COGOBUY GROUP
科 通 芯 城 集 團

(a company incorporated under the laws of the Cayman Islands with limited liability)
(Stock code: 400)

CLARIFICATION ANNOUNCEMENT AND RESUMPTION OF TRADING

This announcement is made by Cogobuy Group (the "**Company**", together with its subsidiaries, the "**Group**") further to the announcement of the Company dated May 22, 2017 with respect to a report (the "**Report**") issued by Blazing Research ("**Blazing Research**") on the same date that contains allegations against the Company, and is published by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") to refute and/or clarify the allegations made in the Report. Save as disclosed in this announcement, after having made reasonable enquiries with respect to the Company, the Company confirms that it is not aware of any information which must be announced to avoid a false market in the Company's securities or any inside information that needs to be disclosed under the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

SUMMARY

The Report disclosed that Blazing Research recommended a short interest in the shares of the Company (the "Shares") and that Blazing Research may have an investment position in the stocks of the Company and therefore stands to realize significant gains in the event that the price of the Company's shares changes in conjunction with its opinion. Furthermore, the Company notes that the individual author(s) of the Report have chosen to remain anonymous. As such, the board (the "Board") of directors of the Company (the "Directors") would like to emphasize that shareholders of the Company and potential investors should exercise extreme caution in reading the Report and that its allegations, which the Company emphatically denies and considers to be false and misleading for the reasons set out in this announcement, should be read in light of (i) the significant gains Blazing Research and parties associated with it stand to realize and (ii) the fact that the individual author(s) behind the Report are not prepared to identify themselves.

Neither the Company nor the Directors have been contacted by Blazing Research before or after publication of the Report. The Company has no information regarding the identities of the parties associated with Blazing Research, which the Company also notes from the website of the Securities and Futures Commission of Hong Kong (the "**SFC**") is not licensed to conduct any regulated activities in Hong Kong, including the provision of investment advice.

The Company and the Directors believe that the allegations set out in the Report are biased, selective, inaccurate, incomplete, false and misleading and have been made with the intention to alarm Shareholders and ordinary investors so as to secure a trading profit for parties associated with Blazing Research, and that Blazing Research and the author(s) of the Report (who have decided to hide behind the shield of anonymity) have made these allegations recklessly and negligently and without seeking comment from the Company. In the meantime, the Company has already reported this incident to the Shenzhen police and reserves all rights to take legal action against the authors of the Report.

It is the Company's shareholders communication policy to maintain an open and on-going dialogue with its shareholders and potential investors. In light of the defects of the Report as set out above, the Company would like to invite Blazing Research and its director of research to visit the Company to have a better understanding of our corporate strategy, business layout and operations.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Board confirms that all the consolidated financial statements of the Company for the years ended December 31, 2014, 2015 and 2016 have been audited by KPMG, the auditors of the Company, who issued unqualified audit opinions of the Group's consolidated financial statements throughout all those years. As at the date of this announcement, and following discussions between the Board and the auditors in relation to the allegations set out in the Report, the relevant auditors of the Company have not withdrawn or revised their unqualified audit opinions in their auditors' reports in respect of the Group's audited consolidated financial statements for the years ended December 31, 2014, 2015 and 2016.

CLARIFICATIONS

The Company's responses to Blazing Research's allegations are set out in the following:

1. Allegation: Significant Discrepancy between Reported Figures and State Administration for Industry & Commerce of the People's Republic of China ("SAIC") Filings

The Company's response

This allegation against the Company is an obviously inaccurate accusation and attempts to materially mislead investors. The Company notes that revenues reflected in the SAIC filings of its PRC subsidiaries represent only a minority of the Group's overall revenues because (i) the majority of the transaction of the Group took place in Hong Kong and were settled in US dollars and were booked as revenue generated from Hong Kong; and (ii) the Report fails to mention that the Group has 11 operating subsidiaries in China and it only cited the SAIC filings of 6 of our subsidiaries which is misleading.

The majority of the transactions of the Group took place in Hong Kong, were settled in US dollars and were booked as revenue generated from Hong Kong. These transactions were carried out by the Hong Kong subsidiaries of the Company. Based on the Company's financial statements, the ratios of revenue generated in Hong Kong and the PRC for the years ended December 31, 2014, 2015 and 2016 were as follows:

For the year ended December 31	**Hong Kong**	**PRC**
2014	96%	4%
2015	94%	6%
2016	92%	8%

As set out in the financial statements in the Company's annual report for the year ended December 31, 2016, which was audited by KPMG, the amounts of each significant category of revenue recognized for the years ended December 31, 2015 and 2016 were as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Sale of IC and other electronic components	12,829,115	9,389,643
Marketplace income	84,714	45,987
Supply chain financing interest income	18,965	17,759

As set out in the same annual report, the tax payable for the years ended December 31, 2015 and 2016 were as follows:

	2016	**2015**
	RMB'000	*RMB'000*
PRC Corporation Income Tax	38,873	23,350
Hong Kong Profit Tax	49,005	35,809
Deferred Tax	(2,200)	(2,271)

The applicable tax rates in both Hong Kong and the PRC are also set out in note 6(a) in the annual report 2016 of the Company. In addition, as set out in that note, the Company made provisions for its tax obligations in both Hong Kong and the PRC for each financial year relevant to the sales generated in each of these jurisdictions for the relevant financial year. Over and under provision for the relevant tax liability in respect of prior years were adjusted.

Of the PRC subsidiaries taken into account in the above: one subsidiary was granted a tax exemption; three subsidiaries were granted a 50% tax reduction and were subject to a lower income tax at 12.5%; and the other subsidiaries were subject to the PRC corporate income tax at a statutory rate of 25%. As set out in the Company's 2015 annual report, the provision for the year for PRC corporate income tax was RMB23.0 million. According to the results of the 2015 annual corporate income tax settlement, the total amount of PRC corporate income tax was RMB22.9 million. Of the PRC subsidiaries, the total amount of PRC corporate income tax from Comtech Industrial Technology (Shenzhen) Company Limited (科通工業技術(深圳)有限公司), Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司) and Cogobuy.com e-commerce Services (Shenzhen) Limited (庫購網電子商務(深圳)有限公司) was RMB14.3 million. All these three subsidiaries were not mentioned and were not taken into account in the Report.

2. Allegation: An Outdated Online Platform that has been down for a week and without any traffics

The Company's response

The Company emphasizes that all material information relating to the business model of the Company has been set out in the prospectus of the Company dated July 8, 2014 (the "**Prospectus**") and its subsequent interim and annual reports. This information has always been available to ensure that Shareholders and potential investors of the Company are able to properly understand the business model of the Company.

Cogobuy has invented unique business models, namely the internet "social + O2O" model and the "precision marketing + transaction volumes realization" model. Not only are our unique business models widely accepted by the industrial and internet communities, the models are also the key to our position as an iconic "Internet Plus" concept company listed in Hong Kong. Cogobuy's key internet characteristic is the development of a community of individuals and the use of proprietary data.

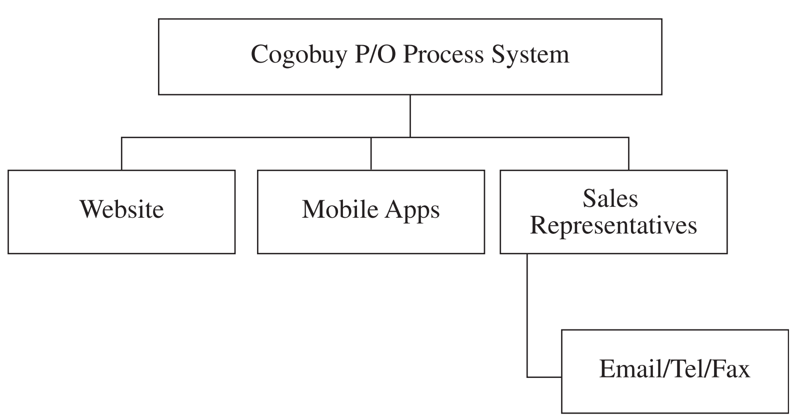
Since 2012, Cogobuy has built a community of enterprise decision makers with WeChat and launched targeted marketing campaigns. So far, Cogobuy has already launched mobile internet product portfolios comprised of COGOcloud, FOXSAAS, Ingdan and INGVITE, etc. and other mobile platforms. Based on the role of essential enterprise decision makers in companies (being engineers, purchasers or other key decision makers) and the characteristics of different industries (mobile phone, tablet and automotive electronics, etc.), the Company is able to provide targeted marketing information, to understand customers' needs timely and to match products and services effectively and accurately.

Transaction volumes are realized by the O2O model of enterprise services transaction. Unlike the "to-C" e-commerce model, the value of which is mainly created during the sales, value of the "to-B" model attributable to pre-sale, sale and post-sale stages accounts for 40%, 20% and 40%, respectively. Accordingly, it is essential to influence the customers' decision making at the pre-sale stage and enhance customer loyalty at the post-sale stage. Therefore, the model adopted by the Company is "Online Marketing + Online Sales + Offline Services". Cogobuy impresses enterprise decision makers through social platforms such as Ingdan and COGOcloud during the Online Marketing stage and strengthens loyalty of enterprise customers with services provided by professional engineers in our Offline Service. Online Sales means that customers can get access to our order system through website, APP, WeChat, telephone, email as well as the order ERP collection process and their orders will be dealt with uniformly in the system.

INGDAN.com of Cogobuy has over 20,000 innovative smart hardware projects and 14,000 registered suppliers at present. For instance, the robot community jointly built by the Company and Intel currently has over 1,000 core teams engaged in robots. Meanwhile, INGDAN.com is committed to developing ecosystems related to smart home and AI.

INGDAN.com is the largest innovation and entrepreneurship platform of smart hardware in China. It connects with key global technology companies (such as Microsoft, Intel and Broadcom) with a large number of domestic manufacturers and suppliers covering business including wafer, module, artificial intelligent software and cloud services, etc. In 2015, INGDAN.com and WeChat jointly held the WeChat Hardware Competition (微信硬體大賽). During the Week for Innovation and Entrepreneurship (雙創周) in 2016, the INGDAN.com expressed its goal of becoming "the Alibaba in the manufacturing industry (製造業的阿里巴巴)" and was praised by Premier Li Keqiang.

As mentioned above, the internet model "social + O2O" of Cogobuy is different from that of traditional e-commerce providers. Websites are only a small part of our service platform, as set out in the diagram below.



Although websites are only a small part of our service platform, the allegation made in the report that the Cogobuy.com website has "minimal amount of traffics compared to its peers" is inaccurate. Based on public data provided by the third party http://alexa.chinaz.com, Cogobuy.com's traffic per day in 2017 was as follows:

	Traffic per day *('000)*
the 14th week of 2017	9.25
the 15th week of 2017	6.95
the 16th week of 2017	6.44
the 17th week of 2017	5.57

The Report maliciously described the lowest traffic per day as monthly traffic. The estimated monthly traffic of 210,000 was around 39 times of the 5,400 stated in the Report and much higher than that of other purported peer companies (such as xlxmall.com and Allchip.com) quoted in the Report.

The allegation that the Cogobuy.com website is "outdated" is also inaccurate and misleading. The Company has constantly updated our database with new stock keeping unit figures, key people contacts, other transaction data and etc. We will also update the website on a timely basis when new product line is rolled out, but such updates do not affect the front page. As such, in line with the practice for many websites, the Company has maintained a consistent front page and layout for Cogobuy.com. The Company therefore believes that updates to the appearance of the front page are neither necessary nor desirable.

Regarding the operational failures of Cogobuy.com outlined in the Report, the incidents were due to a major website upgrade in April 2017 for Cogobuy.com implemented by Microsoft Azure, a service provider for Cogobuy.com. The upgrade's objectives are to enhance web user security and to increase web content downloading speed. During this upgrade, Microsoft Azure implemented a uniform SSL encryption and an accelerated content distribution network (CDN). Although the upgrades and encryption did result in certain impairments of Cogobuy.com, the most parts of the website remained in full operation for most geographic areas. The Company has already contacted the support department of Microsoft Azure and has addressed the issue.

3. Allegation: Unparalleled financial performance compared to its peers

The Company's response

As explained above, the "social + O2O" business model is unique to the operation of the Company, thus making any direct comparisons difficult to make. Please refer to the Company's response to Allegation No. 2 above for further details of its unique business model. In any event, the Company and the Directors stand by the audited financial results of the Company, and the

Company does not believe that the mere fact that its financial performance is superior to certain purported peer companies is something that represents a valid basis for the allegations set out in the Report.

4. Allegation: RMB1.9 billion difference between net income and cash flow

The Company's response

There is a discrepancy between many figures cited in the Report and that disclosed by the Company.

The financial statements for years 2011 to 2016 including the cash flow statements were proposed in accordance with all applicable Hong Kong Financial Reporting Standards. The differences between net income and cash flow for years 2011 to 2016 as indicated in the Report were mainly due to changes in working capital, net of effect of acquisitions, and were fully reconciled and disclosed in our annual reports.

The net cash generated from/(used in) operating activities for the year ended December 31, 2014, 2015 and 2016 was RMB231.9 million, RMB349.7 million and RMB(569.5 million), respectively.

The Company commenced its 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. To keep the market fully informed in relation to the operating cash flow of the Company, the Company issues operating summaries on a quarterly basis in 2016. In the quarterly operation summaries issued by the Company for 2016, the Company has also included disclosure of non-GAAP operating cash flow. For the year ended December 31, 2016, Non-GAAP operating cash flow was RMB285.4 million. Since supply chain financing business is one of our major operating activities, the Company's cash flow from operating activities includes loans to third parties and their related bank loans under our supply chain financing business.

Below set out an extract of the Company's cash flow statement for the year ended December 31, 2016:

	2016
	RMB'000
Operating activities	
Profit before taxation	595,285
Adjustments for:	
Depreciation of property, plant and equipment	2,186
Amortization of intangible assets	13,335
Finance costs	55,984
Interest income	(21,664)
Impairment loss on trade receivables	32,040
Reclassification from equity on disposal of available-for-sale investments	—
Reclassification from equity on impairment of available-for-sale investments	—
Impairment loss of available-for-sale investments	37,144
Net realized gains on trading securities	(39,509)
Dividend income	(2,181)
Share of profits of an associate	(2,014)
Write down of inventories	48,736
Equity-settled share-based compensation expenses	36,753
	756,095
Changes in working capital, net of effect of acquisitions	
Increase in inventories	(765,450)
Increase in trade and other receivables	(674,920)
Increase in loans to third parties	(522,992)
Increase in trade and other payables	262,631
Increase in bank loans used for supply chain financing business	421,413
Cash used in operations	(523,223)
Income tax paid	(46,302)
Net cash used in operating activities	(569,525)
Non-GAAP net cash generated from operating activities	285,354
Difference	854,879

The difference of RMB854.9 million represents loans to third parties for our supply chain financing business, which we now refer to as IngFin, which amount was financed by the Company's own fund during the year ended December 31, 2016. If the Company's own fund were replaced by bank loans, the cash flow statement item "Increase in bank loans used for supply chain financing business" would have been increased by the amount of RMB854.9 million.

Sales revenue increased from RMB9,453.4 million in the year ended 2015 to RMB12,932.8 million in the year ended December 31, 2016, while inventories and trade and other receivables of the Group increased accordingly.

In the year ended December 31, 2016, most of our increase in trade and other receivables was attributable to our blue-chip customers, while our receivable turnover days still remained at 47.0 days, which was well within industry norm. More than 90% of our total amount of receivables as at December 31, 2016 had been collected by mid-March 2017. With the growth of our business, our inventory turnover days remained at 30.8 days, which was well within industry norm, while more than 90% of our inventories as at December 31, 2016 had been sold by mid-March 2017.

5. Allegation: Suspicious share repurchase with shares mostly coming from a few accounts

The Company's response

This is nothing more than a baseless insinuation that the Company's share repurchase activity is suspicious and a scheme to help friendly accounts. The Company has conducted its share repurchases consistent with all applicable requirements of the Listing Rules via on-market share repurchases through instructions placed with independent third party brokers, including China Securities (International) Brokerage Company Limited and Haitong International Securities Company Limited. As the repurchases are conducted on-market and managed entirely by third party brokers, the Company and Mr. Kang are in no position to influence who the counterparties to those on-market transactions may be and any suggestion otherwise is unfounded and entirely without basis. The author(s) of the Report have also drawn a conclusion that a single, mysterious and unnamed investor has been the counterparty to the Company's on-market share repurchases conducted through third party brokers without any apparent evidence.

The Company also notes that its current mandate to repurchase shares was unanimously approved by shareholders that voted (either in person or via proxy) at the Company's annual general meeting in 27 April 2016, with no votes cast against it whatsoever. This is consistent with the prior year's repurchase mandate, which was also approved by a clear and unambiguous 100% margin, evidencing the support of the shareholders of the Company regarding the Company's share repurchase activities.

As such, there is absolutely no evidence to support the allegations from the author(s) of the Report.

6. Allegation: United States listing history of its former entity, Cogo Group

The Company's response

The history and development of the Company's business, including the fact that certain of the assets that now form the Company's business were once owned by a company listed on the NASDAQ of which Mr. Kang was the single-largest shareholder, is set out in full detail in the Prospectus. As stated in the Prospectus, certain entities that operated certain of our underlying predecessor businesses (the "**Predecessor Entities**") were acquired in November 2012 by Mr. Kang from Viewtran (as defined in the Prospectus) for a consideration of US$78 million. The operations of the Predecessor Entities were subsequently supplemented through the addition of the Cogobuy.com e-commerce platform and the addition of certain complementary assets such as leasehold property holdings and logistics support assets to form what became, and remains, the Company's core business. As such, any attempt to directly compare the business of the Predecessor Entities prior to its acquisition in November 2012 with the business now operated by the Company is inappropriate and meaningless. Details of each of the acquisitions and the evolution of the Company's business model are set out in full detail in the Prospectus, and to the extent that any historical acquisitions were from Viewtran, corresponding public filings made by Viewtran are a matter of public record via the website of the United States Securities and Exchange Commission.

Following the Company's listing on the Stock Exchange in 2014 and the successful development of its business, Mr. Kang chose to devote substantially all of his time to the Company's business and played an increasingly limited role in Viewtran's affairs. As such, it is hardly surprising that he would choose to eventually exit his shareholding in Viewtran. As of 30 June 2015, Mr. Kang ceased to hold any interest in Viewtran and was not a member of its board of directors or senior management.

To suggest that the share price performance of Viewtran and Mr. Kang's sale of his interest in Viewtran somehow portend a decline in the Company's share price and a sale by him of his interest in the Company, as the Report alleges, is entirely without basis. In fact, the contrary is true. As set out in the disclosure of interest filings that are publicly available on the Stock Exchange's website (hkexnews.hk), Mr. Kang has not sold any of his shares in the Company since its IPO in July 2014. Furthermore, as set out in the Company's announcements with respect to the share placing conducted in September 2016, Mr. Kang has agreed to a compensation arrangement with the placees pursuant to which he is required to compensate them if the share price on the last trading day of the three year period after the date of the placing agreement is below a certain price that is higher than the price at which the placees acquired their shares. Mr. Kang believes that his willingness to enter into such an arrangement is evidence of his confidence in the Company's business.

As such, the Directors believe that the allegations set out in the Report are without basis and have been made for the sole purpose of alarming shareholders and investors and securing a profit for parties affiliated with the author(s) of the Report.

7. **Allegation: A share placement that is undersubscribed and has no industry investor**

The Company's response

As set out in the Company's announcement dated September 1, 2016, the Company entered into a placing agreement with the placing agent for the placing of up to a total of 270,466,900 new placing shares "on a best effort basis". The 270,466,900 shares represented the maximum number of shares that the Company could issue under its general mandate given by the shareholders of the Company in the 2016 annual general meeting.

The placing was targeted at certain large-scale independent institutional investors and not at industry-related investors. As set out in the Company's announcement dated September 22, 2016, the placing agent successfully placed 160,420,232 new placing shares to certain high quality professional institutional investors including Da Cheng International Asset Management Co., Ltd, Lindeman Asia Global Pioneer Private Equity Fund No. 11 (with the National pension service, Korea Development Bank, Korea Teachers' Credit Union, Korea Post being its ultimate investors), China Reinsurance (Group) Corporation, The People's Insurance Company (Group) of China Limited, New China Asset Management (Hong Kong) Limited and 重慶高新創投兩江品牌汽車產業投資中心(有限合夥). To the best knowledge of the Company, all these independent institutional placees have comprehensive risk management and assessment procedures, and they have completed these procedures to their satisfaction before they took part and completed the relevant placing. This was self-evident that these independent institutional placees were confident to subscribe for the shares of the Company at the then placing price. The Company also notes that the placing price represented a premium to the closing price of the Company's shares on several of the trading days between the signing of the best-efforts basis agreement with the placing agent and the completion of the placing (as opposed to the typical discounts to market for similar large-scale placings).

The Company also notes that the suggestion raised in the Report that the fact that industry players did not subscribe to the placing in some way reflects poorly on the Company is unfounded, ignores the fact that the subscribers were reputable professional investors, and entirely overlooks the fact that companies may not wish parties with potential competitive sensitivities to become their shareholders.

The purpose of the compensation arrangement provided to the institutional placees by Mr. Kang, the Chairman, executive Director and controlling shareholder of the Company, was to demonstrate the trust placed by Mr. Kang on the future financial performance and prospects of the Company.

OPINIONS OF DIRECTORS

All of the Directors, including the independent non-executive Directors, have reviewed the Report, the responses set out in this announcement and relevant evidence prepared by the Company as disclosed in this announcement, and discussed in detail among themselves and with the management of the

Company. On this basis, all of the Directors consider that the allegations in the Report are unfounded and contain misrepresentations, misleading and false allegations and factual errors and they agree with the Company's responses to the allegations as set out in this announcement.

Save as disclosed in this announcement, the Board confirms that it is not aware of any inside information that needs to be disclosed under Part XIVA of the SFO.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 2:49 p.m. on Monday, May 22, 2017 pending release of this announcement. The Company has applied to the Stock Exchange for resumption of trading in its shares on the Stock Exchange with effect from 9:00 a.m. on Wednesday, May 31, 2017.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, May 29, 2017

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