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 SECOND QUARTER OF 2016

HIGHLIGHTS

For the three months ended June 30, 2016:

- the Group's gross merchandise value ("**GMV**") was RMB5,360.2 million, representing an increase of 61.6% as compared to the same period in 2015;
- non-GAAP profit attributable to equity shareholders[1] of the Company was approximately RMB132.9 million, representing an increase of 32.4% as compared to the same period in 2015; and
- online transaction customers[2] reached 14,952 as at June 30, 2016, representing an increase of 99.8% as compared to that as at June 30, 2015.

This announcement sets out the unaudited operation summary of Cogobuy Group (the "**Company**") and its subsidiaries (the "**Group**") for the three months ended June 30, 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.

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).

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.*

During the Period, the Company achieved robust growth driven by increasing numbers of new customers, mainly from small and medium enterprises ("**SMEs**"). The number of online transaction customers reached 14,952 as at June 30, 2016, of which approximately 1.2% are blue chip customers and 98.8% are SME customers. This represents an increase of 99.8% as compared to that of 7,485 as at June 30, 2015. As at June 30, 2016, the number of registered customers reached 69,137, an increase of 69.1% as compared to that of 40,891 as at June 30, 2015.

Well-positioned to offer more value-added services, the Company commenced 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 provision of loans in the supply chain financing business has reached RMB680.4 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 June 30, 2016, INGDAN.com attracted over 12.5 million followers and more than 13,000 IoT project entries. During the Period, GMV contributed by the INGDAN.com platform has amounted to RMB1,198.3 million, representing 22.4% of the total GMV. As at August 10, 2016, the platform registered nearly 14 million followers and over 14,200 IoT project entries.

For the three months ended June 30, 2016, the total GMV of the Company's operations was RMB5,360.2 million, representing an increase of 61.6% year-over-year; with 59.7% derived from direct sales, 27.6% from online marketplace platform, and 12.7% from the supply-chain financing business line. In total, 41.2% of the GMV was derived from blue chip customers while 58.8% was derived from SME customers.

During the Period, the Company recorded a total revenue of RMB3,224.5 million, representing an increase of 35.6% year-over-year. Net profit attributable to equity shareholders of the Company grew significantly to approximately RMB118.3 million, representing an increase of 24.9% year-over-year. Gross margin was 8.2%. Non-GAAP profit attributable to equity shareholders of the Company was approximately RMB132.9 million, representing an increase of 32.4% year-over-year. Non-GAAP operating expenses[3] were RMB93.3 million. With strong service income generated from our marketplace business, the Non-GAAP operating margin[4] for the period was 5.3%. Effective tax rate of the Group for the Period was 15.2%. Non-GAAP effective tax rate[5] of the Group for the Period was 14.1%.

The Group generated positive operating cash flow of approximately RMB104.3 million for the three months ended June 30, 2016. Cash and cash equivalents and pledged deposits amounted to RMB2,640.2 million as at June 30, 2016. Inventory turnover days[6] and trade receivables turnover days[7] were 28.5 days and 32.2 days respectively.

3 *Total operating expenses less share-based compensation costs, amortization of intangible assets, and expenses incurred in relation to the global offering of the Company.*

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.*

Business Highlights

Below sets out certain key business highlights for the three months ended June 30, 2016:

- Cogobuy and INGDAN.com officially entered the robotics industry, beginning with a cooperative agreement signed between INGDAN.com and Intel to partner in building a robotics ecosystem. In tandem, Cogobuy launched EZ-ROBOT.CN (http://www.ez-robot.cn/), an online to offline ("**O2O**") e-commerce platform for industrial robotics, with a professional community for industrial robot manufacturers, component manufacturers, and system integrators. The site, which also facilitates technical support from industry experts, is designed to support development of the industrial robotics market.

- INGDAN.com entered a strategic agreement with crowdfunding platforms JD.com, Taobao Marketplace, and Suning Commerce. INGDAN.com will be providing intelligent hardware startups with e-commerce services such as product launches and business-to-business ("**B2B**") distribution.

- INGDAN.com signed a cooperative agreement with The Hong Kong University of Science and Technology. Both parties will jointly establish an "Internet +" sharing economy-style platform for the electronic materials industry. They are committed to helping INGDAN.com's several thousand Chinese electronic manufacturing customers match with the top new materials research institutions.

Outlook

A significant increase in new customers and a variation in our monetization strategies helped INGDAN.com deliver strong growth in each of our business lines in the second quarter of 2016. Our customer numbers grew tremendously compared with the previous year. 14,952 customers conducted online transactions with us during the second quarter of 2016, a 99.8% increase over the second quarter of 2015. INGDAN.com also deployed a new supply chain to direct e-commerce monetization strategy at the start of the year. This became a core driver of our GMV growth in the first half of the year, which exceeded market expectations.

Compared with the first half of 2016, we are optimistic about our ability to deliver even faster growth in the second half of the year. Cogobuy and INGDAN.com have expanded into five new, complementary markets including robotics, smart cars, smart homes, new materials, and etc. We are committed to matching smart hardware innovators around the world with the best Chinese supply chain and marketing resources. These will open new revenue opportunities and further raise our platform's visibility. INGDAN.com currently contribute 22.4% of our total GMV and we expect an increase in the next two quarters.

According to the study conducted by International Data Corporation (IDC), the robotics market is currently valued at USD71 billion (RMB466 billion) and is projected to reach USD135.4 billion in 2019. INGDAN.com is positioned to capture value from the growth of this industry through its latest partnerships with Intel and several leading Japanese and German robotics key components suppliers. Its co-developed robotics ecosystem with Intel will serve industrial robotics, commercial services robotics, family services robotics, and educational robotics. As a compliment to Cogobuy's electronic manufacturing O2O platform, we also recently launched EZ-ROBOT.CN, an industrial robotics e-commerce platform and professional community for industrial robot manufacturers, component manufacturers, and system integrators. We expect to attract more new robotics startups and suppliers to our platform in 2016 alone. In the second quarter, we were also pleased to see strong revenues from our cloud and other enterprise services, showing an increase in customer loyalty.

Earlier this year we announced Cogobuy became eligible for the Shanghai-Hong Kong Stock Connect scheme. Now with the launch of the Shenzhen-Hong Kong Stock Connect scheme, we anticipate further benefits and diversification of our shareholder base. Combined with our favorable growth outlooks in the second half of 2016, we believe this will further allow us to generate even greater returns for our shareholders.

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 the Group's business activities and the costs and availability of financing for the 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, August 17, 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.