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COGOBUY GROUP

科通芯城集團

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

(Stock Code: 400)

DISCLOSEABLE TRANSACTIONS

SUBSCRIPTION AGREEMENTS REGARDING A SUBSIDIARY AND DEEMED DISPOSAL

The Board is pleased to announce that the Company and Comtech Industrial, among others, entered into (i) the August Subscription Agreements with the August Investors on 6 August 2020; and (ii) the September Subscription Agreements with each of the September Investors on 10 September 2020, pursuant to which the Investors agreed to inject capital into Comtech Industrial in the aggregate amount of up to RMB165,800,000, for an aggregate equity interest of up to 6.46% of Comtech Industrial.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, as the Subscription Agreements were entered into between the Group and the respective Investors within a 12-month period, the Company has aggregated the transactions contemplated under the Subscription Agreements for the purposes of calculating the percentage ratios under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Subscriptions, when aggregated, exceeds 5% but is less than 25%, the Subscriptions constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Company's shareholding in Comtech Industrial (through Alphalink) will decrease from 75% to 70.15%, the Subscriptions constitute a deemed disposal of 4.85% of the Company's equity interest in Comtech Industrial. Comtech Industrial will continue to be a subsidiary of the Company and the financial results of Comtech Industrial will continue to be consolidated into those of the Group.

Shareholders and potential investors should note that the Subscriptions are subject to the satisfaction of certain conditions and, accordingly, the Subscriptions may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

SUBSCRIPTION AGREEMENTS REGARDING A SUBSIDIARY

The Board is pleased to announce that the Company and Comtech Industrial, among others, entered into (i) the August Subscription Agreements with the August Investors on 6 August 2020; and (ii) the September Subscription Agreements with each of the September Investors on 10 September 2020, pursuant to which the Investors agreed to inject capital into Comtech Industrial in the aggregate amount of up to RMB165,800,000, for an aggregate equity interest of up to 6.46% of Comtech Industrial.

The principal terms of the Subscription Agreements (with slight variation for each of the Subscription Agreements) are as follows:

Date

- (1) 6 August 2020 (in relation to the August Subscription Agreements); and
- (2) 10 September 2020 (in relation to the September Subscription Agreements).

Parties

August Subscription Agreements

- (1) the Company;
- (2) Comtech Industrial;
- (3) Mr. Kang;
- (4) Alphalink;
- (5) Optimum;

- (6) Yuecai Emerging; and
- (7) Chuangying Jianke.

September Subscription Agreements

- (1) the Company;
- (2) Comtech Industrial;
- (3) Mr. Kang;
- (4) Alphalink;
- (5) Optimum; and
- (6) Zhongtai VC/ Yimi Kaide/ Yimi VC/ IH Donghai/ Homwon Capital (each in relation to their respective Subscription Agreement only).

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Investors (and their ultimate beneficial owner(s)) are third parties independent of, and not connected with, the Company and its connected persons.

The Subscriptions

On 6 August 2020, the Company, Comtech Industrial and the August Investors, among others, entered into the August Subscription Agreements, pursuant to which the August Investors agreed to inject capital into Comtech Industrial in the amount of up to RMB50,000,000, for an aggregate equity interest of up to 1.95% of Comtech Industrial.

On 10 September 2020, the Company, Comtech Industrial and the September Investors, among others, entered into the September Subscription Agreements, pursuant to which the September Investors agreed to inject capital into Comtech Industrial in the amount of up to RMB115,800,000, for an aggregate equity interest of up to 4.51% of Comtech Industrial.

Consideration

The aggregate capital injection of up to RMB165,800,000 by the Investors as set out in the section headed “The Subscriptions” above represents the consideration for the Subscription Agreements. The Investors shall transfer the relevant amount of consideration in a one-off payment to a designated bank account of the Company on the respective Completion Date.

The consideration was determined based on arm's length negotiations between the parties with reference to, among others:

- (1) the valuation of Comtech Industrial of approximately RMB2,400,000,000 prepared by the Valuer based on the market-based approach, by which the Valuer performed trading multiple analysis of a number of comparable companies listed on a stock exchange in mainland China and primarily engaged in a business similar to the business of Comtech Industrial. The Valuer adopted the average of the price-to-earnings ratios (the "**P/E Ratio Average**") and the price-to-sales ratios (the "**P/S Ratio Average**") of the comparable companies as the indicators of the fair value of the comparable companies. The appraised value of Comtech Industrial was computed by multiplying (i) the historical pro-forma profit for the year attributable to the owners of Comtech Industrial and its subsidiaries and Shenzhen Ingdan Microelectronics Research Institute of approximately RMB85,809,000 for the year ended 31 December 2019 with the P/E Ratio Average, and (ii) the historical pro-forma total revenue of Comtech Industrial and its subsidiaries and Shenzhen Ingdan Microelectronics Research Institute of approximately RMB3,906,711,000 for the year ended 31 December 2019 with the P/S Ratio Average;
- (2) the Directors' anticipated operating performance of Comtech Industrial and its subsidiaries, taking into account the operating performance of Comtech Industrial and its subsidiaries for the two years ended 31 December 2019, details of which are set out in the section headed "Information of the parties involved" below;
- (3) the assessment on the business development and future prospects of Comtech Industrial by the Company's management; and
- (4) the benefits to be derived by the Group from the Subscriptions as described in the section headed "Reasons for and benefits of the Subscriptions" below.

Conditions precedent

Completion of each of the Subscription Agreements shall be conditional upon fulfillment (or waiver in writing by the respective Investor) of certain conditions precedent, including:

- (1) all representations and warranties made by the Company, Comtech Industrial, Mr. Kang and Alphalink remaining true, accurate, complete and not misleading and the Company, Comtech Industrial and Mr. Kang having performed and complied with all obligations under the respective Subscription Agreements that are required to be performed or complied with by them on or before completion;

- (2) all necessary approvals, consents and authorisations from the shareholders of Comtech Industrial in relation to the respective Subscription Agreement and the transactions contemplated thereunder having been obtained and all necessary documents required thereunder having been executed and delivered;
- (3) written confirmation(s) that any pre-emptive rights of Alphalink and Optimum will not be exercised;
- (4) all necessary approvals, consents, authorisations and registrations required (where applicable) under all applicable laws and regulations and by all relevant authorities (with the exception of the business change registration with the State Administration for Market Regulation) having been obtained and all necessary approvals and consents (where applicable) from creditors and other third parties (including but not limited to banks) having been obtained;
- (5) there not having any existing or potential claims brought by or against any organisation or individual in relation to any of the parties to the respective Subscription Agreement that may have a material adverse effect on the Subscription or any conditions thereunder (excluding those already disclosed by Comtech Industrial to the respective Investor or their external consultants prior to the Completion Date); and
- (6) there not having occurred any material adverse events up to and including the Completion Date that (i) are inconsistent with the representations and warranties made by the Company, Comtech Industrial, Mr. Kang and Alphalink, (ii) are inconsistent with the information disclosed to the respective Investor, and (iii) have a material adverse effect on the business environment, financial status and/or profitability of Comtech Industrial.

Pre-emptive rights

If Comtech Industrial proposes, at any time after the Completion Date (in relation to the August Investments) or at any time after three months following the Completion Date (in relation to the September Investments), to obtain any new investment in its capital (except for, as approved by Comtech Industrial's general meeting where appropriate, (i) securities issued in connection with stock or share options granted to or to be granted pursuant to any share option scheme or share incentive plan; (ii) securities issued in connection with a bona fide merger with or acquisition of another business; (iii) securities issued in connection with a conversion of profits or capital reserve; or (iv) securities issued in connection with any share split, share dividend, combination, recapitalisation or similar transaction or securities issued during or after listing ((i) to (iv), the “**Carve-out Issuances**”)), Comtech Industrial shall first offer to the Investors on a pro-rata basis a right to invest up to its pro-rata shareholding of such new investment; provided, however, in the event that the exercise of any pre-emptive

rights by the Investors would require approval by the Shareholders pursuant to the Listing Rules, no pre-emptive rights shall be exercisable by the Investors unless Shareholders' approval has been obtained.

Right of first refusal and co-sale right

If the Company, Mr. Kang or Alphalink (the “**Selling Shareholders**”), at any time after the Completion Date (in relation to the August Investments) or at any time after three months following the Completion Date (in relation to the September Investments), proposes to sell or otherwise deal with or dispose of any equity interests in Comtech Industrial (the “**Offered Shares**”) to any third party (the “**Transferee**”) (with the exception of the Carve-out Issuances), the Investors shall (i) have a right of first refusal to purchase a portion of such Offered Shares pro rata to the Investors' existing equity interest in Comtech Industrial, and (ii) have the right to participate in the sale of such Offered Shares to the Transferee for the same price and on the same terms as those agreed between the Selling Shareholders and the Transferee.

Anti-dilution right

If, at any time after the Completion Date and without the prior written approval of the Investors, Comtech Industrial issues its securities at a lower price than that paid by the Investors (“**Dilutive Investments**”) (with the exception of the Carve-out Investments), the Company, Comtech Industrial, Mr. Kang and Alphalink shall, subject to compliance of the relevant requirements under the Listing Rules, take necessary actions to ensure that the price paid by the Investors under the Subscription Agreements is no higher than that paid for the Dilutive Investments, including (i) issuing new shares to the Investors at a price lower than that paid for the Dilutive Investments (to the extent permitted under the laws of the PRC and the Listing Rules); (ii) transferring their existing equity interests to the Investors (to the extent permitted under the laws of the PRC and the Listing Rules); (iii) compensating the investors with a cash amount or (iv) any other method permitted under the laws of the PRC and the Listing Rules.

Redemption right

The Investors shall have the right (exercisable no later than the end of 2024) to request the Company to repurchase the equity interest in Comtech Industrial held by the respective Investor should certain conditions set out in the Subscription Agreements occur after the Completion Date, including:

- (1) the Company, Mr. Kang and Alphalink ceasing to control Comtech Industrial;
- (2) there existing causes of concern in relation to the integrity of dealings by Comtech Industrial and/or the Company, Mr. Kang and Alphalink;

- (3) the Company, Comtech Industrial, Mr. Kang or Alphalink receiving major administrative penalties or becoming the subject of investigations by public security or prosecutorial bureaus as a result of engaging in serious violations of applicable laws;
- (4) Comtech Industrial failing to conduct an initial public offering and the listing of its securities on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or any other recognised stock exchange agreed to by the Investors before 31 December 2023, unless such failure was a result of non-cooperation by the relevant Investor or any force majeure events as set out in the Subscription Agreements;
- (5) the Company, Mr. Kang or Alphalink or any of its affiliates transferring the assets of Comtech Industrial in bad faith;
- (6) Comtech Industrial commencing administration, liquidation or bankruptcy proceedings;
- (7) Comtech Industrial being the subject of materially unfavourable litigation results which significantly impact its ability to conduct an initial public offering of its securities;
- (8) the production and business activities of Comtech Industrial ceasing for (i) a continuous period of six months or (ii) a cumulative period of six months in any financial year;
- (9) the net profit of Comtech Industrial or revenue from its main business segment decreasing by 50% or more year-on-year during a financial year where the relevant Investor hold equity interests in Comtech Industrial; and
- (10) the exercise of a redemption right similar in effect by any other shareholder of Comtech Industrial,

provided, however, in the event that the repurchase by the Company would require approval by the Shareholders pursuant to the Listing Rules or any other securities laws or rules applicable to it (collectively, the “**Applicable Securities Laws**”), no repurchase shall take place unless the Company has obtained all applicable Shareholders’ and/or regulatory approval as may be required under the Applicable Securities Laws.

The redemption price shall be calculated as: $A \times (1 + 8\% \times \frac{T}{365}) - M$, where:

- A : the consideration paid for by the Investor;
- T : the calendar days between the Completion Date and the date of receipt of the redemption price; and
- M : any cash income received by the Investor between the Completion Date and the date of receipt of the redemption price by virtue of being a shareholder of Comtech Industrial.

Profit Guarantee

Pursuant to the Subscription Agreements, Comtech Industrial undertakes to the Investors that the audited net profit (after deducting non-recurring gains and losses) of Comtech Industrial for the year ending 31 December 2020 shall be no less than RMB160 million.

Should the audited net profit (after deducting non-recurring gains and losses) of Comtech Industrial for the year ending 31 December 2020 be less than RMB160 million, subject to compliance of the relevant requirements under the Listing Rules, the Investors have the right to request compensation from the Company and Mr. Kang pursuant to one of the following formulas:

Cash compensation: $(\frac{A - B1}{A}) \times C$; or

Share compensation: $(\frac{A - B2}{A}) \times D$,

where

- A : RMB160 million;
- B1 : the actual audited net profit (after deducting non-recurring gains and losses) of Comtech Industrial for the year ending 31 December 2020;
- B2 : the actual audited net profit of Comtech Industrial for the year ending 31 December 2020;
- C : amount of capital injection by the Investor; and
- D : the registered capital held by the Investor (prior to any compensation).

The Company and Mr. Kang shall complete any cash compensation or share compensation within three months of receiving any such request from an Investor.

Completion

Completion of each of the Subscriptions shall take place on the Completion Date, i.e. the day on which the respective Conditions Precedent have been fulfilled (or waived by the relevant Investor in writing).

USE OF PROCEEDS AND FINANCIAL EFFECT OF THE SUBSCRIPTIONS

The net proceeds from the Subscriptions of up to RMB165.8 million (after deducting expenses in relation to the Subscriptions) are expected to be used for the daily operation and business development of the Group and other purposes as agreed between the Company and the Investors.

As the Company's shareholding in Comtech Industrial (through Alphalink) will decrease from 75% to 70.15%, the Subscriptions constitute a deemed disposal of 4.85% of the Company's equity interest in Comtech Industrial. Comtech Industrial will continue to be a subsidiary of the Company and the financial results of Comtech Industrial will continue to be consolidated into those of the Group.

As the decrease in the Company's shareholding in Comtech Industrial will not result in the Company ceasing to control Comtech Industrial, the Subscriptions will be accounted for as an equity transaction and the Company will not record any gain or loss in the consolidated statement of profit or loss from the Subscriptions under Hong Kong Financial Reporting Standards.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Group expects that the demand for chips from customers in the PRC will increase greatly as a result of the widespread adoption and rapid development of 5G. As the Group's chip sales are conducted primarily through Comtech Industrial, the introduction of the Investors as strategic investors will provide additional sources of capital for the daily operations of the Group to meet the increased demand and at the same time help to further expand the Group's business development and increase its market share in the industry.

The Directors believe that the terms of the Subscriptions are fair and reasonable and in the interests of the shareholders as a whole.

INFORMATION OF THE PARTIES INVOLVED

The Company

The Company is a technology service company focusing on servicing global IC chips industry and AIoT ecosystem in China. The Group's two primary businesses focus on (i) the sales and promotion of IC chips to AIoT enterprises in China; and (ii) the research and development and sales of proprietary products, as well as developing customized technical solutions, providing financing services and seeking investment or acquisition and merger opportunities in high-quality startups within the Group's AIoT ecosystem.

Comtech Industrial

Comtech Industrial, an indirect non-wholly owned subsidiary of the Company, is a company established in the PRC that is principally engaged in investment holding and the sales and promotion of IC chips to AIoT enterprises in China.

Set out below is the summary financial information of Comtech Industrial and its subsidiaries and Shenzhen Ingdan Microelectronics Research Institute for the two years ended 31 December 2019 based on its audited combined accounts:

	For the year ended 31 December 2018 (RMB'000)	For the year ended 31 December 2019 (RMB'000)
Net profit before tax	51,632	87,956
Net profit after tax	45,948	85,809

As at 31 December 2019, Comtech Industrial had net assets of approximately RMB71,836,000 as shown in its audited accounts.

Mr. Kang

Mr. Kang is the chief executive officer, chairman of the Board, an executive Director and the controlling shareholder of the Company.

Alphalink

Alphalink, a wholly owned subsidiary of the Company, is a limited liability company incorporated in the British Virgin Islands principally engaged in investment holding.

Optimum

Optimum is a limited liability company incorporated in Hong Kong principally engaged in investment holding.

Yuecai Emerging

Yuecai Emerging is a limited partnership established in the PRC principally engaged in equity investments in strategic emerging industries in the Guangdong-Hong Kong-Macao Greater Bay Area.

Chuangying Jianke

Chuangying Jianke is a limited partnership established in the PRC principally engaged in equity investments and investment consultancy.

Zhongtai VC

Zhongtai VC is a limited liability company established in the PRC principally engaged in venture capital investments.

Yimi Kaide

Yimi Kaide is a limited partnership established in the PRC principally engaged in equity investments.

Yimi VC

Yimi VC is a limited partnership established in the PRC principally engaged in venture capital and equity investments.

IH Donghai

IH Donghai is a limited partnership established in the PRC principally engaged in venture capital investments.

Homwon Capital

Homwon Capital is a limited liability company established in the PRC principally engaged in entrusted equity investment and management, asset management, investment consulting, business investment.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, as the Subscription Agreements were entered into between the Group and the respective Investors within a 12-month period, the Company has aggregated the transactions contemplated under the Subscription Agreements for the purposes of calculating the percentage ratios under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Subscriptions, when aggregated, exceeds 5% but is less than 25%, the Subscriptions constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company expects to introduce more investors into Comtech Industrial in the near future and it will comply with the requirements under the Listing Rules if and when such agreements are entered into.

Shareholders and potential investors should note that the Subscriptions are subject to the satisfaction of certain conditions and, accordingly, the Subscriptions may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings set out below:

“AI”	artificial intelligence
“AIoT”	AI and Internet of Things
“Alphalink”	Alphalink Global Limited, a wholly owned subsidiary of the Company and a shareholder as to 75% of the equity interests in Comtech Industrial
“August Investors”	Yuecai Emerging and Chuangying Jianke
“August Subscription Agreements”	the subscription agreement entered into on 6 August 2020, between the Company, Comtech Industrial, Mr. Kang, Alphalink, Optimum and the August Investors
“Board”	the board of Directors
“Chuangying Jianke”	Guangzhou Chuangying Jianke Investment Partnership Enterprise (Limited Partnership)* (廣州創盈健科投資合夥企業(有限合夥))
“Company”	Cogobuy Group (科通芯城集團), a company incorporated under the laws of the Cayman Islands with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	the day on which the Conditions Precedent under the relevant Subscription Agreement have been fulfilled (or waived by the relevant Investor in writing)
“Comtech Industrial”	Comtech Industrial Technology (Shenzhen) Company Limited* (科通工業技術(深圳)有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company

“Conditions Precedent”	the conditions precedent under the Subscription Agreements, details of which are set out under the section headed “Subscription Agreements regarding a subsidiary — Conditions precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Homwon Capital”	Homwon Capital Management Co., Ltd. (弘灣資本管理有限公司)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuits
“IH Donghai”	Shenzhen Investment Holding Donghai Small, Medium and Micro Venture Capital Enterprise (Limited Partnership)* (深圳市投控東海中小微創業投資企業(有限合夥))
“Investors”, each an “Investor”	the August Investors and the September Investors
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Kang”	Kang Jingwei, Jeffrey, a Director and the controlling shareholder of the Company
“Optimum”	Optimum Profuse Technology (HK) Limited, one of the shareholders of Comtech Industrial and a shareholder as to 25% of the equity interests in Comtech Industrial immediately prior to the Subscriptions
“PRC”	the People’s Republic of China excluding, for the purposes of this announcement only, Hong Kong, Macao and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“September Investors”	Zhongtai VC, Yimi Kaide, Yimi VC, IH Donghai and Homwon Capital
“September Subscription Agreements”	the subscription agreements entered into on 10 September 2020 between the Company, Comtech Industrial, Mr. Kang, Alphalink, Optimum, and each of the September Investors
“Shareholder(s)”	holder(s) of the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscription of an aggregate amount of up to RMB165,800,000 in the capital of Comtech Industrial by the Investors
“Subscription Agreements”, each a “Subscription Agreement”	the August Subscription Agreements and the September Subscription Agreements
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Valuer”	Trinity Corporate Finance Limited, a third-party valuer
“Yimi Kaide”	Guangzhou Yimi Kaide Industrial Investment Fund Partnership (Limited Partnership)* (廣州蟻米凱得產業投資基金合夥企業(有限合夥))
“Yimi VC”	Guangdong Yimi Venture Capital Partnership Enterprise (Limited Partnership)* (廣東蟻米創業投資合夥企業(有限合夥))
“Yuecai Emerging”	Guangdong Yuecai Emerging Industry Equity Investment Fund Partnership Enterprise (Limited Partnership)* (廣東粵財新興產業股權投資基金合夥企業(有限合夥))

“Zhongtai VC”

Zhongtai Venture Capital (Shenzhen) Co., Ltd.* (中泰
創業投資(深圳)有限公司)

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

Hong Kong, 10 September 2020

As at the date of this announcement, the executive Directors are Mr. KANG Jingwei, Jeffrey and Mr. WU Lun Cheung Allen; the non-executive Director is Ms. NI Hong, Hope; and the independent non-executive Director are Mr. YE Xin, Dr. MA, Qiyuan and Mr. HAO Chunyi, Charlie.

* *For identification purposes only*