COGOBUY GROUP

科 通 芯 城 集 團

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

(Stock code: 400)

DISCLOSABLE TRANSACTION: ACQUISITION OF SHANGHAI KMT, SHANGHAI KMT AUTOMATION AND THE ASSETS BY ISSUING 30% INTEREST IN COGOBUY SUB; AND GRANT OF CALL OPTION

The Board announces that on 18 January 2018, in order to further enhance INGDAN.com's monetisation potential, Cogobuy Inc. (a wholly-owned subsidiary of the Company), Cogobuy Sub and KMT Automation Parent Co. entered into the Share Subscription Agreement, pursuant to which Cogobuy Sub will acquire from KMT Automation Parent Co. the entire equity interest in Shanghai KMT and Shanghai KMT Automation and the Assets, in consideration of which KMT Automation Parent Co. agrees to subscribe for, and Cogobuy Sub agrees to issue at nil consideration, the Subscription Shares, representing 30% of the enlarged issued share capital of Cogobuy Sub after Completion.

On the same day, Cogobuy Inc., Cogobuy Sub and KMT Automation Parent Co. also entered into the Shareholders Agreement, pursuant to which Cogobuy Inc. shall grant to KMT Automation Parent Co. the Call Option to purchase shares in Cogobuy Sub held by Cogobuy Inc., equivalent to up to 60% of the issued share capital of Cogobuy Sub.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of (i) the acquisition of Shanghai KMT, Shanghai KMT Automation and the Assets, (ii) the deemed disposal of 30% equity interest in Cogobuy Sub, and (iii) the grant of the Call Option is more than 5% but less than 25%, the entering into of the Share Subscription Agreement and the Shareholder Agreement constitute disclosable transactions of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SHARE SUBSCRIPTION AGREEMENT

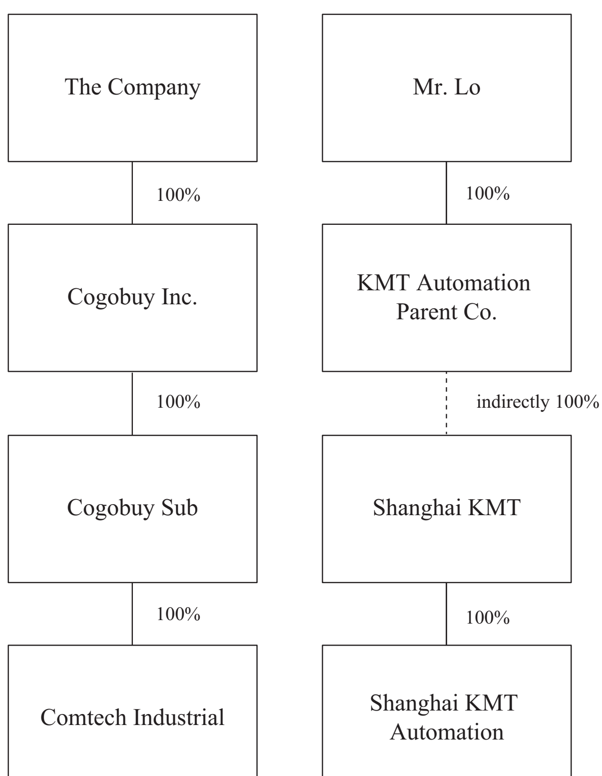
Date: 18 January 2018

Parties:
1. Cogobuy Inc.
2. Cogobuy Sub
3. KMT Automation Parent Co.

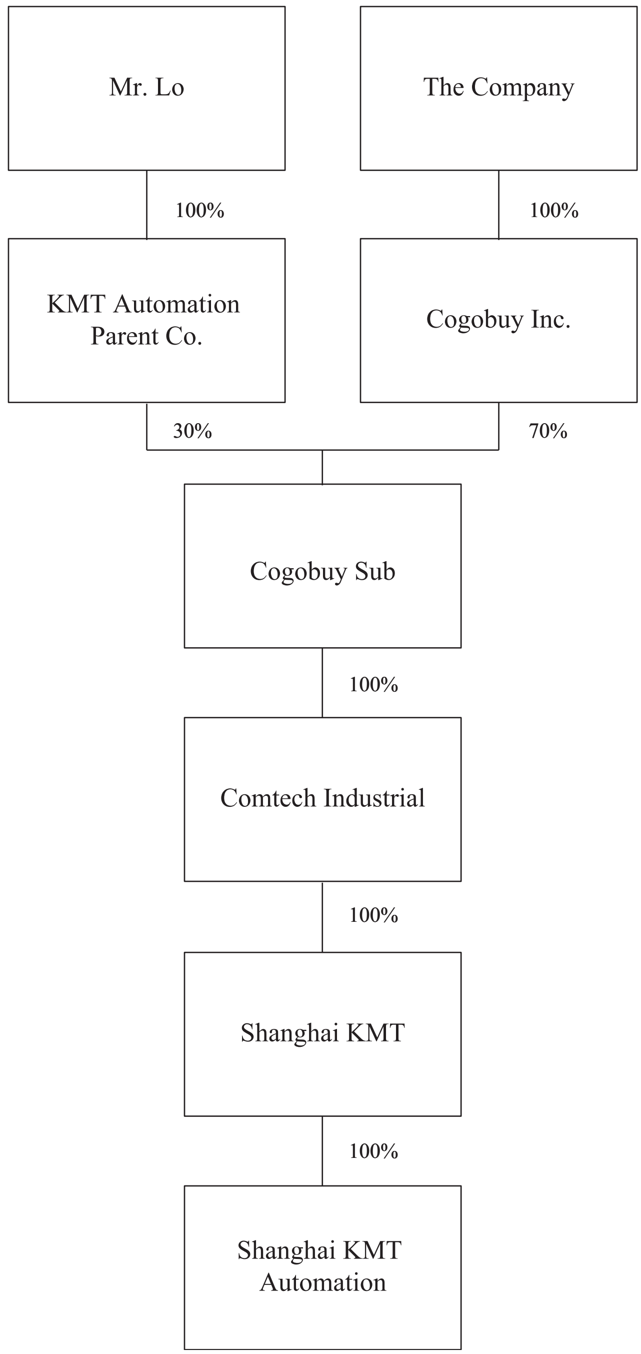
Subscription of Subscription Shares and acquisition of Shanghai KMT

Under the terms of the Share Subscription Agreement, Cogobuy Sub will acquire from KMT Automation Parent Co. the entire equity interest in Shanghai KMT, Shanghai KMT Automation and certain assets owned by KMT Automation Parent Co., Shanghai KMT and Shanghai KMT Automation (including the ez-robot.cn/platform, and related software and technology (the "**Assets**"), in consideration of which KMT Automation Parent Co. agrees to subscribe for, and Cogobuy Sub agrees to issue at nil consideration, the Subscription Shares, representing 30% of the enlarged issued share capital of Cogobuy Sub after Completion.

As of the date of this announcement, a simplified shareholding structure of Cogobuy Sub and Shanghai KMT is as follows:



Prior to Completion, Cogobuy Sub shall change its name to EZ ROBOT, INC., or such name as confirmed by KMT Automation Parent Co. Therefore, upon Completion, the shareholding structure of Cogobuy Sub and Shanghai KMT would be as follows:



The consideration for the acquisition of Shanghai KMT, Shanghai KMT Automation and the Assets is the Subscription Shares. The basis of this consideration was determined after arm's length negotiations between Cogobuy Inc. and KMT Automation Parent Co., and reflects the value of the acquisition of Shanghai KMT and Shanghai KMT Automation and the value of the Assets taking into account a valuation report conducted by an independent adviser relating to the present transaction which adopted the market-based approach with trading multiple analysis by assessing comparable companies that are (i) primarily engaged in similar business of sale of automation products and/or robotics; (ii) primarily engaged in the similar business of provision of system integration services; (iii) primarily engaged in the similar business of provision of e-commerce and information technology services; (iv) with market capitalisation of no less than HK$300 million; and (v) currently listed on the Main Board of the Stock Exchange or other international stock exchanges. See the section headed "Information on KMT Automation Parent Co. and Shanghai KMT" and the section headed "Information on Cogobuy Sub and the EZBOT business" for more details.

Completion is expected to take place on 31 January 2018, or such other date as may be agreed between Cogobuy Inc. and KMT Automation Parent Co.

Upon Completion, Cogobuy Sub will be owned by Cogobuy Inc. as to 70% and by KMT Automation Parent Co. as to 30%. Cogobuy Sub will be renamed as EZ ROBOT, INC. and will continue to be a subsidiary of the Company and its financial results will continue to be consolidated with the results of the Group.

Reorganisation

Pursuant to the Share Subscription Agreement, the Company has undertaken to KMT Automation Parent Co. that there will be a reorganisation such that the main business of Cogobuy Sub and its subsidiaries shall be the EZBOT business, as described in the section headed "Information on Cogobuy Sub and EZBOT business".

This shall be achieved by:

(i) the transfer of non-EZBOT related direct sales business and assets from Comtech Industrial to other subsidiaries of the Group before or within one month of Completion or other reasonable and feasible time as agreed, or in the case that such transfer could not be completed upon Completion, the provision of agency services in relation to such non-EZBOT related direct sales business, by Comtech Industrial to other subsidiaries of the Group free of charge, until such transfer is complete; and

(ii) the transfer of business, personnel, assets and intellectual property to support the operation of the EZBOT business from the Group to Shanghai KMT Automation, Comtech Industrial or another entity agreed by all parties before, or a reasonable time after, Completion.

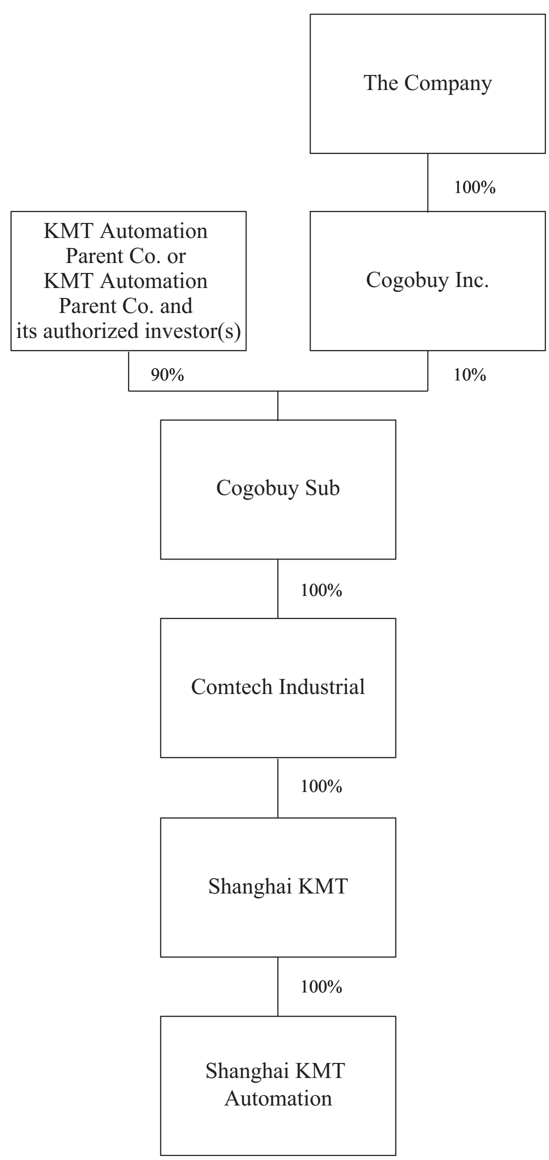
As a result of the reorganisation and the acquisition of Shanghai KMT, the EZBOT business shall become wholly-owned by Cogobuy Sub, and the primary business held by Cogobuy Sub shall be the EZBOT business. As the Parties have not entered into a non-compete agreement, each Cogobuy Sub and other subsidiaries of the Group could conduct business directly with all existing customers, business partners, suppliers and service providers after the transaction.

SHAREHOLDERS AGREEMENT

On the same day, Cogobuy Inc., KMT Automation Parent Co. and Cogobuy Sub also entered into the Shareholders Agreement to govern their relationship with respect to Cogobuy Sub. The principal terms of the Shareholders Agreement include the following.

Call option

Cogobuy Inc. agreed to grant to KMT Automation Parent Co. the Call Option, pursuant to which KMT Automation Parent Co. and/or its authorised investor(s) may purchase shares in Cogobuy Sub held by Cogobuy Inc., equivalent to up to 60% of the issued share capital of Cogobuy Sub, at a consideration of not less than HK$6,874 per share and not less than the price offered by other third party bidders. This exercise price is based on a valuation by an independent adviser of the EZBOT business, intended to be the primary business of Cogobuy Sub following the acquisition and reorganisation described in this announcement. The shareholding structure of Cogobuy Sub upon the exercise in full of the Call Option would be as follows:



Upon exercise in full of the Call Option, Cogobuy Sub will be owned by KMT Automation Parent Co. or KMT Automation Parent Co. and its authorized investor(s) as to 90% and by Cogobuy Inc. as to 10%. Cogobuy Sub will therefore cease to be a subsidiary of the Company and its financial results will not be consolidated with the results of the Group.

Board of directors

The board of Cogobuy Sub will consist of three directors. KMT Automation Parent Co. shall be entitled to designate one and Cogobuy Inc. shall be entitled to designate two director(s) to the board of Cogobuy Sub, respectively. Any change to the members of the board of Cogobuy Sub must be approved by all members of its board or be adopted by more than two-thirds of its shareholders, and shall be based on the principle that each 30% shareholding shall entail the right to nominate one director. The quorum for the meetings of, and the adoption of resolutions by, the board of Cogobuy Sub is two directors.

Shareholders' meeting

The quorum for any shareholders' meeting is shareholder(s) holding more than 70% of shares in issue. The passing of any resolution require unanimous affirmative vote of shareholders.

Reserved matters

Certain matters shall require the approval of more than two-thirds of all shareholders of Cogobuy Sub. These include:

- change in the nature of the business of Cogobuy Sub or its subsidiaries;
- amendment or alteration of constitutional documents of Cogobuy Sub or its subsidiaries;
- change in share capital of Cogobuy Sub or its subsidiaries;
- creation of encumbrance over business, property or assets except in the ordinary course of business;
- disposal of business, property or assets except in the ordinary course of business;
- incurrence of indebtedness or provision of guarantees to any third party;
- entering into any partnership or joint venture arrangements except in the ordinary course of business; and
- liquidation or winding up of Cogobuy Sub or its subsidiaries.

Share transfer restrictions

Any transfer of shares in Cogobuy Sub by a shareholder to a third party will be subject to the pre-emptive and tag-along rights of the other shareholders.

LISTING RULES IMPLICATIONS

Since the acquisition of Shanghai KMT, Shanghai KMT Automation and the Assets will be satisfied by the allotment and issue of the Subscription Shares, the Group's equity interest in Cogobuy Sub will be reduced to 70%. Therefore, the Company is deemed to have disposed of 30% equity interest in Cogobuy Sub under Listing Rule 14.29.

The exercise of the Call Option is entirely at the discretion of KMT Automation Parent Co., therefore the grant of the option will be classified as if the option had been exercised pursuant to Listing Rule 14.74(1). If the Call Option were exercised in full by KMT Automation Parent Co., the Group's equity interest in Cogobuy Sub will be further reduced to 10%. In such an event, Cogobuy Sub will cease to be a subsidiary of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of (i) the acquisition of Shanghai KMT, Shanghai KMT Automation and the Assets, (ii) the deemed disposal of 30% equity interest in Cogobuy Sub, and (iii) the grant of the Call Option is more than 5% but less than 25%, the entering into of the Share Subscription Agreement and the Shareholder Agreement constitute disclosable transactions of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ON KMT AUTOMATION PARENT CO. AND SHANGHAI KMT

KMT Automation Parent Co. is a company incorporated in the BVI, is principally engaged in investment holding and wholly-owned by Mr. Lo.

Mr. Lo is a director of certain insignificant subsidiaries of the Company and therefore he is not a connected person of the Company under Rule 14A.09 of the Listing Rules. Although Mr. Lo is a General Manager of Comtech Industrial, Mr. Lo is not a chief executive of Comtech Industrial and does not constitute a connected person under Rule 14A.07 of the Listing Rules. Save for the above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, KMT Automation Parent Co. and Mr. Lo are both an Independent Third Party.

Prior to the entering into of the Share Subscription Agreement, KMT Automation Parent Co. indirectly held the entire issued share capital of Shanghai KMT, a company established under the laws of the PRC with limited liability and itself an investment holding company. Shanghai KMT owns the entire equity interest in Shanghai KMT Automation, a company established in the PRC and principally engaged in the operation of the ez-robot.cn platform (易造機器人網平台) and holding data, core technologies and service platforms. Shanghai KMT and Shanghai KMT Automation shall, prior to Completion, dispose of certain businesses unrelated to the operation of the ez-robot.cn platform, and such businesses will not form part of the Assets being acquired.

The unaudited financial information of Shanghai KMT prepared in accordance with the generally accepted accounting principles of the PRC are as follows:

	For the six months ended 30 June 2017 *RMB'million*	**For the year ended 31 December 2016** *RMB'million*	**For the year ended 31 December 2015** *RMB'million*
Net loss before taxation	(4.8)	(21.3)	(24.3)
Net loss after taxation	(4.8)	(21.3)	(24.3)

As at 31 December 2017, Shanghai KMT had an estimated consolidated net asset (liability) value of RMB(52.9) million. Based on the valuation by an independent adviser relating to the present transaction, the fair value of Shanghai KMT, Shanghai KMT Automation and the Assets, on an aggregated basis, is in line with the value of the 30% enlarged issued share capital of KMT Automation Parent Co. after Completion.

INFORMATION ON COGOBUY SUB AND THE EZBOT BUSINESS

Cogobuy Sub is a company incorporated under the laws of the BVI on 12 December 2007. Cogobuy Sub is an investment holding company holding the entire issued capital of Comtech Industrial, a company incorporated in Hong Kong and principally engaged in the business of direct sales of electronic components, including applications in the artificial intelligence and robotics areas.

The unaudited financial information of Cogobuy Sub prepared in accordance with the generally accepted accounting principles of Hong Kong are as follows:

	For the six months ended 30 June 2017 *HKD'million*	**For the year ended 31 December 2016** *HKD'million*	**For the year ended 31 December 2015** *HKD'million*
Net profit before taxation	51.9	84.1	68.4
Net profit after taxation	43.4	70.2	57.1

As at 31 December 2017, Cogobuy Sub had an estimated consolidated net asset value of HK$30 million.

The EZBOT business is one of the incubation projects under INGDAN.com, taking advantage of the INGDAN.com platform to build a professional community in industrial robotics, industrial automation and industrial equipment, terminals and artificial intelligence. The EZBOT business involves the sale of automation products and robotics, including through the e-commerce platform ez-robot.cn, and providing customised professional advice and solutions. The operation of the EZBOT business draws upon not only the direct sales of electrical components, currently held by Cogobuy Sub through its wholly-owned subsidiary Comtech Industrial, but also upon personnel, assets, intellectual property and financial resources from other subsidiaries of the Group.

For illustrative purposes only, the pro forma value of the EZBOT business to be held by Cogobuy Sub for the periods indicated is shown below. This pro forma value is unaudited and calculated on the basis that the acquisition of Shanghai KMT, Shanghai KMT Automation and the Assets and the reorganisation described in the section headed "The Share Subscription Agreement — Reorganisation" are completed.

	For the six months ended 30 June 2017	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**
Net profit before taxation	18.0	13.2	0.10
Net profit after taxation	15.0	11.0	0.09

FINANCIAL EFFECT OF THE DEEMED DISPOSAL

Upon Completion, the Company will hold 70% of the enlarged issued share capital of Cogobuy Sub. The financial results of Cogobuy Sub will continue to be consolidated by the Group. Therefore, the Company does not expect to receive any gain or loss in the accounts.

Upon the exercise in full of the Call Option, the Company will hold 10% of Cogobuy Sub and the financial results of Cogobuy Sub will therefore not be consolidated with the financial statements of the Company. It is estimated that the Company will record a net gain of approximately HK$267.6 million, which is calculated with reference to the estimated net assets of Cogobuy Sub as at 31 December 2017, taking into account the dividend paid to Cogobuy Inc. in December 2017, the difference between (i) the consideration to the Call Option and (ii) the carrying value of the Group's investment in Cogobuy Sub. The actual amount of gain or loss to be recorded by the Group will be subject to the review and final audit by the auditors of the Company. The Company intends to use the net proceeds from the disposal (after deducting relevant costs and expenses in connection with the disposal) as general working capital of the Group, for future development of the Group's business and funding any potential acquisitions if opportunities arise.

REASONS FOR AND BENEFIT OF THE TRANSACTION

The Group is principally engaged in the sales of integrated circuits and other electronic components. The Group also operates two e-commerce platforms (cogobuy.com and INGDAN.com) for the sale of integrated circuits and other electronic components and is engaged in the provision of financing services.

The transactions under the Share Subscription Agreement and the Shareholders Agreement allow the Company to potentially realise the value of the EZBOT business and it is expected to further enhance INGDAN.com's monetisation potential. The Board considers that the terms of the Share Subscription Agreement and the Shareholders Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Group and the shareholders of the Company as a whole.

DEFINITIONS

"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Call Option"	the option granted by Cogobuy Inc. to KMT Automation Parent Co. pursuant to the Shareholders Agreement to purchase up to 60% of the shares in Cogobuy Sub
"Cogobuy Inc."	Cogobuy Group, Inc., a company incorporated in the BVI and a directly wholly-owned subsidiary of the Company

"Cogobuy Sub"	MEGA SMART GROUP LIMITED, a company incorporated in the BVI and a wholly-owned subsidiary of the Company immediately before the entering into of the Share Subscription Agreement, and which shall be renamed as EZ ROBOT, INC. prior to Completion
"Company"	Cogobuy Group, an exempted company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange
"Completion"	completion of the Share Subscription Agreement
"Comtech Industrial"	Comtech Industrial (Hong Kong) Limited 曼誠技術(香港)有限公司, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of Cogobuy Inc.
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party"	third party independent of the Company and its connected persons (as defined under the Listing Rules)
"KMT Automation Parent Co."	RICH WISDOM VENTURES LIMITED, a company incorporated in the BVI and an Independent Third Party
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lo"	LO, Man Fu
"PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan

"Shanghai KMT"	上海科姆特電子技術有限公司 (Shanghai KMT Electronic Technology Ltd. Co.) a company established under the laws of the PRC and indirectly owned by KMT Automation Parent Co. as to 100% prior to the Completion
"Shanghai KMT Automation"	上海科姆特自動化控制技術有限公司 (Shanghai KMT Automation Control Technology Ltd. Co.) a company established under the laws of the PRC and wholly-owned by Shanghai KMT
"Share Subscription Agreement"	the share subscription agreement dated 18 January 2018, entered into between Cogobuy Inc., Cogobuy Sub and KMT Automation Parent Co. in relation to the acquisition of Shanghai KMT, Shanghai KMT Automation and certain assets owned by KMT Automation Parent Co., Shanghai KMT and Shanghai KMT Automation, by issuing 30% interest in Cogobuy Sub
"Shareholders Agreement"	the shareholders agreement dated 18 January 2018, between Cogobuy Inc., KMT Automation Parent Co. and Cogobuy Sub to govern their relationship with respect to Cogobuy Sub
"Subscription Shares"	21,429 new shares in the share capital of Cogobuy Sub to be issued pursuant to the terms of the Share Subscription Agreement representing 30% of the enlarged issued share capital of Cogobuy Sub after Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 18 January 2018

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. KIM Jin Ha, Jason; and the independent non-executive Directors of the Company are Mr. ZHONG Xiaolin, Forrest, Mr. YE Xin and Dr. MA Qiyuan.