COGOBUY GROUP
科 通 芯 城 集 團

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

(Stock Code: 400)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

The board (the "**Board**") of directors (the "**Directors**") of Cogobuy Group (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2016 (the "**Reporting Period**") and comparison with the operating results for the year ended December 31, 2015.

In this announcement "we", "us" and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended		
	December 31, 2016	December 31, 2015	Year-on-year change
	*(Renminbi ("**RMB**") in millions, unless specified)*		
Revenue	**12,932.8**	9,453.4	36.8%
Gross profit	**1,062.5**	764.8	38.9%
Profit for the year	**509.6**	366.5	39.0%
Profit attributable to equity shareholders of the Company	**478.8**	342.9	39.6%
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.347**	0.257	35.0%
— diluted	**0.345**	0.253	36.4%

BUSINESS REVIEW AND OUTLOOK

Overall Business and Financial Performance of the Group

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. We operate the largest transaction-based e-commerce platform for integrated circuits ("**IC**") and other electronic components in China as measured by Gross Merchandise Value ("**GMV**") since 2013, according to Analysys International, an independent industry consultant. Through our e-commerce platform, including a direct sales platform, an online marketplace and a dedicated team of technical consultants and professional sales representatives, we provide our customers with comprehensive online and offline services across pre-sale, sale and post-sale stages. In 2016, we fulfilled orders and derived a GMV of approximately RMB21.65 billion, of which 59.26% was derived from direct sales value, 27.43% from transaction value in online marketplace and 13.31% from loan value in supply chain financing business. We serve electronics manufacturers including small and medium enterprises ("**SMEs**"), which we believe represent a lucrative and fast-growing segment of the IC and other electronic components market with a significant demand for our services. We offer a wide selection of products at competitive prices through our e-commerce platform, which are sourced from approximately 11,020 suppliers, including some of the top brand-name suppliers in key product categories.

Driven by the strong demand from approximately three million electronics manufacturers, China has become the largest IC and other electronic components procurement market with a total transaction value of over RMB2.0 trillion in 2013, according to Analysys International. We believe that, leveraging our early-mover advantage, we are well positioned to benefit from the significant growth potential of China's IC and other electronic components procurement market. To better serve and support various aspects of the electronics manufacturing industry in China, we are extending beyond the IC and other electronic components procurement market and are starting to offer additional products and services, such as various tools and applications offered through our cloud computing system. We believe that we can also drive our own long-term growth by fostering the development of an open, collaborative and prosperous e-commerce ecosystem that benefits the business operation of our customers and suppliers as a whole.

We derive our revenue substantially from direct sales of IC and other electronic components. We source high quality IC and other electronic components from leading suppliers around the world and sell them to both SME and blue-chip electronics manufacturers in China through our e-commerce platform and dedicated sales representatives, who work closely with our customers to understand their needs, provide technical consultation and help support their procurement function. In the year ended December 31, 2016, we derived 36.75% and 63.25% for our direct sales revenue from blue-chip customers and SME customers respectively. We also operate an online marketplace that allows third-party merchants to sell their products to our customers through our e-commerce platform. 0.66% of our revenue in 2016 represented commission fees that we charged these third-party merchants. We plan to further enhance our marketplace platform to complement our direct sales platform.

We have built a large community of engineers and technical professionals who are able to contribute to the procurement decisions of electronics manufacturers. The procurement decisions of a Chinese electronics manufacturer are often made by a handful of its key personnel, many of whom are engineers and technical professionals. Accordingly, we target our marketing efforts at those professionals, aiming to form and enhance the sense of community among them. For example, we hold new media marketing events, such as product launches and technology discussion forums, on various social networking platforms, including Weibo and TechWeb. We also launched the Hardeggs WeChat community in September 2013, which has become an interactive and engaging online community promoting idea and knowledge exchanges among electronics designers and engineers in China.

We have developed an e-commerce model to streamline and complement the complex offline procurement system of the electronics manufacturing industry in China. Through a combination of offline and online customer engagement, we have been able to attract and retain electronics manufacturers that work with our sales and customer service teams and through our web and mobile e-commerce platform to efficiently search and define purchase order specifications, as well as execute and manage related procurement processes. Our business model creates a unique value proposition for key participants in China's electronics manufacturing supply chain, including SMEs, blue-chip customers and suppliers.

We also launched the INGDAN.com in September 2013. The Internet of Things ("IoT") is leading the information industry into a new era. The development of the IoT industry has now been raised as a national strategy by various countries, and many Information Technology ("IT") giants have been accelerating their pace to enter into this promising industry. According to the report of Essence International, in 2015, the global IoT market has reached USD350 billion, while the Chinese IoT market has also reached RMB750 billion. Positioning as a major innovation business platform in the IoT era, INGDAN.com has now been the largest intelligent hardware innovation business platform in China, and is committed to becoming the most successful one of its kind in the world to provide one-stop service on supply chain to innovation startups worldwide. By the year end of 2016, INGDAN.com has registered more than 20,000 intelligent hardware projects and over 20.0 million followers.

Previously, we have defined five markets to be developed in depth to build an ecosystem, including robotics, smart cars, smart homes, new materials, and etc. Cogobuy and INGDAN.com have entered these industries, the deepen development of which will not only bring us more new business opportunities, but also further improve INGDAN.com's monetization strategies and enhance its industry reputation. INGDAN.com currently contributes 24.0% of our total GMV, and we believe that it will generate more GMV to the Group in coming years.

We commenced our supply chain financing business in September 2014 whereby we earn interest income for providing certain financial services to third parties manufacturers, including the provision of working capital financing programs. Our supply chain financing business is a good demonstration of our strength in generating new revenue streams by providing additional services based on our existing platform. During the Reporting Period, GMV contributed by the provision of loans in the supply chain financing business reached RMB2.88 billion.

Future Prospects

Our goal is to become the leading e-commerce platform serving China's unique value proposition industry. We intend to pursue the following growth strategies to achieve our goal:

Expand the SME Customer Base

We plan to further expand our customer base by attracting more SME customers. We intend to target more efforts at SME electronics manufacturers, which we believe represent a lucrative and fast-growing segment of the IC and other electronic components markets with significant demand for our services. We will further exploit social media platforms in China to facilitate idea and knowledge exchanges among a targeted community of engineers and technical professionals and enhance their community experience. We are also in the process of developing new business applications and customized software to provide potential SME customers with access to a wide range of high-quality technical resources. By bolstering our brand name and serving a targeted professional community, we expect to enhance word-of-mouth marketing effects, which we believe will drive new user acquisition and increase conversion of our registered users into transaction users.

Enhance Our Marketplace Platform to Complement the Existing Direct Sales Platform

We officially launched our marketplace platform in July 2013 and we are in the process of expanding its product and service offerings to further complement our direct sales platform. Our marketplace platform takes advantage of our IT and logistics infrastructure to allow third-party merchants to make sales to our registered users. We plan to attract more channel sales vendors, suppliers and manufacturers to our marketplace platform, with a particular emphasis on SME manufacturers of IC and other electronic components. We will also develop tools to establish trust ratings for suppliers and buyers, thus facilitating the process of selecting potential trading partners. We believe that our focus on the business needs of SME merchants will enable us to develop and offer them better services compared to those of other e-commerce companies that focus principally on consumers.

Further Enhance Customer Loyalty and Increase Purchases Per Customer

We plan to continue to enhance customer loyalty and induce more purchases from our existing customers. We intend to leverage our advanced market analytics tools to make our e-commerce platform more efficient and useful to our customers. We will continue to enhance the customized contents on our e-commerce platform and develop new tools for our customers based on their business needs. We plan to continue to develop new complementary services aiming to offer a complete range of products and solutions to our customers. We will also expand our investment in customer service, order fulfilment and delivery capabilities in order to enhance our service reliability and shorten our customer response time to further strengthen the effectiveness of our platform. We plan to increase the repeat purchase rates of newly-acquired customers. We will continue to provide the key procurement personnel of our new customers with powerful online tools, enterprise resource planning and other services free of charge. These services will enable us to maintain constant interactive communications with the key personnel, which in turn allows us to better understand the customers' demands and their product development. Accordingly, we will be able to make customized marketing plans targeted at the new customers and cross-sell other products.

Foster the Development of an Ecosystem Serving the Electronics Manufacturing Value Chain

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

Pursue Strategic Partnerships and Acquisition Opportunities

In addition to growing our business through internal initiatives, we plan to expand our business through strategic partnerships and acquisitions. We plan to identify partnerships and acquisition targets that are complementary to our business operations. This can help us expand our user and revenue base, widen our geographic coverage, enhance our product and service offerings, improve our technology infrastructure and strengthen our talent pool. We also plan to leverage our market position and business model to seek attractive cross-selling, cross-marketing and licensing opportunities. In 2014, we became a Microsoft Gold Certified Partner, and started promoting Microsoft Cloud services to our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended December 31, 2016, profit of the Group increased significantly and amounted to RMB509.6 million, representing an increase of RMB143.1 million as compared with RMB366.5 million in 2015. Profit attributable to equity shareholders of the Company amounted to RMB478.8 million, representing an increase of RMB135.9 million compared with RMB342.9 million in 2015.

Revenue

For the year ended December 31, 2016, revenue of the Group amounted to RMB12,932.8 million, representing an increase of RMB3,479.4 million or 36.8% as compared with RMB9,453.4 million in 2015. The Group's revenue comprised RMB12,829.1 million of direct sales revenue, RMB84.7 million of marketplace revenue and RMB19.0 million of supply chain financing revenue. The increase was primarily due to the development of the growth of sales of IC and other electronic components driven by the one-step services from the online platform.

Cost of Revenue

Cost of revenue for the year ended December 31, 2016 was RMB11,870.3 million, representing an increase of 36.6% from RMB8,688.6 million for the year ended December 31, 2015. Cost of revenue for the year ended December 31, 2016 was partially offset by supplier rebates and discounts of RMB399.0 million. The increase in cost of revenue was due to the increase of direct sales.

Gross Profit

Gross profit for the year ended December 31, 2016 was RMB1,062.5 million, representing an increase of 38.9% from RMB764.8 million compared with the figures in 2015. The increase was primarily driven by increase of sales.

Other Income

For the year ended December 31, 2016, other income of the Group amounted to RMB28.3 million, representing an increase of RMB2.4 million or 9.3% as compared with RMB25.9 million in 2015. This is mainly because of the realized gain on the investment of trading securities.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended December 31, 2016 amounted to RMB218.1 million, representing an increase of RMB66.5 million or 43.9% from RMB151.6 million in 2015. This was primarily due to the expansion in operations which increased the headcount for marketing and sales supporting staff. Marketing and promoting expense also contributed to the increase in selling and distribution expenses.

Research and Development Expenses

Research and development ("**R&D**") expenses for the year ended December 31, 2016 amounted to RMB62.6 million, representing an increase of RMB6.7 million or 12.0% from RMB55.9 million in 2015. This was primarily due to more stock based compensation expense for 2016.

Administrative and Other Operating Expenses

During the year, administrative and other operating expenses amounted to RMB160.9 million, representing an increase of RMB31.2 million or 24.1% from RMB129.7 million in 2015, which was primarily due to the introduction of senior management by the Group. Also, as a result of an increase in revenue, more expense was spent on bank charges.

Income Tax

Our income tax increased by 50.6% from approximately RMB56.9 million for the year ended December 31, 2015 to approximately RMB85.7 million for the year ended December 31, 2016, primarily due to increase in profit from operation. The effective tax rate for the year ended December 31, 2016 was 14.4%, as compared to 13.4% for the year ended December 31, 2015. The increase was mainly due to increased profits of PRC companies. The income tax rate in the PRC is 25% while the Profits Tax rate in Hong Kong is 16.5%.

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

For the year ended December 31, 2016, profit attributable to equity shareholders of the Company amounted to RMB478.8 million, representing an increase of RMB135.9 million or 39.6% as compared to RMB342.9 million in 2015. The increase of profit was primarily due to increase of revenue.

Liquidity and Source of Funding

As of December 31, 2016, the current assets of the Group amounted to RMB8,246.9 million, which mainly comprised cash and bank balances (including pledged deposits), inventories and trade and other receivables, in the amount of RMB3,478.0 million, RMB1,394.8 million and RMB2,095.6 million, respectively. Current liabilities of the Group amounted to RMB4,945.2 million, of which RMB3,797.4 million was bank loans and RMB1,027.1 million was trade and other payables. As of December 31, 2016, the current ratio (the current assets to current liabilities ratio) of the Group was 1.67, representing an increase of 7% as compared with 1.56 as of December 31, 2015. The current ratio was similar with the ratio in 2015.

The Group does not have other debt financing obligations as of December 31, 2016 or the date of this annual results announcement and does not have any breaches of financial covenants.

Capital Expenditure

For the year ended December 31, 2016, the capital expenditure of the Group amounted to approximately RMB11.2 million, representing an increase of RMB6.0 million or 115.4% compared with RMB5.2 million in 2015. The increase in the capital expenditure was primarily due to business expansion and the need of newly established companies.

Net Gearing Ratio

As of December 31, 2016, the net gearing ratio of the Group, which was calculated by dividing net debt (total bank loans minus cash and cash equivalents and pledged deposits) by total equity, was 8.7% as compared with –7.3% as of December 31, 2015. The increase was primarily due to the increase of bank loans due to an increase in bank borrowings for the expanding business of the Group.

Material Investments

The Group made investments in unlisted funds amounted to RMB471.2 million in 2016. The investments in unlisted funds are managed by a third party investment entity incorporated in the PRC.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals for the year ended December 31, 2016.

Pledge of Assets

Except for the pledged bank deposits of RMB1,652.4 million and RMB1,247.0 million as of December 31, 2016 and December 31, 2015, respectively, the Group did not pledge any assets as of December 31, 2016 and December 31, 2015. 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, 2016. As of December 31, 2016, the Company issued several guarantees to banks in respect of the banking facilities granted to subsidiaries of the Company. The maximum liability of the Company at the end of the Reporting Period under these guarantees issued is the outstanding amount of the bank loans drawn down by the subsidiaries. As of December 31, 2016, management of the Company did not consider it is probable that a claim will be made against the Company under any of the guarantees.

Foreign Exchange Exposure

Foreign currency transactions during the year ended December 31, 2016 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, 2016. 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 Renminbi ("**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, 2016. 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.

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated financial results presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Group uses the following measures defined as Non-GAAP financial measures: (1) Non-GAAP profit attributable to equity shareholders of the Company is profit attributable to equity shareholders of the Company excluding share-based compensation costs, amortization of intangible assets and its related deferred taxation effect and; (2) Non-GAAP basic and diluted earnings per share, which is basic and diluted earnings per share excluding share-based compensation costs, amortization of intangible assets and its related deferred taxation effect. The presentation of these Non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with HKFRSs. For more information on these Non-GAAP financial measures, please see the table captioned "**Unaudited reconciliations of Non-GAAP measures to the most comparable HKFRS measures**" set forth below.

The Group believes that these Non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity by excluding share-based compensation costs, amortization of intangible assets and its related deferred taxation effect, that may not be indicative of its operating performance from a cash perspective. The Group believes that both management and investors benefit from referring to these Non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These Non-GAAP financial measures also facilitate management's internal comparisons to the Group's historical performance and liquidity.

The Group believes these Non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of using Non-GAAP profit attributable to the Company and Non-GAAP basic and diluted earnings per share is that these Non-GAAP measures exclude share-based compensation costs, amortization of intangible assets and its related deferred taxation effect that have been and will continue to be in the foreseeable future recurring expenses in our business. Management compensates for these limitations by providing specific information regarding the amounts excluded from each Non-GAAP measure. The accompanying tables have more details on the reconciliations between HKFRS financial measures that are most directly comparable to Non-GAAP financial measures.

UNAUDITED RECONCILIATION OF NON-GAAP MEASURES TO THE MOST COMPARABLE HKFRS MEASURES
for the years ended December 31, 2016 and 2015

	For the year ended December 31, 2016	For the year ended December 31, 2015
	RMB in million	*RMB in million*
Profit for the year		
GAAP profit attributable to Cogobuy Group	**478.8**	342.9
Share-based compensation expense	**36.8**	32.0
Amortization of intangible assets and related deferred taxation	**11.1**	11.5
Non-GAAP profit attributable to equity shareholders of Cogobuy Group	**526.7**	386.4
	RMB	*RMB*
Earnings per share — basic		
GAAP profit attributable to Cogobuy Group per share	**0.347**	0.257
Share-based compensation expense per share	**0.027**	0.024
Amortization of intangible assets and related deferred taxation per share	**0.008**	0.009
Non-GAAP profit attributable to equity shareholders of Cogobuy Group per share	**0.382**	0.290
	RMB	*RMB*
Earnings per share — diluted		
GAAP profit attributable to Cogobuy Group per share	**0.345**	0.253
Share-based compensation expense per share	**0.026**	0.024
Amortization of intangible assets and related deferred taxation per share	**0.008**	0.009
Non-GAAP profit attributable to equity shareholders of Cogobuy Group per share	**0.379**	0.286

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2016

	Note	2016 *RMB'000*	2015 *RMB'000*
Revenue	*4*	**12,932,794**	9,453,389
Cost of revenue		**(11,870,302)**	(8,688,638)
Gross profit		**1,062,492**	764,751
Other income	*5*	**28,329**	25,856
Selling and distribution expenses		**(218,053)**	(151,597)
Research and development expenses		**(62,613)**	(55,874)
Administrative and other operating expenses		**(160,900)**	(129,697)
Profit from operations		**649,255**	453,439
Finance costs	*6(a)*	**(55,984)**	(30,070)
Share of profits of an associate		**2,014**	—
Profit before taxation	*6*	**595,285**	423,369
Income tax	*7*	**(85,678)**	(56,888)
Profit for the year		**509,607**	366,481
Attributable to:			
Equity shareholders of the Company		**478,799**	342,875
Non-controlling interests		**30,808**	23,606
Profit for the year		**509,607**	366,481

	Note	2016 RMB'000	2015 RMB'000
Profit for the year		**509,607**	366,481
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of entities with functional currency other than Renminbi		**134,757**	34,680
— Available-for-sale investments: net movement in the fair value reserve		**4,904**	—
Total comprehensive income for the year		**649,268**	401,161
Attributable to:			
Equity shareholders of the Company		**616,660**	377,450
Non-controlling interests		**32,608**	23,711
Total comprehensive income for the year		**649,268**	401,161
Earnings per share	*8*		
Basic (RMB)		**0.347**	0.257
Diluted (RMB)		**0.345**	0.253

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2016

	Note	**December 31, 2016** *RMB'000*	December 31, 2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**14,189**	5,653
Intangible assets		**51,286**	63,508
Goodwill		**201,659**	184,260
Available-for-sale investments		**107,426**	114,330
Interest in an associate and a joint venture		**16,446**	—
Other non-current assets		**2,247**	670
		393,253	368,421
Current assets			
Inventories		**1,394,835**	609,172
Trade and other receivables	*9*	**2,095,591**	1,430,191
Loans to third parties	*10*	**794,596**	276,754
Available-for-sale investments		**471,212**	—
Short term deposits		**12,649**	11,000
Pledged deposits		**1,652,434**	1,246,977
Cash and cash equivalents		**1,825,543**	1,024,269
		8,246,860	4,598,363
Current liabilities			
Trade and other payables	*11*	**1,027,076**	749,574
Bank loans		**3,797,382**	2,125,876
Amount due to a related party		**38,985**	35,687
Current taxation		**81,776**	43,334
		4,945,219	2,954,471
Net current assets		**3,301,641**	1,643,892
Total assets less current liabilities		**3,696,894**	2,012,313
Non-current liabilities			
Deferred tax liabilities		**8,959**	10,762
NET ASSETS		**3,685,935**	2,001,551
CAPITAL AND RESERVES			
Share capital	*13*	**1**	1
Reserves		**3,600,493**	1,921,199
Total equity attributable to equity shareholders of the Company		**3,600,494**	1,921,200
Non-controlling interests		**85,441**	80,351
TOTAL EQUITY		**3,685,935**	2,001,551

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended December 31, 2016, but are extracted from those consolidated financial statements.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2016 as set out in the preliminary announcement have been compared by the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and consequently no assurance has been expressed by the auditors.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the consolidated financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group is principally engaged in the sales of integrated circuits ("**IC**") and other electronic components. The Group is also engaged in provision of supply chain financing services. Management considers that the revenue and profit is derived almost entirely from wholesales of IC and other electronic components for the years ended December 31, 2016 and 2015 and financial information regularly provided to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's lines of business and geographical locations does not meet the quantitative thresholds as set out in HKFRS 8, *Operating Segments*, to be reportable. Accordingly, no segment information is presented in the consolidated financial statements.

Substantially all of the Group's operations are in the PRC and Hong Kong. Consequently, no geographic information is presented.

4 REVENUE

The principal activity of the Group is sales of IC and other electronic components in the PRC. The Group operates two e-commerce marketplaces for the sale of IC and other electronic components which are used by the Group and third-party merchants. The Group is also engaged in the provision of supply chain financing services.

Revenue mainly represents the sales value of goods delivered to customers, commission fees charged to third-party merchants for using the e-commerce marketplace and interest income generated from the supply chain financing business. The amount of each significant category of revenue recognized during the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Sales 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
	12,932,794	9,453,389

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue for the year ended December 31, 2016. In 2016, revenue from sales of IC and other electronic components to this customer amounted to approximately RMB1,383 million (2015: RMB314 million). For the year ended December 31, 2015, there is no single customer with whom transactions have excessed 10% of the Group's revenue.

5 OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Bank interest income	**21,664**	24,813
Available-for-sale securities: reclassified from equity		
— On disposal	**—**	23,630
— On impairment	**(37,144)**	(23,917)
Net realized gains on trading securities	**39,509**	—
Dividend income on securities	**2,181**	—
Government grants	**2,119**	1,300
Others	**—**	30
	28,329	25,856

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2016	2015
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expense on bank loans	**45,332**	24,623
Factoring costs	**10,652**	5,447
	55,984	30,070
(b) Staff costs		
Contributions to defined contribution retirement plan	**14,745**	11,167
Equity-settled share-based compensation expenses	**36,753**	32,045
Salaries, wages and other benefits	**135,285**	106,237
	186,783	149,449
(c) Other items		
Amortization of intangibles assets	**13,335**	13,766
Auditors' remuneration	**6,163**	5,436
Cost of inventories	**11,821,566**	8,680,932
Impairment loss on trade receivables	**32,040**	31,880
Depreciation of property, plant and equipment	**2,186**	1,144
Net foreign exchange (gain)/loss	**(1,151)**	2,310
Operating lease charges in respect of property rentals	**17,098**	12,337
Research and development expenses *(note)*	**62,613**	55,874

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB53,423,000 (2015: RMB40,041,000) for the year ended December 31, 2016, which amount is also included in the staff costs as disclosed in note 6(b).

Research and development expenses also include operating lease charges in respect of property rentals of RMB3,593,000 (2015: RMB4,008,000), and amortization and depreciation charge of RMB585,000 (2015: RMB357,000) for the year ended December 31, 2016.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
	RMB'000	*RMB'000*
Current tax — PRC Corporation Income Tax		
Provision for the year	**39,329**	22,984
(Over)/under-provision in respect of prior years	**(456)**	366
	38,873	23,350
Current tax — Hong Kong Profits Tax		
Provision for the year	**48,561**	35,807
Under-provision in respect of prior years	**444**	2
	49,005	35,809
Deferred tax		
Origination and reversal of temporary differences	**(2,200)**	(2,271)
	85,678	56,888

(i) Cayman Islands and the British Virgin Island (the "BVI")

Under the current laws of the Cayman Islands and the BVI, the entities that are incorporated in the Cayman Islands and the BVI are not subject to tax on income or capital gains.

(ii) Hong Kong

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of HK$20,000 for each business (2015: a maximum reduction of HK$20,000 was granted for the year of assessment 2014–15 and was taken into account in calculating the provision for 2015). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) The PRC

Effective from January 1, 2008, the PRC statutory income tax rate is 25%. The PRC subsidiaries are subject to PRC Corporate Income Tax ("**CIT**") at statutory rate of 25%, unless otherwise specified below.

Cogobuy.com E-commerce Services (Shenzhen) Limited, Shenzhen Cogobuy Information Technologies Limited and FOXSAAS Information Technology (Shenzhen) Limited, being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations ("**2+3 tax holiday**") during 2013. As a result, they are exempted from CIT for 2013 and 2014, and are subject to CIT at 12.5% from 2015 to 2017 and at 25% from 2018 onwards.

Qianhai Cogobuy.com (Shenzhen) Limited and INGDAN.com (Shenzhen) Limited, being qualified software enterprises, are granted a 2+3 tax holiday under the then effective tax regulations during 2015. As a result, they are exempted from CIT for 2015 and 2016, and are subject to CIT at 12.5% from 2017 to 2019 and 25% from 2020 onwards.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC-resident enterprises are levied withholding tax at 10%, unless reduced by tax treaties or similar arrangements, on dividends from their PRC-resident investees for earnings accumulated beginning on January 1, 2008. Undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax.

Under the Arrangement between the Mainland China and 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).

For the purpose of the consolidated financial statements, the directors determine that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB478,799,000 (2015: RMB342,875,000) and the weighted average of 1,379,543,000 (2015: 1,335,828,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares at the beginning of the year	**1,340,679,000**	1,355,884,000
Issue of new shares *(note 13(i))*	**43,951,000**	—
Issue of shares under the Restricted Share Unit Scheme (the "**RSU Scheme**") *(note 13(ii))*	**6,205,000**	3,131,000
Purchase of own shares *(note 13(iii), (iv) and (v))*	**(11,292,000)**	(23,187,000)
Weighted average number of ordinary shares as of the end of the year	**1,379,543,000**	1,335,828,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB478,799,000 (2015: RMB342,875,000) and the weighted average number of ordinary shares of 1,389,098,000 shares (2015: 1,355,981,000 shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2016	2015
Weighted average number of ordinary shares as of the end of the year	**1,379,543,000**	1,335,828,000
Effect of deemed issue of shares under the Company's RSU Scheme for nil consideration	**9,555,000**	20,153,000
Weighted average number of ordinary shares (diluted) as of the end of the year	**1,389,098,000**	1,355,981,000

9 TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**2,079,935**	1,424,497
Bills receivables	**38,436**	29,799
Trade and bills receivables	**2,118,371**	1,454,296
Less: allowance for doubtful debts	**(90,204)**	(58,164)
	2,028,167	1,396,132
Loan interest receivables	**3,665**	4,393
Deposits and prepayments	**56,441**	25,048
Other receivables	**7,318**	4,618
	2,095,591	1,430,191

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

During the reporting period, the Group was subject to several factoring agreements with banks under which the banks pay an amount net of discount to the Group and collect the factored trade receivable balances directly from the Group's customers. The costs of the factoring arrangement ranged from 2.1% to 3.3% (2015: 1.7% to 2.7%) of the balance transferred and are included in "finance costs". The Group considered it had transferred the contractual rights to receive the cash flows of the trade receivables being factored and therefore recorded the transfers of trade receivables pursuant to the factoring agreements as sales. All of the factored trade receivables were accounted for as sales and derecognized upon transfer.

For the year ended December 31, 2016, the Group received proceeds of RMB3,279,046,000 (2015: RMB1,889,999,000) from sales of trade receivables. The Group recognized discounts of RMB10,652,000 (2015: RMB5,447,000) in finance costs for trade receivables sold to the banks for the year ended December 31, 2016.

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**1,272,570**	813,575
1 to 2 months	**466,007**	369,716
2 to 3 months	**206,970**	128,554
Over 3 months	**82,620**	84,287
	2,028,167	1,396,132

Trade and bills receivables are normally due within 30 to 90 days from the date of billing.

10 LOANS TO THIRD PARTIES

	2016	2015
	RMB'000	*RMB'000*
Unsecured loans	**64,612**	112,168
Secured loans	**729,984**	164,586
	794,596	276,754

Loans to third parties comprise unsecured loans without collateral and secured loans secured by the third-party borrowers' inventories, receivables or listed securities.

As of the end of the reporting period, the aging analysis of loans to third parties, based on the maturity date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
1 to 2 months	**150,618**	22,477
2 to 3 months	**64,691**	219,247
Over 3 months	**579,287**	35,030
	794,596	276,754

As of December 31, 2016, none of the loans to third parties was individually determined to be impaired (2015: Nil).

11 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the aging analysis of trade payables based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**776,136**	673,406
1 to 3 months	**157,271**	22,235
Over 3 months	**34,000**	11,773
Trade payables	**967,407**	707,414
Accrued staff costs	**23,566**	22,006
Other payables	**36,103**	20,154
	1,027,076	749,574

12 DIVIDEND

The board of directors does not recommend the distribution of a final dividend for the year ended December 31, 2016 (2015: Nil).

13 SHARE CAPITAL

	2016		2015	
	No. of shares	**Amount**	No. of shares	Amount
		US$		*US$*
Authorized:				
Ordinary shares of US$0.0000001 each	**500,000,000,000**	**50,000**	500,000,000,000	50,000
Ordinary shares, issued and fully paid:				
At the beginning of the year	**1,362,262,500**	**136**	1,372,045,000	137
Issue of new shares *(note (i))*	**160,420,232**	**16**	—	—
Issue of new shares under the RSU Scheme *(note (ii))*	**—**	**—**	14,107,500	1
Purchase of own shares *(notes (iii), (iv) and (v))*	**(21,410,000)**	**(2)**	(23,890,000)	(2)
At the end of the year	**1,501,272,732**	**150**	1,362,262,500	136

Notes:

(i) On 22 September 2016, the Company had completed a placing of an aggregate of 160,420,232 new shares at a placing price of HK$12.5 each share. The net proceed from the placing of new share amounted to HKD2,000,603,000 (equivalently RMB1,719,913,000), of which RMB1,719,913,000 was charged to share premium within consolidated equity.

(ii) For the year ended December 31, 2015, an additional 14,107,500 ordinary shares were issued by the Company under the RSU Scheme. 8,685,400 units of RSUs were vested to the beneficiaries, and RMB18,411,000 were credited to the share premium account.

For the year ended December 31, 2016, 12,720,400 units of RSUs were vested to the beneficiaries, RMB37,416,000 were credited to the share premium account. The remaining shares are held on trust by the RSU Scheme trustee until their release to the beneficiaries upon the vesting of the RSUs.

(iii) During the year ended December 31, 2015, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate amount paid**
		HK$	*HK$*	*HK$'000*
January 2015	15,791,000	4.43	4.08	67,760
February 2015	7,899,000	4.50	3.95	32,603
July 2015	200,000	5.00	4.83	980
	23,890,000			101,343

These repurchased shares were cancelled immediately upon repurchase. The issued share capital of the Company was reduced by the nominal value of US$2.39. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$2.39 (equivalent to RMB14.81) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$101,343,000 (equivalent to RMB82,600,000) was charged to share premium.

(iv) During the year ended December 31, 2016, the Company purchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price per share *HK$*	Lowest price per share *HK$*	Aggregate amount paid *HK$'000*
January 2016	3,075,000	8.28	7.90	24,824
February 2016	1,437,000	8.30	7.92	11,650
May 2016	5,416,000	10.96	10.50	57,639
October 2016	4,536,000	12.30	12.04	55,088
November 2016	7,632,000	12.50	11.42	91,533
December 2016	17,083,000	12.00	11.22	200,849
	39,179,000			441,583

Of the 39,179,000 shares repurchased, 21,410,000 shares were cancelled as of December 31, 2016, and the remaining 17,769,000 shares were cancelled after the end of the Reporting Period. The issued share capital of the Company was reduced by the nominal value of US$3.92. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$2.14 (equivalent to RMB14.21) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$441,583,000 (equivalent to RMB381,674,000) was charged to share premium.

(v) During the year ended December 31, 2016, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price per share *HK$*	Lowest price per share *HK$*	Aggregate amount paid *HK$'000*
November 2016	9,284,000	12.37	11.66	111,534

These repurchased shares were held by the RSU Scheme trustee for the purpose of the RSU Scheme. The consideration paid on the repurchase of the shares of HK$111,534,000 (equivalent to RMB99,876,000) is presented as shares held for the RSU Scheme in the consolidated statement of changes in equity and deducted from total equity.

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

During the year ended December 31, 2016, the Company repurchased an aggregate of 39,179,000 shares (2015: 23,890,000 shares) of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$441.6 million (2015: HK$101.3 million) (equivalent to RMB381.7 million (2015: RMB82.6 million)).

All the shares repurchased were cancelled, of which 3,417,000 shares were cancelled on February 12, 2016, 1,095,000 shares were cancelled on February 29, 2016, 3,604,000 shares were cancelled on May 31, 2016, 1,812,000 shares were cancelled on June 3, 2016, 8,722,000 shares were cancelled on

November 30, 2016, 2,760,000 shares were cancelled on December 12, 2016, 2,091,000 shares were cancelled on January 5, 2017, 12,395,000 shares were cancelled on January 11, 2017, and 3,283,000 shares were cancelled on February 3, 2017.

Subsequent to the period end date, the Company repurchased an aggregate of 1,883,000 shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$20.4 million (equivalent to RMB17.6 million). As of the date of this announcement, all 1,883,000 shares were cancelled.

The repurchases were effected by the Directors for the benefit of the Company and to create value to its shareholders.

Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year ended December 31, 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders. During the year ended December 31, 2016, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except for a deviation from code provision A.2.1 which requires 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 Jingwei, Jeffrey currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time if it is considered appropriate by taking into account the circumstances of the Group as a whole.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors and the relevant employees of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the year ended December 31, 2016 and to the date of this announcement.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the year ended December 31, 2016 after making reasonable enquiry.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of the announcement, the Audit Committee comprises three members, namely, Mr. Zhong Xiaolin, Forrest, Mr. Ye Xin and Mr. Yan Andrew Y, all being independent non-executive Directors. Mr. Zhong Xiaolin, Forrest is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2016. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, KPMG.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2016 as set out in the preliminary announcement have been compared by the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditors.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2016.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Friday, June 2, 2017 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members will be closed from Friday, May 26, 2017 to Friday, June 2, 2017 (both days inclusive), during which period no transfer of shares will be effected. All transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, May 25, 2017.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cogobuy.com. The annual report of the Group for the year ended December 31, 2016 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

By order of the Board
Cogobuy Group
KANG Jingwei, Jeffrey
Chairman and Executive Director

Hong Kong, March 21, 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, Hope; 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.