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COGOBUY GROUP

科通芯城集團

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

(Stock Code: 400)

**UNAUDITED OPERATION SUMMARY OF THE GROUP
FOR THE FIRST QUARTER OF 2016**

HIGHLIGHTS

For the three months ended March 31, 2016:

- the Group’s gross merchandise value (“GMV”) was RMB3,886.8 million, representing an increase of 56.0% as compared to the same period in 2015;
- non-GAAP profit attributable to equity shareholders¹ of the Company was approximately RMB100.2 million, representing an increase of 30.1% as compared to the same period in 2015; and
- online transaction customers² reached 11,590 as at March 31, 2016, representing an increase of 92.6% as compared to that as at March 31, 2015.

This announcement sets out the unaudited operation summary of Cogobuy Group (the “**Company**”) and its subsidiaries (the “**Group**”) for the three months ended March 31, 2016 (the “**Period**”), based on the Group’s internal figures and management accounts of the Company, which have not been audited or reviewed by our external auditors. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.

¹ Net profit attributable to equity shareholders add share-based compensation costs, amortization of intangible assets and its related deferred taxation effect.

² Customers who had completed at least one online transaction during the current period and had completed at least one other online transaction in the previous fiscal year.

This announcement is made in accordance with the requirements of Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Stock Exchange and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

During the Period, the Company achieved robust growth driven by increasing numbers of new customers, mainly from small and medium enterprises (“SMEs”), and better than expected results from supply chain financing business. The number of online transaction customers reached 11,590 as at March 31, 2016, of which approximately 1.4% are blue chip customers and 98.6% are SME customers. This represents an increase of 92.6% as compared to that of 6,017 as at March 31, 2015. As at March 31, 2016, the number of registered customers reached 59,593, an increase of 67.0% as compared to that of 35,682 as at March 31, 2015.

Well-positioned to offer more value-added services, the Company commenced a new supply chain financing business in September 2014 whereby it earns interest income for providing certain financial services to its customers, including provision of working capital financing programs. Supply chain financing business is a good demonstration to show our strengths to generate new revenue stream by providing additional services based on the Company’s existing platform. During the Period, GMV contributed by the supply chain financing business has reached RMB510.7 million.

INGDAN.com, our one-stop Internet of Things (“IoT”) innovation business platform for supply chain services, has continued to attract many new customers for the Group and generated good results during the Period. As at March 31, 2016, INGDAN.com attracted over 8.9 million followers and more than 10,000 IoT project entries. During the Period, GMV contributed by the INGDAN.com platform has amounted to RMB400.6 million, 10.3% of the total GMV. As at May 16, 2016, the platform registered more than 12 million followers and nearly 13,000 IoT project entries.

For the three months ended March 31, 2016, the total GMV of the Company’s operations was RMB3,886.8 million, representing an increase of 56.0% year-over-year; with 61.9% derived from direct sales, 25.0% from online marketplace platform, and 13.1% from the new supply-chain financing business line. In total, 43.0% of the GMV was derived from blue chip customers while 57.0% was derived from SME customers.

During the Period, the Company recorded a total revenue of RMB2,426.5 million, representing an increase of 27.3% year-over-year. Net profit attributable to equity shareholders of the Company grew to approximately RMB85.1 million, representing an increase of 19.0% year-over-year. Gross margin was 8.1%. Non-GAAP profit attributable to equity shareholders of the Company was approximately RMB100.2 million, representing an increase of 30.1% year-over-year. Non-GAAP operating expenses³ were RMB70.9 million. With strong service income generated from our marketplace business, the non-GAAP operating margin⁴ for the Period was 5.2%. Effective tax rate of the Group for the Period was 13.8%. Non-GAAP effective tax rate⁵ of the Group for the Period was 12.5%.

The Group generated positive operating cash flow of approximately RMB54.2 million for the three months ended March 31, 2016. Cash and cash equivalents and pledged deposits amounted to RMB2,426.9 million as at March 31, 2016. Inventory turnover days⁶ and trade receivables turnover days⁷ were 27.9 days and 45.2 days respectively.

Below sets out certain key business highlights for the three months ended March 31, 2016:

Business Highlights

- The Company officially launched IngDan Lab. An innovation space, research institute and business incubator for the intelligent hardware industry, IngDan Lab is a platform that brings together the most advanced technologies and offers them to companies with high demand for them.
- IngDan HK Experience Center has been launched. As the first experience center launched outside Mainland China, it strives to connect entrepreneurs from around the world with extensive supply chain resources and the innovation ecosystem in Mainland China.
- The Company and ING DAN.com entered the smart car industry to establish and build the smart car ecosystem. In April 2016, ING DAN.com collaborated with Mobileye (NYSE: MBLY), a leading global manufacturer of advanced driver assistance systems (“ADAS”) from Israel. The parties began working together to promote Online to Offline (“O2O”) services in the Chinese auto market. ING DAN.com has been laying out its strategic plans in Chongqing, a key R&D and manufacturing market for the automobile industry. It has facilitated Mobileye’s discussions with important automobile manufacturing enterprises and government departments in Chongqing.

³ Total operating expenses less share-based compensation costs, and amortization of intangible assets.

⁴ Non-GAAP operating margin is non-GAAP profit of the period divided by revenue for the period. Non-GAAP profit is gross profit less non-GAAP operating expenses of the period.

⁵ Non-GAAP effective tax rate is income tax expense less deferred taxation related to amortization of intangible assets divided by income before tax less share-based compensation costs and amortization of intangible assets.

⁶ The average of the opening and closing balances of inventories of the period divided by cost of sales of the period and multiplied by 91 days.

⁷ The average of the opening and closing balances of trade receivables for the period divided by revenue of the period and multiplied by 91 days.

Outlook

Fueled by a large number of new customers, the Company saw strong growth in each of its business lines during the Period and achieved tremendous growth over the previous year. The Company believes that the increase of new customers is a cornerstone for its long-term development.

Management is optimistic about its ability to deliver even faster growth in the second quarter and second half of 2016. Due to seasonality, the Company's results of the first quarter results are usually modest relative to the other quarters. GMV for the first quarter typically contributes 18% – 20% of the Company's annual GMV. As a rapidly changing Internet company, the Company prioritizes growing customer base, followed by GMV growth and sustainable earnings growth. It is a strategic choice for the Company to use existing resources and earnings to cultivate emerging and fast-growing industries that are paramount to sustainable growth. Under this strategy, the Company has increased investments in smart car and other emerging fields, while returns from pre-project investments is expected to help maintain the Company's growth in GMV and revenue in the second quarter and the second half of the year. On the other hand, INGDAN.com will begin to deploy monetization strategies. Management believes this will create a solid foundation for GMV growth and earnings acceleration in the second half of the year.

The Company's INGDAN.com platform provides O2O, one-stop supply chain services to intelligent hardware startups all over the world. It is now the largest intelligent hardware platform in China and aspires to become the world's largest intelligent hardware ecosystem. In addition to INGDAN.com's collaboration with Mobileye and its activities in Chongqing, which are a key piece in the overall strategy of building the Company's smart car ecosystem, the Company has also made a series of breakthroughs in other industries, including robotics, new materials and smart homes.

In addition to being selected as constituents of Hang Seng Shenzhen Hong Kong Index and Hang Seng Shenzhen Hong Kong Information Technology Index in 2015, in March 2016, the Company was selected to become a constituent stock of the Hang Seng Composite LargeCap and MidCap Index and was eligible for the Shanghai-Hong Kong Stock Connect scheme. The Company anticipates a healthy diversification of shareholder base and after the launch of the Shenzhen-Hong Kong Stock Connect scheme.

CAUTION STATEMENT

The Board hereby reminds investors that the above operation summary is based on the Group's internal figures and management accounts which are not reviewed or audited by auditors. In the meantime, investors are advised to exercise caution in dealing in the shares of the Company.

Words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or similar expressions in this announcement are forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group and are difficult to predict, that will

or may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks and uncertainties include the effects of volatility in domestic and international financial markets and macro-economics, economic conditions in individual markets in which the Group operates, and other factors affecting the level of Group's business activities and the costs and availability of financing for Group's activities.

Any forward-looking statements contained in this announcement should not be taken as a representation that such trends or activities will continue in the future. No statement in this announcement is intended to be a profit forecast or to imply that the earnings of the Group as at the date of this announcement or in future will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. The Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

By Order of the Board
COGOBUY GROUP
KANG Jingwei, Jeffrey
Chairman and Executive Director

Hong Kong, May 19, 2016

As at the date of this announcement, our executive directors are Mr. KANG Jingwei, Jeffrey, Mr. WU Lun Cheung Allen and Ms. NI Hong, Hope; our non-executive director is Mr. GUO Jiang; and our independent non-executive directors are Mr. ZHONG Xiaolin, Forrest, Mr. YE Xin and Mr. YAN Andrew Y.