOCI as they believe that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

### 15. LOANS RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
At the beginning of the year	<b>818,943</b>	542,182
Addition	<b>78,364</b>	817,855
Repayment from borrowers	<b>(574,756)</b>	(551,595)
Exchange adjustments	<b>10,443</b>	10,501
At the end of the year	<b>332,994</b>	818,943
Analysed for reporting purpose:		
— Current portion	<b>174,521</b>	663,096
— Non-current portion	<b>158,473</b>	155,847
	<b>332,994</b>	818,943

The loans are secured by the borrowers’ cash deposits, inventories, trade receivables, equity interest of the borrowers and carried fixed interest rates as at 30 June 2020 and 31 December 2019.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 15. LOANS RECEIVABLES (Continued)

The loans receivables, presented based on the identity of the borrower, are as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Associates of the Group	<b>32,290</b>	109,044
Investees of the Group, classified as financial assets at FVTOCI	<b>71,550</b>	309,436
Others	<b>229,154</b>	400,463
	<b>332,994</b>	818,943

The interest rate of the loans granted to the associates and investees of the Group are determined at rates to others with similar amount and credit rating.

During the six months ended 30 June 2020, in determining the 12-month expected credit loss ("ECL") for the loans receivables, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, value of collaterals as well as the future prospects of the industries in which the debtors operate, various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets individually occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the both years.

As at 30 June 2020 and 31 December 2019, the directors of the Company estimate the ECL on loans receivables was insignificant.

During the six months ended 30 June 2020, loans receivables with carrying amount of approximately RMB81,825,000 (31 December 2019: RMB247,399,000) have been renewed for further one to two years (31 December 2019: one year). In determining the renewal of loans receivables, the directors of the Company have taken into account the fair value of collaterals, the past repayment history as well as the borrower's credit assessment performed by the management of the Group.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 15. LOANS RECEIVABLES (Continued)

The following is an ageing analysis of loans receivables, presented based on their drawdown dates:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 3 months	41,219	155,847
3 to 6 months	—	77,289
6 months to 1 year	158,473	324,485
Over 1 year	133,302	261,322
	<b>332,994</b>	818,943

As at 30 June 2020, loans receivables carried effective interest at fixed rates ranging from 6% to 7% per annum (31 December 2019: 6% to 7% per annum).

### 16. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Receivables at amortised cost comprise:		
— Trade receivables	1,630,502	1,311,719
— Bills receivables	23,519	10,935
Trade and bills receivables	1,654,021	1,322,654
Less: loss allowance on trade receivables	(53,907)	(77,911)
	1,600,114	1,244,743
Loan interest receivables	45,190	45,190
Trade deposits and prepayments	99,954	240,357
Other prepayments	27,455	22,943
Other receivables	18,472	14,255
	<b>1,791,185</b>	1,567,488

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 16. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

The Group allows credit period ranging from 30 to 90 days (31 December 2019: 30 to 90 days) from the date of billing. The following is an ageing analysis of trade and bills receivables, net of loss allowance on trade receivables, presented based on invoice date and dates of delivery of goods or rendering services, which approximates the respective revenue recognition dates, at the end of each reporting period.

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 1 month	1,540,904	502,709
1 to 2 months	34,853	261,250
2 to 3 months	2,597	233,717
Over 3 months	21,760	247,067
	<b>1,600,114</b>	1,244,743

The Group measures the loss allowance on trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated on an individual basis for customers with significant balances and/or collectively using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Based on the assessment of the ECL on trade receivables performed by the management of the Group, reversal of loss allowance on trade receivables of approximately RMB24,004,000 (2019: RMB219,000) has been reversed as a result of subsequent recovery of trade receivables and has been recognised and included in other income (note 6).

### 17. AMOUNTS DUE FROM ASSOCIATES

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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 18. TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade payables	1,083,652	794,576
Accrued staff costs	17,892	16,119
Other payables	48,570	43,621
	<b>1,150,114</b>	854,316

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 1 month	944,050	395,550
1 to 3 months	53,497	240,305
Over 3 months	86,105	158,721
	<b>1,083,652</b>	794,576

The average credit period granted is 30 days (31 December 2019: 30 days). The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

### 19. BANK LOANS

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Repayable within one year, contain a repayment on demand and shown under current liabilities	145,699	180,676

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 19. BANK LOANS (Continued)

- (a) As at 31 December 2019, including in bank loans was a bank loan with carrying amount of approximately RMB10,000,000 (30 June 2020: nil) carrying at fixed interest rate of 4.57% (30 June 2020: nil). The remaining bank loans carried interest rate of London Inter-Bank Offered Rate (“LIBOR”) plus 1.4% (30 June 2020: LIBOR plus 1.4%) with an effective interest at floating rate of 2.93% per annum (30 June 2020: 1.47% per annum).
- (b) As at 30 June 2020, all banking facilities were secured by the Group’s pledged bank deposits of approximately RMB126,670,000 (31 December 2019: RMB159,858,000).

### 20. SHARE CAPITAL

	Number of shares	Amount in original currency US\$	Shown in the condensed consolidated interim financial information RMB'000
Ordinary shares of US\$0.0000001 each Authorised: At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	500,000,000,000	50,000	N/A
Issued and fully paid:			
At 1 January 2019 (audited)	1,477,140,732	148	1
Issue of new shares (note (i))	14,000,000	1	—
Cancellation of repurchased shares (note (ii))	(63,808,000)	(6)	—
At 31 December 2019 and 1 January 2020 (audited)	1,427,332,732	143	1
Cancellation of repurchased shares (note (iv))	(9,916,000)	(1)	—
At 30 June 2020 (unaudited)	1,417,416,732	142	1

Notes:

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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 20. SHARE CAPITAL (Continued)

Notes: (Continued)

- (ii) During the year ended 31 December 2019, 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		Aggregate amount paid HK\$'000
		Highest HK\$	Lowest HK\$	
March 2019	451,000	2.91	2.86	1,300
April 2019	20,984,000	3.09	2.75	62,670
May 2019	5,778,000	2.72	2.30	14,413
June 2019	977,000	2.11	2.04	2,027
July 2019	24,229,000	2.24	2.14	53,089
September 2019	11,158,000	1.48	1.37	15,900
	<u>63,577,000</u>			<u>149,399</u>

All of the above shares, together with 231,000 shares which were repurchased during the year ended 31 December 2018, were cancelled during the year ended 31 December 2019. The issued share capital of the Company was reduced by the nominal value of US\$6.38. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US\$6.38 (equivalent to RMB44) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of approximately HK\$149,399,000, equivalent to approximately RMB131,723,000, was charged to share premium.

- (iii) No share was repurchased for the RSU Scheme during the six months ended 30 June 2020 and year ended 31 December 2019.
- (iv) During the six months ended 30 June 2020, 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		Aggregate amount paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2020	7,234,000	0.94	0.78	6,228
May 2020	2,682,000	0.84	0.79	2,183
	<u>9,916,000</u>			<u>8,411</u>

All of the above shares repurchased has been cancelled during the six months ended 30 June 2020. The issued share capital of the Company was reduced by the nominal value of US\$0.99. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US\$0.99 (equivalent to RMB7) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of approximately HK\$8,411,000, equivalent to approximately RMB7,620,000, was charged to share premium.

- (v) For the six months ended 30 June 2020, 2,990,010 units of RSUs (year ended 31 December 2019: 6,176,674 units) were vested to the beneficiaries, and approximately RMB8,875,000 (year ended 31 December 2019: RMB26,118,000) were credited to the shares held for the RSU Scheme.

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 21).

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

## 21. 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 Group. The purpose of the RSU Scheme is to reward the fidelity and performance of the directors and employees of the Group. 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 2.2% 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 Group 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 Group 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 23 November 2018, the Company granted an additional 10,200,000 RSUs to employees of the Group 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 3 September 2019, the Company granted an additional 14,000,000 RSUs to employees of the Group 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.

No RSUs has been granted during the six months ended 30 June 2020.

Equity-settled share-based compensation expenses of approximately RMB7,179,000 were recognised as staff costs in profit or loss for the six months ended 30 June 2020 (2019: RMB11,593,000) and the remaining balance is to be recognised based on the respective vesting periods.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

## 21. 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:

	Number of RSUs	Fair value as at grant date		Vesting conditions
		Per share RMB	Aggregate amount RMB'000	
RSUs granted to directors:				
— on 1 March 2014	3,600,000	1.72	6,192	Notes (i), (iii)
RSUs granted to employees:				
— on 1 March 2014	19,346,300	1.72	33,276	Notes (i), (iii)
— on 1 March 2014	7,253,700	1.72	12,476	Notes (ii), (iii)
— on 8 July 2015	17,940,000	3.89	69,787	Notes (iv), (v)
— on 1 February 2017	6,000,000	9.37	56,220	Notes (vi), (vii)
— on 23 November 2018	10,200,000	2.56	26,112	Notes (viii), (ix)
— on 3 September 2019	14,000,000	1.24	17,360	Notes (x), (xi)
Total RSUs granted	78,340,000			

Notes:

- (i) The RSUs granted have a vesting period of three years as follows:
- One-third of which have vested for the year ended 31 December 2014 in equal quarterly installments.
  - One-third of which have vested for the year ended 31 December 2015 in equal quarterly installments.
  - One-third of which have vested for the year ended 31 December 2016 in equal quarterly installments.
- (ii) The RSUs granted have a one-year vesting period ended 31 December 2014.
- (iii) Vesting of the RSUs is conditional upon the Listing and after a share subdivision of the share capital of the Company from US\$1 per share to 10,000,000 shares of US\$0.0000001 per share. Directors and employees who leave the Group forfeit their right to any unvested RSUs.
- (iv) The RSUs granted have a vesting period of three years as follows:
- One-third of which have vested for the 12 months ended 7 July 2016 in equal quarterly installments.
  - One-third of which have vested for the 12 months ended 7 July 2017 in equal quarterly installments.
  - One-third of which have vested for the 12 months ended 7 July 2018 in equal quarterly installments.
- (v) Employees who leave the Group before 7 July 2018 forfeit their right to any unvested RSUs.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

## 21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### RSU scheme of the Company (Continued)

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

Notes: (Continued)

- (vi) The RSUs granted have a vesting period of three years as follows:
  - One-third of which will vest for the 12 months ended 31 January 2018 in equal quarterly installments.
  - One-third of which will vest for the 12 months ended 31 January 2019 in equal quarterly installments.
  - One-third of which will vest for the 12 months ended 31 January 2020 in equal quarterly installments.
- (vii) Employees who leave the Group before 31 January 2020 forfeit their right to any unvested RSUs.
- (viii) The RSUs granted have a vesting period of three years as follows:
  - One-third of which will vest for the 12 months ended 22 November 2019 in equal quarterly installments.
  - One-third of which will vest for the 12 months ended 22 November 2020 in equal quarterly installments.
  - One-third of which will vest for the 12 months ended 22 November 2021 in equal quarterly installments.
- (ix) Employees who leave the Group before 22 November 2021 forfeit their right to any unvested RSUs.
- (x) The RSUs granted have a vesting period of three years as follows:
  - One-third of which will vest for the 12 months ended 2 September 2020 in equal quarterly installments.
  - One-third of which will vest for the 12 months ended 2 September 2021 in equal quarterly installments.
  - One-third of which will vest for the 12 months ended 2 September 2022 in equal quarterly installments.
- (xi) Employees who leave the Group before 2 September 2022 forfeit their right to any unvested RSUs.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### RSU scheme of the Company (Continued)

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

	Number of RSUs
Outstanding as at 1 January 2019 (audited)	12,400,000
Granted during the year	14,000,000
Vested during the year	(6,176,674)
Forfeited during the year	(1,350,000)
Outstanding as at 31 December 2019 and 1 January 2020 (audited)	18,873,326
Vested during the period	(2,990,010)
Forfeited during the period	(10,783,324)
Outstanding as at 30 June 2020 (unaudited)	5,099,992

10,783,324 units of RSUs has been forfeited during the six months ended 30 June 2020 as a result of staff resignation before the RSUs have been vested (year ended 31 December 2019: 1,350,000 units).

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

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

##### *Fair value of RSUs and assumptions*

Discount rate	17.5%
Risk-free interest rate	3.265%
Volatility	16.0%
Dividend yield	0.0%

The fair value of RSUs granted on 8 July 2015, 1 February 2017, 23 November 2018 and 3 September 2019 were measured by the quoted market price of the Company's shares at the grant date, being HK\$4.91 per share, HK\$10.56 per share, HK\$2.89 per share and HK\$1.41 per share, respectively.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2020 and 31 December 2019, the Group's financial assets at FVTOCI are measured at fair value. The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into fair value hierarchy 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 2020			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
<b>Financial assets at FVTOCI</b>				
Unlisted equity investments	—	—	463,587	463,587
Unlisted equity fund	—	—	11,528	11,528
	—	—	475,115	475,115

  

	At 31 December 2019			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
<b>Financial assets at FVTOCI</b>				
Unlisted equity investments	—	—	349,195	349,195
Unlisted equity fund	—	—	11,337	11,337
	—	—	360,532	360,532

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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

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

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

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

Fair value as at							
Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)				
Unlisted equity investments	Level 3	463,587	349,195	Market approach – earnings multiples	Earnings multiples	From 8.99 times to 13.58 times (31 December 2019: from 18.37 times to 20.92 times)	The higher of earnings multiples, the higher the fair value
Unlisted equity fund	Level 3	11,528	11,337	Adjusted net assets method	Discount factor of 100% applied to projects with net liabilities	0%–100% (31 December 2019: 0%–100%)	The lower the discount factor, the higher of the fair value
		<b>475,115</b>	<b>360,532</b>				

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the unobservable inputs (earnings multiples for unlisted equity investments and discount factor of unlisted equity fund) to the valuation model were 5% (31 December 2019: 5%) higher/lower while all the other variables were held constant, the fair value of the financial assets at FVTOCI would be increased by approximately RMB15,156,000 (31 December 2019: RMB16,889,000)/decreased by approximately RMB15,108,000 (31 December 2019: RMB16,842,000) respectively.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

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

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

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

	<b>Unlisted equity investments and equity fund</b> RMB'000
At 1 January 2019 (audited)	7,700
Acquisition of unlisted equity investments	344,679
Fair value gain in other comprehensive income (note)	3,869
Exchange adjustment	4,284
At 31 December 2019 and 1 January 2020 (audited)	360,532
Acquisition of unlisted equity investments (note 14)	153,891
Fair value loss in other comprehensive income (note)	(48,005)
Exchange adjustment	8,697
At 30 June 2020 (unaudited)	475,115

Note:

For the six months ended 30 June 2020, the fair value loss recognised in other comprehensive income of approximately RMB48,005,000 (2019: fair value gain of RMB3,869,000) was unrealised loss on unlisted equity investments and equity fund designated at FVTOCI held at the end of the reporting period.

#### Fair value of financial instruments that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of other current financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information are not materially differ from their fair values due to their immediate or short-term maturities.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

## 23. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

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

Related party	Relationship	Nature of transaction	For the six months ended 30 June	
			2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Zim Hong Kong Limited ("Zim HK")	Associate of the Group	Interest income received (note (i))	—	7,397
Comtech Industrial (Hong Kong) Limited ("Comtech Industrial")	Subsidiary of an associate of the Group	Interest income received (note (ii))	1,630	496
		Sales of IC and other electronic components (note (iv))	66,191	85,396
Shanghai Comtech	Subsidiary of an associate of the Group	Purchase of IC and other electronic components (note (iv))	130,504	181,740
		Sales of IC and other electronic components (note (iv))	8,976	—
Shanghai E&T Auto	Subsidiary of an associate of the Group	Interest income received (note (iii))	979	933
Comtech Small Loan Company Limited* ("Comtech Small Loan") 深圳市科通小額貸款 有限責任公司	Mr. Kang, Jingwei ("Mr. Kang"), the executive director of the Company, is sole shareholder of the related party	Agency services, administrative and consultancy services fee income received (note (v))	—	7,745
CCT Shenzhen	Mr. Kang, the executive director of the Company, is sole shareholder of the related party	Additions to right-of-use assets (note (vi))	40,392	764
		Interest on lease liabilities paid (note (vi))	1,014	12
		Repayment of lease liabilities (note (vi))	4,103	117
		Rental expenses paid (note (vii))	—	712
EZ Robot Shenzhen Company Limited* ("EZ Robot Shenzhen") 易造機器人(深圳)有限公司	Associate of the Group	Acquisition of intangible assets (note (viii))	50,000	—

\* English name for identification purpose only

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

## 23. RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with related parties (Continued)

Notes:

- (i) Interest income received from Zim HK

As at 30 June 2019, the Group has loan receivables with aggregate principal amount of US\$29,159,000, equivalent to approximately RMB200,177,000 (2020: nil), from Zim HK, at an interest rate ranged from 9% to 9.72% per annum (2020: nil) for the purpose of supply chain financing. The loans have been fully settled during the year ended 31 December 2019.

- (ii) Interest income received from Comtech Industrial

As at 30 June 2019, the Group has loan receivables with aggregate principal amount of US\$4,541,000, equivalent to approximately RMB31,174,000 (2020: nil), from Comtech Industrial, at an interest rate of 6% per annum (2020: nil) for the purpose of supply chain financing. The loans outstanding as at 31 December 2019, which were at an interest rate of 6% per annum, have been fully settled during the six months ended 30 June 2020.

- (iii) Interest income received from Shanghai E&T Auto

As at 30 June 2020, the Group has loan receivables with aggregate principal amount of approximately US\$4,561,000, equivalent to approximately RMB32,290,000 (2019: US\$4,561,000, equivalent to approximately RMB31,311,000), from Shanghai E&T Auto, at an interest rate of 6% per annum (2019: 6%) for the purpose of supply chain financing.

- (iv) Sales and purchase of IC and other electronic components with Comtech Industrial and Shanghai Comtech.

The sales and purchase of IC and other components were conducted at market terms with other customers and suppliers.

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

On 11 December 2015, the Group entered into a series of agreements, including Purchase Option Agreement, Agency Agreement and Service Agreement, with CCT Shenzhen and Comtech Small Loan, a subsidiary of CCT Shenzhen. CCT Shenzhen is owned by Mr. Kang, the director of the Company. Comtech Small Loan holds a small loan license that allows it to provide financing to small enterprises, individual entrepreneurs and individuals in the PRC. The main purpose of such arrangements is to provide the Group's supply chain customers access to financing in the PRC from Comtech Small Loan.

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

Under the Purchase Option Agreement, the Group may transfer up to an aggregate of RMB200,000,000 to CCT Shenzhen within three years from 11 December 2015 as advance payment for the purchase of the equity interest in Comtech Small Loan (such sum will be deducted from the total consideration payable when the option to acquire the entire or part of the equity interest of Comtech Small Loan is exercised). The advance payment is not interest-bearing and does not constitute an exercise of the option by the Purchaser. No advance payment has been made during the six months ended 30 June 2020 (2019: nil).

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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 23. RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions with related parties (Continued)

Notes: (Continued)

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

Pursuant to the New Agency Agreement signed with CCT Shenzhen, the Group would provide customers referral service for a service fee amounting to 80% of the fees and interest receivables introduced by Comtech Small Loan to the referred customers. As at 31 December 2019, RMB9,456,000 (30 June 2020: nil) borrowings were extended to customers referred by the Group to Comtech Small Loan and service fee earned by the Group for the six months ended 30 June 2019 amounted to approximately RMB7,565,000 (2020: nil) under the New Agency Agreement.

Pursuant to the New Service Agreement signed with CCT Shenzhen, the Group would also provide administrative and consultancy services to Comtech Small Loan at the prevailing market rate of comparable services and amounting to no more than 1% of Comtech Small Loan's yearly turnover will be received by the Group. Service fee earned by the Group from provision of administrative and consultancy services to Comtech Small Loan for the six months ended 30 June 2019 amounted to approximately RMB180,000 (2020: nil) under the New Service Agreement.

The related party transaction in respect of New Agency Agreement and New 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 report of the directors of the Company.

- (vi) Leases with CCT Shenzhen

During the six months ended 30 June 2020, the Group entered into leases in respect of certain properties with CCT Shenzhen for leases ranging from 4-6 years (2019: 2-3 years). The amount of effective rent payable by the Group under each lease is approximately RMB46,000 (2019: RMB26,000) per month. During the six months ended 30 June 2020, the Group recognised right-of-assets and corresponding lease liabilities of approximately RMB40,392,000 (2019: RMB764,000). As at 30 June 2020, the aggregate carrying amounts of the right-of-use assets and lease liabilities arising from lease with CCT Shenzhen were approximately RMB36,885,000 and RMB37,304,000 (31 December 2019: RMB1,942,000 and RMB1,947,000) respectively.

During the six months ended 30 June 2020, the amount of repayment of lease liabilities and its interest were approximately RMB4,103,000 and RMB1,014,000 respectively (six months ended 30 June 2019: RMB117,000 and RMB12,000).

- (vii) Rental expenses paid to CCT Shenzhen

During the six months ended 30 June 2019, the Group has made lease payments of approximately RMB712,000 to CCT Shenzhen, where the leases are accounted for as a short-term lease at the initial application of HKFRS 16 Leases at 1 January 2019. There was no short-term lease payment to CCT Shenzhen during the six months ended 30 June 2020.

- (viii) Acquisition of intangible assets from EZ Robot Shenzhen

During the six months ended 30 June 2020, the Group acquired information system of RMB50,000,000 (2019: nil) from EZ Robot Shenzhen, the associate of the Group, at a mutually agreed price.

#### (b) Balances with related parties

Save as disclosed elsewhere in the condensed consolidated interim financial information, the Group has no other material balances with related parties.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 23. RELATED PARTY TRANSACTIONS (Continued)

#### (c) Compensation to key management personnel

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term benefits	3,223	3,133
Post-employment benefits	62	84
Equity-settled share-based compensation expenses	915	1,530
	<b>4,200</b>	4,747

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.

### 24. CHANGES IN OWNERSHIP INTERESTS

During the six months ended 30 June 2020, the Group has the following changes in ownership interest in a subsidiary that do not result in a loss of control:

#### (a) Acquisition of additional equity interest in a subsidiary

INGDAN.com Group entered into a sale and purchase agreement with Optimum to acquire additional 30% equity interest in Hardeggs from optimum at a cash consideration of RMB35,000,000. The acquisition was effective on 1 January 2020 and Hardeggs became an indirect wholly-owned subsidiary of the Company. The principal activities of Hardeggs are sales of proprietary and semi-conductor products and incubator business.

The above-mentioned transaction constituted an equity transaction with non-controlling shareholder and the difference between the cash consideration and the relevant share of the carrying amount of the net assets of Hardeggs, being approximately RMB8,056,000, was debited to other reserve.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2020

### 24. CHANGES IN OWNERSHIP INTERESTS (Continued)

#### (a) Acquisition of additional interest in a subsidiary (Continued)

A schedule of the effect of acquisition of additional interest is as follows:

	RMB'000
Carrying amount of non-controlling interest acquired	26,944
Consideration paid for acquisition of additional interest in Hardeggs	(35,000)
Difference recognised in other reserves within equity	(8,056)

#### (b) Disposal of interest in a subsidiary without loss of control

Alphalink entered into a share subscription agreement with Optimum in which Optimum subscribed for 25% equity interest in Comtech Industrial (SZ) at a cash consideration of RMB35,000,000. The subscription was effective on 1 January 2020 and Comtech Industrial (SZ) became an indirect subsidiary with 75% equity interest owned by the Company. The principal activities of Comtech Industrial (SZ) are sales of IC, other electronic components and AIoT products in the PRC.

The above-mentioned transaction constituted an equity transaction with non-controlling shareholder and the difference between the cash consideration and the share of the carrying amount of the net assets of Comtech Industrial (SZ), being approximately RMB2,474,000, was credited to other reserve.

A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follows:

	RMB'000
Carrying amount of the interest disposed of	(32,526)
Consideration received from non-controlling interest	35,000
Difference recognised in other reserves within equity	2,474

### 25. COMPARATIVE FIGURES

As a result of the internal re-organisation of the Group as disclosed in note 5, the comparative figures as disclosed in notes 4 and 5 have been reclassified under Ingdan Innovations segment and Ingfin Services segment to conform to current period's presentation.

# Definitions

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

## Definitions (Continued)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Kang”	Mr. Kang Jingwei, Jeffrey (康敬偉), chairman, chief executive officer and executive Director of the Company and our Controlling Shareholder
“Mr. Wu”	Mr. Wu Lun Cheung Allen (胡麟祥), chief financial officer, executive Director and company secretary of the Company
“Ms. Yao”	Ms. Yao Yi (姚怡), our substantial Shareholder, the sole shareholder of Shenzhen Cogobuy, and the wife of Mr. Li Feng, one of our senior management members of Ingdan Innovations
“PRC”, “China” or “mainland China”	the People’s Republic of China and, except where the context requires and only for the purpose of this report, references in this report to the PRC, China or mainland China do not include Taiwan, Hong Kong or the Macau Special Administrative Region of the PRC; the term “Chinese” has a similar meaning
“PRC Legal Advisor”	Broad & Bright Law Firm
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the six months ended June 30, 2020
“RSU Scheme”	the scheme adopted by the Company to grant restricted share units 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 granted under the RSU Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.0000001 each
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“Shenzhen Cogobuy”	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Dynamic”	Total Dynamic Holdings Limited, a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our Shareholder
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States