Cogobuy Group 科通芯城集團

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00400

Annual Report 2020

Contents

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 2861
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

* Ms. NI Hong, Hope was re-designated from Executive Director to Non-Executive Director effective from June 10, 2020.

LEGAL ADVISORS

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

As to PRC law:
Broad & Bright Law Firm

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

PRINCIPAL BANKERS

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

LISTING INFORMATION

Stock Exchange, Stock Code: 00400

COMPANY WEBSITE

www.cogobuygroup.com

Financial Performance Highlights

	Year ended		
	December 31, 2020	December 31, 2019	Year-on-year change
	(Renminbi in millions, unless specified)		
Revenue	**6,185.1**	5,854.2	5.7%
Gross profit	**698.6**	565.6	23.5%
Profit for the year	**187.4**	145.0	29.2%
Profit attributable to owners of the Company	**123.2**	110.1	11.9%
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.089**	0.077	15.6%
— diluted	**0.088**	0.076	15.8%

Chairman's Statement

Following a business restructuring completed in early 2020, Cogobuy Group was reorganized into two primary businesses, Ingdan Innovations and Ingfin Technologies, to provide a full spectrum of services for the 5G industry chain and to create sustainable income for the Group. The Group combined its IC components sales and marketing platform with its AIoT platform to form Ingdan Innovations, which focuses on the sales and promotion of IC chips to AIoT enterprises in China. Meanwhile, Ingfin Technologies focuses on the research and development and sales of proprietary products, financing services, and develops customized technical solutions which include bundles of software, hardware, and core components, for the purpose of capturing opportunities in the coming year from a more comprehensive strategic position.

The COVID-19 pandemic (the "**Pandemic**") unexpectedly accelerated the development of 5G technology, which further drove demand for 5G applications, related network infrastructure and device production, AI applications in various industries, enlarged the demand for chips and modules in the upstream and downstream of the industry, and brought great impetus to the Group's business expansion. The Group was deploying its services comprehensively along the 5G industrial chain through the new "Ingdan Innovations + Ingfin Technologies" dual business model that are important business growth drivers for the Group in the future.

Ingdan Innovations maintains agency agreements with over 50% of global high-end chip suppliers and many leading domestic chip companies, allowing it to serve over a hundred global high-end chip suppliers upstream, and thousands of AIoT hardware companies downstream, while providing them with chips application sales services. During 2020, despite the impact of the Pandemic, the Group continued its business growth due to the expansion of the chip industry chain. The Group is capturing the boom from 5G all along the industrial chain, including 5G network construction, 5G mobile phones, smart cars, medical devices and other industries. The Group expects business to continue to benefit from the considerable large chip market which will provide sustainable growth momentum for the Group in the future.

For example, in the automotive industry, the Group already has a strategic focus on the automotive market through its two primary businesses, Ingdan Innovations and Ingfin Technologies. The Company also established a V2X value-chain alliance with chip manufacturers, module suppliers, and car manufacturers to explore a new V2X sustainable business model. Ingdan Innovations has been providing chips to different automotive manufacturers and benefited from the increasing demand for electric vehicles and smart vehicles. Additionally, during 2020, Ingfin Technologies' proprietary V2X application solution received its first order, which utilizes big data collected by AI analysis terminal devices, to provide one-stop solutions for accurate vehicle rescue, service tracking, driving analysis, remote accident identification, as well as fast claims settlement in the Chinese market. The Group intends to continue the growth of its IC chips and proprietary products business and expand the coverage of V2X to inject new momentum into growth.

Looking ahead, with strong emphasis on the development of the domestic chip industry and industrial automation under China's "14th Five-Year Plan", the Group expects rapid development of 5G products and technologies to continue to facilitate intelligent transformation across different business verticals, and promote industrial innovation and development. The Group is deploying its services comprehensively along the 5G industrial chain through the new "Ingdan Innovations + Ingfin Technologies" dual business model, and continues to capitalize on growth opportunities from 5G's expansion, actively grow the business related to intelligent devices and industrial automation, fully realize and provide services to global industries for chips and AIoT, such as autopilot, industrial automation and cloud services. The Group's business is expected to see continued growth in 2021 due to customers' strong demand for chips, ultimately creating greater value for our Shareholders.

Cogobuy's continued work in the domestic chip and AIoT industry has earned recognition from the Group's partners and customers. The Group not only won the "Most Valuable Partner in IoT" award from Tencent Cloud during 2020, and also successfully secured investments from more than 10 institutional investors including Guangdong Finance Fund Management, which belongs to Guangdong's largest provincial integrated financing platform. The investment from the investors will aid Ingdan Innovations' continued ascent in the rapidly growing 5G market and the trillion-RMB domestic chip market.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management, staff, customers, suppliers, and most valued Shareholders for their selfless contributions, and continuous support for the Group.

KANG Jingwei, Jeffrey
Chairman
Hong Kong, March 31, 2021

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Overall Business and Financial Performance of the Group

We are a technology services company serving the global IC chips industry and AI and Internet of Things ("**IoT**", together "**AIoT**") ecosystem in China. Following a business restructuring completed in early 2020, the Group launched a new "*Ingdan Innovations + Ingfin Technologies"* dual business model. Focusing on the sales and promotion of IC chips to AIoT enterprises in China, Ingdan Innovations ("**Ingdan Innovations**") is the combination of the Group's Cogobuy.com IC components sales and marketing platform and our INGDAN.com AIoT platform. Ingfin Technologies ("**Ingfin Technologies**"), formerly Ingfin Services, focuses on the research and development ("**R&D**") and sales of proprietary products, as well as the development of customized technical solutions for the Vehicle-to-Everything ("**V2X**") and 5G applications industries. Additionally, Ingfin Technologies also provides financing services and seeks investment or mergers and acquisitions opportunities in high-quality startups within the Group's AIoT ecosystem to improve our overall strategic position and generate investment income. In early 2020, the Company held 75% of Ingdan Innovations and 100% of Ingfin Technologies, which also operates certain non-wholly owned subsidiaries and retains certain investments with less than 100% interests strategically. Thereafter, Ingdan Innovations entered into a series of investment agreements with a total of nineteen strategic investors in 2020. The investment supports Ingdan Innovations' rapid development in the trillion-RMB domestic chip market, and will help the Group's core business resume its high growth trajectory. Upon completion, the Group holds approximately 65.65% of Ingdan Innovations, and Ingdan Innovations will continue to be consolidated into the Group's consolidated financial statements.

Ingdan Innovations is the Group's technical service platform engaged in chips application development solutions and sales services. The platform maintains agency agreements with over 50% of the world's top high-end IC suppliers and many leading domestic chip companies, allowing it to connect hundreds of global high-end chip suppliers upstream, and thousands of AIoT companies downstream, while providing them with chips application development solutions and sales services.

A substantial portion of our revenue is generated through direct sales of IC and other electronic components. The Group's core business has made and continues to make significant contributions to China's next-generation IT industry. During the Reporting Period, the Shenzhen National Development and Reform Commission inducted the Company's Ingdan Innovations chips and artificial intelligence industrial base project into the "Shenzhen Major Project Plan 2020".

For the year ended December 31, 2020, the Group generated a revenue of RMB6,185.1 million, as compared to RMB5,854.2 million for the corresponding period in 2019, representing an increase of approximately 5.7%. The growth in revenue is supported by the demand for high-end chips with the large-scale domestic expansion of 5G, AI, IoT, and other new technology infrastructure. The Group registered an increase of 29.2% in net profit after tax compared to the corresponding period in 2019. Gross profit was approximately RMB698.6 million, representing an increase of approximately 23.5% year-on-year. As part of our strategy to increase our profitability and revenue, 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.

The Group is expected to benefit from the booming development of China's new 5G infrastructure. The growing accessibility and applications of 5G technology have boosted the chip industry as well as the Group's chip sales. The "5G Economic and Social Impact White Paper" (5G經濟社會影響白皮書) recently published by the China Academy of Information and Communications Technology predicts China will build the world's largest 5G commercial network. As of October 2020, China has built a total of over 700,000 5G base stations. China's three major telecom operators have rolled out nearly RMB100 billion 5G equipment contracts, with base stations accounting for approximately RMB69.8 billion.

The growing availability of 5G has driven increased demand and integration of technological transformation in various industries. This trend is reflected in the growing chip market. According to information from IC Insights, Inc., China's semiconductor chip market in 2020 is estimated to be worth approximately US$143.4 billion, and the output value of semiconductor chips produced in China worth approximately US$22.7 billion, accounting for approximately 15.8% of the market, and an increase of 5.6 percentage points compared to 2010. According to Forward Industry Research Institute, by 2030, analysts estimate the Chinese 5G industry's direct economic output will reach approximately RMB6.3 trillion, and its indirect economic output will reach approximately RMB10.6 trillion. Closely following the development of 5G and AIoT technologies to inform its business strategies, the Group covers the entire 5G infrastructure value chain, providing chips, technical support and solutions to network infrastructure and AIoT application related industries. We believe this will drive strong growth within our core business.

Electric Vehicle ("**EV**") and V2X is regarded as the most prominent segment within 5G vertical industry applications. It is an important field of next generation information and communication technologies, such as 5G and artificial intelligence, in automotive and transportation industrial applications. According to Topology Research Institute, by 2021, global automotive chip production is expected to reach approximately US$21 billion, with an annual growth rate of approximately 12.5%. The increase will largely be driven by the accelerating global V2X development, with semiconductor components for networking, safety and autonomous driving increasing nearly 4 to 5 times in a car content. Recognizing EV and V2X's potential and market opportunities, we have already invested in and established an EV and V2X value-chain alliance with chip manufacturers, module suppliers, and car manufacturers. We believe this will create significant market opportunities and become a new source of growth momentum for the Group. During the Reporting Period, Ingfin Technologies' V2X application solution received its first order. Using AI to analyze data collected from terminal devices, Ingfin Technologies provides one-stop solution for precise vehicle rescue, service tracking, driving analysis, remote accident identification, and fast claims settlement in the China market.

The Group is well-positioned to offer more value-added services. We commenced our supply chain financing business in 2014 whereby we earn interest income for providing certain financial services to third-party manufacturers, including the provision of working capital financing programs. In 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 Technologies and continues to concentrate its investments in enterprise financing, including loans for investment initiatives and other enterprise financing services. IngFin Financing Services exemplifies our ability to generate new revenue streams by providing additional services based on existing platforms. As at December 31, 2020, the outstanding loan balance of our IngFin Financing Services was approximately RMB326.1 million.

To further strengthen the Ingfin Technologies' revenue streams in automotive and robotics areas, the Group has acquired certain information systems in 2019 and 2020. We have performed impairment assessment based on the value-in-use calculation with reference to financial budgets approved by us and discount rate provided by an independent professional valuer. No impairment loss was identified as at 31 December 2020 and 2019. There is no change on the valuation methodology and we believe that any reasonable possible change in any of these assumptions would not cause the carrying amount of intangible assets to exceed its recoverable amount. There have been no material changes of the acquired intangible assets after the acquisitions. We will continue to strengthen our R&D capability by utilising those intangible assets and continue to capture opportunities in the 5G business segments.

To enhance our business operations, the Group has had various acquisition projects to develop strategic partnerships in recent years. As at 31 December 2020, goodwill and intangible assets related to these acquisition projects amounted to RMB452.5 million and RMB485.4 million, respectively. Annual impairment test on the goodwill and intangible assets were performed. For details, please refer to note 20 to the consolidated financial statements. Currently, there have been no material changes in the acquired acquisition projects after the acquisitions. We will continue to enhance our revenue base through acquisitions and strive to generate promising returns to our Shareholders.

Future prospects

Our goal is to become a leading AIoT ecosystem company with an AIoT technology supply chain as the core. Under our *Ingdan Innovations + Ingfin Technologies dual* business model, the Group is uniquely able to serve China's growing IoT market. We intend to pursue the following growth strategies to achieve our goal:

I. Capturing opportunities from the deployment of new 5G technologies

The 5G industry is set to grow rapidly in the coming years, and demand for IC and modules from the industry's upstream and downstream is expected to increase. Our Ingdan Innovations plans to penetrate the entire 5G industry chain and accommodate the strong market demand created by new 5G infrastructure and device production in the future. To meet this demand, the Group has built a "Chips-Devices-Cloud" industry 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 has also pushed many industries towards relying on the internet and technology in order to pursue efficient and stable operating models, accelerating digitization and intelligentization. Additionally, the accelerating integration of 5G and emerging technology is creating new opportunities to the entire TMT (technology, media, and telecom) industry.

According to the Ministry of Industry and Information Technology, cumulative investments in China's 5G network infrastructure have already exceeded RMB260 billion as of February 2021, providing important funding to 5G network infrastructure, AI, IoT, big data, and new energy automotives, and creating tremendous opportunities for the Chinese 5G and AIoT industries. 5G technology's development and maturation will bring a new era for AI, high-performance cloud applications, and the Internet of Everything. The need for device upgrades will also drive greater demand for IC and AIoT chip solutions. Through the Ingdan Innovations enterprise service platform's "Chip-Devices-Cloud" big data ecosystem, we will provide enterprises with chip and relevant solutions to capture business opportunities from China's 5G transformation.

II. Enhanced revenue streams from Ingfin Technologies

The Group intends to further strengthen Ingfin Technologies' revenue streams by developing the business into an R&D innovation and AIoT product financing and corporate services platform for the AIoT era. As an enterprise platform, the Group has acquired a myriad of customers, demands, and data online, and provides a powerful data analysis tool to offer enterprise services offline. This synergy will drive greater contributions from Ingfin Technologies to the Group in the future. We plan to further strengthen our R&D capability by utilizing the complementary technologies included in the intangible assets we acquired in the automotive and robotics areas and will continue to capture opportunities in other areas of the 5G business segments. As Ingfin Technologies' R&D projects becoming more sophisticated, our proprietary products will contribute even more momentum to the Group's performance. We plan to further enhance the Group's performance through value-added services, including but not limited to the provision of corporate and technology services, as well as investment services such as incubation programs.

III. Developing an ecosystem for the electronics manufacturing value chain

The Group plans to develop an open, collaborative, and prosperous electronic manufacturing industry ecosystem that will benefit the business operations of our customers and suppliers. We believe this 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. Additionally, the Group plans to monetize the vast amount of data we collect from our customers and suppliers, and offer data driven services, which will include marketing and advertising planning, merchandising, product customization, fulfilment management, and third-party data services. We believe these complementary services will become natural extensions of the Group's service mix, and will help attract and retain customers.

IV. Further enhance customer loyalty and increase purchases per customer

The Group plans to continue to enhance its customer loyalty and generate more sales from 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. By continuously collecting and analyzing our customers' and suppliers' data, the Group will gain a better understanding of their needs, and can deliver customized products according to market trends.

We will also continue to enhance customized content on our platforms and develop new tools for 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, as well as to expand our investment in customer services to further strengthen the effectiveness of our platforms, order fulfilment and delivery capabilities in order to enhance our service reliability and shorten our customer response time. We plan to increase the repeat purchase rates of newly acquired customers, and we will continue to provide the key procurement personnel of our new customers with powerful online tools, enterprise resource planning, and other complementary services. These services will enable us to maintain constant interactive communications with key personnel, which in turn will allow us to better understand customers' demands and their product development. Accordingly, we will be able to create customized marketing plans targeting new customers, while cross-selling other products.

V. Pursuing strategic partnerships and acquisition opportunities

In addition to growing our business through internal initiatives, we continue to look across different segments to enhance our business operations through strategic partnerships and acquisitions. Over the years, the Group has benefited from the acquisitions of certain intangible assets including customer and supplier relationships, non-compete agreements, information systems and licences arisen from business combinations. Such partnerships have helped and will continue to help us expand our user and revenue base, widen our geographic coverage, enhance our product and service offerings, improve our technology infrastructure, as well as strengthen our talent pool and business advantages. The Group also plans to leverage our market position and business model to seek attractive cross-selling, cross-marketing, and licensing opportunities to enhance the sales ability and seize the market opportunities brought by 5G technology.

Overview

For the year ended December 31, 2020, profit of the Group amounted to approximately RMB187.4 million, representing an increase of approximately RMB42.4 million as compared with approximately RMB145.0 million in 2019. Profit attributable to owners of the Company amounted to approximately RMB123.2 million, representing an increase of approximately RMB13.1 million compared with approximately RMB110.1 million in 2019.

Revenue

For the year ended December 31, 2020, revenue of the Group amounted to approximately RMB6,185.1 million, representing an increase of approximately RMB330.9 million or approximately 5.7% as compared with approximately RMB5,854.2 million in 2019. The Group's revenue comprised approximately RMB6,128.9 million of direct sales revenue, approximately RMB6.4 million of services revenue from software licensing, approximately RMB11.1 million of revenue from the Group's marketplace revenue and approximately RMB38.7 million of revenue from IngFin Financing Services. The increase was primarily due to a strong demand for high-end chips with the large-scale domestic expansion of 5G, AI, IoT, and other technology infrastructure.

Cost of Revenue

Cost of revenue for the year ended December 31, 2020 was approximately RMB5,486.5 million, representing an increase of approximately 3.7% from approximately RMB5,288.6 million for the year ended December 31, 2019. The increase in cost of revenue was due to an increase in revenue described under the paragraph headed "Revenue".

Gross Profit

Gross profit for the year ended December 31, 2020 was approximately RMB698.6 million, representing an increase of approximately 23.5% from approximately RMB565.6 million compared with the figures in 2019. The increase was primarily driven by the results of revenue and cost of sales for the reasons described under the paragraph headed "Revenue". The increase in gross profit was also contributed by change in sales mix in which sales of proprietary products in Ingfin Technologies, and revenue from development of customized technical solutions for V2X and 5G applications, etc. had a relatively higher gross margin than those of traditional IC components.

Other Income

For the year ended December 31, 2020, other revenue of the Group amounted to approximately RMB11.9 million, representing a decrease of approximately RMB27.9 million or approximately 70.1% as compared with approximately RMB39.8 million in 2019. This was primarily due to a net foreign exchange gain of approximately RMB16.2 million and gain on disposal of financial assets at fair value through profit or loss and fair value through other comprehensive income of approximately RMB7.4 million recorded for the year of 2019 as compared to nil and RMB0.01 million recorded respectively for the year of 2020.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended December 31, 2020 amounted to approximately RMB79.8 million, representing a decrease of approximately RMB12.7 million or 13.7% from approximately RMB92.5 million in 2019. This was primarily due to a decease in selling expenses as a result of reduced marketing costs driven by adjustments in marketing strategies.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2020 amounted to approximately RMB194.6 million, representing an increase of approximately RMB59.0 million or approximately 43.5% from approximately RMB135.6 million in 2019. This was primarily due to more expenses spent on the research and development of AIoT products and technologies as well as customized technical solutions for proprietary products such as V2X and 5G applications.

Administrative and Other Operating Expenses

During the year ended December 31, 2020, administrative and other operating expenses amounted to approximately RMB214.5 million, representing an increase of approximately RMB24.6 million or approximately 13.0% from approximately RMB189.9 million in 2019, which was primarily due to net exchange loss of approximately RMB32.3 million recorded for the year ended December 31, 2020 as compared to net exchange gain of approximately RMB16.2 million recorded in the corresponding period of 2019.

Income Tax

Our income tax decreased by approximately 1.7% from approximately RMB17.8 million for the year ended December 31, 2019 to approximately RMB17.5 million for the year ended December 31, 2020. The effective tax rate for the year ended December 31, 2020 was 8.5%, as compared to 10.9% for the year ended December 31, 2019. The decrease was mainly due to increased profits of Hong Kong subsidiaries and decreased profits of PRC subsidiaries. The Profits Tax rate in Hong Kong is 16.5% while the income tax rate in the PRC is 25%.

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

For the year ended December 31, 2020, profit attributable to owners of the Company amounted to approximately RMB123.2 million, representing an increase of approximately RMB13.1 million or approximately 11.9% as compared to approximately RMB110.1 million in 2019. The increase was primarily due to an increase in profit from operations as a result of increased revenue and gross profit.

Liquidity and Source of Funding

As of December 31, 2020, the current assets of the Group amounted to approximately RMB3,003.3 million, which mainly comprised cash and bank balances (including restricted bank deposit and pledged bank deposits), inventories and trade and other receivables, in the amount of approximately RMB554.4 million, RMB513.3 million and approximately RMB1,585.2 million, respectively. Current liabilities of the Group amounted to approximately RMB836.1 million, of which approximately RMB138.9 million was bank loans and approximately RMB653.7 million was trade and other payables. As of December 31, 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 3.59, representing an increase of approximately 21.3% as compared with 2.96 as of December 31, 2019. The change in the current ratio was primarily due to the increase in net cash position as a result of proceeds received from subscription of equity interest in a subsidiary during 2020.

Other than other financial liabilities with carrying amount of approximately RMB341.9 million, the Group does not have other debt financing obligations as of December 31, 2020 or the date of this annual report and does not have any breaches of financial covenants.

Capital Expenditure

For the year ended December 31, 2020, the capital expenditure of the Group amounted to approximately RMB335.3 million, representing a decrease of approximately RMB417.5 million or approximately 55.5% compared with approximately RMB752.8 million in 2019. The decrease in the capital expenditure was primarily due to a decrease in purchases of intangible assets for R&D of proprietary products.

Net Gearing Ratio

As of December 31, 2020, the net gearing ratio of the Group, which was calculated by dividing net debt (total lease liabilities, bank loans and other financial liabilities minus cash and cash equivalents, restricted bank deposit and pledged bank deposits) by the sum of net debt and total equity was approximately –0.6% as compared with approximately –1.7% as of December 31, 2019. The increase was primarily due to the increase in other financial liabilities as a result of subscription of equity interest in a subsidiary during 2020.

Significant Investments

The Group did not make or hold any material investments (including any investment in an investee company with a value of 5 per cent or more of the Company's total assets as at December 31, 2020) for the year ended December 31, 2020.

Material Acquisitions and Disposals

On August 6, 2020, the Company, Comtech Industrial SZ, and Guangdong Yuecai Emerging Industry Equity Investment Fund Partnership Enterprise (Limited Partnership) and Guangzhou Chuangying Jianke Investment Partnership Enterprise (Limited Partnership) (the "**August Investors**"), among others, entered into subscription agreements, pursuant to which the August Investors agreed to inject capital into Comtech Industrial SZ in the amount of up to RMB50,000,000, for an aggregate equity interest of up to 1.95% of Comtech Industrial SZ.

On September 10, 2020, the Company, Comtech Industrial SZ and Zhongtai Venture Capital (Shenzhen) Co., Ltd., Guangzhou Yimi Kaide Industrial Investment Fund Partnership (Limited Partnership), Guangdong Yimi Venture Capital Partnership Enterprise (Limited Partnership), Shenzhen Investment Holding Donghai Small, Medium and Micro Venture Capital Enterprise (Limited Partnership) and Homwon Capital Management Co., Ltd. (the "**September Investors**"), among others, entered into subscription agreements, pursuant to which the September Investors agreed to inject capital into Comtech Industrial SZ in the amount of up to RMB115,800,000, for an aggregate equity interest of up to 4.51% of Comtech Industrial SZ.

On September 25, 2020, the Company and Comtech Industrial SZ, among others, entered into subscription agreements with Shenzhen Bay Pan-cultural Venture Capital Partnership (Limited Partnership), Shenzhen Shenbao Yiben Culture Equity Investment Fund Partnership (Limited Partnership), Shenzhen S&M CG Venture Investment Co., Ltd., Liuzhou Shengdong Investment Center (Limited Partnership) and Guangzhou Changsheng Jiuliang High-end Manufacturing Investment Partnership (Limited Partnership) (the "**September Further Investors**"), pursuant to which the September Further Investors agreed to inject capital into Comtech Industrial SZ in the aggregate amount of up to RMB118,000,000, for an aggregate equity interest of up to 4.4% of Comtech Industrial SZ.

On October 16, 2020, the Company and Comtech Industrial SZ, among others, entered into subscription agreements with Zhuzhou Jushidai Private Equity Fund Partnership (Limited Partnership), Shenzhen CATIC Pingshan Integrated Circuit Venture Capital Partnership (Limited Partnership), Gongqingcheng Kaisheng No. 3 Equity Investment Partnership (Limited Partnership), Chaoshang ASEAN Investment Fund Management Co., Ltd., Homwon Capital Management Co., Ltd., Liuzhou Woshun Investment Center (Limited Partnership) and Anbaike (Shanghai) Business Information Consulting Co., Ltd. (the "**October Investors**"), pursuant to which the October Investors agreed to inject capital into Comtech Industrial SZ in the aggregate amount of up to RMB77,000,000 for an aggregate equity interest of up to 2.81% of Comtech Industrial SZ.

(collectively, the "**Subscription Agreements**")

Pursuant to the Subscription Agreements, on an aggregated basis, the Company's shareholding in Comtech Industrial SZ will decrease from 75% to 65.65%, as such, the subscriptions constitute a deemed disposal of 9.35% of the Company's equity interest in Comtech Industrial SZ. Comtech Industrial SZ will continue to be a subsidiary of the Company and the financial results of Comtech Industrial SZ will continue to be consolidated into those of the Group.

Further details of the Subscription Agreements are set out in the announcements of the Company dated September 10, 2020, September 25, 2020 and October 16, 2020.

Save as disclosed, the Group did not have any material acquisitions and disposals for the year ended December 31, 2020.

Future Plans for Material Investments and Capital Assets

As of December 31, 2020, we did not have other plans for material investments and capital assets.

Pledge of Assets

Except for the pledged bank deposits of approximately RMB142.5 million and approximately RMB159.9 million as of December 31, 2020 and December 31, 2019, respectively, the Group did not pledge any assets for the year ended December 31, 2020. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

Contingent Liabilities

Neither the Group nor the Company had any significant contingent liabilities as of December 31, 2020.

Foreign Exchange Exposure

Foreign currency transactions during the year ended December 31, 2020 are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling as at December 31, 2020. Exchange gains and losses are recognized as profit or loss.

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

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Consolidated statements of financial position items are translated into RMB at the closing foreign exchange rates as at December 31, 2020. 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.

We did not use any derivative contracts to hedge against our exposure to currency risk during the year ended December 31, 2020. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Events After the Reporting Period

On February 10, 2021, Cogobuy Inc., Gold Tech Holdings Limited (an indirectly owned subsidiary of the Company) and INGDAN.com (Shenzhen) Limited (an indirect wholly-owned subsidiary of Cogobuy Inc.) (the "**Purchaser Group**") entered into an acquisition agreement (the "**Acquisition Agreement**") with Rich Wisdom Ventures Limited (the "**Vendor"**) and EZ Robot, Inc., Comtech Industrial (Hong Kong) Limited and EZ Robot (Shenzhen) Company Limited, (the "**EZ Robot Group**"), pursuant to which the Purchaser Group agreed to purchase from the Vendor the aggregate equity interest of 36,429 ordinary shares of EZ Robot, Inc., 10,000 ordinary shares of Comtech Industrial (Hong Kong) Limited and the entire equity interest of EZ Robot (Shenzhen) Company Limited at an aggregate consideration of HK$180,000,000, representing 51% interest in the EZ Robot Group, subject to the satisfaction of certain conditions.

Further details of the Acquisition Agreement are set out in the announcement of the Company dated February 10, 2021.

Save as disclosed in this annual report, there were no other significant events that might affect the Group after the year ended December 31, 2020.

REVIEW OF OUR CONSOLIDATED FINANCIAL INFORMATION

We have established an audit committee in compliance with the CG Code. The members of the audit committee have discussed with the management of our Company and reviewed the consolidated financial information of our Company for the financial year ended December 31, 2020 set out in this annual report.

Directors and Senior Management

OUR DIRECTORS

As at the date of this annual report, the Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include convening Shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Memorandum and Articles of Association.

The table below contains certain information about each of our Directors:

Name	Age	Position	Date of Appointment as Director	Date of Joining the Group (including the predecessor entities)
KANG Jingwei, Jeffrey	51	Executive Director, Chairman, and Chief Executive Officer	March 2014	July 2000
WU Lun Cheung Allen	46	Executive Director, Chief Financial Officer and Company Secretary	March 2014	October 2003
NI Hong, Hope	48	Non-Executive Director*	March 2015	September 2010
YE Xin	57	Independent Non-executive Director	July 2014	July 2014
MA Qiyuan	64	Independent Non-executive Director	June 2017	June 2017
HAO Chunyi, Charlie	61	Independent Non-executive Director	February 2018	February 2018

* Ms. NI Hong, Hope was re-designated from Executive Director to Non-Executive Director effective from June 10, 2020.

Executive Directors

KANG Jingwei, Jeffrey (康敬偉), aged 51, is the founder and Chairman of the Group, and was appointed as an executive Director of the Company in March 2014. He has been appointed as our Chief Executive Officer since July 18, 2014. Mr. Kang is responsible for the overall strategic planning and business direction of the Group. Mr. Kang is also a director of the following company of the Group:

— Cogobuy Group, Inc. (formerly known as Vision Well Global Limited).

Mr. Kang earned his bachelor of engineering degree in electrical engineering from South China Technology University in Guangzhou, China in July, 1991. Mr. Kang has over 25 years of experience in the Internet multimedia and electronic component distribution industry. Prior to founding the Company in 2002, Mr. Kang founded the predecessor of a former NASDAQ listed company Viewtran Group, Inc. ("**Viewtran**") (OTCMKTS: VIEWF), formerly known as Comtech Group, in 2002, to act as a distribution channel for the sale of electronic components in the PRC and has served as an executive director of Viewtran until May 2014. Mr. Kang also founded an Internet multimedia company, Viewtran Inc., in 2000.

WU Lun Cheung Allen (胡麟祥), aged 46, is the Chief Financial Officer and Company Secretary of the Group and was appointed as an Executive Director of the Company in March 2014. Mr. Wu is also a director of the following companies of the Group:

— Silver Ray Group Limited; and

— Cogobuy Worldwide Limited (科通芯城環球有限公司).

Mr. Wu received his bachelor of business administration degree in accounting from The Hong Kong University of Science and Technology in Hong Kong in 1997. Mr. Wu is a member of the Hong Kong Institute of Certified Public Accountants and a certified public accountant in Hong Kong. Mr. Wu is also a member and a chartered global management accountant of the American Institute of Certified Public Accountants. Mr. Wu has over 20 years of experience in auditing and commercial consulting. He worked at PricewaterhouseCoopers from 1997 to 2003, before becoming the vice president of finance at Viewtran from 2003 to 2013, where he was in charge of corporate finance, compliance and investment.

Non-executive Director

NI Hong, Hope (倪虹), aged 48, was appointed as an executive Director of the Company in March 2015. Effective from June 10, 2020, Ms. Ni was re-designated as a non-executive Director of the Company.

Ms. Ni is currently serving as an independent director of ATA Creativity Global (formerly known as ATA Inc.), a NASDAQ listed company (NASDAQ: AACG) and as an independent non-executive director of Digital China Holdings Limited (stock code: 861), a company listed on the Stock Exchange. Ms. Ni is also serving as an independent director of Ucloudlink Group, Inc., a NASDAQ listed company (NASDAQ: UCL), since June 2020.

Previously, Ms. Ni served as a director of ATA Online (Beijing) Education Technology Co., Limited, a company formerly listed on NEEQ (NEEQ: 835079), from July 2015 to August 2018, an independent director of JA Solar Holdings, Co. Ltd., a NASDAQ listed company (NASDAQ: JASO) from August 2009 to July 2018, a director of KongZhong Corporation, a company formerly listed on NASDAQ, from January 2007 to March 2017 and the chief financial officer and director of Viewtran from August 2004 to January 2008 and subsequently served as its vice chairman until early 2009. Prior to joining Viewtran, Ms. Ni spent six years serving as a practicing attorney at Skadden, Arps, Slate, Meagher & Flom LLP in New York and Hong Kong, specializing in corporate finance. Prior to that, Ms. Ni worked at Merrill Lynch's investment banking division in New York.

Ms. Ni obtained her Juris Doctor degree from the University of Pennsylvania Law School in 1998 and her bachelor's degree in applied economics and business management from Cornell University in 1994.

Independent non-executive Directors

YE Xin (葉忻), aged 57, was appointed as an independent non-executive Director of the Company on July 18, 2014. He is also the chairman of the nomination committee and a member of the audit an renumeration committees of the Company. Mr. Ye received his bachelor of engineering degree (計算機科學與技術系) from Tsinghua University, China in June 1986, and a master of science degree in Computer Science from Marquette University in Wisconsin, United States in May 1988. From 2003 to 2006, Mr. Ye was the Chief Technology Officer of Linktone, a top wireless entertainment service provider in China. Since 2006, Mr. Ye was the chief executive officer of CASEE Mobile Ads (架勢無線), China's leading mobile advertising network for Android/iPhone applications and mobile content.

MA Qiyuan (馬啟元), PhD, aged 64, was appointed as an independent non-executive Director of the Company on June 2, 2017. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of the Company. Dr. Ma is the chairman and chief executive director of Time Medical System Corp., a leading technology innovator in medical imaging and service industry he founded in 2006. Dr. Ma has over 25 years of experience in R&D management in the US. Dr. Ma served as a professor at Columbia University from 1994 to 2000, Associate Professor of Harvard Medical School from 2000 to 2005 and Deputy Director of Magnetic Resonance Engineering Center of the University of Hong Kong from 1998 to 2004. Dr. Ma holds 25 patents and has published more than 200 papers. Dr. Ma is engaged in the field of microelectronic devices, superconducting technology, RF devices, biomedical electronics, and medical imaging.

Dr. Ma co-founded Semiconductor Manufacturing International Corporation (NYSE: SMI; Stock Exchange stock code: 981) (China's first major semiconductor company listed on NYSE and the Stock Exchange) in 2000 and remained an advisor since. Dr. Ma has been promoting the development of China's electronic industry, and has served as advisor in microelectronics to the Ministry of Information Industry of the Chinese government, and in hi-tech industry to the Beijing, Shanghai and Guangzhou governments.

Dr. Ma received his PhD in microelectronics from Columbia University in 1990, and SEP degree from Stanford Business School in 2003. Dr. Ma has been a board member of CIBR (Coalition for Imaging and Bioengineering Research) in the US since 2010.

HAO Chunyi, Charlie (郝純一), aged 61, was appointed as an independent non-executive Director of the Company on February 13, 2018. He is also the chairman of the audit committee and a member of the remuneration and nomination committees of the Company. Mr. Hao has been 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. Mr. Hao has been the chief executive officer and president of Shandong Haizhicheng Energy Engineering Co., Ltd., a pioneer in the research and development in new energy engineering projects, since 2015. Over the years, Mr. Hao has been instrumental in the founding and establishments of several investment funds and companies, including China Fundamental Acquisition Corporation, where Mr. Hao was the chief executive officer from 2008 to 2010, and a member of the board of directors and the president of China of Asia Automotive Acquisition Corporation from 2005 to 2008. Mr. Hao was the chief financial officer of Delphi Automotive Corp (Saginaw Steering System) ("**Delphi**") of General Motors Inc., and oversaw the financials of three joint ventures to Delphi headquarter in Beijing from 1995 to 1999.

Mr. Hao received his MBA degree from Pace University, Master of Arts from University of Notre Dame and Bachelor of Arts from Beijing Language and Culture University (北京語言大學).

OUR SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, comprises the following individuals:

Name	Age	Position	Date of appointment as senior management	Date of joining the Group (including the predecessor entities)
LI Feng	55	Senior vice-president of Ingdan Innovations	March 2013	August 2010
CHAN Edward	57	Vice-president of operations	January 2014	April 2004
LI Henry	53	Vice-president of business of Ingdan Innovations	November 2012	July 2000
WANG Vivia	37	Vice-president	September 2015	September 2015

LI Feng (李峰), aged 55, is the senior vice-president of Ingdan Innovations and is primarily responsible for development of its online technology platform and big data analytics applications. Mr. Li received his bachelor of science degree in computer science from Tsinghua University, China in June 1987, and master of science degree in computer science from Marquette University in Milwaukee, United States in May 1989. Between 1990 and 1999, Mr. Li worked at Informix Software. Between 1999 and 2000, Mr. Li worked for Shanghai Siemens as its chief representative and project director. Between 2002 and 2006, Mr. Li served as the chief operating officer of Viewtran, Inc.

CHAN Edward (陳劍雄), aged 57, is the vice-president of operations of the Company and is primarily responsible for general administrative operations of the Group, including human resources, customer service, logistics and warehousing. Mr. Chan received his bachelor of science degree in mechanical engineering from the University of Hong Kong, Hong Kong in November 1985. Between 1987 and 2002, Mr. Chan worked for and later served as a senior manager of Panasonic Shun Hing Industrial Devices Sales (Hong Kong) Co., Ltd. Between 2004 and February 2013, Mr. Chan was the vice president of operations of Viewtran, and was in charge of the company's customer administration and logistics operations..

LI Henry (李宏輝), aged 53, is the vice-president of Ingdan Innovations and is primarily responsible for the overall business and market development. Mr. Li earned his bachelor of science degree in radio technology, and master of science degree in telecommunication and electronic system from Tianjin University, China in July 1989 and April 1992 respectively. In 1994, Mr. Li focused on teaching and research at Tianjin University. From June 1995 to September 1996, Mr. Li worked at Samsung Electronics Co., where he served as a researcher at ASIC R&D center. Mr. Li was the general manager (Business Unit) of Comtech Communication Technology (Shenzhen) Company Limited from 2002 to 2013.

WANG Vivia (王巍), aged 37, is a vice-president of the Company and is primarily responsible for the Company's investment and financing activities and is the head of IngFin Financing Services business. Ms. Wang received her BBA and MBA degrees from Tsinghua University, China in 2005 and 2007, respectively, and has been a Chartered Financial Analyst (CFA) member since 2012. Ms. Wang has over 10 years of investment banking experience and worked at HSBC's investment banking department as an analyst from 2007 to 2008 and Bank of Communications as assistant relationship manager in 2009. Prior to joining the Company, Ms. Wang was an associate director at CCB International's China Business Division from 2010 to 2015, where she was in charge of eastern China's clients relationship management, sourcing deals for structured finance, IPO bond issuance and PIPE transactions.

Report of the Directors

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2020.

CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 1, 2012. The Company's Shares were listed on the Main Board of the Stock Exchange on July 18, 2014.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is a technology service platform serving the global IC chips industry and AIoT ecosystem in China. Following a business restructuring completed in early 2020, the Group launched a new "Ingdan Innovations + Ingfin Technologies" dual business model. Focusing on the sales and promotion of IC chips to AIoT enterprises in China, Ingdan Innovations is the combination of the Group's Cogobuy.com IC components sales and marketing platform and our INGDAN.com AIoT platform. Ingdan Innovations leverages a network of top global IC suppliers to provide comprehensive and professional technology application solutions to upstream chip suppliers by promoting their products and technologies' applications using its online platforms and big data analysis capabilities. Ingfin Technologies focuses on the R&D and sales of proprietary products, as well as the development of customized technical solutions for the V2X and 5G applications industries. Additionally, Ingfin Technologies also provides financing services and seeks investment or mergers and acquisitions opportunities in high-quality startups within the Group's AIoT ecosystem to improve our overall strategic position and generate investment income. In early 2020, the Company held 75% of Ingdan Innovations and 100% of Ingfin Technologies, which also operates certain non-wholly owned subsidiaries and retains certain investments with less than 100% interests strategically. Thereafter, Ingdan Innovations entered into a series of investment agreements with a total of nineteen strategic investors in 2020. The investment supports Ingdan Innovations' rapid development in the trillion-RMB domestic chip market, and will help the Group's core business resume its high growth trajectory. Upon completion, the Group holds approximately 65.65% of Ingdan Innovations, and Ingdan Innovations will continue to be consolidated into the Group's financial statements. In 2020, the Group fulfilled orders and derived a revenue of approximately RMB6,185.1 million.

A list of the Company's major subsidiaries, together with their places of incorporation and principal activities, is set out in note 45 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group during the year ended December 31, 2020 (including analysis of the Group's performance during the year using key performance indicators and discussion of the Group's future business development) is set out in the Chairman's Statement on pages 5 to 6 and Management Discussion and Analysis on pages 7 to 16 of this annual report. A description of the principal risks and uncertainties facing the Company is set out on pages 24 to 25 of this Report of the Directors.

Compliance with the relevant laws and regulations

As far as the Board of Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2020, there was no material breach of, or non-compliance, with the applicable laws and regulations by the Group.

Relationship with employees

Recognizing the value of investing in its employees, the Group ensures that its employees are reasonably remunerated. The Group has also implemented an annual self-appraisal program to provide incentive and motivation to the staff to attain periodic goals. The Company has adopted the RSU Scheme to reward the fidelity of the employees of the Group. The Group continues to seek improvement through the regular review and update (if needed) of its policies on remuneration and benefits, training, occupational health and safety.

Relationship with suppliers, customers and other stakeholders

The Group understands the importance of maintaining good relationships with its suppliers and customers to meet its immediate and long-term goals. Our customer service team is set up so that they can be easily reached and serves to enhance our relationships with customers. Our procurement and project management teams work closely with our suppliers to maintain reliable and high-quality product offerings. With the expansion of our INGDAN.com platform, the Group strives to provide one-stop supply chain services to all stakeholders in the hardware innovation industry. The Group is committed to upholding the highest ethical and professional standards when dealing with its suppliers and contractors. During the year ended December 31, 2020, there were no material and significant disputes between the Group and its suppliers, customers and other stakeholders.

Environmental policies and performance

The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the applicable environmental laws and regulations and to adopt effective measures to ensure the efficient usage of resources, energy conservation and waste reduction. Such initiatives include the recycling of used papers, the adoption of energy saving measures, the exchange of unsold inventory for new products or credit with major suppliers, the adoption of electronics waste disposal procedures and the donation of old computers to a school in remote area of China. During the year ended December 31, 2020, we had not been subject to any fines or other penalties due to any non-compliance with health, safety or environmental regulations. For details, please refer to the Environmental, Social and Governance Report in this annual report.

CORPORATE GOVERNANCE

Information on the principal corporate governance practices adopted by the Company during the year ended December 31, 2020 is set out in the Corporate Governance Report on pages 48 to 62 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following section lists out the key risks and uncertainties facing the Group, some of which are beyond our control. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

- The lock down of commercial activities due to the outbreak of the COVID-19 pandemic has caused disruptions to our supply chains and normal business operations, affecting both our sales of IC and other electronic components and the provision of IngFin Financing Services. While we carefully monitor the ongoing developments to manage risks and continue to be responsive to market opportunities, given the fast-changing nature under the current circumstances, we may not be able to assess and mitigate relevant impacts on our financial performance.

- We derive substantially all of our revenue from purchases made by companies in China that engage in electronics manufacturing. As a result, factors that adversely affect Chinese electronics manufacturers or the Chinese electronics manufacturing industry could also materially and adversely affect our business, financial condition, results of operations and prospects.

- If we fail to manage our relationships with our suppliers, our business and prospects may be adversely affected. We source our products from some of the top brand-name suppliers in key product categories. Maintaining good relationships with these suppliers and procuring products from suppliers on favorable terms are important to the growth of our business. There can be no assurance that our current suppliers will continue to sell IC and other electronic components to us on terms acceptable to us, or that we will be able to establish new or extend current supplier relationships to ensure a steady supply of IC and other electronic components in a timely and cost-efficient manner.

- Our business is subject to intense competition, and we may fail to compete successfully against existing or new competitors, which may reduce demand for our services and products. We anticipate that China's electronic components procurement market will continually evolve. As we further develop our e-commerce platform, we will face increasing competitive challenges competing for new customers and retain loyal customers.

- We rely on third-party courier service providers to deliver our products, and their failure to provide high-quality courier services to our customers may negatively impact the procurement experience of our customers, damage our market reputation and materially and adversely affect our business and results of operations. If our products are not delivered on time or are delivered in a damaged state, customers may refuse to accept our products and have less confidence in our services. Thus, we may lose customers, and our financial condition and market reputation could suffer.

- We provide credit facilities to our customers to earn interest income through our IngFin Financing Services business and offer required payment terms to our direct sales customers, which expose us to credit risks. The value of the collaterals for secured loans we grant our customers may fluctuate due to market conditions or other unforeseen adverse occurrences. We may fail to identify high risk customers or detect unlawfulness due to negligence, procedural errors, fraud and/or misconduct committed by employees, customers or other third parties. In the event that such customer or counterparty fails to honor its financial or contractual obligations, we would suffer financial loss.

- We rely on credit facilities such as factoring arrangements granted by banks to partially fund our working capital. The banking industry is sensitive to changes in market and economic conditions and is highly susceptible to unforeseen external events, such as political instability, recession, inflation, changes in regulation, adverse market conditions, or other adverse occurrences that may result in a significant decline or other change in the credit facilities granted to us and put stress on our cash position, which may necessitate us drawing on existing working capital facilities or other sources of liquidity.

DIRECTORS

The Directors during the year ended December 31, 2020 and up to the date of this report were:

Executive Directors:

Mr. KANG Jingwei, Jeffrey *(Chairman and Chief Executive Officer)*
Mr. WU Lun Cheung Allen *(Chief Financial Officer and Company Secretary)*

Non-executive Director:

Ms. NI Hong, Hope*

Independent non-executive Directors:

Mr. YE Xin
Dr. MA Qiyuan
Mr. HAO Chunyi, Charlie

* Ms. NI Hong, Hope was re-designated from Executive Director to Non-Executive Director effective from June 10, 2020.

In accordance with articles 84(1) and 84(2) of the Articles of Association, Mr. Kang Jingwei, Jeffrey and Mr. Hao Chunyi, Charlie shall retire at the annual general meeting. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

CHANGES IN INFORMATION OF DIRECTORS

There has been no change in information of the Directors since the publication of the 2020 interim report of the Company, which is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Mr. Kang Jingwei, Jeffrey and Mr. Wu Lun Cheung Allen have each entered into service agreements with our Company pursuant to which they agreed to act as executive Directors for a term of three years commencing on June 2, 2020 or until the third annual general meeting of our Company since the date of their service agreements (whichever is sooner, subject always to re-election as and when required under the Articles of Association) or until terminated in accordance with the service agreements. The Company has the right to give written notice to terminate the agreement.

Mr. Ye Xin, Dr. Ma Qiyuan and Mr. Hao Chunyi, Charlie have each signed the letters of appointment with our Company. The term of office of our independent non-executive Directors is three years with effect from June 2, 2020 for Mr. Ye Xin and Dr. Ma Qiyuan and June 10, 2020 for Mr. Hao Chunyi, Charlie or until the third annual general meeting of our Company since the date of their letters of appointment (whichever is sooner, subject to retirement as and when required under the Articles of Association) and subject to the terms and conditions specified in the appointment letters.

Ms. Ni Hong, Hope has signed a letter of appointment with our Company with effect from June 10, 2020 for a period of three years (subject always to retirement as and when required under the Articles of Association) unless otherwise terminated in accordance with the terms and conditions specified in the appointment letter.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group are set out in notes 13 and 14 to the consolidated financial statements, respectively. None of the Directors has waived or agreed to waive any emoluments during the year ended December 31, 2020.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 36 to the consolidated financial statements headed "Related Party Transactions" and the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this annual report below, no transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2020.

During the year ended December 31, 2020, none of the Directors nor the Controlling Shareholders of the Company engaged in any business that competed or might compete, either directly or indirectly, with the business of the Group.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended December 31, 2020.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers each of the independent non-executive Directors to be independent.

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

As at December 31, 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 are taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered 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 of the Company were as follows:

(i) Interests in the Shares of the Company

Name of Director	Nature of interest	Number of Shares[(1)]	Approximate percentage of shareholding[(3)]
Mr. Kang	Interest of controlled corporation[(2)]	650,200,000	45.91%
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 directly 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 1,416,184,732 Shares in issue as at December 31, 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[(2)]	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.

Save as disclosed above, as at December 31, 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 entered 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 December 31, 2020, so far as the Directors are aware, the following substantial Shareholders have interests and short positions in the Shares and underlying Shares of the Company, which have been recorded in the register of substantial Shareholders required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Name	Nature of Interest	Number of Shares[1]	Approximate percentage of interest in the Company[4]
Envision Global	Beneficial owner	650,200,000	45.91%
Mr. Kang[2]	Interest of a controlled corporation	650,200,000	45.91%
Mr. Kang	Beneficial owner	1,800,000	0.13%
Total Dynamic	Beneficial owner	182,888,000	12.91%
Ms. Yao[3]	Interest of a controlled corporation	182,888,000	12.91%

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 1,416,184,732 Shares in issue as at December 31, 2020 (without taking into account the Shares to be issued pursuant to the RSU Scheme).

Save as disclosed above, as at December 31, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in this annual report, at no time during the year ended December 31, 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

PERMITTED INDEMNITY PROVISIONS

During the year ended December 31, 2020 and up to the date of this annual report, the Group has in force indemnity provisions for the benefit of the Directors of the Company or its associated companies. Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain, or incur in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles of Association.

REMUNERATION POLICY

As at December 31, 2020, the Group had 469 employees in total (2019: 478), of which 15 employees work part-time (2019: 22). Employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications, competence and contribution to the Group.

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's contributions to the Group, qualification, position and seniority, as well as the Group's performance. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee of the Company. The Company also has an RSU Scheme, of which the Directors, executive officers, senior managers and employees of the Company and its subsidiaries are eligible participants.

The total remuneration cost incurred by the Group for the year ended December 31, 2020 was approximately RMB154.0 million (2019: RMB137.4 million).

RSU SCHEME

The Company has adopted a restrictive share unit scheme ("**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.

Details of the movement of the RSUs granted pursuant to the RSU Scheme to the Directors and employees during the year ended December 31, 2020 are set out below:

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at December 31, 2020	Unvested as at December 31, 2020	Vesting Period
Directors					
Mr. Kang	March 1, 2014	1,800,000	1,800,000	–	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Mr. Wu	March 1, 2014	1,800,000	1,800,000	–	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Other grantees					
Other grantees with a vesting period of three years(1)	March 1, 2014	19,346,300	18,071,300	–	One-third of the entitlement in each of 2014, 2015 and 2016 (in quarterly installments)
Other grantees with a vesting period of one year(2)	March 1, 2014	7,253,700	6,423,200	–	December 31, 2014
Other grantees with a vesting period of three years(3)	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(4)	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(5)	November 23, 2018	10,200,000	5,000,000	1,400,000	12 quarterly installments (from November 23, 2018 to November 22, 2021)
Other grantees with a vesting period of three years(6)	September 3, 2019	14,000,000	3,083,354	1,166,660	12 quarterly installments (from September 3, 2019 to September 2, 2022)
Other grantees with a vesting period of three years(7)	July 16, 2020	7,680,000	390,000	4,290,000	12 quarterly installments (from July 16, 2020 to July 15, 2023)

Notes:

(1) As at December 31, 2020, 1,275,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(2) As at December 31, 2020, 830,500 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(3) As at December 31, 2020, 2,140,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(4) As at December 31, 2020, 540,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(5) As at December 31, 2020, 3,800,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(6) As at December 31, 2020, 9,749,986 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

(7) As at December 31, 2020, 3,000,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

EQUITY-LINKED INVESTMENTS

Save for the RSU Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 90 and 91 of this annual report.

A summary of the published results and assets and liabilities of the Group for the most recent five years are set out on pages 211 and 212 of this annual report. This summary does not form part of the audited financial statements.

CAPITAL STRUCTURE

Details of the capital structure are set out in the note 5 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2020 are set out in note 35 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended December 31, 2020 are set out in note 44(b) to the consolidated financial statements and the consolidated statement of changes in equity on pages 198 to 199 of this annual report. As at December 31, 2020, the Company's reserves available for distribution to the Shareholders were approximately RMB1,874.3 million (2019: approximately RMB1,926.7 million).

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2020 (2019: nil).

No Shareholder has waived or agreed to waive any dividends for the year ended December 31, 2020.

DONATIONS

During the year ended December 31, 2020, the Group has not made any charitable and other donations (2019: nil).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other financial liabilities of the Group as of December 31, 2020 are set out in notes 32 and 34 to the consolidated financial statements, respectively.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY'S SHARES

During the year ended December 31, 2020, the Company repurchased an aggregate of 11,148,000 Shares (2019: 63,577,000 Shares) on the Stock Exchange at an aggregate consideration of approximately HK$10.3 million (2019: HK$149.4 million) (equivalent to approximately RMB9.1 million (2019: RMB131.7 million)).

Details of the repurchases of Shares during the year ended December 31, 2020 are set out as follows and in note 35 to the consolidated financial statements:

Month of repurchase	No. of Shares repurchased	Highest price paid (HK$)	Lowest price paid (HK$)	Total paid (HK$'000)
April 2020	7,234,000	0.94	0.78	6,228
May 2020	2,682,000	0.84	0.79	2,183
October 2020	1,232,000	1.54	1.49	1,867
	11,148,000			10,278

All of the aforesaid repurchased Shares were cancelled, of which 7,234,000 Shares were cancelled on May 11, 2020, 2,682,000 Shares were cancelled on June 19, 2020, and 1,232,000 Shares were cancelled on November 4, 2020.

The repurchase of the Shares during the year ended December 31, 2020 was effected by the Board with a view to benefitting the Company and the Shareholders as a whole by enhancing the net asset value and earnings per Share.

Subsequent to the end of the Reporting Period, the Company has not repurchased any Shares on the Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended December 31, 2020 are set out in note 17 to the consolidated financial statements.

PROPERTY HELD FOR DEVELOPMENT, SALE OR INVESTMENT

There is no property held for development, sale or investment for which the percentage ratios (as defined under rule 14.04(9) of the Listing Rules) exceed 5% as at December 31, 2020.

SIGNIFICANT INVESTMENTS HELD

The Company held unlisted equity investments classified as financial assets at fair value through other comprehensive income amounted to RMB352.3 million as at the year ended December 31, 2020 (2019: RMB360.5 million).

CONNECTED TRANSACTIONS

1. Purchase Option Agreement among Qianhai Cogobuy.com, Comtech Communication and Shenzhen Comtech & Agency Agreement and Service Agreement between Qianhai Cogobuy.com and Shenzhen Comtech

On December 11, 2015, Qianhai Cogobuy.com, Comtech Communication and Shenzhen Comtech entered into a purchase option agreement (the "**Purchase Option Agreement**"), pursuant to which, among other things, it was agreed that Comtech Communication will grant Qianhai Cogobuy.com an option to acquire the entire equity interest in Shenzhen Comtech for a cash consideration of RMB300 million or part of the equity interest for a cash consideration proportional to the percentage of the equity interest being acquired. The option to acquire the equity interest in Shenzhen Comtech has not been exercised as at the date of this annual report.

In connection with the Purchase Option Agreement, on December 11, 2015, Qianhai Cogobuy.com and Shenzhen Comtech entered into (1) the agency agreement (the "**Agency Agreement**"), pursuant to which Qianhai Cogobuy.com will provide certain client referral services to Shenzhen Comtech in exchange for agency fee payments amounting to 80% of the fees and interests payable by Shenzhen Comtech's clients to Shenzhen Comtech under any loan or cooperation agreement signed as a result of a referral by Qianhai Cogobuy.com to Shenzhen Comtech; and (2) the service agreement (the "**Service Agreement**"), pursuant to which Qianhai Cogobuy.com will provide certain administrative and consultancy services to Shenzhen Comtech in exchange for a service fee based on prevailing market rate of comparable services and amounting to no more than 1% of Shenzhen Comtech's yearly turnover.

On June 8, 2018, Qianhai Cogobuy.com and Shenzhen Comtech entered into a new agency agreement (the "**New Agency Agreement**") and a new service agreement (the "**New Service Agreement**") to renew and regulate such services provided under Agency Agreement and the Service Agreement. The Agency Agreement and the Service Agreement were terminated after the entering into and the effectiveness of the New Agency Agreement and the New Service Agreement, respectively.

Pursuant to the New Agency Agreement, (i) the annual caps set for the service fee payable by Shenzhen Comtech to Qianhai Cogobuy.com for the years ending December 31, 2018, December 31, 2019 and December 31, 2020 shall not exceed RMB10,000,000 (equivalent to approximately HK$12,008,550), RMB12,000,000 (equivalent to approximately HK$14,410,260) and RMB14,400,000 (equivalent to approximately HK$172,920,312), respectively, and (ii) the proposed maximum amount of service fee payable by Shenzhen Comtech to Qianhai Cogobuy.com for the period between January 1, 2021 to June 8, 2021 shall not exceed RMB7,200,000 (equivalent to approximately HK$8,646,156).

Pursuant to the New Service Agreement, (i) the annual caps set for the provision of the certain administrative and consultancy services to Shenzhen Comtech by Qianhai Cogobuy.com for the years ending December 31, 2018, December 31, 2019 and December 31, 2020 shall not exceed RMB2,000,000 (equivalent to approximately HK$2,401,710), RMB2,400,000 (equivalent to approximately HK$2,882,052) and RMB2,880,000 (equivalent to approximately HK$3,458,462), respectively, and (ii) the proposed maximum amount of the provision of certain administrative and consultancy services to Shenzhen Comtech by Qianhai Cogobuy.com for the period between January 1, 2021 to June 8, 2021 shall not exceed RMB1,440,000 (equivalent to approximately HK$1,729,231).

Mr. Kang Jingwei, Jeffrey is the chairman, chief executive officer and an executive Director of the Company. As at the date of this annual report, Mr. Kang holds approximately 46.04% of the total issued share capital of the Company and is a Controlling Shareholder. Comtech Communication and Shenzhen Comtech are indirect wholly-owned subsidiaries of Envision Global, which in turn is owned by Mr. Kang as to 100%. Comtech Communication and the Shenzhen Comtech are therefore associates of Mr. Kang and connected persons of the Company.

Accordingly, the Purchase Option Agreement entered into between Qianhai Cogobuy.com, Comtech Communication and Shenzhen Comtech constitutes a connected transaction of the Company, and each of the New Agency Agreement and the New Service Agreement entered into between Qianhai Cogobuy.com and Shenzhen Comtech constitute a continuing connected transaction of the Company. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

For further details of the above agreements, please refer to the Company's announcements dated December 14, 2015, June 8, 2018 and June 25, 2018, and the Company's circular dated January 18, 2016.

2. Transactions with Optimum

(a) Letter of Intent and Subscription Agreement

On December 17, 2019, the Company entered into a legally binding letter of intent with Optimum, Alphalink and Comtech Industrial SZ, pursuant to which (i) the Company shall procure INGDAN to acquire from Optimum 30% of the entire issued share capital of Hardeggs, including its direct and indirect subsidiaries (collectively, the "**Hardeggs Target Group**"), and substantially all of the assets, tangible and intangible, that are used in, or necessary for the conduct of the businesses of the Hardeggs Target Group for a consideration of RMB35 million (equivalent to approximately HK$39.2 million) (the "**Hardeggs Acquisition**"); and (ii) Alphalink and Comtech Industrial SZ shall, and Optimum shall procure its designated nominee to, execute the subscription agreement ("**Optimum Subscription**") in respect of Optimum's subscription of shares of Comtech Industrial SZ representing 25% of its entire issued share capital for RMB35 million (equivalent to approximately HK$39.2 million). Both the Hardeggs Acquisition and the Optimum Subscription are subject to the satisfaction of certain conditions precedent.

(b) Sale and Purchase Agreement

On December 17, 2019, INGDAN and Optimum entered into a sale and purchase agreement (the "**Optimum Sale and Purchase Agreement**"), pursuant to which INGDAN agreed to purchase, and Optimum agreed to sell, the sale shares (being 30 ordinary shares with a par value of US$1.00 each in the issued share capital of Hardeggs, legally and beneficially owned by Optimum and to be acquired by INGDAN in accordance with the terms and conditions of the Optimum Sale and Purchase Agreement) at the consideration of RMB35 million (equivalent to approximately HK$39.2 million). The consideration shall be settled by INGDAN on or before completion of the sale and purchase of the Sale Shares in accordance with the Optimum Sale and Purchase Agreement ("**Completion**") by wire transfer, or by such other method mutually agreeable to the parties, of immediately available funds to a bank account designated in writing by Optimum.

Completion was effected on January 1, 2020 after certain conditions precedent were fulfilled or waived (as the case may be). Upon Completion, Hardeggs will be a wholly-owned subsidiary of the Company and the financial results of the Hardeggs Target Group will continue to be consolidated into those of the Group.

Optimum was a substantial shareholder of Hardeggs, an indirect subsidiary of the Company, as it held 30% of the issued share capital of Hardeggs, and was therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, each of the Hardeggs Acquisition and the Optimum Subscription constitutes a connected transaction of the Company. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

For further details of the above transactions, please refer to the Company's announcements dated December 17, 2019 and January 13, 2020.

CONTINUING CONNECTED TRANSACTIONS

Property Leasing and Complementary Services Framework Agreement with Comtech China

On December 23, 2019, the Company and Comtech (China) Holding Ltd. ("**Comtech China**") entered into a property leasing and complementary services framework agreement (the **"Property Leasing and Complementary Services Framework Agreement**"), pursuant to which Comtech China has agreed, and will procure its subsidiaries to agree, to provide property leasing and complementary property management services to the Group.

The Company has entered into an agreement with Comtech China on March 20, 2018 in respect of the provision of property leasing and property management services, access to car parking and other facilities, car services, and other miscellaneous services by Comtech China and its subsidiary to the Group (the "**2018 Agreement**"), which expired on December 31, 2019. The historical amount payable by the Group pursuant to the transactions contemplated under the 2018 Agreement for each of the two years ended December 31, 2019 were approximately RMB3.0 million and RMB4.2 million, respectively.

The annual caps for the three years ending December 31, 2022 for property leasing under the Property Leasing and Complementary Services Framework Agreement are RMB78.6 million, RMB0 and RMB0, respectively. The annual caps in respect of the complementary property management service fees payable by the Group to Comtech China and/or its subsidiaries under the Property Leasing and Complementary Services Framework Agreement for each of the three years ending December 31, 2022 is RMB1.3 million.

Mr. Kang Jingwei, Jeffrey is the chairman, chief executive officer and an executive Director of the Company. As at the date of this annual report, Mr. Kang holds approximately 46.04% of the total issued share capital of the Company and is a Controlling Shareholder. Comtech China is indirectly wholly-owned by Mr. Kang, and is therefore an associate of Mr. Kang and a connected person of the Company.

Accordingly, the Property Leasing and Complementary Services Framework Agreement entered into between the Company and Comtech China constitutes a continuing connected transaction of the Company. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

For further details of the above agreement, please refer to the Company's announcements dated December 23, 2019 and February 20, 2020.

Contractual Arrangements

Reasons for the Contractual Arrangements

Due to certain foreign investment restrictions under PRC laws and regulations, it was not viable for the Company to hold Shenzhen Cogobuy directly through equity ownership. The Company, through Cogobuy E-commerce, Shenzhen Cogobuy and Ms. Yao entered into a series of contractual arrangements, under which the Company gained effective control over, and received all the economic benefits generated from the business operated by Shenzhen Cogobuy (the "**Contractual Arrangements**"). The Contractual Arrangements allow Shenzhen Cogobuy's financials and results of operations to be consolidated into our financials and as if it was a wholly-owned subsidiary of our Group.

To comply with the relevant PRC laws at the time, Cogobuy.com was operated by Shenzhen Cogobuy. Cogobuy E-commerce in turn supervises the business operations of Shenzhen Cogobuy and derives the economic benefits from Shenzhen Cogobuy. Shenzhen Cogobuy held the requisite PRC permits, licenses and approvals for developing and operating our e-commerce platform, including the ICP license, and EDI license. In addition, Shenzhen Cogobuy held the intellectual property rights, including software copyrights and the domain name, and is in the process of acquiring the trademarks that are important for the operation of our Cogobuy.com. Shenzhen Cogobuy had also performed the value-added telecommunication services of the Company.

While we have completed the transfer of all of the Group's value-added telecommunications businesses in the PRC from Shenzhen Cogobuy to Cogobuy E-commerce or its affiliate by the time Cogobuy E-commerce obtained an EDI License on November 27, 2019, certain businesses historically conducted under Shenzhen Cogobuy that had been consolidated into our financial results and could not be transferred to Cogobuy E-commerce or its affiliate directly due to technicality (immediate loss of net assets or heavy taxation — see also the paragraph headed "Risks relating to the Contractual Arrangements"). Our Directors are of the view that it is in the best interest of the Company to maintain the Contractual Arrangement until the relevant assets could be gradually transferred to the Group without adverse effects on our financial results.

Further details of the revenue, profit and assets subject to the Contractual Arrangements can be found in the paragraph headed "Revenue and assets subject to the Contractual Arrangements".

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of the risks are set out on pages 39 to 45 of the Prospectus.

- Substantial uncertainties and restrictions exist with respect to the interpretation and application of PRC laws and regulations. If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe penalties, including the forced relinquishment of our interests in our operations.

- We rely on our Contractual Arrangements with our PRC operating entity Shenzhen Cogobuy to provide certain service to our business, and our Contractual Arrangements may not be effective in providing operational control as equity ownership.

- Ms. Yao, the sole shareholder of Shenzhen Cogobuy, may have conflicts of interest with us, and she may breach the contracts with us or cause such contracts to be amended in a manner contrary to our interests, which may materially and adversely affect our business and financial condition.

- Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.

- We may lose the ability to use and enjoy assets held by Shenzhen Cogobuy if Shenzhen Cogobuy declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- The Contractual Arrangements between Cogobuy E-commerce and Shenzhen Cogobuy may be subject to scrutiny by the PRC tax authorities and any findings revealing that we or Shenzhen Cogobuy owe additional taxes could substantially reduce our consolidated net income and the value of our shareholders' investment.

- Our exercise of the option to acquire the equity interests of Shenzhen Cogobuy may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

Mitigation actions taken by the Company

Our management works closely with Ms. Yao and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements. Our Directors are of the view that this would not have a material adverse impact on our business operation in light of the immaterial revenue and profit contribution from the Contractual Arrangements and the assets subject to the Contractual Arrangements constitute an immaterial part of the Group's total assets. Further details of the revenue, profit and assets subject to the Contractual Arrangements can be found in the paragraph headed "Revenue and assets subject to the Contractual Arrangements".

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 139 to 144 of the Prospectus.

Contractual Arrangements

During the year ended December 31, 2020, the Group engaged in the following Contractual Arrangements:

1. *Master Exclusive Service Agreement*

   Nature and purpose of the agreement

   On March 13, 2014, Shenzhen Cogobuy and Cogobuy E-commerce entered into a master exclusive service agreement (the "**Master Exclusive Service Agreement**"), under which Shenzhen Cogobuy agreed to engage Cogobuy E-commerce as its exclusive provider for the provision of a number of services in exchange for a service fee.

   The services to be provided by Cogobuy E-commerce include: (1) technology development and transfer, and technical consulting services; (2) business support services; (3) market consultancy and marketing services; (4) technical support services; (5) selling and authorizing Shenzhen Cogobuy to use software; and/or (6) other services determined from time to time by Cogobuy E-commerce according to the need of business and capacity of Cogobuy E-commerce and its designated affiliates.

   Pricing

   Under the Master Exclusive Service Agreement, the service fee will be determined by Cogobuy E-commerce at its sole discretion taking into account the working capital requirements of Shenzhen Cogobuy and the following factors relating to the services provided: (i) technical difficulty and complexity of the services; (ii) time spent in providing the services; (iii) contents and commercial value of the services; and (iv) the benchmark price of similar services in the market.

Term of the agreement

The Master Exclusive Service Agreement can be terminated by Cogobuy E-commerce at any time upon 30 days' advance written notice to Shenzhen Cogobuy. The Master Exclusive Service Agreement shall also terminate upon the transfer of all the shares of Shenzhen Cogobuy to Cogobuy E-commerce and/or a third party designated by Cogobuy E-commerce pursuant to the Exclusive Option Agreement.

2. *Business Cooperation Agreement*

Nature and purpose of the agreement

On March 13, 2014, Shenzhen Cogobuy and its sole shareholder, Ms. Yao, and Cogobuy E-commerce entered into a business cooperation agreement (the "**Business Cooperation Agreement**"). Under the Business Cooperation Agreement, Shenzhen Cogobuy and Ms. Yao jointly agreed that Shenzhen Cogobuy shall not, and Ms. Yao shall cause Shenzhen Cogobuy not to, engage in any transaction which may materially affect its asset, obligation, right or operation without obtaining Cogobuy E-commerce's written consent.

Although the contractual arrangements are silent as to the use of the Cogobuy.com domain name by the companies within the Group other than Shenzhen Cogobuy, under the Business Cooperation Agreement, Cogobuy E-Commerce has the right to supervise Shenzhen Cogobuy's daily operation.

According to the Business Cooperation Agreement, the election and appointment of directors, the general manager, the chief financial officer and other senior management members of Shenzhen Cogobuy shall be subject to satisfaction of the qualification requirements put forward by Cogobuy E-commerce and shall require the explicit consent of Cogobuy E-commerce. If Cogobuy E-commerce raises any suggestions over the replacement or dismissal of any such directors or senior management members, Ms. Yao or Shenzhen Cogobuy shall replace or dismiss such persons upon Cogobuy E-commerce's suggestions.

Furthermore, Ms. Yao agreed that, unless required by Cogobuy E-commerce, she shall not make any shareholder's decision to, or otherwise request Shenzhen Cogobuy to, distribute any profits, funds, assets or property to the shareholder of Shenzhen Cogobuy, or to issue any dividends or other distributions with respect to the shares of Shenzhen Cogobuy held by the shareholder.

Term of the agreement

The Business Cooperation Agreement shall remain effective as long as Shenzhen Cogobuy exists, unless Cogobuy E-commerce terminates it upon 30 days' advance written notice or upon the transfer of all the shares held by Ms. Yao to Cogobuy E-commerce and/or a third party designated by Cogobuy E-commerce pursuant to the Exclusive Option Agreement.

3. *Exclusive Option Agreement*

Nature and purpose of the agreement.

On March 13, 2014, Shenzhen Cogobuy and Cogobuy E-commerce entered into an exclusive option agreement (the "**Exclusive Option Agreement**"), under which Cogobuy E-commerce has a right to require Ms. Yao to transfer any and all of her shares in Shenzhen Cogobuy to Cogobuy E-Commerce and/or a third party designated by it, in whole or in part, subject to Cogobuy E-commerce's specific requirements.

Term of the agreement

The Exclusive Option Agreement shall remain effective as long as Shenzhen Cogobuy exists, and cannot be terminated by either Shenzhen Cogobuy or its shareholder. The Exclusive Option Agreement can be terminated (i) by Cogobuy E-commerce at any time upon 30 days' advance written notice to Shenzhen Cogobuy and its shareholder; or (ii) upon the transfer of all the shares held by the shareholder to Cogobuy E-commerce and/or its designee(s).

4. *Share Pledge Agreement*

Nature and purpose of the agreement

On March 13, 2014, Cogobuy E-commerce entered into a share pledge agreement with Shenzhen Cogobuy and Ms. Yao (the "**Share Pledge Agreement**"). Pursuant to the Share Pledge Agreement, Ms. Yao unconditionally and irrevocably pledged all of her shares in Shenzhen Cogobuy, including any interest or dividend paid for such shares, to Cogobuy E-commerce as security for the performance of the obligations by Shenzhen Cogobuy and Ms. Yao under the Master Exclusive Service Agreement, the Business Cooperation Agreement, the Exclusive Option Agreement and other agreements to be executed among Shenzhen Cogobuy, Ms. Yao and Cogobuy E-commerce from time to time (collectively the "**Principal Agreements**").

Term of the agreement

The pledge shall remain valid until the Principal Agreements have been fulfilled to the satisfaction of Cogobuy E-commerce or all of the Principal Agreements have expired or been terminated, whichever is the latest.

5. *Proxy Agreement and Power of Attorney*

Nature and purpose of the agreement

On March 13, 2014, Cogobuy E-commerce entered into an irrevocable proxy agreement and powers of attorney (the "**Proxy Agreement and Power of Attorney**") with Shenzhen Cogobuy and Ms. Yao, pursuant to which Ms. Yao nominated and appointed Cogobuy E-commerce or any natural person designated by Cogobuy E-commerce (including the director of Cogobuy Group) as her attorney-in-fact to exercise on her behalf, and agreed and undertook not to exercise without consensus with such attorney-in-fact, any and all rights that she has in respect of her shares in Shenzhen Cogobuy.

In addition, if any share transfer is contemplated under the Exclusive Option Agreement and the Share Pledge Agreement that Ms. Yao enters into for the benefits of Cogobuy E-commerce or its affiliate, the attorney-in-fact shall have the right to sign the share transfer agreement and other relevant agreements and to perform all shareholder obligations under the Exclusive Option Agreement and the Share Pledge Agreement.

Term of the agreement

The Proxy Agreement and Power of Attorney shall remain effective as long as Shenzhen Cogobuy exists. Ms. Yao shall not have the right to terminate the Proxy Agreement and Power of Attorney or to revoke the appointment of the attorney-in-fact without Cogobuy E-commerce's prior written consent.

Apart from the above, there are no new Contractual Arrangements entered into, renewed or reproduced by the Group with Shenzhen Cogobuy and Ms. Yao during the year ended December 31, 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2020.

For the year ended December 31, 2020, none of the Contractual Arrangements has been unwound.

As at the date of this annual report, (i) Ms. Yao holds approximately 12.91% of the total issued share capital of the Company, and (ii) Shenzhen Cogobuy is wholly-owned by Ms. Yao, and is therefore an associate of Ms. Yao and a connected person of the Company. Accordingly, each of the Master Exclusive Service Agreement and the Exclusive Option Agreement, which is entered into between Cogobuy E-commerce, an indirect wholly-owned subsidiary of the Company, and Shenzhen Cogobuy, and each of the Business Cooperation Agreement, the Share Pledge Agreement, the Proxy Agreement and Power of Attorney entered into among Shenzhen Cogobuy, Ms. Yao, and Cogobuy E-commerce, constitute continuing connected transactions of the Company.

Revenue and assets subject to the Contractual Arrangements

The revenue, (loss)/profit for the year and total assets of Shenzhen Cogobuy are set out as follows:

	Year ended December 31, 2020 RMB'000	Year ended December 31, 2019 RMB'000
Revenue	**4,053**	17,470
(Loss)/profit for the year	**(11,691)**	856

	As at December 31, 2020 RMB'000	As at December 31, 2019 RMB'000
Total assets	**85,457**	97,466

For the year ended December 31, 2020, the revenue and profit for the year of Shenzhen Cogobuy amounted to approximately 0.07% (2019: 0.3%) and –6.2% (2019: 0.6%) of the revenue and profit for the year of the Group respectively.

As at December 31, 2020, the total assets of Shenzhen Cogobuy amounted to approximately 1.6% (2019: 1.8%) of the total assets of the Group.

Waiver from the Stock Exchange and Annual Review

As a substantial Shareholder of our Company and the sole shareholder of Shenzhen Cogobuy, Ms. Yao is therefore the Company's connected person pursuant to Rule 14A.07(1) of the Listing Rules. As a wholly-owned limited liability company by Ms. Yao and by virtue of the Contractual Arrangements, Shenzhen Cogobuy is a connected person of the Company for the purposes of Chapter 14A, and in particular, Rule 14A.07(1), of the Listing Rules. The Group operates its IC and other electronic components business in the PRC through a series of Contractual Arrangements entered into between Cogobuy E-commerce, Shenzhen Cogobuy and Ms. Yao. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions under the Listing Rules. The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the Contractual Arrangements, including (i) the announcement and independent shareholders' approval requirements; (ii) the requirement of setting an annual cap for the fees payable to Cogobuy E-commerce under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject to certain conditions.

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions under the section headed "Continuing Connected Transactions" of this annual report, are fundamental to our Group's legal structure and business operations and have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or better; and (iii) according to the relevant agreement governing them on terms that are fair and reasonable or to the advantage of the Group and are in the interests of the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of the consolidated affiliated entities are consolidated into our Group's financial statements as if they were our Group's subsidiaries, and the flow of economic benefits of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules.

Our independent non-executive Directors reviewed the Contractual Arrangements and confirmed that: (i) the transactions carried out during the year ended December 31, 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by Shenzhen Cogobuy has been substantially retained by Cogobuy E-commerce; (ii) no dividends or other distributions have been made by Shenzhen Cogobuy to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) no new contracts have been entered into, renewed or reproduced between our Group and Shenzhen Cogobuy during the year ended December 31, 2020.

Furthermore, SHINEWING (HK) CPA Limited, the Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. SHINEWING (HK) CPA Limited has issued a letter to the Board containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules, pursuant to which it confirmed the following:

(a) nothing has come to their attention that causes SHINEWING (HK) CPA Limited to believe that the disclosed continuing connected transactions under the New Agency Agreement, the New Service Agreement and the Property Leasing and Complementary Services Framework Agreement, have not been approved by the Board;

(b) nothing has come to their attention that causes SHINEWING (HK) CPA Limited to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(c) with respect to the aggregate amount of each of the continuing connected transactions under the New Agency Agreement, the New Service Agreement and the Property Leasing and Complementary Services Framework Agreement, nothing has come to their attention that causes SHINEWING (HK) CPA Limited to believe that such continuing transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended December 31, 2020 has been provided by the Company to the Stock Exchange.

During the year ended December 31, 2020, save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this annual report, no other related party transactions disclosed in note 36 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this annual report.

MANAGEMENT CONTRACTS

No contracts, concerning the management and administration of the whole or any substantial part of the business of the Company, except for contract of service with any Director or any employment contract, were entered into or existed for the year ended December 31, 2020.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of electronics manufacturers based in China. None of our customers accounted for more than 10% of our revenue for the year ended December 31, 2020 (2019: 1). For the Reporting Period, the aggregate revenue attributable to the Group's five largest customers were approximately 22.7% of the Group's total revenue, and the revenue attributable to the Group's largest customer were approximately 7.5% of the Group's total revenue. None of our Directors, their respective associates, or close associates, or any Shareholder, to the knowledge of our Directors, owns more than 5% of our issued capital or has any interest in any of our largest customer.

As of December 31, 2020, we had a strong network of approximately 149 suppliers, including some of the top suppliers in key product categories, such as Intel for industrial control, surveillance, gaming, medical, robotics, AI, data center/cloud, Mellanox for E-commerce, Data Center, AI, Microchip for industrial and AIoT, Micron for data center, industrial and AIoT, Microsoft for cloud service and AIoT, OSRAM for automotive, illumination and sensing, Realtek for PON communication, IoT and ethernet switch, SanDisk (Western Digital Corporation) for smart mobile device components and OTT/education electronic learning machine storage device, Skyworks for 5G communications and WiFi Network, and Xilinx for industrial, medical, communication IC design, test and measurement. For the Reporting Period, our five largest suppliers in aggregate accounted for approximately 51.2% of the Group's total purchases and our largest supplier accounted for approximately 18.6% of the Group's total purchases. None of our Directors, their respective associates and close associates, or any Shareholder, to the knowledge of our Directors, owns more than 5% of our issued capital or has any interest in any of our five largest suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

MATERIAL LITIGATION

As of December 31, 2020, the Company was not involved in any material litigation or arbitration. Nor were the Directors of the Company aware of any material litigation or claims that were pending or threatened against the Company during the year ended December 31, 2020.

AUDIT COMMITTEE

The audit committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2020.

AUDITOR

The consolidated financial statements for the year ended December 31, 2020 have been audited by SHINEWING (HK) CPA Limited. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the Company's auditor is to be proposed at the forthcoming annual general meeting of the Company.

UPDATES 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 December 31, 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.

On behalf of the Board

Kang Jingwei, Jeffrey
Chairman

Hong Kong, March 31, 2021

CORPORATE GOVERNANCE PRACTICES

The Board of Directors is pleased to report to the Shareholders on the corporate governance practices of the Company for the year ended December 31, 2020.

The Board of Directors is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential to provide a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and accountability, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the year ended December 31, 2020, the Company has complied with all of the code provisions as set out in the CG Code, save and except for the deviations from code provisions A.2.1 and C.1.2 as explained below:

Deviation from code provision A.2.1:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Kang 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 circumstances of the Group as a whole.

Deviation from code provision C.1.2:

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors (the "**Securities Dealing Code**").

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code throughout the year ended December 31, 2020.

The Securities Dealing Code is also adopted by the Company 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 of the Securities Dealing Code by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The composition of the Board during the year ended December 31, 2020 and up to the date of this annual report is as follows:

Name of Director	Membership of Board Committee(s)
Executive Directors	
Mr. Kang Jingwei, Jeffrey *(Chief Executive Officer and Chairman of the Board)*	
Mr. Wu Lun Cheung Allen *(Chief Financial Officer and Company Secretary)*	
Non-executive Director	
Ms. Ni Hong, Hope *(re-designated as non-executive Director on June 10, 2020)*	
Independent non-executive Directors	
Mr. Ye Xin	Chairman of the Nomination Committee Member of the Remuneration Committee Member of the Audit Committee
Dr. Ma Qiyuan	Chairman of the Remuneration Committee Member of the Nomination Committee Member of the Audit Committee
Mr. Hao Chunyi, Charlie	Chairman of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 17 to 21 of this annual report.

None of the members of the Board are related to one another.

Independent non-executive Directors

Throughout the year ended December 31, 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing more than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Currently, each independent non-executive Director was appointed for a specific term of three years commencing on the date of his appointment letter or until the third annual general meeting of the Company since the date his appointment letter (whichever is sooner), subject to retirement by rotation in accordance with the Listing Rules and the Articles of Association.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Appointment and re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment, and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to the requirements under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. All Directors are subject to re-election in accordance with the provisions of the Listing Rules and the Articles of Association. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. Kang Jingwei, Jeffrey and Mr. Hao Chunyi, Charlie will retire and be eligible for re-election at the forthcoming annual general meeting in accordance with the Articles of Association.

Responsibilities, accountabilities and contributions of the board and management

The Board is responsible for leadership and control of the Company, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board of Directors takes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information, including regularly updates on the Group's performance, financial position and prospects, as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous professional development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are required to provide their training records and to confirm their respective records on an annual basis.

During the year ended December 31, 2020, the Directors have attended seminars and training sessions arranged by professional/financial institutions, and have read relevant materials relating to regulatory updates, accounting, financial or professional skills and/or directors' duties and responsibilities. The relevant details are set out below:

	Training areas		
Name of Directors	**Corporate Governance**	**Legal and Regulatory**	**Business and Industry Development**
Executive Directors			
Kang Jingwei, Jeffrey	✓	✓	✓
Wu Lun Cheung Allen	✓	✓	✓
Non-executive Director			
Ni Hong, Hope	✓	✓	✓
Independent Non-Executive Directors			
Ye Xin	✓	✓	✓
Ma Qiyuan	✓	✓	✓
Hao Chunyi, Charlie	✓	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs and delegated its authority to these committees to assist it in the implementation of its functions. All Board committees of the Company are established with defined written terms of reference, which are published on the Company's website and the Stock Exchange's website and are available to Shareholders upon request. All committees should report to the Board on their decisions or recommendations made. The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice in appropriate circumstances upon request.

All members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The main duties of the audit committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, effectiveness of the internal audit function, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended December 31, 2020, the audit committee held three meetings to review, discuss and consider the interim and annual financial results and reports, accounting principles and practice adopted by the Group, significant issues on the financial reporting and compliance procedures, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, external auditor's qualification and independence, engagement of non-audit services and relevant scope of works and connected transactions, 2020 full year audit plan, financial control and whistleblowing policy.

The audit committee also met the external auditor twice without the presence of the executive Directors for the year ended December 31, 2020.

Remuneration Committee

The primary functions of the remuneration committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended December 31, 2020, the remuneration committee met once to review and make recommendations to the Board on the remuneration policy and structure of the Company, and the packages for the remuneration of all Directors and senior management of the Company.

Details of the remuneration of the senior management by band are set out in note 14 in the "Notes to the Consolidated Financial Statements" on pages 152 to 153 of this annual report.

Nomination Committee

The principal duties of the nomination committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the nomination committee would take into account various aspects set out in the board diversity policy of the Company, further details of which are set out in the section headed "Board Diversity Policy" below, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended December 31, 2020, the nomination committee met once to review, discuss and consider the structure, size and composition of the Board, the independence of the independent non-executive Directors, the board diversity policy, the qualifications of the retiring Directors standing for election at the annual general meeting and other related matters. The nomination committee believed that the Board of Directors has maintained the diversity perspectives of an appropriate balance.

Board Diversity Policy

The Company adopted a board diversity policy (the "**Board Diversity Policy**") on June 27, 2014, which was revised on December 14, 2018 to align with the changes of the CG Code. The Board Diversity Policy aims to set out the approach on the diversity of the Board and a sustainable and balanced development. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the nomination committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. The nomination committee will also discuss periodically and where necessary, agree on the measurable objectives for achieving diversity of the Board and recommend them to the Board for consideration and adoption.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives, measurable objectives and relevant programs that are appropriate to the Company's business and Board succession planning, as applicable.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the nomination committee of the Company.

The Company adopted a director nomination policy (the "**Director Nomination Policy**") on December 14, 2018. The Director Nomination Policy aims to set out the selection criteria and process in the nomination and appointment of Directors, ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company, and ensure the continuity of the Board and appropriate leadership at Board level.

The nomination committee of the Company shall make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer of the Company.

The factors that the nomination committee of the Company may use when assessing the suitability and the potential contribution to the Board of a proposed candidate include but are not limited to the following:

- character and integrity;

- qualifications including professional qualifications, skills, knowledge and experience;

- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules;

- commitment in respect of available time and relevant contribution to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

- such other perspectives that are appropriate to the Company's business and the succession planning and where applicable, may be adopted and/or amended by the Board and/or the nomination committee from time to time for nomination of Directors and the succession planning.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The nomination committee of the Company will conduct regular review of the structure, size and composition of the Board and the Director Nomination Policy, and where appropriate, make recommendations on changes to the Board for consideration and approval to complement the Company's corporate strategy and business needs to ensure its effectiveness.

Corporate Governance Functions

The Board recognizes that corporate governance should be the collective responsibility of the Directors. The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

During the year ended December 31, 2020, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2020 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meetings
Kang Jingwei, Jeffrey	5/5	N/A	N/A	N/A	1/1
Wu Lun Cheung Allen	5/5	N/A	N/A	N/A	1/1
Ni Hong, Hope	5/5	N/A	N/A	N/A	1/1
Ye Xin	4/5	1/1	1/1	3/3	1/1
Ma Qiyuan	5/5	1/1	1/1	3/3	0/1
Hao Chunyi, Charlie	5/5	1/1	1/1	3/3	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year ended December 31, 2020.

Apart from the said meetings, matters requiring the Board's approval were also arranged by means of circulation of written resolutions to all Board members.

PRACTICES AND CONDUCT OF MEETINGS

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Directors may attend meetings either in person or through electronic means of communications and are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by the Directors. Minutes of all Board meetings and committee meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2020 and confirm that the consolidated financial statements give a true and fair view for the year under review, and are prepared in accordance with the applicable statutory requirements and accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 83 to 89 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the audit committee of the Company.

The audit committee of the Company assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations and to ensure compliance with applicable laws and regulations. The risk management system consists of the following phases:

- *Identification:* identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* consider the risk responses, ensure effective communication to the Board and on-going monitoring of the residual risks.

All departments continuously assess and identify risks and internal control defects that may potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Any risks identified shall be reported to the management, which will direct the internal audit department to develop or refine policies and procedures to address such risks. Any material internal control defects identified shall be reported to the management and the audit committee, which will provide directions for management to resolve and remedy such internal control defects and direct the internal audit department to develop or refine policies and procedures to address such risk.

The management, working closely with department heads and the internal audit department, assessed the likelihood of risk occurrence, devised risk management plans, monitored the risk management progress, and reported to the audit committee and the Board on key issues and the effectiveness of the systems. Also, working closely with the management and department heads, the internal audit department develops and refines policies and procedures for each applicable operational and financial process, which may include approvals, authorisation, verification, recommendations, performance reviews, asset security, and segregation of duties as appropriate. Each department conducts regular evaluations to confirm that control policies are properly complied with. The management has provided a confirmation to the Board on the effectiveness of the risk management and internal control systems for the year ended December 31, 2020.

During the year ended December 31, 2020, the internal audit function of the Group was performed by the Company's internal audit department, which is responsible for performing regular review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the audit committee.

The Company also engaged an external professional advisor in possession of relevant expertise to conduct an annual independent review of the risk management and internal control systems of the Group for the year ended December 31, 2020, in order to ensure (i) proper process used to identify, evaluate and manage significant risks; (ii) main features of the risk management and internal control systems were identified; (iii) the systems were designed to manage the risks to achieve business objectives and provide reasonable assurance against material misstatement or loss; (iv) appropriate process to resolve material risk management and internal control defects; and (v) effective procedures of risk management and internal controls for inside information management.

The Board, as supported by the audit committee of the Company as well as the management report, internal audit findings and the preliminary report issued by the professional advisor, has conducted a review on the effectiveness of the risk management and internal control systems of the Group for the year ended December 31, 2020. Such review covered the areas of all material controls, including the Group's financial, operational, compliance control and risk management functions and the adequacy of resources, training programmes, budgets, qualifications and experience of staff of the accounting, internal audit and financial reporting functions. Based on the internal control review, no significant control deficiency was identified. The Board considered that such systems are effective and adequate.

Dividend policy

The dividend policy was adopted by the Company pursuant to the Board meeting held on December 14, 2018 (the "**Dividend Policy**"). The Dividend Policy sets out the factors in determination of dividend payment of the Company, the frequency and form of dividend payments. The Dividend Policy will be reviewed periodically and submitted to the Board for approval if amendments are required. The Company does not have any pre-determined dividend payout ratio and intends to retain most, if not all, of available funds and any future earnings to operate and expand the business of the Company. The Dividend Policy outlines the following factors of the Group that the Board should take into account in determining the distribution and the amount of any future dividends:

- results of operations;
- cash flows;
- capital requirements;
- general financial condition;
- contractual restrictions;
- future prospects; and
- other factors that the Board may deem relevant.

Any declaration and payment as well as the amount of dividends will be subject to the Articles of Association and the Companies Law, including the approval of the Shareholders and that dividends can only be paid out of profits or other distributable reserves. The future dividend payments to the Shareholders will also depend upon the availability of dividends received from the Company's subsidiaries that are established in the PRC. Depending on the financial conditions of the Group and the conditions and factors as set out above, interim dividend, final dividend, special dividend, and any distribution of net profits that the Board may deem appropriate may be proposed and/or declared by the Board during the financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

Whistleblowing policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The identity of the whistleblower will be treated with the strictest confidence.

Information disclosure policy

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board is entrusted with the responsibility for monitoring and implementing the procedural requirements in the information disclosure policy.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company, SHINEWING (HK) CPA Limited, and its affiliated firm, for the year ended December 31, 2020 in respect of audit and non-audit services is set out below:

Services provided	Fees (HK$)
Audit services	3,000,000
Non-audit services(Note)	1,850,000
Total	4,850,000

Note: Apart from the provision of annual audit services, SHINEWING (HK) CPA Limited also provided review services on interim financial results of the Group for the six months ended June 30, 2020 and its affiliated firm provided industry analysis on the internal controls of the Group for the year ended December 31, 2020.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and is appointed by the Board, who supports the Board by ensuring board procedures are followed and board proceedings are efficiently and effectively conducted. The incumbent is also responsible for ensuring that the Board is fully apprised of all applicable laws, rules, regulations and corporate governance developments.

The Company Secretary has confirmed that he has taken no less than 15 hours of professional training to update his skills and knowledge for the year ended December 31, 2020 in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll results will be published on the websites of the Company and the Stock Exchange after each general meeting.

Procedures for Shareholders to put forward enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company, for the attention of the Board of Directors by mail to 11/F Microsoft Comtech Tower, No. 55 Gaoxin South 9th Road, High-Tech Industrial Park, Nanshan, Shenzhen 518057, PRC or by email to ir@cogobuy.com. The Company will not normally deal with verbal or anonymous enquiries.

Procedures for Shareholders to propose a person for election as a Director

Shareholders may propose a person for election as Director, the procedures for which are available in the section of "Corporate Governance" under the column of "Investor Relations" on the Company's website (http://www.cogobuy.com).

Procedures for Shareholders to convene an extraordinary general meeting

Article 58 of the Company's Articles of Association provides that any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to put forward proposals at general meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Company to be discussed at general meeting. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures set out in "Procedures for Shareholders to convene an extraordinary general meeting".

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	11/F, Microsoft Comtech Tower, No. 55 Gaoxin South 9th Road, Nanshan District, Shenzhen 518057, PRC (For the attention of the Chief Investor Relations Officer)
Fax:	+86 (755) 2674 4090
Email:	ir@cogobuy.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To manage its relationship with the investment community, the Group meets regularly with the press and financial analysts and participates frequently in other conferences and presentations.

To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis.

CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2020, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Environmental, Social and Governance Report

REPORTING STANDARD, PERIOD AND SCOPE

This report ("**ESG Report**") has been prepared by Cogobuy Group ("**Cogobuy**" or the "**Company**") and its subsidiaries (collectively "**we**", "**us**", "**ours**", or the "**Group**") in accordance with the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The ESG Report describes the progress of the Environmental, Social and Governance ("**ESG**") efforts made by the Group during the year ended December 31, 2020 (the "**Reporting Period**"), with the aim of providing a comprehensive picture to the stakeholders in addition to its financial performance. Focusing on core businesses, for environmental aspect the scope of the ESG Report covers the PRC office, while for social aspect, both the PRC office and the management office in Hong Kong are covered.

ABOUT THE COMPANY

Cogobuy is a technology services company serving the global IC chips industry and artificial intelligence ("**AI**") and Internet of Things ("**IoT**", together "**AIoT**") ecosystem in China. Following a business restructuring completed in early 2020, the Group launched a new "Ingdan Innovations + Ingfin Technologies" dual business model. Focusing on the sales and promotion of IC chips to AIoT enterprises in China, Ingdan Innovations ("**Ingdan Innovations**") is the combination of the Group's Cogobuy.com IC components sales and marketing platform and our INGDAN.com AIoT business platform. Ingfin Technologies ("**Ingfin Technologies**"), formerly Ingfin Services, focuses on the research and development ("**R&D**") and sales of proprietary products, as well as the development of customized technical solutions to target the Vehicle-to-Everything ("**V2X**") and 5G applications. Additionally, Ingfin Technologies also provides financing services and seeks investment or merger and acquisition opportunities in high-quality startups within the Group's AIoT ecosystem to improve the Group's overall strategic position and generate investment income.

OUR COMMITMENT AND APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The board of directors of the Group (the "**Board**") recognizes the importance of ESG in meeting the changing expectations of stakeholders while enhancing the value and performance of the Group. Hence the Board, working together with the management, has made the commitment to take on the overall responsibility of assessing and identifying risks associated with ESG, and promote environmental and socially sustainable culture among all of our employees to maintain sustainable growth for the Group.

The Board has set up an ESG working group and delegates its ESG duties to the working group which helps the Group develop, manage and execute policies, guidelines and systems related to ESG. These policies are further communicated downward to staff in all departments and subsidiaries of the Group. By using a top-down approach, we assimilate ESG concepts into our daily operations at the workplace through the Group's policies and guidelines, so that each of our employee becomes an ambassador of the sustainability efforts, thus ensuring that the scope of our ESG efforts is sufficiently broad to cover the significant parts of our businesses. Our employees are responsible for complying with different ESG related policies and executing accordingly with the Group's ESG works while the ESG working group is responsible for the collection of data, disclosure of information, and notification to the Board in a timely manner.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder Engagement

The Group values its stakeholders and endeavours to understand and accommodate their views and interests relating to ESG through constructive communication and the fostering of strong relationships. The Group, while formulating operational strategies, takes into account the stakeholders' expectations on ESG matters through their mutual cooperation and active engagement. In doing so together we create greater value not only for our business, but also for our environment, our employees and our community and to achieve sustainable development as a whole.

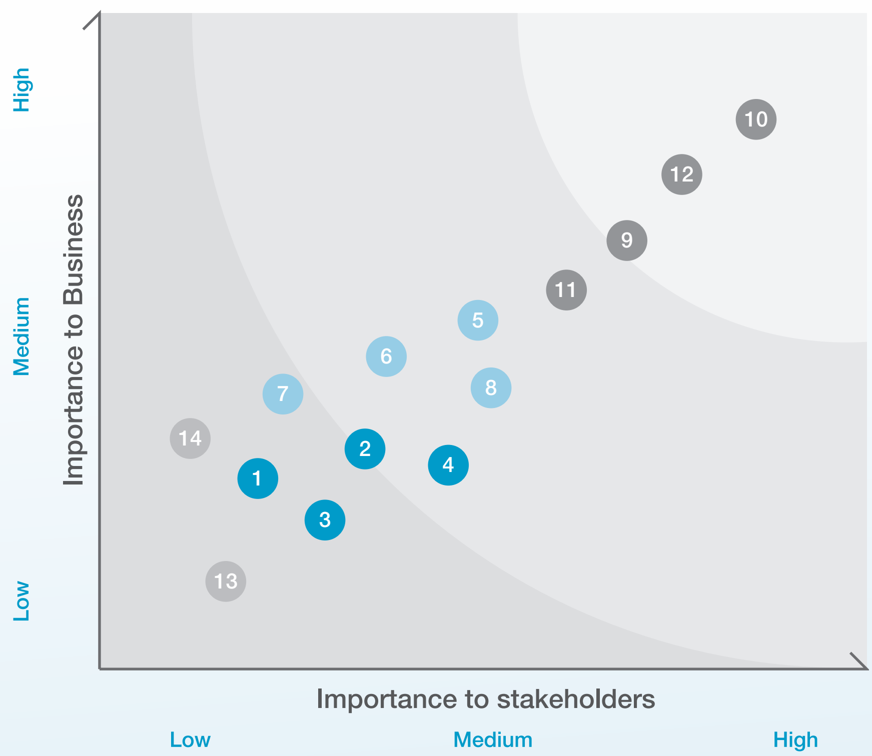
The stakeholder groups, their expectations and their typical communication channels with the Group are tabled below:

Stakeholder groups	Expectations	Typical communication channels
Customers	• Information quality • Collection of users' information and information protection • Information completeness and correctness • Intellectual property rights • Innovation and update of information	• Company tours • Collection of complaints and feedback • Online survey • Regular communication via email or telephone • User's experience programmes • Product testing, reviews and feature reports • Online chat rooms or forums • Interest clubs • Financial reports, announcements and circulars and other publicly available information
Suppliers	• Good and long-term business relationship • Fair and honest dealing • Information sharing	• Regular communication via email or telephone • Regular progress meetings or reports
Shareholders and investors	• Return on investment • Information disclosure and transparency • Protect the rights and interests of shareholders • Disclose relevant and accurate information in a timely manner • Improve corporate governance • Run business in compliance with laws and regulations • Combat corruption and uphold integrity	• Shareholders' meetings, AGM, etc. • Financial reports, announcements and circulars and other publicly available information • Company enquiries via e-mail and phone • Information disclosure of listed companies • Roadshows/conference calls/meetings with investors/shareholders • Enquiries via telephone/emails • Investors' on-site visit • Website information disclosure on HKEXnews and the Investor Relations section of the Company's website

Stakeholder groups	Expectations	Typical communication channels
Employees	• Training and career development space • Salary and welfare • Working environment • Health and safety protection • Career development and opportunities • Innovation • Intellectual property rights • Competitiveness	• Team sharing • Mentoring by direct supervisor • Employee notice boards • Training, seminars and workshops • Employee orientation • Employee memorandum • Collection of feedback, through emails and face-to-face meetings • Employee activities and team-building exercises • Company's facilities
Local communities, non-government organisations and the general public	• Employment opportunities • Ecological environment • Community development • Social common wealth • Enthusiasm towards public welfare • Charitable donations and community service • Reduce pollutant emissions • Waste reduction	• Charitable activities • Community investment and service • Stakeholder engagement • Environmental protection activities • Sponsorships and donations
Media	• Transparency of information • Good media relations	• Website information disclosure on HKEXnews and the Investor Relations section of the Company's website • Financial reports, announcements and circulars and other publicly available information

Materiality Assessment

During the Reporting Period, we communicated with our stakeholders to identify potential material issues related to ESG which may affect the Group. We have further categorized these issues into various areas in accordance with the ESG Reporting Guide, and collected relevant information to evaluate the impact of these ESG issues on the Group. After our analysis, the issues that are material to the Group are shown below:



Environment	Employee	Business	Community
1. Environmental compliance 2. Investment in environmental protection 3. Greenhouse gas emissions 4. Waste management	5. Salary and welfare 6. Health and safety protection 7. Employee diversification 8. Training and career development	9. Product safety 10. Product quality 11. Intellectual property rights 12. Supply chain management	13. Community development 14. Charitable donations and community service

Based on the above analysis, the Group will improve its ESG performance continuously in order to meet the different expectations of stakeholders, and provide feedback to stakeholders and response to the risks of the Group. Details of our work under these ESG aspects during the Reporting Period will be presented in the next sections in four subject areas, namely "Our Environment", "Our Employees", "Our Business" and "Our Community".

OUR ENVIRONMENT

The Group is aware of the risks associated with climate change and the importance of the efforts in managing these risks in the global community. It has been our mission to conduct our business in a manner that is environmentally responsible, minimising the impact to the environment from our business operations however small it may be.

During the Reporting Period, the Group is committed to the compliance of, and had complied with, significant environmental laws and regulations in Hong Kong and the PRC, which include:

- Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong);
- Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong);
- Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong);
- Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong);
- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護税法);
- Environmental Protection Tax Law of the People's Republic of China (中華人民共和國環境保護税法);
- Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法).

The Group has not received any report or complaint of any significant breaches of environmental laws and regulations during the Reporting Period (2019: Nil).

Aspect A1: Emissions

Air emissions were attributed to the use of the Group's business use motor vehicles in Shenzhen during the Reporting Period. The amounts of the different types of direct air emissions emitted during the Reporting Period by the Group were as follows:

(Units: kilograms)		**2020**		2019	
Air emissions (note 2)	**Air emission source(s)**	**Total emissions**	**Intensities (note 1)**	Total emissions	Intensities (note 1)
Nitrogen Oxides ("**NOx**")	Group vehicles	**3.06**	**0.01**	9.69	0.02
Sulphur Oxides ("**SOx**")		**0.07**	**<0.01**	0.20	<0.01
Particulate Matters ("**PM**")		**0.48**	**<0.01**	0.71	<0.01

Note 1: Intensity is measured by dividing the relevant emissions by the number of employees (469) (2019: 478) as at the end of Reporting Period.

Note 2: Air emissions' calculations are reference to the "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX and "Technical Guidelines for Compiling Emission of Motor Vehicles (Trial)" (道路機動車排放清單編製技術指南(試行)) issued by Ministry of Ecology and Environment of the People's Republic of China (中華人民共和國生態環境部).

The amount of different types of Greenhouse Gases ("**GHG**") emissions in CO_2 equivalent emissions ("**CO_2e**") during the Reporting Period was as follows:

(Units: Tonnes of CO_2e)		**2020**		2019	
Scope of GHG emissions (note 2)	**Emission source(s)**	**Total emissions**	**Intensities (note 1)**	Total emissions	Intensities (note 1)
Scope 1					
Direct GHG Emissions	Group vehicles	**9.72**	**0.02**	36.20	0.08
Scope 2					
Energy Indirect GHG Emissions	Purchased electricity	**373.90**	**0.80**	264.46	0.55
Total		**383.62**	**0.82**	300.66	0.63

Note 1: Intensity is measured by dividing the relevant emissions by the number of employees (469) (2019: 478) as at the end of Reporting Period.

Note 2: GHG Emissions' calculations are reference to the "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX and "Greenhouse Gas Accounting Tool for Chinese Cities" issued by World Resources Institute.

Due to Covid-19, the use of the Group's vehicles decreased, thus, air emissions and direct GHG emissions decreased by approximately 70% during the Reporting Period.

For energy indirect GHG emissions, the emission source is electricity consumption in the Shenzhen office, which was generated indirectly through our use of electricity purchased through national grid. There was an increase of around 41% of electricity use because some office areas (storage room, IT room) which have not been accounted for electricity use prior to the Reporting Period, have started to do so during the Reporting Period.

During the Reporting Period, we produced no hazardous waste and there was no discharge of hazardous waste into water and land (2019: Nil). As for non-hazardous wastes, similar to the previous year, in the interest of cost-effectiveness, data were not collected for the insignificant small amount of non-hazardous wastes that were generated from the offices, primarily waste paper, office supplies, and domestic waste such as food stuffs, etc.

Despite our business activities have a low impact on the environment, the Group has implemented various environmental protection measures to manage emissions and waste production as described in the section headed "Environmental Protection Measures" in this ESG Report.

Aspect A2: Use of Resources

The amounts of consumption by types of energy or resources used in the PRC office during the Reporting Period were as follows:

Energy consumption	**Units** (note 3)	**2020**	**2020 Intensities (note 1)**	2019	2019 Intensities (note 1)
Electricity	kWh	**446,876.00**	**952.83**	304,818.00	637.69
Petrol (note 2)	kWh	**43,601.45**	**92.97**	131,880.11	275.90
Total	kWh	**490,477.45**	**1,045.80**	436,698.11	913.59

Note 1: Intensity is measured by dividing the relevant emissions by the number of employees (469) (2019: 478) as at the end of Reporting Period.

Note 2: Petrol use was 4,499.00 litres and 13,608.00 litres for the Reporting Period and 2019, respectively.

Note 3: To convert units to kWh, the calculations are reference to "Energy Statistics Manual" issued by the International Energy Agency.

Resources consumption	**Units**	**2020**	**2020 Intensities (note 1)**	2019	2019 Intensities (note 1)
Water	Tonnes	**1,105.00**	**2.36**	1,990.00	4.16

Note 1: Intensity is measured by dividing the relevant emissions by the number of employees (469) (2019: 478) as at the end of Reporting Period.

During the Reporting Period, the major use of energy was from electricity purchased from national grid utilised in the Shenzhen office, consumed in the use of electrical appliances, general lighting, office equipment, computer desktops and servers, etc. As explained in the section headed "Emissions", the increase in electricity usage compared to last year was a result of new areas being accounted for electricity use during the Reporting Period. The next major use of energy was petrol which was used to fuel the Group's business use vehicles for the Shenzhen office.

During the Reporting Period, the water usage decreased by around 44% because the Shenzhen office's management company did not charge flushing water for 4 months. As discussed with the management office, the missing usage amount will be included next year. We are not in large demand on water and do not have issue in sourcing water. We are a trading platform, hence we do not use packaging materials in the course of our business.

Energy and resource conservation, which will be detailed in the later section titled "Environmental Protection Measures", are essential parts of the Company's ESG strategy.

Aspect A3: Environment and Natural Resources

Other than the energy and resources as described in the previous section, our business operation, as a trading platform, does not involve the use of natural resources, and hence there was minimal adverse impact on the environment in this aspect during the Reporting Period. Nonetheless, as outlined in the next section titled "Environmental Protection Measures", we are committed to environmental protection and have adopted and implemented various measures to reduce the negative impact on our environment and habitat.

Environmental Protection Measures

The Group has adopted the following measures which are regularly carried out to achieve its ESG strategy in the course of its operations:

- Policies and procedures are regularly updated as necessary to incorporate rules and guidelines on environmental protection in order to raise employee awareness of the importance of protecting the environment and to assimilate them into their daily workflows;

- Through the implementation of these rules and guidelines, the Company encourages the management and employees to minimise the Group's environmental impact by:

    i. Using telephone or video conferencing for internal meetings and internal communications to reduce business travel and thus reduce indirect GHG emissions;

    ii. Reducing excessive printing by going paperless as far as possible;

    iii. Reusing printed paper wherever possible, subject to personal data privacy requirements;

    iv. Thinking twice before printing any email. The message "Please think green before printing" is attached to the bottom of every email sent to remind the recipient to do the same;

v. Investigating and exploring additional means to enhance the energy efficiency of electrical appliances, such as air-conditioning, lighting and electrical installations, and other office equipment in working areas, wherever possible;

vi. Providing and promoting the use of green facilities such as waste separation bins wherever possible;

vii. Reusing or recycling packaging such as plastic or paper bag, and paper cartons;

viii. Closely monitoring consumption volume of energy, water and other resources;

ix. Following established policies and procedures for disposal of electronic and computer waste, engaging with authorized e-waste collection or computer recycling service for recycling when necessary;

x. Providing suitable facilities wherever possible and encouraging employees to sort and recycle waste products wherever possible;

- Water-efficient sensor taps are installed wherever possible to avoid unnecessary water wastage; and

- The workplace is maintained at a comfortable ambient room temperature to conserve energy use and reduce unnecessary indirect GHG emissions due to excessive use of purchased electricity.

OUR EMPLOYEES

The Group values its employees and is committed to providing them with a fair and equitable workplace environment. This section details the various policies and practices adopted by the Group regarding employment, health and safety, development and training, and labour standards.

Aspect B1: Employment

The Group's employee handbook has standard policies and procedures on recruitment, employment, working hours and rest periods, performance review, compensation, salary adjustments and promotions, and termination of employment. These policies describe the Group's commitment to equal opportunity, which ensures that our organisation maintains a diversified workforce without regard to age, gender, family status, sexual orientation, disability, ethnicity, religion and political beliefs.

These policies also prohibit all forms of discrimination in the workplace. Through these policies, the Company endeavours to ensure employees are fairly recruited, remunerated and promoted based on their merits, qualifications, competence, suitability and contribution to the Group. These policies also ensure that employees at all levels are expected to conduct in an ethical manner, with integrity, impartiality and honesty.

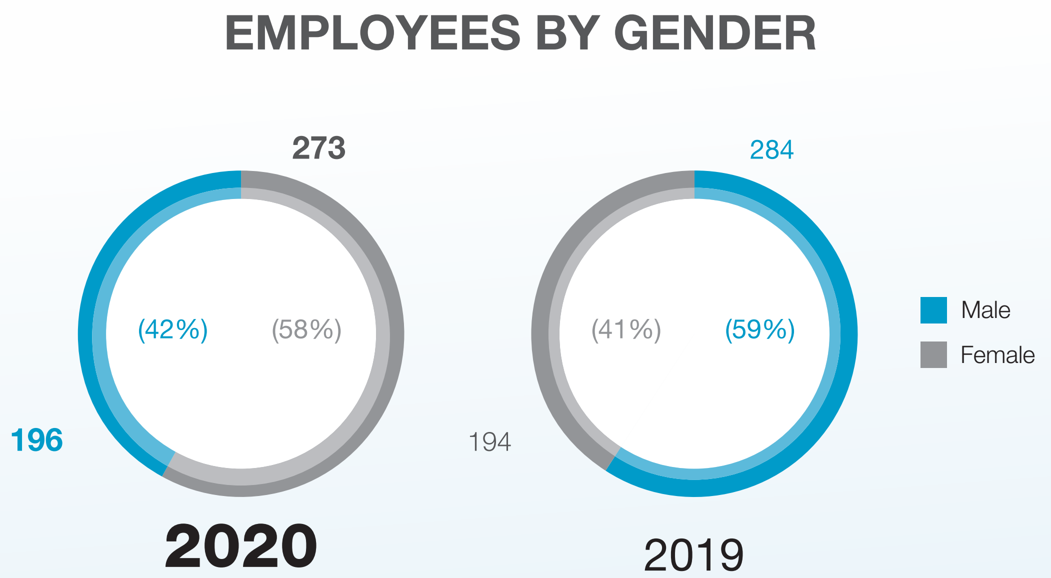
The Group is committed to the compliance of, and had complied with, significant laws and regulations relating to the employment of labour of the relevant jurisdiction during the Reporting Period, which include:

- The Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- The Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong);
- The Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong);
- The Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong);
- The Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong);
- The Labour Law of Peoples' Republic of China (中華人民共和國勞動法);
- The Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法);
- The Employment Promotion Law of the People's Republic of China (中華人民共和國就業促進法);
- Protection of Women's Rights and Interests Law of the People's Republic of China (中華人民共和國婦女權利保障法); and
- Law of the People's Republic of China on the Protection of Disabled Persons (中華人民共和國殘疾人保障法).

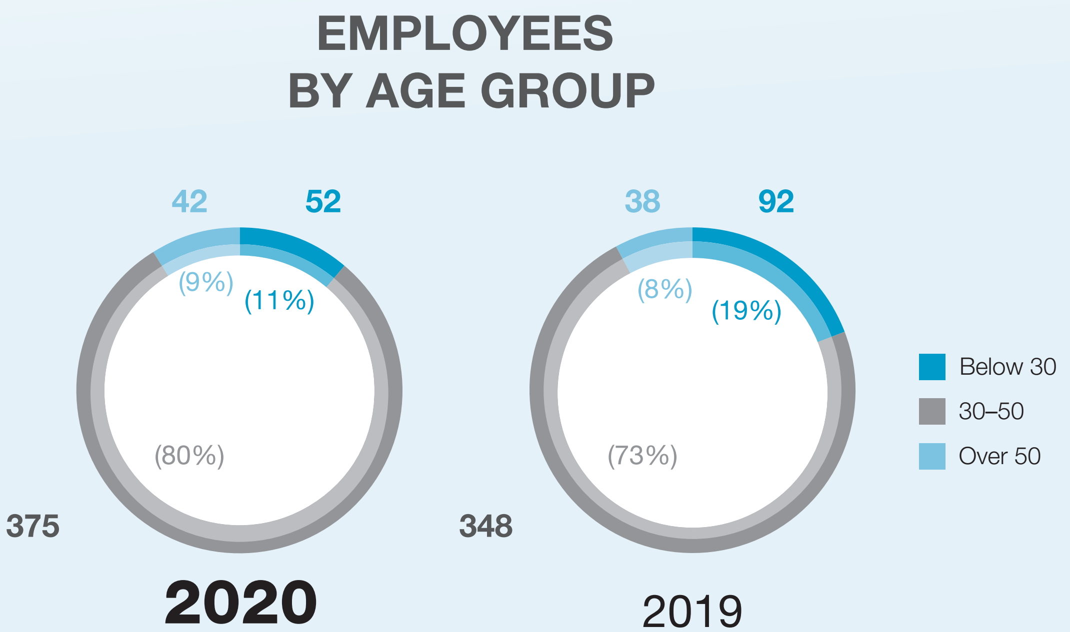
There was no significant breach of labour laws and regulations during the Reporting Period (2019: nil). The Company encourages employees at all levels to conduct themselves in an ethical manner with integrity, impartiality and honesty.

Workforce

As at December 31, 2020, the Group had 469 employees in total (2019: 478), of which 15 employees worked part-time (2019: 22), while the rest of our employees worked full-time.



The ratio of male employees is slightly higher than female, with a male-to-female ratio of 1.39 (2019: 1.46).



As at December 31, 2020, a majority of employees at 80% (2019: 73%) of the total were aged between 30 and 50, while 11% (2019: 19%) were under the age of 30, and the remaining 9% (2019: 8%) were aged above 50. The distribution of employees by age group remained steady compared to the last Reporting Period.

Geographically, the Group had 409 employees (2019: 412) working at offices and headquarter in China, 48 (2019: 54) and 12 employees (2019: 12) working to manage the business operations in Hong Kong and overseas respectively as at December 31, 2020.

Employee turnover

During the Reporting Period, a total of 76 employees left the Group (2019: 117). The overall turnover rate (note 1) is 16.1% (2019: 24.0%). The employee turnover rate (note 2) categorized by gender, age group and geographic region were as follows:

	2020	2019
By gender		
Male	**54 (19.39%)**	78 (26.49%)
Female	**22 (11.28%)**	39 (20.21%)
By age group		
Below 30	**16 (22.22%)**	34 (38.20%)
30–50	**57 (15.77%)**	78 (21.61%)
Above 50	**3 (7.50%)**	5 (13.33%)
By geographic region		
Mainland China	**73 (17.78%)**	112 (26.60%)
Hong Kong	**3 (5.88%)**	3 (5.61%)
Overseas	**— (—%)**	2 (15.38%)

Note 1: The rate is computed by dividing the number of employees leaving employment by the average number of employees as at respective year ends.

Note 2: The rate is computed by dividing the number of employees in the specified category leaving employment by the average number of employees as at respective year ends.

The Group has implemented an annual self-appraisal programme to provide incentives as a motivation for employee to attain periodic goals. Employees who are able to reach specific goals are rewarded by the Company with the adoption of the Restricted Share Unit (RSU) schemes. The Group provides internal transfer opportunities for those who have demonstrated their competency for the next level.

Aspect B2: Health and Safety

Our employees are mainly office-based. Thus, the risk to physical health and safety is not a significant concern for the Group. Nonetheless the Group is committed and has engaged in significant efforts in providing and maintaining a safe and healthy working environment to mitigate any occupational or health risks in our employees, and for the compliance of relevant laws and regulations. These significant efforts include proper management of fire safety equipment in the office, regular fire drills, as well as providing sufficient medical insurance as stipulated under PRC labour laws.

In addition to complying with laws and regulations that relate to the employment of labour mentioned above, the Group is also committed to the compliance of, and had complied with, significant laws and regulations relating to occupational health and safety during the Reporting Period including:

- The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong); and
- Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法)

Occupational health and safety principles are stipulated in the staff handbook to give guidance and promote awareness to staff to mitigate these risks. Social and commercial insurance covers are provided to employees for medical treatment in case of accident resulting in injury. Any injuries which occurred during work are required to be reported to the Human Resources Department.

In addition, we provide free body check-up for employees annually to understand their physical health conditions and mitigate occupational or health risks. We also promote the importance of work-life balance and organize different leisure activities such as mini-marathon, yoga and ball games activities to employees regularly to ease their work pressure.

In response to the outbreak of COVID-19, the Group has taken several precautionary measures in the office to ensure the health of our employees. Apart from disinfecting public areas of the office daily, the Group provides disposable disinfectant for employees to use. Administration department is responsible for distributing disposable masks and gloves to employees and measuring body temperature of each employee on duty every morning and afternoon. Moreover, customer visits are discouraged during the pandemic. The few customers who need to enter the Group's premises must provide a health code and register at the entrance of the property.

There was no significant work-related injury and no fatality recorded during the Reporting Period (2019, 2018: nil).

Aspect B3: Development and Training

The Group recognizes the importance of the continuity and development of professional knowledge and skills and has established policies in relation to staff development and training, which applies to all staff of the Group and stipulates how training are planned and executed, and how it can be improved. It also describes the types of training, i.e. off-the-job training, on-the-job training and self-development, and how these different types of training compliments one another in this corporate training structure. These types of training cover topics related to corporate culture, professional and technical knowledge and soft skills training.

The Group provides equal training opportunities for various levels of employees, including the management, sales and marketing, operations and back office supporting staff. These include internal trainings as well as external training sessions such as mid-career study and job-related seminars which are conducted by professional training organizations, colleges or consulting companies. Trainings are usually conducted in-person and online.

In order to provide training sessions that suit the needs of employees, each department of the Group formulates their staff training plan annually and implements the plan accordingly throughout the year. After training has been completed, staff are evaluated by the presenter to ensure he/she masters the relevant knowledge and skills timely. The Group reviews the implementation of training with various departments regularly, collects feedback and proposes improvement measures to increase the effectiveness of training and ultimately provides professional knowledge for employees' career development.

Apart from providing training to its employees, the Group also provides three career development paths for employees, including management (such as Operation Director or Client Service Manager), marketing (Project Manager, Sales Manager, Sales Engineer, etc.) and professionals (Software Development Engineer, Accounting), etc. In response to providing career development paths that are in line with the personal development of employees, the Company offers internal transfer opportunities to employees where possible.

During the Reporting Period, our employees completed a total of approximately 7,624 training hours (2019: 7,515) which took place in the PRC. The average number of training hours for each employee (note 1) is about 16.1 hours (2019: 15.7) during the Reporting Period. The Group has increased the total training hours during the Reporting Period to further enhance the skills of its employees. An analysis of these trainings by gender and by role is shown below:

	2020		2019	
	Percentage of employees trained (note 2)	**Average training hours (note 3)**	Percentage of employees trained	Average training hours
By gender				
Male	**50.8%**	**21.0**	75.0%	19.3
Female	**49.2%**	**9.2**	25.0%	10.5
By employee role				
Senior management	**6.1%**	**10.2**	5.6%	10.0
Middle management	**25.6%**	**7.2**	11.6%	7.1
General staff	**68.3%**	**20.6**	82.8%	20.8

Note 1: The average training hour is calculated by dividing the total number of training hours by average number of employees as at the respective year ends.

Note 2: The percentage is calculated by dividing the number of trained employees in the specified category by the total number of trained employees.

Note 3: The hour is calculated by dividing the total number of training hours for employees in the specified category by the number of employees in the specified category.

Aspect B4: Labour Standards

It is the Company's policy that child and forced labour are unacceptable and are actively prevented with a comprehensive screening and recruiting process. The Group verifies the identity card of each employee before employment and forbids the employment of children under the age of 16, regardless of full-time or part-time employment. The signing of labour contract with each employee is based on mutual agreement of the employee and the Company and both parties have equal rights to terminate the contract.

Based on the requirements set out in the relevant labour laws, we arrange reasonable work schedule with employees to ensure they have sufficient rest and work-life balance. Our employees are also entitled to, where appropriate, compensation for overtime, entitlement of leave or other employee benefits in accordance with the relevant labour laws of the jurisdictions in which they are employed. During the Reporting Period, the Group has complied with the relevant labour laws in making corporate contributions to employees' social security accounts which include pension, work-related injury, unemployment and housing provident fund in according to the required proportion stipulated by the government.

In addition to compliance with laws and regulations related to the employment of labour as previously mentioned, the Group is committed to the compliance of, and had complied with, significant laws and regulations relating to labour conditions and standards during the Reporting Period, including:

- The Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong);
- The Employment of Children Regulations under the Employment Ordinance (Cap. 57B of the Laws of Hong Kong);
- Provisions on the Prohibition of Child Labour in the People's Republic of China (禁止使用童工規定); and
- The Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

With the active approach the Company has taken during the Reporting Period, there were no major irregularities (2019: nil) found for the laws and regulations related to the employment of labour, thus, no steps taken to eliminate the practices of child and forced labour when discovered was set.

OUR BUSINESS

The core business of the Group is the direct sales of integrated circuits and other electronic components. The Group's core business has made and continues to make significant contributions to China's next generation IT industry. During the Reporting Period, the Shenzhen National Development and Reform Commission inducted the Company's Ingdan Innovations chips and artificial intelligence industrial base project into the "Shenzhen Major Project Plan 2020".

Aspect B5: Supply Chain Management

Cogobuy has maintained good practices to build up positive and long-term relationships with its suppliers. The Group has developed an open, collaborative and prosperous ecosystem to benefit the business operation of its customers and suppliers and it has developed tools to establish trust ratings for suppliers, thereby facilitating the process of selecting potential trading partners.

As part of the Group's supplier management process, it has established and implemented a policy and a procurement management system to manage the associated risks related to supply chain and ensure the standard of goods and services supplied to us and our customers. According to our procurement management system, suppliers working with us are mainly divided into two types, namely, product suppliers and service providers. In order to manage the associated risks related to supply chain, we have performed the following actions:

- Require relevant staff in the procurement department to strictly follow the policy and management system to perform purchases;

- Provide regular training to staff in the procurement department in order to timely update their knowledge of the Group's operations and current suppliers to avoid choosing an inappropriate supplier by mistake; and

- Maintain a fair and open supplier bidding process to obtain the most favourable price.

We welcome qualified, competent, high-quality and socially responsible suppliers to work with us. The Group has established a supplier authentication process, which involves the examination and verification of each supplier's credentials, qualifications and reputation. Approved suppliers will be registered into a list of authorised suppliers (the "**Supplier List**").

We carry out three measures to control the quality of goods and/or services provided to the Group. (1) A quality agreement is entered with each supplier to ensure that each of them attaches importance to quality and to maintain a complete quality management system to improve the quality of incoming materials. The quality agreement sets out the expectation for the supplier to invest in new equipment and/or techniques to enhance quality control and to meet future quality requirements of our customers. (2) Performance of these suppliers are also evaluated annually to ensure stable and high-quality supply of raw materials are provided to the Group. (3) We monitor the quality of the incoming materials and delivery time to ensure materials can meet both production and customers' requirements. The above three measures are applicable to all suppliers on the Supplier List, no matter how long we have cooperated. For new suppliers, the procurement department is responsible for supervising the speed and quality of their delivery in order to prevent situations of unqualified raw materials and late delivery, which may affect the overall operation. The Group would continue business with existing suppliers with satisfactory performance and terminate those which were unsatisfactory.

In addition, to protect and enhance the Group's reputation, our staff also performs sample checks on goods to ensure both quality and safety of the products.

While the supplier management system for monitoring suppliers is still under construction as at the end of the Reporting Period, we expect that a more comprehensive analysis of the supplier demographics could be derived after the supplier management system is launched. Most of the suppliers and service providers the Group is currently cooperating with are world-leading reputable product/service providers whose practices are in alignment with their social responsibilities and long-term sustainability of the environment, such as the commitment to maintaining high standards of business ethics, conservation of the environment and enhancing the well-being of their employees. Products provided by our suppliers should be qualified with the environmental protection standards with test reports, as we consider environmental protection measures as one of the criteria when we choose suppliers to work with. Working and collaborating with suppliers that share Cogobuy's vision in sustainability would help us ensure the sustainability of our supply chain.

Aspect B6: Product Responsibility

Quality assurance

Quality assurance starts when products enter our warehouse. After procuring products from our suppliers, we ensure that the products we receive are correct and free from defects. As a result, the "Logistics Warehouse Receiving Operation Guidelines" was set up in order to standardize the relevant operation within the Group. After goods arrived at the Group's warehouse, the warehouse staff will check the number of goods according to the relevant documents such as invoice accompanying the goods. If the number of goods delivered does not match an order, warehouse staff would report to the customer service of the supplier for further processing. Our warehouse staff will also check whether the outer packaging is intact. Goods are double-checked before entering the warehouse and will be stored timely after confirming that they are correct. Same goods are consolidated and stored in a centralized location and despatched in a first-in-first-out basis.

To maintain good reputation, as discussed in the previous section headed "Supply Chain Management", we ensure good relationship with our product suppliers and quality of the products they supply through our suppliers' management process. All approved suppliers are required to honour the exchange of sub-standard products with customers. In addition, they are required to affix labels on all packages to clearly state that the products delivered have met applicable worldwide environmental regulations and requirement standards, for instance the European Union's Restriction on Use of Hazardous Substances (RoHS), Lead-free, Halogen-free, etc.

Complaint handling

Furthermore, the Company has established policies and procedures for handling complaints. The customer service team, sales department and logistics department are the responsible parties for handling complaints and taking immediate action upon receipt of any complaint. During the Reporting Period, the number of complaints received was minimal. The complaints were related to label errors which do not have material effect to the Group. After receiving complaints from customers, staff from the customer service team would notify the warehouse by email, including the content of the complaint and the issue involved while the warehouse staff will help track, investigate and follow-up until the issue is resolved. In case of inferior products that requires recalling or recycling, it would be carried out according to the factory agreement and we would discuss with customers for replenishment or resolve the issue in other ways. The Group is in full compliance with The Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) and The Product Quality Law of the People's Republic pf China (中華人民共和國產品質量法) to provide maintenance, replacement of goods or refund based on the condition of the inferior products. During the Reporting Period, there is no product sold or shipped subject to recalls for safety and health reasons.

In order to ensure compliance with laws and regulations regarding the information we provide on our service platform, we regularly check the contents on our online platforms to weed out illicit contents such as violence, pornography, hatred, superstition and/or gambling, etc. so that they do not appear on our websites. The Group is committed to the compliance of, and had complied with, significant laws and regulations of the People's Republic of China relevant to product responsibility during the Reporting Period, including:

- The E-Commerce Law of the People's Republic of China (中華人民共和國電子商務法);
- The Cyber Security Law of the People's Republic of China (中華人民共和國網絡安全法);
- the Administrative Measures on Internet Publishing Services (網絡出版服務管理規定) issued jointly by the State Administration of Press, Publication, Radio, Film and Television and the Ministry of Industry and Information Technology;
- Administrative Measures for Internet Information Services (互聯網信息服務管理辦法);
- The Interim Administrative Provisions on Internet Culture (互聯網文化管理暫行規定) promulgated by the Ministry of Culture;
- The Administrative Provisions on Internet Audio-Visual Program Service (互聯網視聽節目服務規定);
- Advertising Law of the People's Republic of China (中華人民共和國廣告法);
- The Decision on Strengthening the Protection of Online Information (關於加強網絡信息保護的決定); and
- The Order for the Protection of Telecommunication and Internet User Personal Information (電信和互聯網用戶個人信息保護的決定).

Privacy protection and security of information

We also consider privacy protection and security of information as important factors in our business operation. We set up standard policies, guidelines and procedures for our employees to use, handle and protect the private or confidential information relating to suppliers, customers and other third parties. The purpose of setting standard policies is to confirm information as an important asset to the Group and employees are responsible for maintaining the confidentiality of the private information they come into contact within their respective positions.

Our employees are required to acknowledge these policies and we require our employees to undergo approval procedures before such information can be released, any confidential information shall not be copied without authorization. For the handling of confidential information, it must be returned to the source or, if any unauthorized, loss of such information or any abnormal activity are discovered, the employees are required to report to the management team immediately. There will also be serious consequences in case of breach of such policies, which may include termination of employment, disciplinary action, and/or legal action taken against them.

Aspect B7: Anti-corruption

The Company has established various anti-corruption policies to ensure that the Company adheres to the highest ethical standards and maintains a corporate culture of integrity and fairness to prevent, detect and report all types of corruption (i.e. including bribery, extortion, money-laundering or fraud). These policies include a whistle-blowing policy which allows employees and/or those who deal with the Company (including but not limited to customers and suppliers), together as informants ("**Informant**") to discreetly report any actual or suspected corrupt activities to the Company's audit committee or the company secretary by email. Reporting shall be made in writing by completing the "Whistleblowing Report Form" and include attachments which are password protected in order to ascertain confidentiality. It is the Company's policy to make every effort to treat all whistle-blowing matters and disclosures in a confidential manner after an Informant reports. As a general rule, the identity of the Informant will not be disclosed. However, there may be circumstances in which the Company may be legally obliged or required to reveal the Informant's identity. If that is the case, the Company will take all reasonable steps to ensure that the Informant suffers no detriment.

An anti-money laundering and counter-financing of terrorism ("**AMLCFT**") policy was established and put in place in order to fulfil our regulatory obligations and to prevent AMLCFT crimes. The anti-money laundering working group under the Group's Listing Compliance Department is responsible for managing work and complying anti-money laundering rules and regulations on behalf of the Group. The duties for the anti-money laundering working group includes, but is not limited to, the following:

- supervise all prevention and detection of money laundering/terrorist financing activities;
- develop and/or continuously review the systems and procedures for the group's anti-money laundering and terrorist financing to ensure the systems are updated in a timely manner;
- report the relevant work to the Board and implement relevant decisions made by the Board; and
- provide relevant training to our employees in the areas related to AMLCFT.

New customers' information will be collected, screened and undergo the process of preliminary evaluation and re-evaluation. Factors such as geographic region, business industry combined with business type and business size are taken into consideration. Customers are divided into different risk levels. When there is a material change of the customer's identification information, if the customer is involved in a legal case or when an event occurs that causes a substantial change in the risk profile, the Group would consider reassessing the client's risk level in the respective risk profile.

In addition, the Company's disclosure policy requires its employees to report gifts, entertainment and travel acceptance while conducting business on behalf of the Group. Employees are required to manage such gifts and entertainment provided by business associates according to relevant guidelines. The staff handbook stipulates that the Group has the right to terminate the employment of those employees who have received money, gifts or rebates as bribes, and that the Group reserves the right to take further legal action.

The Company is committed to the compliance of, and had complied with, significant laws and regulations relevant to anti-corruption practices during the Reporting Period, including:

- Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
- Organized and Serious Crimes Ordinance (Cap. 455 of the Laws of Hong Kong);
- Anti-Money Laundering and Counter-Terrorist Financing (Cap. 615 of the Laws of Hong Kong);
- The Criminal Law of the People's Republic of China (中華人民共和國刑法); and
- Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法).

During the Reporting Period, the Group was not in breach of any relevant laws and regulations relating to corruption (2019: nil). There were no concluded legal cases regarding corrupt practices brought against the Group or its employees during the Reporting Period (2019: nil).

OUR COMMUNITY

Aspect B8: Community Investment

As a socially responsible enterprise, the Group strives to become a positive force in the communities where it operates and maintaining close communication and interaction with the local communities and contribute to the development of these communities. The Group also encourages our employees to participate voluntarily in various local community activities and events. The Group may also make donations as appropriate, while subject to, amongst others, sufficiency of funds and the identification of a suitable recipient charity.

During the Reporting Period, Cogobuy acted as the Deputy Director Council of Electronic Component Applications and Supply Chain Branch of China Information Industry Trade Association, to help foster the development of the industry with its rich experience and unique insights on areas such as distribution management and technical service platform software structure.

Independent Auditor's Report

信永中和
ShineWing

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

TO THE SHAREHOLDERS OF COGOBUY GROUP
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Cogobuy Group (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 90 to 210, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of intangible assets and goodwill

Refer to notes 19 and 20 to the consolidated financial statements and the accounting policies on pages 104, 112 to 113.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amounts of the Group's intangible assets and goodwill are approximately RMB1,147,531,000 and RMB452,467,000 respectively, which were allocated to different cash-generating units. The management of the Group performed impairment testing on the intangible assets and goodwill based on value-in-use calculations of each cash-generating unit. No impairment loss was recognised for the year ended 31 December 2020. We have identified the impairment of intangible assets and goodwill as a key audit matter because the carrying amounts of intangible assets and goodwill are significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group when performing the impairment testing.	Our audit procedures were designed to review the management's assessment, and its estimations and judgements used in the impairment testing on intangible assets and goodwill. We have assessed the reasonableness of the identification of each cash-generating unit and the allocation of the intangible assets and goodwill to each cash-generating unit for impairment assessment. We have also assessed the impairment testing performed by the management of the Group. We have tested the underlying data and assumptions used in the profit forecasts and cash flow projections by agreeing the budgets approved by the management of the Group and compared with actual results available up to the report date. We have also challenged the reasonableness of the management's judgements and estimates used in the profit forecasts and cash flow projections, including the forecasted sales and growth rate, against latest available information. We have also challenged the discount rate adopted by the management of the Group and the independent valuer in the value-in-use calculations by reviewing its basis of calculation and comparing the input data to market sources.

Allowance for inventories

Refer to note 24 to the consolidated financial statements and the accounting policies on page 112.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of the Group's inventories is approximately RMB513,294,000, net of allowance for inventories of approximately RMB16,234,000. We have identified the allowance for inventories as a key audit matter because the carrying amount of the Group's inventories is significant to the consolidated financial statements as a whole and there is involvement of significant judgements and estimates made by the management of the Group when identifying obsolete and slow-moving inventories and determining the net realisable value ("NRV"), which are based on conditions and the marketability of the inventories.	Our audit procedures were designed to evaluate the management's assessment on the conditions and the marketability of obsolete and slow-moving inventories and identification of allowance for inventories. We have assessed the reasonableness of the basis of determining the NRV of inventories and evaluating the conditions and marketability of the inventories adopted by the management of the Group. We have performed testing on the ageing analysis of the inventories, on a sample basis, to source documents. We have also tested the subsequent sales, on a sample basis, to source documents. We have also assessed the adequacy of allowance on obsolete and slow-moving inventories and the estimated NRV whereas the NRV is lower than the carrying amount with reference to the latest selling price, on a sample basis.

Loss allowance on trade receivables

Refer to note 25 to the consolidated financial statements and the accounting policies from pages 116 to 119.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of the Group's trade receivables is approximately RMB1,393,542,000, net of loss allowance on trade receivables of approximately RMB95,284,000. Loss allowance on trade receivables of approximately RMB17,373,000 was recognised for the year ended 31 December 2020. We have identified the loss allowance on trade receivables as a key audit matter because the carrying amount of the Group's trade receivables is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of management's judgements and estimates involved in assessing the expected credit loss ("ECL") model, based on the historical credit loss experience and forward-looking information specific to the debtors and their economic environments.	Our audit procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on trade receivables. We have obtained an understanding of the methodology used and its development processes adopted by the management of the Group in the ECL model. We have also assessed the reasonableness of assumptions and judgements made by the management of the Group on the ECL model adopted, parameters selected and the internal credit rating used. We have also examined the key data used in the ECL model on a sample basis to assess their accuracy and reasonableness.

Loss allowance on loans receivables

Refer to note 26 to the consolidated financial statements and the accounting policies from pages 116 to 119.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of the Group's loans receivables is approximately RMB326,093,000, representing the loans granted to customers, associates and non-controlling investees of the Group under the supply chain financing services, namely IngFin Financing Services. No loss allowance on loans receivables was recognised for the year ended 31 December 2020. We have identified the loss allowance on loans receivables as a key audit matter because the carrying amount of the Group's loans receivables is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group and the independent valuer in assessing the ECL model, based on historical credit loss experience and forward-looking information specific to the debtors and their economic environments.	Our audit procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on loans receivables. We have obtained an understanding of the methodology used and its development processes adopted by the management of the Group and the independent valuer in the ECL model. We have also assessed the reasonableness of assumptions and judgements made by the management of the Group and the independent valuer on the ECL model adopted, parameters selected and the internal credit rating used. We have also examined the key data used in the ECL model on a sample basis to assess their accuracy and reasonableness.

Fair value determination of financial assets at fair value through other comprehensive income ("FVTOCI")

Refer to notes 6 and 21 to the consolidated financial statements and the accounting policies on page 121.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of the Group's financial assets at FVTOCI is approximately RMB352,328,000. Independent valuer was engaged by the management of the Group for the fair value determination of each of the unlisted equity investments as at 31 December 2020. We have identified the fair value determination of financial assets at FVTOCI as a key audit matter because the carrying amount is significant to the consolidated financial statements as a whole and there is involvement of significant judgements and estimates, including use of significant unobservable inputs, made by the management of the Group and the independent valuer when determining the fair value of financial assets at FVTOCI at the end of the reporting period.	Our audit procedures were designed to review the reasonableness of judgements and estimates, including use of significant unobservable inputs adopted in the fair value determination by the management of the Group and the independent valuer. We have discussed with the independent valuer on the valuation methodology. And we have challenged the reasonableness of the underlying assumptions and data used by the management of the Group and the independent valuer in the fair value assessment, such as the earnings multiples and sales multiples adopted in the fair value assessment by reviewing its basis of calculation and comparing the input data to market sources.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

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

Hong Kong
31 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000
Revenue	7	**6,185,100**	5,854,247
Cost of sales		**(5,486,470)**	(5,288,607)
Gross profit		**698,630**	565,640
Other income	9	**11,875**	39,808
Selling and distribution expenses		**(79,814)**	(92,471)
Research and development expenses		**(194,574)**	(135,560)
Administrative and other operating expenses		**(214,463)**	(189,875)
Finance costs	10	**(8,965)**	(55,885)
Loss on disposal of a joint venture		**—**	(23)
Share of results of associates		**(7,792)**	31,153
Profit before tax		**204,897**	162,787
Income tax expenses	11	**(17,469)**	(17,802)
Profit for the year	12	**187,428**	144,985
Profit for the year attributable to:			
Owners of the Company		**123,200**	110,067
Non-controlling interests		**64,228**	34,918
		187,428	144,985

	Note	2020 RMB'000	2019 RMB'000
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**(122,232)**	33,550
Net change in fair value of equity investments at fair value through other comprehensive income		**(129,834)**	3,869
		(252,066)	37,419
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(12,251)**	—
		(12,251)	—
Other comprehensive (expense) income for the year		**(264,317)**	37,419
Total comprehensive (expense) income for the year		**(76,889)**	182,404
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(132,993)**	146,711
Non-controlling interests		**56,104**	35,693
		(76,889)	182,404
EARNINGS PER SHARE	16		
Basic (RMB)		**0.089**	0.077
Diluted (RMB)		**0.088**	0.076

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Plant and equipment	17	**7,256**	7,765
Right-of-use assets	18	**48,793**	24,546
Intangible assets	19	**1,147,531**	1,084,030
Goodwill	20	**452,467**	452,467
Financial assets at fair value through other comprehensive income	21	**352,328**	360,532
Loans receivables	26	**303,509**	155,847
Interests in associates	22	**176,984**	185,650
Interest in a joint venture	23	**—**	—
		2,488,868	2,270,837
Current assets			
Inventories	24	**513,294**	319,974
Trade, bills and other receivables	25	**1,585,192**	1,567,488
Loans receivables	26	**22,584**	663,096
Amounts due from associates	27	**302,819**	330,654
Financial asset at fair value through profit or loss	28	**25,000**	—
Restricted bank deposit	29	**8,177**	—
Pledged bank deposits	29	**142,531**	159,858
Cash and cash equivalents	29	**403,700**	119,865
		3,003,297	3,160,935
Current liabilities			
Trade and other payables	30	**653,687**	854,316
Lease liabilities	18	**15,968**	11,490
Contract liabilities	31	**11,276**	3,978
Income tax payables		**16,232**	16,397
Bank loans	32	**138,930**	180,676
		836,093	1,066,857
Net current assets		**2,167,204**	2,094,078
Total assets less current liabilities		**4,656,072**	4,364,915

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Deferred tax liabilities	33	**45,042**	51,609
Other financial liabilities	34	**341,900**	—
Contract liabilities	31	**11,413**	—
Lease liabilities	18	**34,131**	13,297
		432,486	64,906
Net assets		**4,223,586**	4,300,009
Capital and reserves			
Share capital	35	**1**	1
Reserves		**3,940,102**	4,114,883
		3,940,103	4,114,884
Non-controlling interests		**283,483**	185,125
Total equity		**4,223,586**	4,300,009

The consolidated financial statements on pages 90 to 210 were approved and authorised for issue by the board of directors on 31 March 2021 and are signed on its behalf by:

Kang Jingwei, Jeffrey
Director

Wu Lun Cheung, Allen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company												
	Share capital RMB'000 (note 35)	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	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 year	–	–	–	–	–	–	–	–	–	123,200	123,200	64,228	187,428
Other comprehensive (expense) income													
Exchange differences arising on translation differences	–	–	–	–	–	–	(126,359)	–	–	–	(126,359)	(8,124)	(134,483)
Net change in fair value of equity investments at fair value through other comprehensive income ("FVTOCI")	–	–	–	–	–	–	–	–	(129,834)	–	(129,834)	–	(129,834)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(126,359)	–	(129,834)	123,200	(132,993)	56,104	(76,889)
Acquisition of additional equity interest in a subsidiary (note 40(a))	–	–	–	–	(8,056)	–	–	–	–	–	(8,056)	(26,944)	(35,000)
Change of equity interest in a subsidiary without loss of control upon capital contribution from a non-controlling interest (note 40(b)(i))	–	–	–	–	2,474	–	–	–	–	–	2,474	32,526	35,000
Change of equity interest in a subsidiary without loss of control upon capital contributions from other investors (note 40(b)(ii))	–	–	–	–	(39,696)	–	–	–	–	–	(39,696)	39,696	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(3,024)	(3,024)
Issue of shares under the RSU Scheme (note 35(v))	–	–	–	(11,460)	–	11,460	–	–	–	–	–	–	–
Equity-settled share-based compensation expenses (note 38(b))	–	–	–	12,630	–	–	–	–	–	–	12,630	–	12,630
Repurchase and cancellation of own shares (note 35(iv))	–	(9,140)	–	–	–	–	–	–	–	–	(9,140)	–	(9,140)
At 31 December 2020	1	2,115,407	18,923	26,399	(6,489)	(48,716)	80,949	13,891	(136,285)	1,876,023	3,940,103	283,483	4,223,586

	Attributable to owners of the Company												
	Share capital RMB'000 (note 35)	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 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 2019	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 year	–	–	–	–	–	–	–	–	–	110,067	110,067	34,918	144,985
Other comprehensive income													
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	32,775	–	–	–	32,775	775	33,550
Net change in fair value of equity investments at FVTOCI	–	–	–	–	–	–	–	–	3,869	–	3,869	–	3,869
Total comprehensive income for the year	–	–	–	–	–	–	32,775	–	3,869	110,067	146,711	35,693	182,404
Reversal of fair value reserve upon disposal of financial assets at FVTOCI	–	–	–	–	–	–	–	–	3,600	(3,600)	–	–	–
Arising from business combinations (note 39)	–	–	–	–	–	–	–	–	–	–	–	(864)	(864)
Disposal of interest in a subsidiary without loss of control (note (iii))	–	–	–	–	25	–	–	–	–	–	25	(25)	–
Issue of shares under the RSU Scheme (note 35(v))	–	–	–	(26,118)	–	26,118	–	–	–	–	–	–	–
Equity-settled share-based compensation expenses (note 38(b))	–	–	–	25,443	–	–	–	–	–	–	25,443	–	25,443
Repurchase and cancellation of own shares (note 35(ii))	–	(131,723)	–	–	–	–	–	–	–	–	(131,723)	–	(131,723)
At 31 December 2019	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

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2020

Notes:

(i) Capital reserve

It represents an amount of US$3,000,000, equivalent to approximately RMB18,923,000, 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 the 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 in note 3.

(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, acquired the remaining 40% equity interest in Comtech Digital Technology (Hong Kong) Limited ("Comtech Digital HK"), an indirect non-wholly owned subsidiary of the Company immediately prior to such acquisition, 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 carrying 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 an independent third party to the Company, 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 of HK$1; and (ii) provision of interest-free loan of approximately HK$500,000 to Cingko Technology (HK) Limited, 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 interest in a subsidiary without loss of control. The difference between (i) the fair value of 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.

During the year ended 31 December 2020, 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 Profuse"), the non-controlling interest 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 and its subsidiaries, being approximately RMB8,056,000 (note 40(a)), was debited to other reserve.

During the year ended 31 December 2020, Alphalink Global Limited ("Alphalink"), an indirect wholly-owned subsidiary of the Company, entered into a capital contribution agreement with Optimum Profuse in which Optimum Profuse agreed to contribute 25% equity interest in Comtech Industrial Technology (Shenzhen) Co., Ltd.* (科通工業技術(深圳)有限公司) ("Comtech Industrial (SZ)") (the "First Capital Contribution"), an indirect wholly-owned subsidiary of the Company, at a cash consideration of RMB35,000,000 without loss of control. Upon the completion of the First Capital Contribution, the equity interest in Comtech Industrial (SZ) held by the Company was diluted from 100% to 75%, while Comtech Industrial (SZ) remained as a subsidiary of the Company. The difference between the cash consideration and the relevant share of carrying amount of the net assets of Comtech Industrial (SZ) and its subsidiaries (collectively referred to as the "Comtech Industrial (SZ) Group"), being approximately RMB2,474,000 (note 40(b)(i)), was credited to other reserve.

Notes: (Continued)

(iii) Other reserve (Continued)

During the year ended 31 December 2020, Alphalink, entered into another various capital contribution agreements with various investors (the "Investors") in which the Investors agreed to contribute, in aggregate, 9.35% equity interest in Comtech Industrial (SZ) (the "Second Capital Contributions") at the aggregate cash consideration of RMB341,900,000 without loss of control. As a result of the Second Capital Contributions from the Investors which were classified as other financial liabilities (note 34), the equity interest in Comtech Industrial (SZ) held by the Group was diluted from 75% to 65.65%. The relevant share of the carrying amount of the net assets of Comtech Industrial (SZ) Group, being approximately RMB39,696,000 (note 40(b)(ii)), was debited to other reserve.

(iv) Shares held for the RSU Scheme

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

When the Company's shares are transferred to the awardees upon vesting, the related costs of the awarded shares vested are credited to "shares held for RSU scheme", with a corresponding adjustment made to "share-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 Associations 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 subsidiaries in the PRC is transferred to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital of the relevant subsidiaries in the PRC. The transfer to this reserve must be made before distribution of dividends. The statutory surplus reserve can be utilised with the previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issue is not less than 25% of the registered capital. Any amount of funds outside of the 50% reserve balance can be distributed as by the relevant subsidiaries in the PRC, as advances or cash dividends, subject however, to complying with applicable requirements.

(vi) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI at the end of the reporting period and is dealt with in accordance with the accounting policies in note 3.

* The English name is for identification purpose only.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**204,897**	162,787
Adjustments for:		
Depreciation of plant and equipment	**3,093**	3,519
Depreciation of right-of-use assets	**18,338**	9,789
Amortisation of intangible assets	**226,418**	88,514
Finance costs	**8,965**	55,885
Bank interest income	**(2,919)**	(3,736)
Loss allowance on trade receivables	**17,373**	17,523
(Reversal of) allowance for inventories, net	**(29,008)**	18,500
Loss on disposal of a joint venture	**—**	23
Share of results of associates	**7,792**	(31,153)
Gain on disposal of financial asset at fair value through profit or loss ("FVTPL")	**(11)**	(3,774)
Gain on disposal of a financial asset at FVTOCI	**—**	(3,600)
Government grants	**(8,945)**	(8,555)
Loss on disposal of plant and equipment	**—**	592
Equity-settled share-based compensation expenses	**12,630**	25,443
Operating cash flows before movements in working capital	**458,623**	331,757
(Increase) decrease in inventories	**(328,122)**	557,190
Increase in trade, bills and other receivables	**(89,808)**	(78,833)
Decrease (increase) in loans and interest receivables	**457,107**	(295,819)
(Decrease) increase in trade and other payables	**(187,391)**	204,136
Increase in contract liabilities	**18,711**	1,686
Cash generated from operations	**329,120**	720,117
Income tax paid	**(23,794)**	(7,894)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**305,326**	712,223

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Purchase of intangible assets	**(289,967)**	(728,282)
Placement of pledged bank deposits	**(142,531)**	(42,061)
Purchase of financial asset at FVTPL	**(40,000)**	—
Placement of restricted bank deposit	**(8,177)**	—
Purchase of plant and equipment	**(2,736)**	(1,952)
Proceeds on disposal of a joint venture	**269**	—
Dividends from associates	**874**	10,629
Interest received	**2,919**	3,736
Proceeds on disposal of financial asset at FVTPL	**15,011**	195,604
Repayment from associates	**27,835**	249,336
Withdrawal of pledged bank deposits	**153,231**	191,529
Purchase of financial assets at FVTOCI	**—**	(344,679)
Capital injection to a joint venture	**—**	(292)
Proceeds on disposal of plant and equipment	**—**	470
Proceeds on disposal of a financial asset at FVTOCI	**—**	3,600
Net cash inflows on acquisition of subsidiaries (note 39)	**—**	4,096
Withdrawal of short-term bank deposits	**—**	83,833
NET CASH USED IN INVESTING ACTIVITIES	**(283,272)**	(374,433)
FINANCING ACTIVITIES		
Proceeds from the Second Capital Contributions (note 40(b)(ii))	**341,900**	—
New bank loans raised	**146,801**	455,252
Proceeds from capital contribution by a non-controlling interest (note 40(b)(i))	**35,000**	—
Receipts of government grants	**8,945**	8,555
Dividends paid to non-controlling interests	**(3,024)**	—
Interest paid	**(8,965)**	(55,885)
Repurchase of issued ordinary shares	**(9,140)**	(131,723)
Repayment of lease liabilities	**(17,273)**	(9,548)
Payment for acquisition of additional equity interest in a subsidiary (note 40(a))	**(35,000)**	—
Repayment of bank loans	**(182,997)**	(1,413,250)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**276,247**	(1,146,599)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**298,301**	(808,809)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**119,865**	926,997
Effect of foreign exchange rate changes	**(14,466)**	1,677
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**403,700**	119,865

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 11/F., 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 Group are Envision Global Investments Limited, which was incorporated in the British Virgin Islands (the "BVI").

The Group was principally engaged in the sales of integrated circuits ("IC"), 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 ("marketplace income"), service revenue from software licensing and provision of supply chain financing services, namely IngFin Financing Services ("IngFin Financing Services").

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

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

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs, which included HKFRSs Hong Kong Accounting Standards ("HKAS(s)") and amendments issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 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 amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2023.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income and financial asset at fair value through profit or loss that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved where the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's return.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at fair value or at the present ownership instruments' proportionate share in the recognised amount of the acquiree's identifiable net assets on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating unit) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating unit) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating unit). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

The Group's policy for goodwill relating to an associate or a joint venture that included in the carrying amount of the investment is set out in "Interests in associates and joint ventures" below.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, interests in associates and joint ventures are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates and joint ventures are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinued recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill and is included in the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures (Continued)

The requirement of HKAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interests in associates or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

When the investment ceases to be a joint venture upon the Group losing joint control over the joint venture, the Group discontinues to apply equity method. Any difference between the fair value of any proceeds from disposing of the interest in the joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities. Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

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

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

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- Sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products;

- Marketplace income; and

- Service revenue from software licensing.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products and marketplace income

Revenue from sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of equipment).

Revenue from marketplace income (i.e. commission fees charged to third-party merchants that sell products on the Group's marketplace platforms) is recognised at the point of delivery of corresponding products by the merchants.

Service revenue from software licensing

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all the following criteria are met:

- The contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;

- The rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and

- Those activities do not result in the transfer of a good or service to the customer as those activities occur.

If these criteria are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time.

Leasing

Definition of a lease

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

The Group as lessee

For contracts entered into on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the announcement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date, including extension options exercisable by the Group which are likely to be exercised taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the options. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

All the lease payments included in the measurement of the lease liability are fixed lease payments.

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

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

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses (see the accounting policy in respect of impairment losses on plant and equipment, right-of-use assets and intangible assets below). They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies HKAS 36 *Property, Plant and Equipment* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits cost

Payments to the defined contribution plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

The Company does not operate any other defined contribution schemes, and as such, there is no forfeited contributions, nor does the Company employ any actuary for defined benefit plans.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, interests in associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on plant and equipment, right-of-use assets and intangible assets below).

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment losses.

Impairment losses on plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss was recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss was recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial asset at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial asset at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item (note 9).

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss (note 9).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial asset at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically, debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Financial asset at FVTPL is measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss, if any. Fair value is determined in the manner described in note 6.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated on an individual basis for customers with significant balances and/or collectively by using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination; (ii) held-for-trading; or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value-in-use of plant and equipment, right-of-use assets, interests in associates, goodwill and intangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

The Group grants shares of the Company to employees at nil consideration under the RSU Scheme, and the awarded shares under the RSU Scheme are either newly issued or are purchased from the open market. The cost of shares purchased from the open market is recognised in equity as shares held for the RSU Scheme. The fair value of the RSUs granted to employees is recognised as an equity-settled share-based compensation expenses with a corresponding increase in share-based compensation reserve within equity. The fair value of the RSUs granted before the listing of the Company on the Main Board of the Stock Exchange (the "Listing") is measured at grant date by using the discounted cash flow method, taking into account the terms and conditions upon which the RSUs were granted while the fair value of the RSUs granted after the Listing was measured by the quoted market price of the Company's shares at the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the RSUs, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest.

During the vesting period, the number of RSUs that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of RSUs that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the service conditions. The equity amount is recognised in the share-based compensation reserve until the RSUs are vested (when it is included in the amount recognised in share premium for the shares vested).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Control obtained through contractual arrangements

As disclosed in the note 45(b), Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司) ("Shenzhen Cogobuy") is considered as an indirectly wholly-owned subsidiary of the Company. Although the Group does not own any equity interest in Shenzhen Cogobuy, the Group has the control over Shenzhen Cogobuy since the Group has the power to appoint and remove the board of directors of Shenzhen Cogobuy to direct the relevant activities of Shenzhen Cogobuy to affect the amount of the Group's return, through various contractual agreements signed between the shareholder of Shenzhen Cogobuy and the Group. Therefore, in the opinions of the directors of the Company and the independent legal adviser of the Company, the Group has the practical ability to direct the relevant activities of Shenzhen Cogobuy unilaterally and hence the Group has the control over Shenzhen Cogobuy.

Significant influence over associates

As disclosed in note 22, the directors of the Company considered ZIM (HK) Limited ("ZIM HK"), in which the Group has 15% equity interest in, is an associate of the Group as the Group has significant influence over ZIM HK by virtue of its contractual right to appoint one out of three directors to the board of directors of ZIM HK.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of intangible assets and goodwill

The management of the Group performed the impairment assessment on the separate acquired intangible assets by identifying the indication of possible impairment of such intangible assets. Once identified, the management of the Group performed impairment testing, which requires an estimation of the recoverable amount of the cash-generating units to which such intangible assets have been allocated.

The management of the Group performed impairment testing annually, or if there is indication of possible impairment identified, for the goodwill.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of intangible assets and goodwill (Continued)

Determining whether intangible assets and goodwill are impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill and intangible assets have been allocated. The recoverable amount of the cash-generating unit is determined using the value-in-use calculation, which requires the Group to estimate the future cash flows expected to arise from each of the cash-generating unit and a suitable pre-tax discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2020, the carrying amount of intangible assets and goodwill were approximately RMB1,147,531,000 (2019: RMB1,084,030,000) and RMB452,467,000 (2019: RMB452,467,000) respectively. No impairment loss in respect of intangible assets and goodwill has been recognised for the years ended 31 December 2020 and 2019. Details of the value-in-use calculations are disclosed in note 20.

Amortisation of the intangible assets

At the end of each reporting period, the directors of the Company review the estimated useful life and the amortisation method of intangible assets, based on the historical experience of the actual useful life of intangible assets of similar functions or the useful life of similar intangible assets adopted by the market participants. The directors of the Company will revise the estimated useful life and amortisation method prospectively if there is a need for the change with reference to the actual usage. As at 31 December 2020, there is no revision of the estimated useful life and amortisation method on the intangible assets with carrying amount of approximately RMB1,147,531,000 (2019: RMB1,084,030,000).

Fair value determination of financial assets at FVTOCI

For the determination of the fair values of FVTOCI as at 31 December 2020, the directors of the Company use their judgements and estimates in the underlying assumptions and data for the fair value determination of financial assets at FVTOCI. The directors of the Company and the independent valuer, Trinity Corporate Finance Limited ("Trinity"), exercise judgements and estimates in applying suitable earnings multiples and sales multiples with reference to the available market sources. Where the actual inputs are varied, a material variance on the fair values of financial assets at FVTOCI may arise. As at 31 December 2020, the fair value of financial assets at FVTOCI was approximately RMB352,328,000 (2019: RMB360,532,000), with corresponding net decrease in fair value reserve of approximately RMB129,834,000 (2019: net increase of approximately RMB3,869,000) recognised during the year ended 31 December 2020. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair values of financial assets at FVTOCI.

Allowance for inventories

Management reviews the condition of the inventories of the Group and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the estimated and subsequent selling price in the ordinary course of business. The Group carries out an inventory review at the end of each reporting period and makes allowance for obsolete and slow-moving items. As at 31 December 2020, the carrying amount of inventories was approximately RMB513,294,000 (2019: RMB319,974,000), net of allowance for inventories of approximately RMB16,234,000 (2019: RMB45,242,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Loss allowance on trade receivables, loans receivables and amounts due from associates

The loss allowance on trade receivables, loans receivables and amounts due from associates are based on assumptions and estimates used in the ECL model. The Group uses significant judgements in making these assumptions and estimates and selects inputs in the ECL model, based on the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowance in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2020, the carrying amounts of trade receivables, loans receivables and amounts due from associates are approximately RMB1,393,542,000 (2019: RMB1,233,808,000), RMB326,093,000 (2019: RMB818,943,000) and RMB302,819,000 (2019: RMB330,654,000) respectively, with accumulated loss allowance on trade receivables of approximately RMB95,284,000 (2019: RMB77,911,000). No loss allowance on loans receivables and amounts due from associates has been recognised as at 31 December 2020 and 2019.

Income taxes

As disclosed in note 33, no deferred tax asset has been recognised in respect of the estimated unused tax losses of approximately RMB278,389,000 (2019: RMB197,456,000) due to the unpredictability of future profit streams as at 31 December 2020. In addition, no deferred tax liabilities has been recognised in respect of temporary differences associated with the PRC subsidiaries' undistributed retained earnings of approximately RMB1,727,983,000 (2019: RMB1,559,237,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not be reversed in the foreseeable futures. In case where the actual outcome differs from the management's assessment above, a material recognition of deferred tax assets and liabilities may arise, which would be recognised in profit or loss for the year.

Litigation

During the year ended 31 December 2020, Comtech Industrial (SZ) has been named as defendant in a local PRC court, pursuant to which Comtech Industrial (SZ) is subject to an alleged litigation related to possible unsettled purchase costs of machinery, together with accrued interest and other expenses. With the opinion of the independent legal adviser of the Company, the directors of the Company considered that no provision for any potential liability has been made in the consolidated financial statements as the Group has pledged reasonable chance of success in defence. Details of the litigation are disclosed in note 41.

Impairment of interests in associates

The directors of the Company determined whether interests in associates are impaired by reference to an estimation on (i) identification of indication of possible impairment; and (ii) if there is indication of impairment, the recoverable amount. Impairment loss would be identified if the recoverable amount is less than its carrying amount. The determination of the recoverable amount of the Group's interests in associates requires the Group to estimate the future cash flows expected to arise from the associates and a suitable discount rate including the risk adjustment in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss many arise.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of interests in associates (Continued)

As at 31 December 2020, the carrying amount of interests in associates are approximately RMB176,984,000 (2019: RMB185,650,000). No impairment loss has been recognised for the years ended 31 December 2020 and 2019.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the pricing of products and services that commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-equity ratio on a semi-annual basis. The Group's policy is to maintain the net debt-to-equity ratio at not more than 100% (2019: 100%), which is determined and reviewed with reference to the funding needs of the Group semi-annually. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in note 18, bank loans disclosed in note 32 and other financial liabilities disclosed in note 34, net of restricted bank deposit, pledged bank deposits and cash and cash equivalents disclosed in note 29, over total equity. The net debt-to-equity ratio at the end of the reporting period was as follows:

	2020 **RMB'000**	2019 RMB'000
Net debt	**(23,479)**	(74,260)
Equity	**4,223,586**	4,300,009
Net debt-to-equity ratio (%)	**(0.56)**	(1.73)

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**2,650,627**	2,733,508
Financial asset at FVTPL	**25,000**	—
Financial assets at FVTOCI		
— Equity instruments designated at FVTOCI	**352,328**	360,532
	3,027,955	3,094,040
Financial liabilities		
Financial liabilities at amortised cost	**1,134,517**	1,034,992

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and bills receivables, other receivables, financial assets at FVTPL and FVTOCI, loans receivables, amounts due from associates, restricted bank deposit, pledged bank deposits, cash and cash equivalents, trade and other payables, bank loans and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has certain pledged bank deposits and cash and cash equivalents denominated in foreign currencies, i.e. currencies other than the functional currency of the subsidiaries of the Company, which expose the Group to currency risk. The Group did not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group has applied the sensitivity to a 5% (2019: 5%) increase and decrease in relevant foreign currencies against RMB. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

As at 31 December 2020, the Group had an aggregate amount of approximately RMB123,026,000 (2019: RMB51,954,000) which represented pledged bank deposits and cash and cash equivalents that mainly denominated in a currency other than the functional currencies of the subsidiaries of the Company.

As at 31 December 2020, if the foreign currencies strengthen 5% (2019: 5%) against RMB, the post-tax profit for the year will be increased by approximately RMB4,627,000 (2019: RMB1,958,000). If the foreign currencies weaken by 5% (2019: 5%) against RMB, the post-tax profit for the year will be decreased by approximately RMB4,627,000 (2019: RMB1,958,000).

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed interest rate loans receivables (note 26), pledged bank deposits (note 29), a bank loan with fixed interest rate (note 32) and other financial liabilities (note 34).

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate restricted bank deposit (note 29), bank balances (note 29) and bank loans with variable interest rates (note 32). It is the Group's policy to keep its loans at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank-Offered Rate ("LIBOR") arising from the Group's US$ denominated bank loans variable interest rate bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2019: 50) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2019: 50) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would increase/decrease by approximately RMB1,250,000 (2019: decrease/increase by approximately RMB114,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank balances and bank loans.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from trade, bills and other receivables, loans receivables, amounts due from associates, restricted bank deposit, pledged bank deposits, short-term bank deposits and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customers with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For loans receivables, other non-trade related receivables and amounts due from associates, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on restricted bank deposit, pledged bank deposits and cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

- actual or expected significant changes in the operating results of the borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

					31 December 2020			31 December 2019		
	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	25	N/A	(Note)	Lifetime ECL (simplified approach)	**1,488,826**	**(95,284)**	**1,393,542**	1,311,719	(77,911)	1,233,808
Bills receivables	25	N/A	Performing	12-month ECL	**10,778**	**–**	**10,778**	10,935	–	10,935
Other receivables	25	N/A	Performing	12-month ECL	**62,987**	**–**	**62,987**	59,445	–	59,445
Loans receivables	26	N/A	Performing	12-month ECL	**326,093**	**–**	**326,093**	818,943	–	818,943
Amounts due from associates	27	N/A	Performing	12-month ECL	**302,819**	**–**	**302,819**	330,654	–	330,654

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 25 includes further details on the loss allowance on these assets respectively.

The carrying amounts of the Group's financial assets at FVTOCI and at FVTPL as disclosed in notes 21 and 28 respectively best represent their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

The Group has concentration of credit risk as 23% (2019: 35%) and 54% (2019: 61%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at 31 December 2020.

The Group's concentration of credit risk by geographical locations is mainly in the PRC (including Hong Kong), which accounted for 96% (2019: 94%) of the total trade receivable as at 31 December 2020.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surplus and the raising of loans to cover expected cash demands, subject to approval by the board of directors of the Company when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with loan covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group relies on bank loans as a significant source of liquidity. Details of the available bank facilities as at 31 December 2020 are disclosed in note 32. The Group did not have any breach of loan covenants as at 31 December 2020 and 2019.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from effective interest rate at the end of the reporting period.

	At 31 December 2020				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	653,687	–	–	653,687	653,687
Bank loans	139,479	–	–	139,479	138,930
Other financial liabilities	–	–	430,617	430,617	341,900
	793,166	–	430,617	1,223,783	1,134,517

In addition, the maturity profile of the Group's lease liabilities is as follows:

Lease liabilities	18,303	11,919	26,216	56,438	50,099

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	At 31 December 2019				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	854,316	—	—	854,316	854,316
Bank loans	182,467	—	—	182,467	180,676
	1,036,783	—	—	1,036,783	1,034,992

In addition, the maturity profile of the Group's lease liabilities is as follows:

Lease liabilities	12,907	10,223	3,756	26,886	24,787

The other financial liabilities included above are the maximum amount the Group is required to be settled if the redemption right has been triggered as disclosed in note 34. Based on expectation from the directors of the Company at the end of the reporting period, the Group considers that it is more likely than no redemption right would be triggered and no such amount will be payable. However, this estimate is subject to change depending on the future event, which is unpredictable at 31 December 2020.

The amounts included above for variable interest rate non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement recognised in the consolidated statement of financial position

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 31 December 2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset at FVTPL				
Structured deposit in the bank	—	25,000	—	25,000
Financial assets at FVTOCI				
Unlisted equity securities	—	—	352,328	352,328
	—	25,000	352,328	377,328

	At 31 December 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Unlisted equity securities	—	—	360,532	360,532

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

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement recognised in the consolidated statement of financial position (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:

Financial instruments	Fair value hierarchy	Fair value as at 31 December 2020 RMB'000	2019 RMB'000	Valuation technique	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Structured deposit	Level 2	**25,000**	—	Quoted rate of return by issuing bank	N/A	N/A	N/A
Unlisted equity investments	Level 3	**174,612**	349,195	Market approach — earnings multiples	Earnings multiples	Earnings multiples: 22.56 times (2019: from 18.37 to 20.92 times)	The higher of earnings multiples, the higher the fair value
Unlisted equity investments	Level 3	**167,714**	—	Market approach — sales multiples	Sales multiples	Sales multiples: 0.43 to 4.43 times	The higher of sales multiples, the higher the fair value
Unlisted equity fund	Level 3	**10,002**	11,337	Adjusted net assets method	Discount factor of 100% applied to projects with net liabilities	0%–100%	The lower the discount rate, the higher of the fair value
		352,328	360,532				

Note: As a result of continuing loss making status of one of the unlisted equity investments, Aliothtech and its subsidiary (collectively referred to as the "Aliothtech Group"), during the year ended 31 December 2020, the directors of the Company and Trinity, concluded that the adoption of the valuation technique — earnings multiples are no longer appropriate. This results a change of valuation technique from earnings multiples as at 31 December 2019 to sales multiples as at 31 December 2020. There is no transfer between the fair value hierarchy in the current year.

Based on fair value valuation using the market approach — sales multiples, the fair value of investment in 35% equity interest in the Aliothtech Group was approximately RMB133,509,000 (2019: RMB169,701,000 using the market approach — earnings multiples). Unrealised fair value loss of approximately RMB36,192,000 (2019: RMB1,568,000) has been recognised in the consolidated statement of other comprehensive income.

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the unobservable inputs (earnings multiples and sales multiples for unlisted equity investments and discount factor of unlisted equity fund) to the valuation model were 5% (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 RMB16,617,000 (2019: RMB16,889,000)/decreased by approximately RMB16,583,000 (2019: RMB16,842,000) respectively.

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement recognised in the consolidated statement of financial position (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:

	Unlisted equity investments/ equity fund RMB'000
At 1 January 2019	7,700
Acquisition of unlisted equity investments	344,679
Fair value gain in other comprehensive income	3,869
Exchange adjustment	4,284
At 31 December 2019 and 1 January 2020	360,532
Acquisition of unlisted equity investments (note 43(b))	153,891
Fair value loss in other comprehensive income	(129,834)
Exchange adjustment	(32,261)
At 31 December 2020	352,328

For the year ended 31 December 2020, the fair value loss recognised in other comprehensive income of approximately RMB129,834,000 (2019: unrealised gain of RMB3,869,000) was unrealised gain or 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 financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents revenue arising on sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products, marketplace income, service revenue from software licensing and interest income generated from IngFin Financing Services. An analysis of the Group's revenue for the year is as follows:

	2020 **RMB'000**	2019 RMB'000
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	**6,128,880**	5,790,399
— Marketplace income	**11,057**	16,346
— Service revenue from software licensing	**6,423**	—
	6,146,360	5,806,745
Revenue from other sources:		
— Interest income from IngFin Financing Services	**38,740**	47,502
	6,185,100	5,854,247

7. REVENUE (Continued)

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:

	Ingdan Innovations RMB'000	Ingfin Technologies RMB'000	Total RMB'000
For the year ended 31 December 2020			
Revenue from goods and services:			
— Sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products	3,740,764	2,388,116	6,128,880
— Marketplace income	—	11,057	11,057
— Service revenue from software licensing	—	6,423	6,423
	3,740,764	2,405,596	6,146,360
Timing of revenue recognition:			
— At a point in time	3,740,764	2,399,173	6,139,937
— Over time	—	6,423	6,423
	3,740,764	2,405,596	6,146,360
Geographical markets:			
— The PRC (including Hong Kong)	3,740,764	2,138,739	5,879,503
— Southeast Asia	—	266,857	266,857
	3,740,764	2,405,596	6,146,360

7. REVENUE (Continued)

	Ingdan Innovations RMB'000 (Restated)	Ingfin Technologies RMB'000 (Restated)	Total RMB'000
For the year ended 31 December 2019			
Revenue from goods and services:			
— Sales of IC, other electronic components, AIoT products and proprietary and semi-conductor products	3,609,438	2,180,961	5,790,399
— Marketplace income	—	16,346	16,346
	3,609,438	2,197,307	5,806,745
Timing of revenue recognition:			
— At a point in time	3,609,438	2,197,307	5,806,745
Geographical markets:			
— The PRC (including Hong Kong)	3,609,438	1,894,930	5,504,368
— Southeast Asia	—	302,377	302,377
	3,609,438	2,197,307	5,806,745

Transaction price allocated to the remaining performance obligations

As at 31 December 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied is approximately RMB22,689,000 (2019: RMB3,978,000). The amount represents revenue expected to be recognised in the future from sales of IC and service revenue from software licensing.

The Group will recognise this revenue as the service is completed, which is expected to occur within 36 months (2019: 12 months).

8. 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 Technologies: Sales of proprietary and semi-conductor products, IngFin Financing Services, marketplace operation, software licensing and incubator business

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

During the year ended 31 December 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 Technologies. The (i) sales of IC and other electronic components; and (ii) sales of AIoT products originally included in Ingdan Services have been merged into "Ingdan Innovations", while (i) the marketplace operation originally included in sales of IC and other electronic components and marketplace operation" and "Ingdan Services"; and (ii) the "sales of proprietary and semi-conductor products; and (iii) the remaining business of "Ingdan Services" are included as "Ingfin Technologies". 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 year ended 31 December 2020, the segment information of comparative period has been restated to conform with current year's presentation.

8. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 December 2020

	Ingdan Innovations RMB'000	Ingfin Technologies RMB'000	Total RMB'000
Segment revenue			
— External sales	4,376,925	2,475,525	6,852,450
— Inter-segment sales	(636,161)	(31,189)	(667,350)
Segment revenue	3,740,764	2,444,336	6,185,100
Segment profit	234,044	125,532	359,576
Unallocated income			11,875
Unallocated corporate expenses			(149,797)
Unallocated finance costs			(8,965)
Share of results of associates			(7,792)
Profit before tax			204,897

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2019

	Ingdan Innovations RMB'000 (Restated)	Ingfin Technologies RMB'000 (Restated)	Total RMB'000 (Restated)
Segment revenue			
— External sales	4,151,491	2,445,752	6,597,243
— Inter-segment sales	(542,053)	(200,943)	(742,996)
Segment revenue	3,609,438	2,244,809	5,854,247
Segment profit	153,485	77,667	231,152
Unallocated income			39,808
Unallocated corporate expenses			(83,418)
Unallocated finance costs			(55,885)
Loss on disposal of a joint venture			(23)
Share of results of associates			31,153
Profit before tax			162,787

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administrative and other operating expenses, other income, finance costs, loss on disposal of a joint venture 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.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets

	2020 RMB'000	2019 RMB'000 (Restated)
Ingdan Innovations	**1,210,192**	1,086,705
Ingfin Technologies	**3,465,173**	3,840,893
Total segment assets	**4,675,365**	4,927,598
Interests in associates	**176,984**	185,650
Interest in a joint venture	**—**	—
Financial asset at FVTPL	**25,000**	—
Corporate and other assets	**614,816**	318,524
Total assets	**5,492,165**	5,431,772

Segment liabilities

	2020 RMB'000	2019 RMB'000 (Restated)
Ingdan Innovations	**389,985**	39,181
Ingfin Technologies	**193,415**	759,373
Total segment liabilities	**583,400**	798,554
Corporate and other liabilities	**685,179**	333,209
Total liabilities	**1,268,579**	1,131,763

8. SEGMENT INFORMATION (Continued)

Segment assets and 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, financial asset at FVTPL, certain other receivables, restricted bank deposit, pledged bank deposits, cash and cash equivalents and other corporate assets; and

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

Other segment information

For the year ended 31 December 2020

	Ingdan Innovations RMB'000	Ingfin Technologies RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:				
Additions to non-current assets (note)	712	291,992	42,585	335,288
Depreciation and amortisation	627	228,884	18,338	247,849
Loss allowance on trade receivables	6,560	10,813	—	17,373
(Reversal of) allowance for inventories, net	(29,070)	62	—	(29,008)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	—	—	(2,919)	(2,919)
Gain on disposal of financial asset at FVTPL	—	—	(11)	(11)
Finance costs	—	—	8,965	8,965
Interests in associates	—	—	176,984	176,984
Interest in a joint venture	—	—	—	—
Share of results of associates	—	—	7,792	7,792
Income tax expenses	—	—	17,469	17,469

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2019

	Ingdan Innovations RMB'000 (Restated)	Ingfin Technologies RMB'000 (Restated)	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:				
Additions to non-current assets (note)	451	723,575	28,765	752,791
Depreciation and amortisation	615	91,418	9,789	101,822
Loss allowance on trade receivables	5,790	11,733	—	17,523
Loss on disposal of plant and equipment	—	592	—	592
Allowance for (reversal of) inventories, net	21,554	(3,054)	—	18,500
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	—	—	(3,736)	(3,736)
Gain on disposal of financial asset at FVTPL	—	—	(3,774)	(3,774)
Gain on disposal of financial asset at FVTOCI	—	—	(3,600)	(3,600)
Finance costs	—	—	55,885	55,885
Interests in associates	—	—	185,650	185,650
Interest in a joint venture	—	—	—	—
Share of results of associates	—	—	(31,153)	(31,153)
Loss on disposal of a joint venture	—	—	23	23
Income tax expenses	—	—	17,802	17,802

Note: Non-current assets excluded goodwill, financial assets at FVTOCI, loans receivables and interests in associates and a joint venture.

8. SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

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

	2020 RMB'000	2019 RMB'000
Customer A[1]	**N/A[2]**	1,084,586

1 Revenue from sales of Ingfin Technologies.
2 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Exchange gain, net	**—**	16,194
Bank interest income	**2,919**	3,736
Commission income	**—**	3,949
Gain on disposal of financial asset at FVTPL	**11**	3,774
Gain on disposal of a financial asset at FVTOCI	**—**	3,600
Government grants (note)	**8,945**	8,555
	11,875	39,808

Note: During the year ended 31 December 2020, included in the government grants are recognised government grant of approximately RMB6,661,000 (2019: nil) in respect of COVID-19-related subsidies, of which amounted to approximately RMB630,000 (2019: nil) related to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund. Government grants has been recognised as other income on a systematic basis over the periods in which the Group recognises the staff costs for which the government grants are intended to compensate. The Group recognised as other income for the year as the Group fulfiled all the relevant granting criteria.

The remaining government grants of approximately RMB2,284,000 (2019: RMB8,555,000) related to the government grants from the PRC local government authority in respect of subsidising the Group's research and development activities, which were immediately recognised as other income for the year as the Group fulfilled all the relevant granting criteria.

10. FINANCE COSTS

	2020 **RMB'000**	2019 RMB'000
Interests on bank loans	**3,411**	39,667
Interests on lease liabilities	**3,476**	953
Factoring costs	**2,078**	15,265
	8,965	55,885

11. INCOME TAX EXPENSES

	2020 **RMB'000**	2019 RMB'000
Current tax:		
PRC Enterprises Income Tax ("EIT")	**960**	9,713
Hong Kong Profits Tax	**21,781**	14,102
Singapore Corporate Income Tax	**1,295**	1,820
	24,036	25,635
Deferred tax (note 33)	**(6,567)**	(7,833)
	17,469	17,802

Notes:

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

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

(iii) Under Singapore Income Tax Act, Singapore Corporate Income Tax is calculated at 17% (2019: 17%) of the estimated assessable profit for both years.

11. INCOME TAX EXPENSES (Continued)

Notes: (Continued)

(iv) Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2018 onwards, except for certain PRC subsidiaries which were qualified software enterprises and being granted two-year tax exemption followed by three-year 50% tax reduction.

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

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

The income tax expenses can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	**204,897**	162,787
Tax at the applicable income tax rate of 25% (2019: 25%)	**51,224**	40,697
Tax effect of two-year exemption and three-year reduction	**(48,951)**	(1,882)
Tax effect of entities with jurisdictions not subject to income tax	**3,490**	74
Tax effect of share of results of associates	**1,948**	(7,788)
Tax effect of income not taxable for tax purposes	**(2,595)**	(2,058)
Tax effect of expenses not deductible for tax purposes	**814**	2,046
Tax effect of utilisation of tax losses previously not recognised	**(63)**	(5,799)
Tax effect of tax losses not recognised	**18,450**	2,522
Effect of two-tiered profits tax rates regime	**(147)**	(145)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(6,595)**	(9,639)
Effect of Hong Kong Profits Tax exemption granted (note)	**(106)**	(226)
Income tax expenses	**17,469**	17,802

Note: Hong Kong Profits Tax exemption granted represented a reduction of Hong Kong Profits Tax for the year ended 31 December 2020, subject to a ceiling of HK$10,000 (2019: HK$20,000) (equivalent to approximately RMB9,000 (2019: RMB18,000)) for each entity.

Details of the deferred taxation are set out in note 33.

12. PROFIT FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments (note 13)	**3,418**	3,204
Other staff:		
— Salaries, wages, allowance and other benefits	**118,440**	90,209
— Retirement benefit scheme contributions	**19,560**	18,535
— Equity-settled share-based compensation expenses (note 38(b))	**12,630**	25,443
Total staff costs	**154,048**	137,391
Auditors' remuneration		
— Auditor of the Company	**2,668**	3,015
— Other auditors	**1,120**	2,786
	3,788	5,801
Amortisation of intangible assets included in:		
— Cost of sales	**171,180**	—
— Administrative and other operating expenses	**55,238**	88,514
	226,418	88,514
Depreciation of plant and equipment	**3,093**	3,519
Depreciation of right-of-use assets	**18,338**	9,789
Exchange loss (gain), net	**32,313**	(16,194)
Loss allowance on trade receivables (included in selling and distribution expenses)	**17,373**	17,523
Loss on disposal of plant and equipment	**—**	592
(Reversal of) allowance for inventories, net (included in cost of sales)	**(29,008)**	18,500
Research and development expenses (note)	**194,574**	135,560
Amount of inventories recognised as an expense	**5,344,298**	5,270,107

Note: Research and development expenses include staff cost of employees in the design, research and development function of approximately RMB81,161,000 (2019: RMB69,795,000) for the year ended 31 December 2020, and such amount is also included in the staff costs as disclosed above.

Research and development expenses also include depreciation charge of approximately RMB830,000 (2019: RMB1,023,000) for the year ended 31 December 2020, and such amount is also included in the depreciation of plant and equipment as disclosed above.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 6 (2019: 6) directors and the chief executive were as follows:

	Directors' fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020					
Executive directors					
Mr. Kang Jingwei, Jeffrey ("Mr. Kang")	**—**	**1,012**	**284**	**25**	**1,321**
Ms. Ni Hope, Hope ("Ms. Ni") (note (i))	**119**	**—**	**—**	**6**	**125**
Mr. Wu Lun Cheung Allen (note (ii))	**—**	**1,000**	**—**	**16**	**1,016**
Non-Executive director					
Ms. Ni (note (i))	**148**	**—**	**—**	**7**	**155**
Independent non-executive directors					
Mr. Ye Xin	**267**	**—**	**—**	**—**	**267**
Dr. Ma Qiyuan	**267**	**—**	**—**	**—**	**267**
Mr. Hao Chunyi, Charlie	**267**	**—**	**—**	**—**	**267**
	1,068	**2,012**	**284**	**54**	**3,418**
For the year ended 31 December 2019					
Executive directors					
Mr. Kang	—	1,000	—	16	1,016
Mr. Wu Lun Cheung Allen (note (ii))	—	1,115	—	16	1,131
Ms. Ni (note (i))	261	—	—	13	274
Independent non-executive directors					
Mr. Ye Xin	261	—	—	—	261
Dr. Ma Qiyuan	261	—	—	—	261
Mr. Hao Chunyi, Charlie (note (ii))	261	—	—	—	261
	1,044	2,115	—	45	3,204

Notes:

(i) Re-designated from executive director to non-executive director on 10 June 2020.

(ii) Included in salaries, allowance and other benefits for the year ended 31 December 2019 was the amount of approximately RMB115,000 (2020: nil) paid for the housing benefit provided by the Group.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Except Ms. Ni, the executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

The emoluments of Ms. Ni shown above were mainly for her services as director of the Company.

Mr. Kang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Discretionary bonuses disclosed above were determined by the Remuneration Committee of the Company with reference to the individual performance.

Neither the chief executive nor any of the directors of the Company waived or agreed to waive the emoluments paid by the Group during the years ended 31 December 2020 and 2019. No emoluments were paid by the Group to the chief executive and directors of the Company as an inducement for joining the Group or as compensation for loss of office during the years ended 31 December 2020 and 2019.

(b) Directors' retirement benefits and termination benefits

Save as disclosed above, the directors of the Company did not receive any other retirement benefits or termination benefits during the years ended 31 December 2020 and 2019.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to or receivable by third parties for making available directors' services subsisted at the end of the year or at any time during the years ended 31 December 2020 and 2019.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

There were no other loans, quasi-loans and other dealings in favor of directors of the Company, their controlled bodies corporate and connected entities subsisted at 31 December 2020 and 2019 or any time during the years ended 31 December 2020 and 2019.

(e) Directors' material interests in transactions, arrangements or contracts of significance

Except as disclosed in note 36, no significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at 31 December 2020 and 2019 or at any time during the years ended 31 December 2020 and 2019.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 1 (2019: nil) director of the Company whose emoluments is included in the disclosures in note 13 above. The emoluments of remaining 4 (2019: 5) highest paid individuals were as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowance and other benefits	**5,217**	4,895
Retirement benefit scheme contributions	**81**	123
Share-based compensation expenses	**2,073**	8,164
	7,371	13,182

Their emoluments were within the following bands:

	2020 **Number of individuals**	2019 Number of individuals
HK$1,000,001 (equivalent to approximately RMB889,000 (2019: RMB882,000)) to HK$1,500,000 (equivalent to approximately RMB1,334,000 (2019: RMB1,322,000))	**2**	—
HK$2,000,001 (equivalent to approximately RMB1,779,000 (2019: RMB1,763,000)) to HK$2,500,000 (equivalent to approximately RMB2,223,000 (2019: RMB2,204,000))	**1**	—
HK$2,500,001 (equivalent to approximately RMB2,223,000 (2019: RMB2,204,000)) to HK$3,000,000 (equivalent to approximately RMB2,668,000 (2019: RMB2,645,000))	**—**	2
HK$3,000,001 (equivalent to approximately RMB2,668,000 (2019: RMB2,645,000)) to HK$3,500,000 (equivalent to approximately RMB3,113,000 (2019: RMB3,086,000))	**1**	3

No emoluments were paid by the Group to the five highest paid individuals as an inducement for joining the Group or as compensation for loss of office during the years ended 31 December 2020 and 2019.

14. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the senior management (including executive directors and chief executive of the Company) were within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil to HK$1,000,000 (equivalent to approximately RMB889,000 (2019: RMB882,000))	**2**	2
HK$1,000,001 (equivalent to approximately RMB889,000 (2019: RMB882,000)) to HK$1,500,000 (equivalent to approximately RMB1,334,000 (2019: RMB1,322,000))	**3**	3
HK$1,500,001 (equivalent to approximately RMB1,334,000 (2019: RMB1,322,000)) to HK$2,000,000 (equivalent to approximately RMB1,779,000 (2019: RMB1,763,000))	**1**	—
HK$2,500,001 (equivalent to approximately RMB2,223,000 (2019: RMB2,204,000)) to HK$3,000,000 (equivalent to approximately RMB2,668,000 (2019: RMB2,645,000))	**—**	1
HK$3,000,001 (equivalent to approximately RMB2,668,000 (2019: RMB2,645,000)) to HK$3,500,000 (equivalent to approximately RMB3,113,000 (2019: RMB3,086,000))	**1**	1

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

16. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the year attributable to owners of the Company	**123,200**	110,067

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,386,783**	1,430,088
Effect of dilutive potential ordinary shares:		
Deemed issue of shares under the Company's RSU scheme for nil consideration	**9,765**	13,839
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**1,396,548**	1,443,927

17. PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Leasehold improvements RMB'000	Furniture and office equipment RMB'000	Total RMB'000
COST				
At 1 January 2019	842	7,107	7,613	15,562
Additions	315	—	1,637	1,952
Acquired on acquisition of subsidiaries (note 39)	210	—	634	844
Disposal	—	—	(2,093)	(2,093)
Exchange adjustments	14	50	52	116
At 31 December 2019 and 1 January 2020	1,381	7,157	7,843	16,381
Addition	—	—	2,736	2,736
Exchange adjustments	(35)	(325)	(179)	(539)
At 31 December 2020	1,346	6,832	10,400	18,578
DEPRECIATION				
At 1 January 2019	493	3,080	2,492	6,065
Charge for the year	188	711	2,620	3,519
Eliminated on disposal	—	—	(1,031)	(1,031)
Exchange adjustments	9	20	34	63
At 31 December 2019 and 1 January 2020	690	3,811	4,115	8,616
Charge for the year	228	716	2,149	3,093
Exchange adjustments	(41)	(174)	(172)	(387)
At 31 December 2020	877	4,353	6,092	11,322
CARRYING VALUE				
At 31 December 2020	469	2,479	4,308	7,256
At 31 December 2019	691	3,346	3,728	7,765

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Motor vehicles	5 years
Leasehold improvements	Over the shorter of the term of the lease or 5 years
Furniture and office equipment	Over 1 to 5 years

18. LEASES

(a) Right-of-use assets

	2020 RMB'000	2019 RMB'000
Buildings	**48,793**	24,546

The Group has lease arrangements for office buildings, factories and warehouses with the lease terms of generally ranged from two to six years (2019: two to four years).

Extension options are included in the lease of buildings as at 31 December 2020 (2019: nil). Certain periods covered by extension options were included in these lease terms as the Group was reasonably certain to exercise the options.

Additions to the right-of-use assets and lease liabilities for the year ended 31 December 2020 amounted to approximately RMB42,585,000 (2019: RMB28,765,000) due to new leases of buildings. Included in the additions to the right-of-use assets of approximately RMB42,585,000 (2019: RMB2,570,000) was right-of-use assets acquired from Comtech Communication Technology (Shenzhen) Company Limited* (科通通信技術(深圳)有限公司) ("CCT Shenzhen"), in which Mr. Kang has beneficial interest in (note 36(a)(vii)).

Included in the right-of-use assets as at 31 December 2020 were approximately RMB37,106,000 (2019: RMB1,942,000) arising from leases with CCT Shenzhen.

* The English name is for identification purpose only

(b) Lease liabilities

	2020 RMB'000	2019 RMB'000
Non-current	**34,131**	13,297
Current	**15,968**	11,490
	50,099	24,787

Included in the lease liabilities as at 31 December 2020 was approximately RMB37,954,000 (2019: RMB1,974,000) arising from leases with CCT Shenzhen.

18. LEASES (Continued)

(b) Lease liabilities (Continued)

	2020 RMB'000	2019 RMB'000
Amounts payable under lease liabilities		
Within one year	**15,968**	11,490
After one year but within two years	**10,292**	9,616
After two years but within five years	**23,839**	3,681
	50,099	24,787
Less: amount due for settlement within 12 months (shown under current liabilities)	**(15,968)**	(11,490)
Amount due for settlement after 12 months	**34,131**	13,297

(c) Amounts recognised in profit or loss

	2020 RMB'000	2019 RMB'000
Depreciation expense on right-of-use assets	**18,338**	9,789
Interest expense on lease liabilities	**3,476**	953
Expense relating to short-term leases	**1,969**	7,722

(d) Others

During the year ended 31 December 2020, the total cash outflows for leases amounting to approximately RMB22,718,000 (2019: RMB18,223,000).

19. INTANGIBLE ASSETS

	Internet platform RMB'000	Customer relationships RMB'000	Domain name and trademark RMB'000	Supplier relationships RMB'000	Non-compete agreements RMB'000	Information systems RMB'000	Licence RMB'000	Total RMB'000
COST								
At 1 January 2019	2,936	48,922	2,186	283,182	55,342	101,180	—	493,748
Addition	—	—	—	—	—	516,722	—	516,722
Acquired on acquisition of subsidiaries (note 39)	—	—	—	—	—	—	204,508	204,508
Exchange adjustments	37	518	28	—	—	—	—	583
At 31 December 2019 and 1 January 2020	2,973	49,440	2,214	283,182	55,342	617,902	204,508	1,215,561
Addition	—	—	—	—	—	289,967	—	289,967
Exchange adjustments	(187)	(2,405)	(139)	—	—	—	—	(2,731)
At 31 December 2020	2,786	47,035	2,075	283,182	55,342	907,869	204,508	1,502,797
ACCUMULATED AMORTISATION								
At 1 January 2019	2,936	37,079	1,177	966	158	186	—	42,502
Charge for the year	—	1,986	201	31,465	6,149	42,648	6,065	88,514
Exchange adjustments	37	464	14	—	—	—	—	515
At 31 December 2019 and 1 January 2020	2,973	39,529	1,392	32,431	6,307	42,834	6,065	131,531
Charge for the year	—	1,986	199	31,465	6,149	145,717	40,902	226,418
Exchange adjustments	(187)	(2,397)	(99)	—	—	—	—	(2,683)
At 31 December 2020	2,786	39,118	1,492	63,896	12,456	188,551	46,967	355,266
CARRYING VALUE								
At 31 December 2020	—	7,917	583	219,286	42,886	719,318	157,541	1,147,531
At 31 December 2019	—	9,911	822	250,751	49,035	575,068	198,443	1,084,030

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

Internet platform	3 years
Customer relationships	5 to 9 years
Domain name and trademark	11 years
Supplier relationships	9 years
Non-compete agreements	9 years
Information systems	5 years
Licence	5 years

19. INTANGIBLE ASSETS (Continued)

Additions to information systems during the year ended 31 December 2020 represented the additions to the information systems used in the automotive business and robotics business of approximately RMB195,312,000 (2019: RMB516,722,000) and RMB94,655,000 (2019: nil) respectively, and included into Ingfin Technologies segment.

The customer relationships, supplier relationships, non-compete agreements, information systems and licence with carrying amounts of approximately RMB7,917,000 (2019: RMB9,911,000), RMB219,286,000 (2019: RMB250,751,000), RMB42,886,000 (2019: RMB49,035,000), RMB57,721,000 (2019: RMB80,944,000) and RMB157,541,000 (2019: RMB198,443,000) arose from business combinations in priors years, respectively. Details of the impairment assessment of such intangible assets are disclosed in note 20.

20. GOODWILL

	RMB'000
COST	
At 1 January 2019	451,492
Arising on acquisition of subsidiaries (note 39)	975
At 31 December 2019 and 1 January 2020 and 31 December 2020	452,467
IMPAIRMENT	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	—
CARRYING VALUES	
At 31 December 2020 and 2019	452,467

20. GOODWILL (Continued)

For the purpose of impairment testing, goodwill and intangible assets arising from the business combinations was allocated to five (2019: five) individual cash-generating units of the Group. The carrying amounts of goodwill and intangible assets as at 31 December 2020 and 2019 allocated to these units are as follows:

	Goodwill	
	2020 RMB'000	2019 RMB'000
Ingdan Innovations:		
— Sales of IC and other electronic components	**180,674**	180,674
Ingfin Technologies:		
— Heicolink Holdings Limited and its subsidiaries ("Heicolink Group")	**121,509**	121,509
— New United Holdings Limited and its subsidiaries ("New United Group")	**105,546**	105,546
— Risingnovas Holdings Limited and its subsidiary ("Risingnovas Group")	**43,763**	43,763
— BCT Technology (Hongkong) Co., Ltd. and Shenzhen Baochuang Technology Co., Ltd.* (深圳寶創科技有限公司) (collectively referred to as the "BCT Group")	**975**	975
	452,467	452,467

* The English name is for identification purpose only

	2020					
	Customer relationships RMB'000	**Supplier relationships RMB'000**	**Non-compete agreements RMB'000**	**Information systems RMB'000**	**Licence RMB'000**	**Total RMB'000**
Ingfin Technologies:						
— Heicolink Group	**3,927**	**82,007**	**19,867**	**20,631**	**—**	**126,432**
— New United Group	**1,554**	**115,510**	**18,129**	**23,443**	**—**	**158,636**
— Risingnovas Group	**2,436**	**21,769**	**4,890**	**13,647**	**—**	**42,742**
— BCT Group	**—**	**—**	**—**	**—**	**157,541**	**157,541**
	7,917	**219,286**	**42,886**	**57,721**	**157,541**	**485,351**

20. GOODWILL (Continued)

	2019					
	Customer relationships RMB'000	Supplier relationships RMB'000	Non-compete agreements RMB'000	Information systems RMB'000	Licence RMB'000	Total RMB'000
Ingfin Technologies:						
— Heicolink Group	4,919	93,774	22,716	27,699	—	149,108
— New United Group	1,944	132,085	20,728	34,070	—	188,827
— Risingnovas Group	3,048	24,892	5,591	19,175	—	52,706
— BCT Group	—	—	—	—	198,443	198,443
	9,911	250,751	49,035	80,944	198,443	589,084

Cash-generating unit — Sales of IC and other electronic components

The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period with revenue growth rate of 3% (2019: 3%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2019: 3%) for this cash-generating unit. The revenue growth rate, with gross margin and net margin, adopted in the cash flow projections are based on the past performance of the cash-generating unit and the industry growth forecasts. The growth rates used do not exceed the long-term average growth rates for the business in which the cash-generating unit operates.

The cash flows are discounted using pre-tax discount rate of 18.3% (2019: 18%).

The recoverable amount of the cash-generating unit based on the value-in-use calculation, which is prepared by the management of the Group and Trinity, is higher than its carrying amount as at 31 December 2020. Accordingly, no impairment loss for goodwill has been recognised in the consolidated statement of profit or loss and other comprehensive income (2019: nil). Management of the Group believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of this cash-generating unit to exceed the recoverable amount of this cash-generating unit.

20. GOODWILL (Continued)

Cash-generating unit — the Heicolink Group

The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period with revenue growth rate of 3% (2019: 3%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2019: 3%) for this cash-generating unit. The revenue growth rate, with gross margin and net margin, adopted in the cash flow projections are based on the past performance of the cash-generating unit and the industry growth forecasts. The growth rates used do not exceed the long-term average growth rates for the business in which the cash-generating unit operates.

The cash flows are discounted using pre-tax discount rate of 16.1% (2019: 17.7%).

The recoverable amount of the cash-generating unit based on the value-in-use calculation, which is prepared by the management of the Group and Trinity, is higher than its carrying amount as at 31 December 2020. Accordingly, no impairment loss for goodwill and intangible assets has been recognised in the consolidated statement of profit or loss and other comprehensive income (2019: nil). Management of the Group believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of this cash-generating unit to exceed the recoverable amount of this cash-generating unit.

Cash-generating unit — the New United Group

The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period with revenue growth rate of 3% (2019: 3%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2019: 3%) for this cash-generating unit. The revenue growth rate, with gross margin and net margin, adopted in the cash flow projections are based on the past performance of the cash-generating unit and the industry growth forecasts. The growth rates used do not exceed the long-term average growth rates for the business in which the cash-generating unit operates.

The cash flows are discounted using pre-tax discount rate of 17.2% (2019: 16.9%).

The recoverable amount of the cash-generating unit based on the value-in-use calculation, which is prepared by the management of the Group and the independent valuer, Trinity, is higher than its carrying amount as at 31 December 2020 and 2019. Accordingly, no impairment loss for goodwill and intangible assets has been recognised in the consolidated statement of profit or loss and other comprehensive income (2019: nil). Management of the Group believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of this cash-generating unit to exceed the recoverable amount of this cash-generating unit.

20. GOODWILL (Continued)

Cash-generating unit — the Risingovas Group

The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period with revenue growth rate of 3% (2019: 3%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2019: 3%) for this cash-generating unit. The revenue growth rate, with gross margin and net margin, adopted in the cash flow projections are based on the past performance of the cash-generating unit and the industry growth forecasts. The growth rates used do not exceed the long-term average growth rates for the business in which the cash-generating unit operates.

The cash flows are discounted using pre-tax discount rate of 17.4% (2019: 17.1%).

The recoverable amount of the cash-generating unit based on the value-in-use calculation, which is prepared by the management of the Group and Trinity, is higher than its carrying amount as at 31 December 2020 and 2019. Accordingly, no impairment loss for goodwill and intangible assets has been recognised in the consolidated statement of profit or loss and other comprehensive income (2019: nil). Management of the Group believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of this cash-generating unit to exceed the recoverable amount of this cash-generating unit.

Cash-generating unit — the BCT Group

The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period with revenue growth rate of 3% (2019: 3%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2019: 3%) for this cash-generating unit. The revenue growth rate, with gross margin and net margin, adopted in the cash flow projections are based on the past performance of the cash-generating unit and the industry growth forecasts. The growth rates used do not exceed the long-term average growth rates for the business in which the cash-generating unit operates.

The cash flows are discounted using pre-tax discount rate of 16% (2019: 14.7%).

The recoverable amount of the cash-generating unit based on the value-in-use calculation, which is prepared by the management of the Group and Trinity, is higher than its carrying amount as at 31 December 2020 and 2019. Accordingly, no impairment loss for goodwill and intangible assets has been recognised in the consolidated statement of profit or loss and other comprehensive income (2019: nil). Management of the Group believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of this cash-generating unit to exceed the recoverable amount of this cash-generating unit.

21. FINANCIAL ASSETS AT FVTOCI

	2020 RMB'000	2019 RMB'000
Equity investments designated as at FVTOCI:		
— Unlisted equity securities	**342,326**	349,195
— Unlisted equity fund	**10,002**	11,337
	352,328	360,532
Analysed for reporting purposes as:		
— Non-current assets	**352,328**	360,532

The fair value of these investments is disclosed in note 6.

The above equity investments represent investments in (i) unlisted equity securities issued by private entities incorporated/established in Hong Kong, the PRC and the BVI; and (ii) equity fund.

For the year ended 31 December 2020, the Group, through capital contributions, acquired (i) 40% equity interest in Mobile Safetech Limited ("Mobile Safetech") at a cash consideration of approximately RMB75,971,000; and (ii) 40% equity interest in Triumph Storage Technology Limited ("Triumph Storage") at a cash consideration of approximately RMB77,920,000. Both Mobile Safetech and Triumph Storage are private companies incorporated in the BVI. 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.

During the year ended 31 December 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 the Aliothtech Group at a cash consideration of HK$193,000,000, equivalent to approximately RMB169,270,000. Both Locoway and Aliothtech are private companies incorporated in the BVI. The Locoway Group 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 Group 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 the above-mentioned investees. In the opinion of the directors of the Company, these investment in equity securities 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.

22. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of investments in associates — unlisted	**153,571**	153,571
Share of post-acquisition results, net of dividends received	**23,413**	32,079
	176,984	185,650

At 31 December 2020 and 2019, the Group had interests in the following associates:

Name of entity	Form of entity	Principal place of operation and incorporation/ establishment	Class of shares held	Proportion of ownership interest or participating shares indirectly held by the Company		Proportion of voting power held by the Group		Principal activities
				2020	2019	**2020**	2019	
Zim HK (note (i))	Incorporated	Hong Kong	Ordinary shares	**15%**	15%	**15%**	15%	Trading of IC and other electronic components
EZ Robot	Incorporated	BVI	Ordinary shares	**49%**	49%	**49%**	49%	Investment holding
Comtech Industrial (Hong Kong) Limited ("CIHK")	Incorporated	Hong Kong	Ordinary shares	**49%**	49%	**49%**	49%	Trading of AIoT products related to Robotics business
Shanghai Comtech	Established	The PRC	Contributed capital	**49%**	49%	**49%**	49%	Trading of AIoT products related to Robotics business
Shanghai E&T Auto	Established	The PRC	Contributed capital	**49%**	49%	**49%**	49%	Trading of AIoT products related to Robotics business
EZ Robot (Shenzhen) Co., Ltd.* (易造機器人(深圳) 有限公司) ("EZ Robot (Shenzhen)")	Established	The PRC	Contributed capital	**49%**	49%	**49%**	49%	Research, development and trading of AIoT products related to Robotics business
IngDan Japan Corporation ("IngDan Japan") (note (ii))	Incorporated	Japan	Ordinary shares	**30%**	40%	**30%**	40%	Trading of IC and AIoT products related to Automotive business (2019: dormant)

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Notes:

(i) The Group is able to exercise significant influence over Zim HK because it has the power to appoint one out of the three directors under the provisions stated in the Articles of Association of Zim HK.

(ii) On 29 May 2020, IngDan Japan allotted certain shares to an independent third party not connected with the Group at a cash consideration of approximately Japanese Yen 33,044,000. Upon the completion of such subscription, the equity interest of IngDan Japan held by the Group has been diluted from 40% to 30%. IngDan Japan remained as an associate of the Group as the Group remained its significant influence over IngDan Japan after such subscription.

The directors of the Company considered that the financial impact on the deemed disposal of equity interest in Ingdan Japan arising from the above-mentioned dilution is insignificant to the consolidated financial statements.

22. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the associates, namely ZIM HK and EZ Robot and its subsidiaries (together with CIHK, Shanghai Comtech, Shanghai E&T Auto and EZ Robot Shenzhen, collectively referred to as the "EZ Robot Group"), which are material to the Group and are accounted for using equity method is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

Zim HK

	2020 RMB'000	2019 RMB'000
Current assets	**443,393**	541,477
Non-current assets	**162**	87
Current liabilities	**(333,158)**	(437,417)
Revenue	**1,423,659**	1,658,843
Profit and total comprehensive income for the year	**12,077**	14,667
Dividends received from Zim HK during the year	**(874)**	(497)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

	2020 RMB'000	2019 RMB'000
Net assets of Zim HK	**110,397**	104,147
Proportion of the Group's ownership interest in Zim HK	**15%**	15%
Group's share of net assets of the associate	**16,560**	15,622
Goodwill	**6,297**	6,297
Carrying amount of the Group's interest in Zim HK	**22,857**	21,919

22. INTERESTS IN ASSOCIATES (Continued)

The EZ Robot Group

	2020 RMB'000	2019 RMB'000
Current assets	**693,368**	518,840
Non-current assets	**148,038**	178,951
Current liabilities	**(698,431)**	(535,308)
Revenue	**1,966,738**	1,404,359
(Loss) profit and total comprehensive (expense) income for the year	**(19,508)**	60,012
Dividends received from the EZ Robot Group during the year	**—**	(10,132)

The reconciliation of the summarised financial information presented above to the carrying amount of the interests in associates is set out below:

	2020 RMB'000	2019 RMB'000
Net assets of the EZ Robot Group	**142,975**	162,483
Proportion of the Group's ownership interest in the EZ Robot Group	**49%**	49%
Group's share of net assets of associates	**70,058**	79,617
Goodwill	**82,578**	82,578
Carrying amount of the Group's interest in the EZ Robot Group	**152,636**	162,195

Subsequent to the end of the reporting period on 10 February 2021, the Group entered into an acquisition agreement with the another shareholder of EZ Robot to acquire 51% equity interest in EZ Robot at a cash consideration of HK$180,000,000, equivalent to approximately RMB151,488,000. The transaction was completed on 21 February 2021. Upon the completion of such acquisition, EZ Robot became the wholly owned subsidiary of the Group and the Group obtained control over the EZ Robot Group. Details are set out in note 47 and the Company's announcement dated 10 February 2021.

22. INTERESTS IN ASSOCIATES (Continued)

The EZ Robot Group (Continued)

The financial information and carrying amount of the Group's interest in IngDan Japan, which is considered as not individually material and accounted for using the equity method, are set out below:

	2020 RMB'000	2019 RMB'000
Group's share of loss and total comprehensive expense for the year	**(45)**	(453)
Carrying amount of the Group's interest in an immaterial associate	**1,491**	1,536

23. INTEREST IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Cost of investment in a joint venture — unlisted	**1,000**	1,000
Share of post-acquisition losses	**(1,000)**	(1,000)
	—	—

23. INTEREST IN A JOINT VENTURE (Continued)

At 31 December 2020 and 2019, the Group had interest in the following joint venture:

Name of entity	Form of entity	Principal place of operation and establishment	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held by the Group		Principal activities
				2020	2019	**2020**	2019	
ZZJ Intelligent Technology (Shanghai) Limited * 蜘蛛家智能科技(上海)有限公司 ("ZZJ Shanghai")	Established	The PRC	Contributed capital	**50%**	50%	**50%**	50%	Provision of Information Technology integration services

In March 2019, the Group, through capital contribution, acquired of 50% equity interest in Ingdan Lindeman Korea Co., Ltd. ("Ingdan Korea") at a cash consideration of Korean Won ("KRW") 50,000,000, equivalent to approximately RMB292,000. The above-mentioned investment has been classified as a joint venture of the Company at the date of the acquisition.

In December 2019, the Group disposed of entire 50% equity interest in Ingdan Korea at a cash consideration of KRW46,140,000, equivalent to approximately RMB269,000. As a result, loss on disposal of a joint venture of approximately RMB23,000 has been recognised during the year ended 31 December 2019 and the cash consideration has been received during the year ended 31 December 2020.

The Group has stopped recognising its share of loss of ZZJ Shanghai when applying the equity method. The unrecognised share of ZZJ Shanghai, both for the year and cumulatively, are set out below:

	2020 RMB'000	2019 RMB'000
Unrecognised share of loss of ZZJ Shanghai for the year	**(3)**	(6)
Accumulated unrecognised share of loss of ZZJ Shanghai	**(35)**	(32)

* The English name is for identification purpose only

24. INVENTORIES

	2020 RMB'000	2019 RMB'000
Merchandises	**513,294**	319,974

As at 31 December 2020, the carrying amounts of the Group's inventories were net of allowance for inventories of approximately RMB16,234,000 (2019: RMB45,242,000).

During the year ended 31 December 2019, allowance for inventories of approximately RMB18,500,000 (2020: nil) has been recognised and included in cost of sales.

During the year ended 31 December 2020, reversal of allowance for inventories of approximately RMB29,008,000 (2019: nil) has been recognised and included in cost of sales as a result of the subsequent sales.

25. TRADE, BILLS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Receivables at amortised cost comprise:		
— Trade receivables	**1,488,826**	1,311,719
— Bills receivables	**10,778**	10,935
Trade and bills receivables	**1,499,604**	1,322,654
Less: loss allowance on trade receivables	**(95,284)**	(77,911)
	1,404,320	1,244,743
Loan interest receivables (note (a))	**51,372**	45,190
Trade deposits and prepayments (note (b))	**117,885**	263,300
Other receivables (note (c))	**11,615**	14,255
	1,585,192	1,567,488

As at 31 December 2020, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB1,499,604,000 (2019: RMB1,322,654,000).

25. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

The Group allows credit period ranging from 30 to 120 days (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 the dates of delivery of goods or rendering services, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2020 RMB'000	2019 RMB'000
Within 1 month	**455,110**	502,709
1 to 2 months	**334,613**	261,250
2 to 3 months	**314,113**	233,717
Over 3 months	**300,484**	247,067
	1,404,320	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 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.

There has been no change in the estimation techniques or significant assumptions made during the years ended 31 December 2020 and 2019.

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2020			
Individual basis for customers with significant balances			
Credit impaired receivables — Default	**100%**	**10,183**	**10,183**
Not credit-impaired receivables — Doubtful	**75%**	**34,609**	**25,957**
Collectively using a provision matrix			
Other trade receivables aged:			
— Not yet due	**0%**	**1,026,445**	**—**
— Past due 1–60 days	**12.2%**	**402,462**	**49,100**
— Past due over 60 days	**66.4%**	**15,127**	**10,044**
		1,488,826	**95,284**

25. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2019			
Individual basis for customers with significant balances			
Credit impaired receivables — Default	100%	8,726	8,726
Not credit-impaired receivables — Doubtful	75%	30,915	23,186
Collectively using a provision matrix			
Other trade receivables aged:			
— Not yet due	0%	926,303	—
— Past due 1–60 days	12.2%	338,738	41,326
— Past due over 60 days	66.4%	7,037	4,673
		1,311,719	77,911

The movement in the loss allowance on trade receivables is set out below:

	Lifetime ECL — not credit impaired RMB'000	**Lifetime ECL — credit impaired** RMB'000	**Total** RMB'000
At 1 January 2019	60,388	86,771	147,159
Increase during the year	8,797	8,726	17,523
Amounts write-off as uncollectible	—	(86,771)	(86,771)
At 31 December 2019 and 1 January 2020	69,185	8,726	77,911
(Decrease) increase during the year	15,916	1,457	17,373
At 31 December 2020	85,101	10,183	95,284

The following significant changes in the gross carrying amount of trade receivables contributed to the increase in the loss allowance during the year ended 31 December 2020:

(i) Increase in trade receivables past due 1–60 days and past due over 60 days resulted mainly in an increase in loss allowance of approximately RMB15,916,000 (2019: RMB8,797,000); and

(ii) increase in credit impaired receivables under default of approximately RMB1,457,000 (2019: RMB8,726,000).

25. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

The Group writes off trade receivables of approximately RMB86,771,000 for the year ended 31 December 2019 since there was information indicating that the debtors were in severe financial difficulties and there was no realistic prospect of recovery, e.g. when the debtors have been placed under liquidation or have entered into bankruptcy proceedings.

Notes:

(a) The breakdown of the loan interest receivables at the end of the reporting period is presented as follows:

	2020 RMB'000	2019 RMB'000
Associates of the Group	**8,106**	5,771
Investees of the Group, classified as financial assets at FVTOCI	**33,855**	11,930
Others	**9,411**	27,489
	51,372	45,190

Details of the measurement of the loss allowance on loan interest receivables under the ECL was set out in note 26.

(b) As at 31 December 2020, included in the trade deposits and prepayments are approximately RMB57,134,000 (2019: RMB162,727,000) of prepayments made in advance to an independent supplier of the Group.

(c) The Group measures the loss allowance on other receivables at an amount equal to 12-month ECL. As at 31 December 2020 and 2019, the management of the Group estimates the ECL on other receivables was insignificant.

The movement in the loss allowance on other receivables is set out below:

	Lifetime ECL — credit impaired RMB'000
At 1 January 2019	6,166
Amount write-off as uncollectible	(6,166)
At 31 December 2019, 1 January 2020 and 31 December 2020	—

The Group writes off other receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

26. LOANS RECEIVABLES

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**818,943**	542,182
Addition	**118,531**	817,855
Repayment from borrowers	**(585,162)**	(551,595)
Exchange adjustments	**(26,219)**	10,501
At the end of the year, secured	**326,093**	818,943
Analysed for reporting purpose:		
— Current portion	**22,584**	663,096
— Non-current portion	**303,509**	155,847
	326,093	818,943

The loans receivables are secured, throughout the contractual loan period, by the borrowers' cash deposits, inventories, trade receivables or certain equity interests of investees of the Group and a non-wholly owned subsidiary of the Company as at 31 December 2020 and 2019.

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

	2020 RMB'000	2019 RMB'000
Associates of the Group	**48,946**	109,044
Investees of the Group, classified as financial assets at FVTOCI	**212,004**	309,436
Others	**65,143**	400,463
	326,093	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 year ended 31 December 2020, in determining the 12-month ECL for the loans receivables and loan interest receivables, the management of the Group 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.

26. LOANS RECEIVABLES (Continued)

There has been no change in the estimation techniques or significant assumptions made during the both years in assessing the loss allowance on loans receivables and loan interest receivables.

As at 31 December 2020 and 2019, the management of the Group estimates the loss allowance under the ECL on loans receivables and loan interest receivables was insignificant to the consolidated financial statements.

The following is a maturity profile of loans receivables, presented based on their contractual or renewed maturity dates:

	2020 RMB'000	2019 RMB'000
3 to 6 months	**13,050**	396,830
6 months to 1 year	**9,534**	266,266
Over 1 year	**303,509**	155,847
	326,093	818,943

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

	2020 RMB'000	2019 RMB'000
Within 3 months	**–**	155,847
3 to 6 months	**39,412**	77,289
6 months to 1 year	**37,990**	324,485
Over 1 year	**248,691**	261,322
	326,093	818,943

During the year ended 31 December 2020, loans receivables with carrying amount of approximately RMB326,093,000 (2019: RMB247,399,000) has been renewed on or before due date for another two to three years.

Loans receivables carried effective interest at fixed rates ranging from 6% to 7% per annum (2019: 6% to 8% per annum).

27. AMOUNTS DUE FROM ASSOCIATES

The amounts are repayable on demand, non-interest bearing and secured by the trade receivables and inventories of the associates.

During the years ended 31 December 2020 and 2019, in determining the 12-month ECL for the amounts due from associates, the management of the Group 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, 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 in assessing the loss allowance on amounts due from associates.

As at 31 December 2020 and 2019, the management of the Group estimates the ECL on amounts due from associates was insignificant.

28. FINANCIAL ASSET AT FVTPL

	2020 RMB'000	2019 RMB'000
Structured deposit managed by the bank in the PRC	**25,000**	—

The structured deposit managed by the bank in the PRC with underlying financial instruments mainly consist of the bank deposits and funds of the PRC, and carried at fair value at the end of the reporting period.

During the year ended 31 December 2020, the Group acquired of the structured deposit at a cash consideration of approximately RMB40,000,000 and disposed of certain portion of structured deposit with carrying amount of approximately RMB15,000,000, resulting an disposal gain of approximately RMB11,000. The remaining portion of approximately RMB25,000,000 will be matured on 17 September 2021 and classified under current assets.

The structured deposit carried floating interest rate with effective rate of 2.84% (2019: nil) per annum as at 31 December 2020.

29. RESTRICTED BANK DEPOSIT, PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

Restricted bank deposit

The balance as at 31 December 2020 represented the frozen bank deposit according to the civil ruling on 6 August 2020 issued by the People's Court of Fengtai District, Beijing (the "Court"), in relation to a litigation as disclosed in note 41.

Such balance remained frozen as at 31 December 2020 and up to the report date and carried prevailing market interest rate as at 31 December 2020.

Pledged bank deposits

Pledged bank deposits represented deposits pledged to the bank to secure banking loans granted to the Group. As at 31 December 2020 and 2019, all bank deposits have been pledged by the Group to secure bank loans and bills payable classified under current liabilities (note 32) and were therefore classified as current assets.

The pledged bank deposits carried fixed interest rates ranged from 0.23% to 0.42% (2019: 2.1%) per annum as at 31 December 2020.

Cash and cash equivalents

Bank balances included in cash and cash equivalents carried prevailing market interest rate as at 31 December 2020 and 2019.

30. TRADE AND OTHER PAYABLES

	2020 **RMB'000**	2019 RMB'000
Trade payables	**560,711**	794,576
Accrued staff costs	**41,428**	16,119
Other payables	**51,548**	43,621
	653,687	854,316

30. TRADE AND OTHER PAYABLES (Continued)

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

	2020 RMB'000	2019 RMB'000
Within 1 month	**453,699**	395,550
1 to 3 months	**55,630**	240,305
Over 3 months	**51,382**	158,721
	560,711	794,576

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

31. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Sales of IC and other electronic components	**2,531**	3,978
Service revenue from software licensing	**20,158**	—
	22,689	3,978
Current	**11,276**	3,978
Non-current	**11,413**	—
	22,689	3,978

Contract liabilities represents advances received for the sales of IC and other electronic components and service revenue from software licensing. The performance obligation of the sales of IC and other electronic components and service revenue from software licensing would be satisfied upon the time of the delivery of IC and other electronic components and completion of service respectively.

The significant changes in contract liabilities as at 31 December 2020 were mainly due to expansion of new business market through software licensing during the year ended 31 December 2020.

31. CONTRACT LIABILITIES (Continued)

Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities as at 1 January 2020 is approximately RMB3,978,000 (2019: RMB2,292,000). There was no revenue recognised during the year ended 31 December 2020 that related to performance obligations that were satisfied prior to 1 January 2020.

32. BANK LOANS

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

	2020 RMB'000	2019 RMB'000
Within one year and shown under current liabilities	**138,930**	180,676

(a) As at 31 December 2019, including in bank loans was a bank loan with carrying amount of approximately RMB10,000,000 (2020: nil) carrying at fixed interest rate of 4.57%. Such bank loan has been fully repaid during the year ended 31 December 2020.

(b) As at 31 December 2020, the carrying amount of the bank loans of approximately RMB138,930,000 (2019: RMB170,676,000) carried interest rate of LIBOR plus 1.4% (2019: LIBOR plus 1.4%) with an effective interest at floating rate of 1.92% per annum (2019: 2.93% per annum).

(c) As at 31 December 2020, all banking facilities were secured by the Group's pledged bank deposits of approximately RMB142,531,000 (2019: RMB159,858,000).

(d) The amount of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2020 RMB'000	2019 RMB'000
Facility amount		
— expiring within one year	**142,531**	180,676
Utilisations		
— expiring within one year	**138,930**	180,676
Unused banking facilities	**3,601**	—

33. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Amortisation of intangible assets RMB'000
At 1 January 2019	58,457
Credited to profit or loss (note 11)	(7,833)
Exchange adjustments	985
At 31 December 2019 and 1 January 2020	51,609
Credited to profit or loss (note 11)	(6,567)
At 31 December 2020	45,042

As at 31 December 2020, no deferred tax asset has been recognised in respect of estimated unused tax losses of approximately RMB278,389,000 (2019: RMB197,456,000) due to the unpredictability of future profit streams. Included in the estimated unused tax losses was a balance of approximately RMB59,471,000 (2019: RMB250,000) that will be expired within next five years. Other estimated unused tax losses may be carried forward indefinitely.

As at 31 December 2020, the aggregate amount of taxable temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised from 1 January 2008 onwards were approximately RMB1,727,983,000 (2019: RMB1,559,237,000). Deferred tax liabilities of approximately RMB86,399,000 (2019: RMB77,962,000) have not been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not be reversed in the foreseeable future.

34. OTHER FINANCIAL LIABILITIES

(a) Redemption right

Pursuant to the Second Capital Contributions from Investors as set out in note 40(b)(ii), a redemption right is granted by Company to each Investors.

Each Investors shall have the right to request the Company to repurchase all of their equity interests in Comtech Industrial (SZ) at the redemption price, if any of the triggering event occurs during the redemption period which commenced from the date of the completion of each capital contribution to or before 31 December 2024 (the "Redemption Period").

34. OTHER FINANCIAL LIABILITIES (Continued)

(a) Redemption right (Continued)

The key triggering events included:

(i) Comtech Industrial (SZ) fails to conduct an initial public offering and the listing of its securities on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or any other recognised stock exchange agreed by the Investors before 31 December 2023, unless such failure was a result of non-cooperation by the Investors or any force majeure events as set out in the capital contributions agreements;

(ii) Comtech Industrial (SZ) is subject of materially unfavorable litigation results which significantly impact its ability to conduct an initial public offering of its securities;

(iii) the net profit of Comtech Industrial (SZ) or revenue from its main business segment for the year has been decreased by 50% or more compared to last year where the Investors hold equity interests in Comtech Industrial (SZ) during the Redemption Period; and

(iv) the exercise of the redemption right similar in effect by any other shareholder of Comtech Industrial (SZ).

The redemption price was calculated as the principal amount plus accrued interest, being 8% per annum from the date of the completion of each capital contribution to the date of receipt of the redemption price from each Investors, less any cash income received by each Investors as the shareholders of Comtech Industrial (SZ).

The redemption right constituted a contract that contains an obligation for the Group to repurchase the equity instruments of the subsidiaries of the Company gives rise to a redemption financial liability recognised at the present value of the redemption price, being RMB341,900,000, and subsequently measured at amortised cost.

Details of the Second Capital Contributions are set out in the Company's announcements dated on 10 September 2020, 25 September 2020 and 16 October 2020.

(b) Profit Guarantee

Pursuant to the Second Capital Contributions, Comtech Industrial (SZ) undertakes to the Investors that the net profit (after deducting non-recurring gains and losses) (the "Net Profit") of Comtech Industrial (SZ) Group for the year ended 31 December 2020 shall be no less than RMB160,000,000. Should the Net Profit be less than RMB160,000,000, the Investors have the right to request compensation from the Company.

Detailed of the Profit Guarantee and the compensation are set out in the Company's announcements dated on 10 September 2020, 25 September 2020 and 16 October 2020.

As at 31 December 2020, the directors of the Company considered that no compensation arising from the Profit Guarantee was recognised as the Net Profit exceeded RMB160,000,000 for the year ended 31 December 2020.

35. SHARE CAPITAL

	Number of shares	Amount in original currency US$	Shown in the consolidated financial statements RMB'000
Ordinary shares of US$0.0000001 each			
Authorised:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	500,000,000,000	50,000	N/A
Issued and fully paid:			
At 1 January 2019	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	1,427,332,732	143	1
Cancellation of repurchased shares (note (iv))	(11,148,000)	(1)	—
At 31 December 2020	1,416,184,732	142	1

Notes:

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

There was no issue of new shares of the Company for the RSU Scheme during the year ended 31 December 2020.

(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$0.0000001 each	Price per share Lowest HK$	Price per share Highest HK$	Aggregate amount paid HK$'000
March 2019	451,000	2.86	2.91	1,300
April 2019	20,984,000	2.75	3.09	62,670
May 2019	5,778,000	2.30	2.72	14,413
June 2019	977,000	2.04	2.11	2,027
July 2019	24,229,000	2.14	2.24	53,089
September 2019	11,158,000	1.37	1.48	15,900
	63,577,000			149,399

35. SHARE CAPITAL (Continued)

Notes: (Continued)

(ii) (Continued)

All of the above shares, together with 231,000 shares which were repurchased during the year ended 31 December 2018, were cancelled during the year ended 31 December 2019. The issued share capital of the Company was reduced by the nominal value of US$6.38. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$6.38 (equivalent to RMB43.9) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of HK$149,399,000, equivalent to approximately RMB131,723,000, was charged to share premium.

(iii) No share was repurchased for the RSU Scheme during the years ended 31 December 2020 and 2019.

(iv) During the year ended 31 December 2020, the Company repurchased its own shares through the Stock Exchange as follows:

Month	Number of ordinary shares of US$0.0000001 each	Price per share Lowest	Price per share Highest	Aggregate amount paid
		HK$	HK$	HK$'000
April 2020	7,234,000	0.78	0.94	6,228
May 2020	2,682,000	0.79	0.84	2,183
October 2020	1,232,000	1.49	1.54	1,867
	11,148,000			10,278

All of the above shares were cancelled during the year ended 31 December 2020. The issued share capital of the Company was reduced by the nominal value of US$1.11. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$1.11 (equivalent to RMB7.69) was transferred from the share capital to the share premium. The premium paid on the repurchase of the shares of HK$10,278,000, equivalent to approximately RMB9,140,000, was charged to share premium.

(v) For the year ended 31 December 2020, 4,496,680 units of RSUs (2019: 6,176,674 units) were vested to the beneficiaries, and approximately RMB11,460,000 (2019: RMB26,118,000) were credited to the shares held for RSU scheme.

The remaining shares are held on trust by the RSU Scheme trustee until their release to the beneficiaries upon the vesting of the RSUs (see note 38).

36. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year as follows:

Related party	Nature of transaction	**2020 RMB'000**	2019 RMB'000
Zim HK	Interest income received (note (i))	**–**	7,501
CIHK	Interest income received (note (ii))	**1,813**	2,427
	Sales of IC and other electronic components (note (iv))	**188,033**	137,498
	Marketplace income (note (iv))	**423**	14,440
	Purchase of IC and other electronic components (note (iv))	**182,903**	259,917
Shanghai Comtech	Sales of IC and other electronic components (note (iv))	**8,976**	22,250
Shanghai E&T Auto	Interest income received (note (iii))	**1,624**	1,909
	Sales of IC and other electronic components (note (iv))	**–**	9
Comtech Small Loan Company Limited* 深圳市科通小額貸款有限責任公司 ("Comtech Small Loan")	Agency services, administrative and consultancy services fee income received (note (v))	**–**	7,745
EZ Robot Shenzhen	Payment for acquisition of intangible assets (note (vi))	**101,732**	–
CCT Shenzhen	Additions to right-of-use assets (note (vii))	**42,585**	2,570
	Repayment of lease liabilities (note (vii))	**6,605**	596
	Interest on lease liabilities (note (vii))	**2,155**	95
	Property management fee paid (note (viii))	**873**	–
	Rental expenses paid (note (ix))	**952**	3,621

* The English name is for identification purpose only

36. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

(i) Interest income received from Zim HK

During the year ended 31 December 2019, the Group has provided loans with aggregate principal amount of approximately RMB41,283,000 to Zim HK, at a fixed interest rate of 9% per annum for the purpose of supply chain financing. The whole outstanding amount of loans receivables has been repaid by Zim HK during the year ended 31 December 2019.

There was no outstanding loan during as at 31 December 2020 and 2019.

(ii) Interest income received from CIHK

During the year ended 31 December 2020, the Group has provided loans with aggregate principal amount of approximately RMB78,371,000 (2019: RMB190,886,000) to CIHK, at a fixed interest rate of 6% (2019: 6%) per annum for the purpose of supply chain financing.

As at 31 December 2020, the loans receivables from CIHK was approximately RMB39,412,000 (2019: RMB77,289,000).

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

No loan has been provided to Shanghai E&T Auto during the years ended 31 December 2020 and 2019.

As at 31 December 2020, the loans receivables from Shanghai E&T Auto was approximately RMB9,534,000 (2019: RMB31,755,000), which carried a fixed interest rate of 6% (2019: 6%) per annum for the purpose of supply chain financing.

(iv) Sales and purchase of IC and other electronic components and marketplace income with CIHK, Shanghai Comtech and Shanghai E&T Auto

The sales and purchase of IC and other electronic components and marketplace income 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 a limited liability company established on 23 July 2002 in the PRC and owned by Mr. Kang. Comtech Small Loan is a limited liability company established on 22 November 2015 and holds a small loan license in the PRC 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.

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.

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. During the year ended 31 December 2019, borrowings with principal amount of approximately RMB9,456,000 (2020: nil) were extended to customers referred by the Group to Comtech Small Loan and service fee earned by the Group for the year ended 31 December 2019 amounted to approximately RMB7,565,000 (2020: nil) under the New Agency Agreement.

36. 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 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 year ended 31 December 2019 amounted to approximately RMB180,000 (2020: nil) under the New Service Agreement.

The related party transactions in respect of the New Agency Agreement and New Service Agreement above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are included in Report of the Directors of the Annual Report of the Company.

(vi) Payment for acquisition of intangible assets

During the year ended 31 December 2020, the Group acquired information system of approximately RMB101,732,000 (2019: nil) from EZ Robot Shenzhen, the associate of the Group, at a mutually agreed price.

(vii) Additions to right-of-use assets/repayment of lease liabilities/interest on lease liabilities

On 23 December 2019, the Company entered into the property leasing and complementary services framework agreement (the "Framework Agreement") with Comtech (China) Holding Ltd. ("Comtech China"), a company incorporated in the BVI and was owned by Mr. Kang, which Comtech China and its subsidiaries, including CCT Shenzhen, provide property leasing and complementary management services to the Group during the lease terms under each individual lease agreements.

During the year ended 31 December 2020, the Group entered various lease agreements with CCT Shenzhen for the lease of offices and buildings with lease period ranged from 4 to 6 years (2019: 2 to 3 years) and recognised additions to right-to-use assets and corresponding lease liabilities of approximately RMB42,585,000 (2019: RMB2,570,000). As at 31 December 2020, the aggregate carrying amount of the right-of-use assets and lease liabilities arising from leases with CCT Shenzhen were approximately RMB37,106,000 (2019: RMB1,942,000) and RMB37,954,000 (2019: RMB1,974,000) respectively. The Group has made the lease payments of approximately RMB6,605,000 (2019: RMB596,000) and incurred interest on lease liabilities of approximately RMB2,155,000 (2019: RMB95,000) during the year ended 31 December 2020.

The additions to right-of-use assets as above-mentioned, together with the property management fee as mentioned in note (viii) below, constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are included in Report of the Directors of the Annual Report of the Company.

(viii) Property management fee paid

Under the Framework Agreement as disclosed in note (vii) above, CCT Shenzhen has provided complementary management services to the Group during the lease terms under each individual lease agreements.

During the year ended 31 December 2020, the Group has made property management fee payment of approximately RMB873,000 (2019: nil).

(vii) Rental expenses paid to CCT Shenzhen

During the year ended 31 December 2019, the Group has made the lease payments of approximately RMB3,621,000 (2020: nil) to CCT Shenzhen, where the leases are accounted for as a short-term lease under HKFRS 16 Leases.

36. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

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

(c) Compensation of key management personnel

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

	2020 **RMB'000**	2019 RMB'000
Short-term benefits	**8,450**	6,324
Post-employment benefits	**135**	168
Equity-settled share-based compensation expenses	**1,271**	3,382
	9,856	9,874

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.

37. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (2019: 5%) of relevant payroll costs, capped at HK$1,500 (2019: HK$1,500) per month, to the MPF Scheme, in which the contribution is matched by employees. Contributions to the plan vested immediately.

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. Contributions to the plan vested immediately.

During the year ended 31 December 2020, the total expense charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB19,614,000 (2019: RMB18,580,000) represents contributions payable to these schemes by the Group in respect of the current year.

38. SHARE-BASED PAYMENT TRANSACTIONS

RSU scheme of the Company

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. The shares repurchased by the Company on the Stock Exchange were held on trust by the RSU Scheme trustee until their release to the beneficiaries upon vesting of the RSUs.

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

		Fair value as at grant date		
	Number of RSUs	**Per share**	**Aggregate amount**	**Vesting conditions**
		RMB	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	Note (iv)
— on 1 February 2017	6,000,000	9.37	56,220	Note (v)
— on 23 November 2018	10,200,000	2.56	26,112	Note (vi)
— on 3 September 2019	14,000,000	1.24	17,360	Note (vii)
— on 16 July 2020	7,680,000	1.09	8,371	Note (viii)
Total RSUs granted	86,020,000			

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 rights to any unvested RSUs.

38. 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)

(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.

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

(v) 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.

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

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

— One-third of which will vest for the 12 months ended 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.

Employees who leave the Group before 22 November 2021 forfeit their right to any unvested RSUs.

(vii) 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.

Employees who leave the Group before 2 September 2022 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 15 July 2021 in equal quarterly installments.

— One-third of which will vest for the 12 months ended 15 July 2022 in equal quarterly installments.

— One-third of which will vest for the 12 months ended 15 July 2023 in equal quarterly installments.

Employees who leave the Group before 15 July 2023 forfeit their right to any unvested RSUs.

38. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

RSU scheme of the Company (Continued)

(b) The movement of the grant of RSUs during the year is as follows:

	Number of RSUs	
	2020	2019
Outstanding as at 1 January	**18,873,326**	12,400,000
Granted during the year	**7,680,000**	14,000,000
Vested during the year	**(4,496,680)**	(6,176,674)
Forfeited during the year	**(15,199,986)**	(1,350,000)
Outstanding as at 31 December	**6,856,660**	18,873,326

Equity-settled share-based compensation expenses of approximately RMB12,630,000 (2019: RMB25,443,000) were recognised as staff costs in profit or loss for the year ended 31 December 2020 and the remaining balance is to be recognised in the future based on the respective vesting periods.

(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, 3 September 2019 and 16 July 2020 were measured by the quoted market price of the Company's shares at the grant date, being HK$4.91, HK$10.56, HK$2.89, HK$1.41 and HK$1.23 per share, respectively.

39. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2019, the Group acquired 53% equity interests in the BCT Group through capital contribution with an aggregate amount of approximately RMB2,265,000. Such acquisition was accounted for as a business combination using the acquisition accounting. The principal activities of the BCT Group are the distribution and sales of power module and transformer for motor vehicles. The BCT Group was acquired as to continue the expansion of the Group's Ingfin Technologies business.

Acquisition-related costs amounting to approximately RMB88,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2019, within the administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised as at the date of acquisition are as follows:

	RMB'000
Plant and equipment	844
Intangible assets	204,508
Inventories	28,080
Trade and other receivables	58,302
Cash and cash equivalents	4,096
Trade and other payables	(75,020)
Amount due to a subsidiary of the Company	(211,560)
Income tax payable	(1,089)
Bank loan	(10,000)
	(1,839)

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB58,302,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB58,302,000 at the date of acquisition.

39. ACQUISITION OF SUBSIDIARIES (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	—
Plus: non-controlling interests (47% in the BCT Group)	(864)
Less: net identifiable liabilities assumed	(1,839)
Goodwill arising on acquisition	975

Goodwill arose in the acquisition of the BCT Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the BCT Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition of the BCT Group is expected to be deductible for tax purposes.

Net cash inflows on acquisition of the BCT Group:

	RMB'000
Cash and cash equivalent acquired	4,096

Included in the profit for the year ended 31 December 2019 was a loss of approximately RMB2,018,000 attributable to the additional business generated by the BCT Group. Revenue for the year ended 31 December 2019 included approximately RMB85,825,000 generated from the BCT Group.

Had the acquisitions of the BCT Group been completed on 1 January 2019, total revenue of the Group for the year ended 31 December 2019 would have been increased by approximately RMB186,936,000, and profit for the year ended 31 December 2019 would have decreased by approximately RMB2,491,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

40. CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES

During the year ended 31 December 2020, the Group has following changes in its ownership interests in subsidiaries 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 Profuse to acquire additional 30% equity interest in Hardeggs from Optimum Profuse at a cash consideration of RMB35,000,000. The acquisition was effective on 1 January 2020 and the equity interest in Hardeggs has been changed from 70% to 100% upon the completion. The principal activities of Hardeggs and its subsidiaries are sales of proprietary and semi-conductor products and incubator business.

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

A schedule of the effect 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)

40. CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES (Continued)

(b) Change of equity interest in a subsidiary without loss of control upon capital contributions from non-controlling interests

(i) During the year ended 31 December 2020, Alphalink entered into a capital contribution agreement with Optimum Profuse in which Optimum Profuse agreed to contribute for 25% equity interest in Comtech Industrial (SZ) at a cash consideration of RMB35,000,000 without loss of control. The First Capital Contribution was effective on 1 January 2020 and Comtech Industrial (SZ) remained as an indirect subsidiary with 75% equity interest owned by the Company. The principal activities of Comtech Industrial (SZ) Group are sales of IC, other electronic components and AIoT products.

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

A schedule of the effect is as follows:

	RMB'000
Carrying amount of the interest deemed disposal upon the First Capital Contribution from a non-controlling interest	(32,526)
Cash consideration received upon the First Capital Contribution from a non-controlling interest	35,000
Difference recognised in other reserves within equity	2,474

(ii) In addition to the First Capital Contribution as mentioned in note 40(b)(i), during the year ended 31 December 2020, Alphalink entered into various capital contribution agreements with the Investors for the Seond Capital Contributions, at an aggregate cash consideration of RMB341,900,000. Upon the completion of the Second Capital Contributions, the equity interest in Comtech Industrial (SZ) held by the Company has been diluted from 75% to 65.65%, while Comtech Industrial (SZ) remained as a subsidiary of the Company.

40. CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES (Continued)

(b) Change of equity interest in a subsidiary without loss of control upon capital contributions from non-controlling interests (Continued)

(ii) (Continued)

The relevant share of the carrying amount of the net assets of Comtech Industrial (SZ) Group, being approximately RMB39,696,000, was debited to other reserve.

Further details of the redemption right and the profit guarantee granted to the Investors for the Second Capital Contributions classified as other financial liabilities are set out in note 34.

41. MATERIAL LITIGATION

During the year ended 31 December 2020, Comtech Industrial (SZ) has been named as a defendant in the Court, pursuant to which Comtech Industrial (SZ) is subject to an alleged litigation related to possible unsettled purchase costs of machinery, together with the accrued interest and other expenses. A civil ruling has been issued by the Court on 6 August 2020 to freeze the bank deposit of Comtech Industrial (SZ) of RMB8,177,000.

On 13 October 2020, a first court session has been held and the decision of the case is subject to the further investigation performed by independent professionals for the validity of the company chop in the purchase agreement and goods receipt notes. As at 31 December 2020 and up to the date of the report, such investigation is still pending.

In the opinion of the directors of the Company and the independent legal adviser of the Company, no provision is considered necessary for this claim as at 31 December 2020.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 (note 18)	Accrued interest payable RMB'000 (note 30)	Bank loans RMB'000 (note 32)	Other financial liabilities RMB'000 (note 34)	Total RMB'000
At 1 January 2020	**24,787**	**—**	**180,676**	**—**	**205,463**
Financing cash flows:					
— Additions	**—**	**—**	**146,801**	**341,900**	**488,701**
— Repayment	**(17,273)**	**(8,965)**	**(182,997)**	**—**	**(209,235)**
Non-cash changes:					
— Accrued interest	**—**	**8,965**	**—**	**—**	**8,965**
— New leases arrangement (note 43(a))	**42,585**	**—**	**—**	**—**	**42,585**
— Exchange adjustment	**—**	**—**	**(5,550)**	**—**	**(5,550)**
At 31 December 2020	**50,099**	**—**	**138,930**	**341,900**	**530,929**
At 1 January 2019	5,570	—	1,125,860	—	1,131,430
Financing cash flows:					
— Addition	—	—	455,252	—	455,252
— Repayment	(9,548)	(55,885)	(1,413,250)	—	(1,478,683)
Non-cash changes:					
— Accrued interest	—	55,885	—	—	55,885
— New leases arrangement (note 43)	28,765	—	—	—	28,765
— Acquisition of subsidiaries (note 39)	—	—	10,000	—	10,000
— Exchange adjustment	—	—	2,814	—	2,814
At 31 December 2019	24,787	—	180,676	—	205,463

43. MAJOR NON-CASH TRANSACTION

(a) New lease arrangements

During the year ended 31 December 2020, the Group entered into new arrangements in respect of buildings. Right-of-use assets and lease liabilities of approximately RMB42,585,000 (2019: RMB28,765,000) were recognised at the commencement of the leases.

43. MAJOR NON-CASH TRANSACTION (Continued)

(b) Capital contribution to the investees of the Group classified as financial assets at FVTOCI

During the year ended 31 December 2020, initial capital contributions to Mobile Safetech and Triumph Storage of approximately RMB75,971,000 (2019: nil) and RMB77,920,000 (2019: nil) respectively were made in the form of the inventories with same carrying value.

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
Non-current asset			
Investments in subsidiaries		**2,143,716**	2,143,716
Current assets			
Deposits, prepayments and other receivables		**56,371**	146,558
Cash and cash equivalents		**1,027**	1,188
		57,398	147,746
Current liabilities			
Other payables		**7,022**	7,291
Amounts due to subsidiaries	(a)	**205,018**	133,111
		212,040	140,402
Net current (liabilities) assets		**(154,642)**	7,344
Net assets		**1,989,074**	2,151,060
Capital and reserves			
Share capital	35	**1**	1
Reserves	(b)	**1,989,073**	2,151,059
Total equity		**1,989,074**	2,151,060

Notes:

(a) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(b) movement in reserves

	For the year ended 31 December 2020							
	Share premium RMB'000	Capital Reserve RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Shares held for the RSU Scheme RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	2,124,547	18,923	25,229	186,196	(60,176)	54,199	(197,859)	2,151,059
Loss for the year	–	–	–	–	–	–	(43,244)	(43,244)
Other comprehensive expense:								
Exchange difference arising on translating of financial statements from functional currency to presentation currency	–	–	–	–	–	(122,232)	–	(122,232)
Total comprehensive expense for the year	–	–	–	–	–	(122,232)	(43,244)	(165,476)
Issue of shares under the RSU Scheme (note 35(v))	–	–	(11,460)	–	11,460	–	–	–
Equity-settled share-based compensation expenses (note 38(b))	–	–	12,630	–	–	–	–	12,630
Repurchase and cancellation of own shares (note 35(iv))	(9,140)	–	–	–	–	–	–	(9,140)
At 31 December 2020	2,115,407	18,923	26,399	186,196	(48,716)	(68,033)	(241,103)	1,989,073

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(b) movement in reserves (Continued)

	For the year ended 31 December 2019							
	Share premium RMB'000	Capital Reserve RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Shares held for the RSU Scheme RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	2,256,270	18,923	25,904	186,196	(86,294)	23,969	(173,268)	2,251,700
Loss for the year	–	–	–	–	–	–	(24,591)	(24,591)
Other comprehensive income:								
Exchange difference arising on translating of financial statements from functional currency to presentation currency	–	–	–	–	–	30,230	–	30,230
Total comprehensive income (expense) for the year	–	–	–	–	–	30,230	(24,591)	5,639
Issue of shares under the RSU Scheme (note 35(v))	–	–	(26,118)	–	26,118	–	–	–
Equity-settled share-based compensation expenses (note 38(b))	–	–	25,443	–	–	–	–	25,443
Repurchase and cancellation of own shares (note 35(ii))	(131,723)	–	–	–	–	–	–	(131,723)
At 31 December 2019	2,124,547	18,923	25,229	186,196	(60,176)	54,199	(197,859)	2,151,059

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The below table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of subsidiary (note (a))	Place of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company: Direct 2020	Direct 2019	Indirect 2020	Indirect 2019	Principal activities
Comtech Broadband Corporation Limited ("Comtech Broadband")	Hong Kong	Ordinary	HK$2,000,000	–	–	70%	70%	Sales of electronics components and related products
Comtech Digital Technology (Hong Kong) Limited	Hong Kong	Ordinary	HK$10,000	–	–	65.65% (note (b))	100%	Sales of electronics components and related products
Comtech Digital Technology (Shenzhen) Limited* 科通數字技術(深圳)有限公司	PRC	Contributed capital	US$300,000	–	–	65.65% (note (b))	100%	Sales of electronics components and related products
Comtech Industrial (SZ)	PRC	Contributed capital	2020: RMB5,827,680 (2019: US$500,000)	–	–	65.65% (note (b))	100%	Provision of media communication and collaboration platforms and solutions
Comtech International (Hong Kong) Limited	Hong Kong	Ordinary	HK$1,000,000	–	–	65.65% (note (b))	100%	Sales of electronics components and related products
Cogobuy Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	Investment holding
Cogobuy.com E-Commerce Services (Shenzhen) Limited* 庫購網電子商務(深圳)有限公司 ("Cogobuy E-Commerce")	PRC	Contributed capital	HK$1,200,000	–	–	100%	100%	Development of e-commerce software technology and provision of e-commerce services
Comtech Information Technology (Shenzhen) Limited* 科通工業信息(深圳)有限公司 (formerly known as FOXSAAS Information Technology (Shenzhen) Limited 赤狐信息技術(深圳)有限公司)	PRC	Contributed capital	US$300,000	–	–	65.65% (note (b))	100%	Development and sales of electronic communication products
INGDAN.com Limited (note (c))	Hong Kong	Ordinary	HK$1	–	–	100%	70%	Operate the ingdan.com platform
Ingdan Technology (Hong Kong) Limited (note (c))	Hong Kong	Ordinary	US$100,000	–	–	100%	70%	Sales of electronics components and related products
INGDAN.com (Shenzhen) Limited* 硬蛋科技(深圳)有限公司 ("Ingdan Shenzhen")	PRC	Contributed capital	US$1,500,000	–	–	100%	70%	Sales of electronics components and related products
Qianhai Cogobuy.com (Shenzhen) Limited 前海科通芯城通信技術(深圳)有限公司	PRC	Contributed capital	HK$200,000,000	–	–	100%	100%	Sales of electronics components and related products
Cogobuy Finance Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	Provision of supply chain financing services in Hong Kong

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary (note (a))	Place of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company: Direct 2020	Direct 2019	Indirect 2020	Indirect 2019	Principal activities
Risingnovas (HK) Limited	Hong Kong	Ordinary	US$5,000,000	–	–	100%	100%	Sales of electronics components and related products
Cogobuy Group, Inc.	BVI	Ordinary	US$50,000	100%	100%	–	–	Investment holding
Heicolink Technology (Hong Kong) Limited	Hong Kong	Ordinary	HK$10,000	–	–	53%	53%	Sales of electronics components and related products
Cogobuy Broadband Corporation Limited 科通芯城寬帶有限公司	Hong Kong	Ordinary	HK$100,000	–	–	65.65% (note (b))	100%	Sales of electronics components and related products
Shenzhen FOXSAAS Software Technology Limited 深圳市赤狐軟件技術有限公司	PRC	Contributed capital	RMB1,000,000	–	–	65.65% (note (b))	100%	Development of e-commerce software technology
上海博迪通信技術有限公司	PRC	Contributed capital	RMB3,000,000	–	–	100%	100%	Sales of electronics components and related products
Cogolink Technology Limited	Hong Kong	Ordinary	HK$3,500,000	–	–	51%	51%	Sales of electronics components and related products
Shenzhen Xeno Communication Technology Company Limited 深圳市協諾通信技術有限公司	PRC	Contributed capital	RMB50,000,000	–	–	100%	100%	Sales of electronics components and related products
Shenzhen Baochuang	PRC	Contributed capital	RMB6,600,000	–	–	53%	53%	Sales of electronics components and related products
Tecnomic Components Pte. Ltd.	Singapore	Ordinary	SGD500,000	–	–	100%	100%	Sales of electronics components and related products
Tung Link Co., Ltd. 同興股份有限公司	Hong Kong	Ordinary	HK$10,000	–	–	55%	55%	Sales of electronics components and related products
Cogolink Technology (Shenzhen) Limited	PRC	Contributed capital	RMB10,000,000	–	–	51%	51%	Sales of electronics components and related products
INGDAN.com (Beijing) Limited 硬蛋科技(北京)有限公司	PRC	Contributed capital	RMB2,004,800	–	–	65.65% (note (b))	100%	Sales of electronics components and related products
Shenzhen Cogobuy (note (d))	PRC	Contributed capital	RMB1,000,000	–	–	100%	100%	Sales of electronics components and related products
Heicolink Technology (Shenzhen) Limited	PRC	Contributed capital	RMB5,000,000	–	–	53%	53%	Sales of electronics components and related products
BCT HK	Hong Kong	Ordinary	HK$21,277	–	–	53%	53%	Sales of electronics components and related products
Comtech Industrial Smart (Shenzhen) Limited* 科通工業智能(深圳)有限公司 (note (e))	PRC	Contributed capital	RMB10,000,000	–	–	65.65% (note (b))	–	Sales of electronics components and related products

* The English name is for identification purpose only

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

(a) The nature of all the legal entities established in the PRC is limited liability company.

(b) As disclosed in note 40(b)(i)&(ii), the equity interest held by the Company has been changed from 100% to 65.65% as a result of the capital contributions from Optimum Profuse and the Investors during the year ended 31 December 2020.

(c) As disclosed in note 40(a), the equity interest held by the Company has been changed from 70% to 100% as a result of the acquisition of additional equity interest from Optimum Profuse.

(d) Cogobuy E-commerce, the Company's wholly-owned subsidiary, entered into a series of contractual arrangements (the "Contractual Arrangements") with Shenzhen Cogobuy, wholly-owned by the Group, and Ms. Yao Yi which enable Cogobuy E-commerce to:

— exercise effective financial and operational control over Shenzhen Cogobuy;

— exercise equity shareholders' voting rights of Shenzhen Cogobuy;

— receive substantially all of the economic interest and returns generated by Shenzhen Cogobuy in consideration for the business support, technical and consulting services provided by Cogobuy E-commerce, at Cogobuy E-commerce's discretion;

— obtain an exclusive right to purchase the entire equity interest in Shenzhen Cogobuy from Ms. Yao Yi; and

— obtain a pledge over the entire equity interest of Shenzhen Cogobuy from Ms. Yao Yi as collateral security to guarantee performance of all of the obligations of Ms. Yao Yi and Shenzhen Cogobuy under the Contractual Arrangements.

Shenzhen Cogobuy holds an internet content provider licence (the "ICP licence") issued by the Guangdong Communications Administration. Due to applicable law and regulations of the PRC, foreign investors are prohibited from holding an ICP licence. As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Shenzhen Cogobuy, has the ability to affect those returns through its power over Shenzhen Cogobuy, and is considered to have control over Shenzhen Cogobuy. Consequently, Shenzhen Cogobuy is considered to be a subsidiary of the Group and the financial statements of Shenzhen Cogobuy are included in the Group's consolidated financial statements from 1 February 2013, the effective date of the Contractual Arrangements.

However, there are uncertainties regarding the interpretation and application of existing and future PRC laws and regulations which could affect the Company's ability to exercise control over Shenzhen Cogobuy, its right to receive substantially all of the economic interest generated by Shenzhen Cogobuy, and its ability to consolidate the financial results of Shenzhen Cogobuy into the Group's consolidated financial statements. The Company believes that, based on the legal opinion obtained from the Company's PRC legal counsel, the Contractual Arrangements are legally binding and enforceable and do not violate current PRC laws and regulations.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes: (Continued)

(e) The subsidiary was established during the year ended 31 December 2020.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries engage in investment holding and inactive. The aggregation shown below based on the geographical location and nature of business. A summary of these subsidiaries are set out as follows:

Principal activities	Place of incorporation or registration/operations	Number of subsidiaries	
		2020	2019
Investment holding	Cayman Islands	**1**	1
	BVI	**15**	14
	PRC	**1**	1
Inactive	PRC	**6**	6
	Hong Kong	**8**	8
	Singapore	**2**	2
	Israel	**1**	1
	BVI	**2**	2
		36	35

None of the subsidiaries had issued any debt securities outstanding at the end of both years or at any time during both years.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Details of subsidiaries that have non-controlling interests that are material to the Group:

Name of subsidiary	Place of establishment/ incorporation	Proportion of ownership interest and voting rights held by non-controlling interest		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Comtech Industrial (SZ)	PRC	**34.35%**	0%	**53,780**	—	**126,002**	—
Comtech Broadband	Hong Kong	**30%**	30%	**(5,512)**	(389)	**455**	5,967
Ingdan Shenzhen	PRC	**0%**	30%	**—**	2,117	**—**	25,459
New United Holdings Limited	BVI	**49%**	49%	**11,154**	4,978	**81,720**	70,566
Heicolink Holdings Limited	BVI	**47%**	47%	**7,805**	4,977	**70,170**	62,365

The summarised financial information in respect of each of the Group's subsidiary or group of subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Comtech Industrial (SZ) Group

	As at 31 December 2020 RMB'000
Current assets	**677,548**
Non-current assets	**11,610**
Current liabilities	**(322,340)**
Equity attributable to owners of the Company	**240,816**
Non-controlling interests	**126,002**

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Comtech Industrial (SZ) Group (Continued)

	For the year ended 31 December 2020 RMB'000
Revenue	**5,241,204**
Expenses	**(5,048,632)**
Profit for the year	**192,572**
Profit and total comprehensive income attributable to the owners of the Company	**138,792**
Profit and total comprehensive income attributable to the non-controlling interests	**53,780**
Profit and total comprehensive income for the year	**192,572**
Net cash inflows from operating activities	**38,020**
Net cash outflows from investing activities	**(44,482)**
Net cash inflows from financing activities	**198,793**
Net cash inflows	**192,331**

Note: No comparative figures are shown above since Comtech Industrial (SZ) and its subsidiaries were wholly-owned subsidiaries of the Company for the year ended 31 December 2019.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Comtech Broadband

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**3,798**	125,619
Non-current assets	**36**	39
Current liabilities	**(2,316)**	(105,768)
Equity attributable to owners of the Company	**1,063**	13,923
Non-controlling interests	**455**	5,967

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**5,149**	29,937
Expenses	**(23,521)**	(31,233)
Loss for the year	**(18,372)**	(1,296)
Loss attributable to owners of the Company	**(12,860)**	(907)
Loss attributable to the non-controlling interests	**(5,512)**	(389)
Loss for the year	**(18,372)**	(1,296)
Other comprehensive income attributable to owners of the Company	**–**	3,554
Other comprehensive income attributable to the non-controlling interests	**–**	1,524
Other comprehensive income for the year	**–**	5,078
Total comprehensive (expense) income attributable to owners of the Company	**(12,860)**	2,647
Total comprehensive (expense) income attributable to the non-controlling interests	**(5,512)**	1,135
Total comprehensive (expense) income for the year	**(18,372)**	3,782
Net cash (outflows) inflows from operating activities	**(1,078)**	1,022
Net cash inflows from investing activities	**3**	4
Net cash (outflows) inflows	**(1,075)**	1,026

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Ingdan Shenzhen and its subsidiaries

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**N/A**	121,292
Non-current assets	**N/A**	6,715
Current liabilities	**N/A**	(43,146)
Equity attributable to owners of the Company	**N/A**	59,402
Non-controlling interests	**N/A**	25,459

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**N/A**	91,783
Expenses	**N/A**	(84,727)
Profit for the year	**N/A**	7,056
Profit and total comprehensive income attributable to owners of the Company	**N/A**	4,939
Profit and total comprehensive income attributable to the non-controlling interests	**N/A**	2,117
Profit and total comprehensive income for the year	**N/A**	7,056
Net cash outflows from operating activities	**N/A**	(16,185)
Net cash inflows from investing activities	**N/A**	795
Net cash outflows	**N/A**	(15,390)

Note: As disclosed in note 40(a), Ingdan Shenzhen and its subsidiaries, being the subsidiaries of Hardeggs, became wholly-owned subsidiary of the Company starting from 1 January 2020. No presentation of individual financial information is needed as no non-controlling interest is identified from 1 January 2020.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The New United Group

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**21,660**	20,602
Non-current assets	**186,011**	190,032
Current liabilities	**(25,576)**	(45,256)
Non-current liabilities	**(15,320)**	(21,367)
Equity attributable to owners of the Company	**85,055**	73,445
Non-controlling interests	**81,720**	70,566

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**217,946**	93,078
Expenses	**(195,182)**	(82,918)
Profit for the year	**22,764**	10,160
Profit and total comprehensive income attributable to owners of the Company	**11,610**	5,182
Profit and total comprehensive income attributable to the non-controlling interests	**11,154**	4,978
Profit and total comprehensive income for the year	**22,764**	10,160
Net cash inflows from operating activities	**1,098**	554
Net cash inflows	**1,098**	554

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The Heicolink Group

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**50,982**	32,331
Non-current assets	**123,140**	155,344
Current liabilities	**(12,803)**	(37,935)
Non-current liabilities	**(12,019)**	(17,048)
Equity attributable to owners of the Company	**79,129**	70,327
Non-controlling interests	**70,171**	62,365

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**118,343**	126,204
Expenses	**(101,735)**	(115,614)
Profit for the year	**16,608**	10,590
Profit and total comprehensive income attributable to owners of the Company	**8,802**	5,613
Profit and total comprehensive income attributable to the non-controlling interests	**7,806**	4,977
Profit and total comprehensive income for the year	**16,608**	10,590
Net cash inflows (outflows) from operating activities	**22,803**	(21,732)
Net cash (outflows) inflows from financing activities	**(19,194)**	18,456
Net cash inflows (outflows)	**3,609**	(3,276)

46. CAPITAL COMMITMENT

	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of the capital contribution to an associate contracted but not provided in the consolidated financial statements	**1,900**	—

47. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period on 10 February 2021, the Group entered into an acquisition agreement with the controlling shareholder of EZ Robot to acquire 51% equity interest in EZ Robot at a cash consideration of HK$180,000,000, equivalent to RMB151,495,000. The EZ Robot Group was associates of the Group accounted using equity method prior to the acquisition and were principally engaged into the research, development and trading of AIoT products in Robotics Business. The transaction was completed on 21 February 2021.

Immediately upon the completion of the above-mentioned acquisition, the equity interest in EZ Robot held by the Group would be increased from 49% to 100% and the EZ Robot Group would become subsidiaries of the Company, which are consolidated at the date of the completion of the acquisition. Such acquisition would benefit the Group by further expanding the Group's business development and increase in its market share in Robotics areas.

Details of the acquisition are set out in the Company's announcement dated 10 February 2021.

The Group is in the process of assessing the fair value of the identifiable assets and liabilities assumed and its goodwill arising from the acquisition, hence it is not feasible to quantify the financial impacts and disclosure thereof to the consolidated financial statements.

48. COMPARATIVE FIGURES

As a result of the internal re-organisation of the Group as disclosed in note 8, the comparative figures as disclosed in notes 7 and 8 have been reclassified under Indgan Innovations segment and Ingfin Technologies segment to confirm to current year's presentation. As there is no impact on the consolidated statement of financial position, no presentation of the consolidated statement of financial position as at 1 January 2019 was being made.

Five-Year Financial Summary

A summary of the consolidated results and assets and liabilities of the Group is set out below:

	For the year ended December 31, 2020 RMB'000	For the year ended December 31, 2019 RMB'000	For the year ended December 31, 2018 RMB'000	For the year ended December 31, 2017 RMB'000	For the year ended December 31, 2016 RMB'000
Results					
Revenue	**6,185,100**	5,854,247	5,534,829	9,613,696	12,932,794
Profit from operation (Note)	**221,654**	187,542	172,725	433,634	649,255
Finance costs	**(8,965)**	(55,885)	(47,479)	(109,131)	(55,984)
Profit before tax	**204,897**	162,787	314,025	352,912	595,285
Income tax expenses	**(17,469)**	(17,802)	(16,239)	(51,609)	(85,678)
Profit for the year	**187,428**	144,985	297,786	301,303	509,607
Attributable to:					
— Owners of the Company	**123,200**	110,067	293,179	302,025	478,799
— Non-controlling interests	**64,228**	34,918	4,607	(722)	30,808
Profit for the year	**187,428**	144,985	297,786	301,303	509,607
Earnings per share					
Basic (RMB)	**0.089**	0.077	0.201	0.207	0.347
Diluted (RMB)	**0.088**	0.076	0.201	0.206	0.345

Note: Profit from operation excluded (i) share of results of associates and joint ventures, and (ii) gain on disposal of subsidiaries.

Five-Year Financial Summary (Continued)

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000	As of December 31, 2018 RMB'000	As of December 31, 2017 RMB'000	As of December 31, 2016 RMB'000
Assets and liabilities					
Total assets	**5,492,165**	5,431,772	5,973,968	5,541,007	8,640,113
Total liabilities	**(1,268,579)**	(1,131,763)	(1,749,219)	(1,901,763)	(4,954,178)
NET ASSETS	**4,223,586**	4,300,009	4,224,749	3,639,244	3,685,935
Total equity attributable to owners of the Company	**3,940,103**	4,114,884	4,074,428	3,609,869	3,600,494
Non-controlling interests	**283,483**	185,125	150,321	29,375	85,441
TOTAL EQUITY	**4,223,586**	4,300,009	4,224,749	3,639,244	3,685,935

Definitions

"AI"	artificial intelligence
"AIoT"	AI and IoT
"Alphalink"	Alphalink Global Limited, a company incorporated in the BVI, a direct wholly-owned subsidiary of Cogobuy Inc and the sole shareholder of Comtech Industrial SZ
"associate"	has the meaning ascribed to it under the Listing Rules
"Articles of Association"	the amended articles of association of the Company adopted on June 27, 2014 and effected on July 18, 2014 (the Listing Date), as amended from time to time
"Board Committee(s)"	committee(s) of the Board
"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
"China", "Mainland China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, references in this report to the PRC or China do not include Taiwan, Hong Kong or Macau; the term "Chinese" has a similar meaning
"Cogobuy"	Cogobuy Limited, a limited liability company incorporated in Hong Kong on October 6, 2011 and our indirectly wholly-owned subsidiary
"Cogobuy E-Commerce"	Cogobuy.com E-commerce Services (Shenzhen) Limited (庫購網電子商務(深圳)有限公司), a company established in the PRC on July 31, 2012, and our indirectly wholly-owned subsidiary
"Cogobuy Inc"	Cogobuy Group, Inc., a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company
"Companies Law"	Companies Law (2018 Revision) of the Cayman Islands, as amended from time to time
"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
"Company Secretary"	The company secretary of the Company
"Comtech Broadband"	Comtech Broadband Corporation Limited, a company incorporated in Hong Kong on March 23, 2005 and our indirect subsidiary owned as to 70%

"Comtech China"	Comtech (China) Holding Ltd., a limited liability company incorporated in the BVI on May 27, 2002 which is indirectly wholly-owned by Mr. Kang
"Comtech Communication"	Comtech Communication Technology (Shenzhen) Company Limited (科通通信技術(深圳)有限公司), a company established in the PRC and an associate of Mr. Kang
"Comtech Digital HK"	Comtech Digital Technology (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on February 11, 2010, and our indirectly wholly-owned subsidiary
"Comtech Industrial SZ"	Comtech Industrial Technology (Shenzhen) Company Limited* (科通工業技術(深圳)有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company as to approximately 65.65%
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, means Mr. Kang and Envision Global
"COVID-19"	Coronavirus disease 2019
"Director(s)"	the director(s) of our Company
"Envision Global"	Envision Global Investments Limited, a limited liability company incorporated in the BVI on February 1, 2012 which is wholly-owned by Mr. Kang and is our immediate Controlling Shareholder
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and Shenzhen Cogobuy (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the contractual arrangements) or, where the context requires, the companies that currently comprise the subsidiaries of the Company prior to their acquisition by the Company
"Hardeggs"	Hardeggs Holdings Limited, a company incorporated in the BVI and a subsidiary of INGDAN
"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
"INGDAN"	INGDAN.com Group, Inc., a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of Cogobuy Inc
"INGDAN.com"	INGDAN.com online technology platform

"Ingdan Innovations"	Ingdan innovations business units
"Ingfin Services"	Ingfin Services business unit
"IoT"	Internet of Things
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Listing Date"	July 18, 2014, the date the Shares were listed on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Memorandum"	the amended memorandum of association of the Company adopted on June 27, 2014 and effected on July 18, 2014 (the Listing Date)
"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 the Company Secretary
"Ms. Yao"	Ms. Yao Yi (姚怡), our substantial Shareholder, the sole shareholder of Shenzhen Cogobuy, and the wife of Mr. Li Feng, one of our members of senior management of Ingdan Innovations
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"Optimum"	Optimum Profuse Limited, a company incorporated in the BVI
"PRC Legal Advisor"	Broad & Bright Law Firm
"Prospectus"	the prospectus of the Company dated July 8, 2014
"Qianhai Cogobuy.com"	Qianhai Cogobuy.com (Shenzhen) Limited* (前海科通芯城通信技術(深圳)有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the year ended December 31, 2020

"RSU Scheme"	the scheme adopted by the Company to grant RSUs to directors, senior management and employees and those of subsidiaries which took effect as at March 1, 2014 and amended on December 21, 2014
"RSUs"	Restricted share units 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 our Company with a par value of US$0.0000001 each
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Shenzhen Cogobuy"	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
"Shenzhen Comtech"	Shenzhen Comtech Small Loan Limited Company* (深圳市科通小額貸款有限責任公司), a limited liability company established under the laws of the PRC and a direct wholly-owned subsidiary of Comtech Communication
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	the meaning ascribed to it under the Listing Rules
"Total Dynamic"	Total Dynamic Holdings Limited, a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our Shareholder
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"V2X"	Vehicle-to-Everything

* For identification purpose only