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COGOBUY GROUP

科通芯城集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0400)

POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION IN RELATION TO PROPOSED SPIN-OFF AND SEPARATE A-SHARE LISTING OF COMTECH AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Giraffe Capital Limited

**Independent Financial Adviser to
the Independent Board Committee and the Shareholders**



Shenwan Hongyuan Capital (H.K.) Limited

Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 23 of this circular. A letter from the Independent Board Committee containing its advice to the Shareholders is set out on page 24 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 25 to 41 of this circular.

A notice convening the EGM to be held at IngDan Innovation Center, 1st Floor Microsoft Comtech Tower, No. 55 Gaoxin South 9th Road, Nanshan District, Shenzhen, China on Tuesday, March 29, 2022 at 2:30 p.m. or any adjournment of such meeting is set out on pages 52 to 54 of this circular.

A form of proxy for use by the Shareholders at the EGM (or any adjournment thereof) is enclosed with this circular. Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

1. Provision of green access code of Guangdong Health Code (粵康碼) by local attendees or a negative nucleic acid amplification test result within 48 hours by attendees arriving from outside Guangdong;
2. compulsory body temperature checks on each attendee;
3. compulsory wearing of a surgical face mask by each attendee;
4. physical distancing at the venue; and
5. no distribution of refreshments or drinks, or corporate gifts or gift coupons.

Please see pages ii to iii of this circular for further details of the above precautionary measures.

Any person who does not comply with the precautionary measures or is subject to any quarantine requirement prescribed by the Government of the People's Republic of China will be denied entry into the EGM venue. The Company reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

March 10, 2022

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In light of the continuing risks posed by COVID-19, the Company is adopting the following precautionary measures at the EGM in order to safeguard the health and safety of the Shareholders who might be attending the EGM in person:

1. compulsory temperature checks will be carried out on every attendee at the entrance of the EGM venue. Any person with a body temperature above 37.4 degrees Celsius or the reference point announced by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the EGM venue and requested to leave the EGM venue;
2. every attendee will be required to wear a surgical face mask at the EGM venue and throughout the EGM. **Please note that no surgical face masks will be provided at the EGM venue and attendees should bring and wear their own masks;**
3. every attendee will be required to sit at a distance from the other attendees at the EGM venue and throughout the EGM; and
4. no refreshment or drinks, or corporate gifts or gift coupons will be provided to the attendees at the EGM.

To the extent permitted under the law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the other attendees at the EGM.

Due to the constantly evolving COVID-19 pandemic situation in Shenzhen, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the websites of the Company (www.cogobuy.com) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the EGM arrangements.

Voting by proxy in advance of the EGM: The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company encourages Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising the voting rights of the Shareholders.

The deadline for submission of completed proxy forms is not less than 48 hours before the time appointed for the holding of the EGM, which is 2:30 p.m. on Sunday, March 27, 2022 (Hong Kong time). In order to be valid, the completed proxy forms must be returned to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, in accordance with the instructions printed on it at or before the deadline.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Appointment of proxy by non-registered Shareholders: Non-registered Shareholders whose Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) for assistance in the appointment of proxies.

If Shareholders have any questions relating to the EGM, please contact the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, whose details are as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990
Website: www.computershare.com/hk/contact

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“5G”	the fifth generation technology standard for broadband cellular networks
“AI”	artificial intelligence
“AIoT”	AI and Internet of Things
“associate”	has the same meaning ascribed to it under the Listing Rules
“Announcement”	the announcement of the Company dated December 7, 2021 in relation to the progress of the Proposed Spin-off and listing of Comtech
“Board”	the board of Directors of the Company
“Business Day”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“Company” or “Remaining Company”	Cogobuy Group (科通芯城集團), a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on March 29, 2022
“Envision Global”	Envision Global Investments Limited, a limited liability company incorporated in the British Virgin Islands on 1 February 2012 which is wholly-owned by Mr. Kang and is immediate Controlling Shareholder
“Group”	the Company, its subsidiaries and its consolidated affiliated entities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“IC”	integrated circuits
“Independent Board Committee”	the independent Board committee comprising all Independent Non-executive Directors
“Internet of Vehicles”	a network of vehicles equipped with sensors, software, and technologies that mediate between these with the aim of connecting and exchanging data over the Internet according to agreed standards.
“Independent Financial Adviser” or “Shenwan Hongyuan”	Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and Shareholders in respect of the Proposed Spin-off
“Latest Practicable Date”	March 4, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended and supplemented from time to time
“Mainland China Stock Exchange”	a stock exchange operated by the Shanghai Stock Exchange or the Shenzhen Stock Exchange
“Mr. Kang”	Mr. KANG Jingwei, Jeffrey (康敬偉), Chairman of the Board, Chief Executive Officer, executive Director and a controlling shareholder of the Company
“Mr. Wu”	Mr. WU Lun Cheung Allen (胡麟祥), Chief Financial Officer, executive Director and Company Secretary of the Company
“Ms. Yao”	Ms. YAO Yi (姚怡), a substantial shareholder of the Company
“PN 15”	Practice Note 15 of the Listing Rules
“Proposed A-Share Listing”	the proposed listing of the shares of the Spin-off Company on the Mainland China Stock Exchange by way of an initial public offering

DEFINITIONS

“Proposed Spin-off”	the proposed spin-off of the shares of the Spin-off Company on the Mainland China Stock Exchange, to be effected by the Proposed A-Share Listing
“PRC” or “Mainland China”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Remaining Group”	the Group, excluding the Spin-off Group
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	the ordinary share(s) in the share capital of the Company with a par value of US\$0.0000001 each
“Shareholders”	the shareholders of the Company
“Spin-off Company” or “Comtech”	Shenzhen Comtech Limited* (深圳市科通技術股份有限公司) (previously known as Comtech Industrial Technology (Shenzhen) Co., Ltd.* (科通工業技術(深圳)有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company
“Spin-off Group”	the Spin-off Company and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.

LETTER FROM THE BOARD



COGOBUY GROUP

科通芯城集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 400)

Executive Directors:

Mr. Kang Jingwei, Jeffrey

(Chairman & Chief Executive Officer)

Mr. Wu Lun Cheung Allen

(Chief Financial Officer & Company Secretary)

Non-executive Director:

Ms. Ni Hong, Hope

Independent non-executive Directors:

Mr. Ye Xin

Dr. Ma Qiyuan

Mr. Hao Chunyi, Charlie

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal place of business in the PRC:

11/F, Microsoft Comtech Tower

No. 55 Gaoxin South 9th Road

Nanshan District

Shenzhen, China

Principal place of business

in Hong Kong

Block A, 5th Floor,

Goodman Kwai Chung Logistics Centre

585-609 Castle Peak Road

Kwai Chung

New Territories

Hong Kong

March 10, 2022

To the Shareholders

Dear Sir or Madam,

**POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION
IN RELATION TO PROPOSED SPIN-OFF AND
SEPARATE A-SHARE LISTING OF COMTECH
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated December 7, 2021 in respect of the Proposed Spin-off and listing of Comtech.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) information on the Proposed Spin-off; (ii) the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser regarding the Proposed Spin-off as required under paragraph 3(e) of PN 15; and (iii) a notice of the EGM.

2. THE PROPOSED SPIN-OFF

Background

The Proposed Spin-off involves the spin-off of the Spin-off Company and its separate listing on the Mainland China Stock Exchange by way of an initial public offering. For the purpose of the Proposed Spin-off, the Company has submitted a proposal on the Proposed Spin-off to the Stock Exchange pursuant to PN 15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off under PN 15. The Stock Exchange also granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under the Proposed Spin-off as required by paragraph 3(f) of PN 15.

Subject to approvals by the Shareholders and the relevant Mainland China regulators, it is currently proposed that the Spin-off Company will issue A-shares on the Mainland China Stock Exchange by way of an initial public offering to public investors in the market, or other methods as requested or agreed by the CSRC. The actual number of shares to be offered by the Spin-off Company will depend on the market conditions and the relevant rules and regulations of the CSRC as amended from time to time. Based on the current structure of the Proposed Spin-off which is subject to finalization, it is expected that immediately upon completion of the Proposed Spin-off, the Company's interest in Spin-off Company is expected to decrease from 62.42% to approximately 46.83% but Spin-off Company is still expected to be accounted for as a subsidiary of Company for the following reasons:

Spin-off Company will continue to be an indirect non-wholly owned subsidiary of the Company through the significant control the Company will exercise over it by virtue of (i) it being the single largest shareholder of Spin-off Company with the rights to exercise voting powers of Spin-off Company, including but not limited to the nomination and appointment of its board of directors; (ii) it being expected that there will be no other significant shareholder capable of exercising material influence over Spin-off Company; and (iii) it controlling the board of directors of Spin-off Company.

In any event, for the reasons explained under the section headed "2. The Proposed Spin-off — Background", the Spin-off Company shall continue to remain and not cease to be a subsidiary of the Company as a result of the Proposed Spin-off.

Each of the Board and the board of directors of the Spin-off Company has not decided on the specific stock exchange or market in Mainland China which the Spin-off Company will issue its A-shares, and the Board and the board of directors of the Spin-off Company will consider factors, including but not limited to, the compatibility between the Spin-off Company's business and the positioning of the markets, the number of companies applying for

LETTER FROM THE BOARD

listing in each market and the pace of the vetting process which will have an impact on the Spin-off Company's listing timetable, and the difference in valuation between markets, when determining the specific stock exchange or market.

Timetable of the Proposed Spin-off

Huatai United Securities Co., Ltd (the “**Sponsor**”) was appointed as the sole sponsor of the Spin-off Company for the Proposed A-Share Listing. The Sponsor, together with the Shenzhen branch of the CSRC, commenced the pre-listing tutorial with the Spin-off Company in September 2021 in accordance with the relevant Mainland China regulatory and legal requirements, and the pre-listing tutorial is expected to be completed within the first quarter of 2022. The management of the Spin-off Company is striving for an earliest practicable time to submit the application for the Proposed A-Share Listing. Upon completion of the pre-listing tutorial, the Sponsor, together with other professional parties engaged by the Spin-off Company, shall commence preparation of application materials for the Proposed A-Share Listing and, as at the Latest Practicable Date, the Spin-off Company intended to submit the application to the Mainland China Stock Exchange in first quarter of 2022. As at the Latest Practicable Date, no formal application for the Proposed A-Share Listing has been filed with the relevant regulatory authorities in the PRC.

However, if the pre-listing tutorial cannot be completed in first quarter of 2022, the Spin-off Company may be unable to submit the application materials for the Proposed A-Share Listing in first quarter of 2022.

Based on the current pace of the Mainland China Stock Exchanges' vetting process, it is expected that the Spin-off Company will be able to obtain the Mainland China Stock Exchange's approval in approximately six months after the listing application is submitted. As such, based on the Board's assessment as at the Latest Practicable Date and assuming we could make the submission by April 2022, it is expected that the Proposed A-Share Listing shall be completed in the second half of 2022.

Conditions of the Proposed Spin-off

The Proposed Spin-off will be conditional upon, among other things, the following:

- (a) approval of the Proposed Spin-off by the Shareholders at the EGM;
- (b) approval of the Proposed A-Share Listing by the board of directors and the shareholders of the Spin-off Company;
- (c) approval of the Proposed Spin-off by the Listing Committee of the Stock Exchange;
- (d) the approval and/or registration of the Mainland China Stock Exchange and the CSRC in relation to the Proposed A-Share Listing; and
- (e) any other PRC regulatory approvals required by the relevant laws and regulations.

LETTER FROM THE BOARD

As at the Latest Practicable Date, condition (c) has been fulfilled. None of the conditions is waivable. If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and an announcement will be published by the Company as soon as practicable.

Proceeds to be raised from the Proposed A-Share Listing

As the exact offer price and the expected size of the Proposed A-Share Listing are not determined at this stage, the proceeds to be raised from the Proposed A-Share Listing cannot be determined yet. It is currently expected that the net proceeds to be raised from the Proposed A-Share Listing (after deducting related expenses) will be approximately RMB1 billion in consideration of the Spin-off Group's current expansion plan and the intended use of proceeds. However, investors should be aware that the proceeds to be raised is subject to future business needs of the Spin-off Group and the market conditions close to the launch of the Proposed A-Share Listing.

The offer price of shares of the Spin-off Company to be offered under the Proposed A-Share Listing has not been fixed yet and is subject to market conditions close to the launch of the Proposed A-Share Listing and will be determined with reference to the then responses to the price consultation and other method(s) to be agreed between the Spin-off Company and the lead underwriter. In determining the offer price, the Spin-off Company will take into account, among other things, (i) its historical operating results and financial performance; (ii) its business prospects; (iii) its expansion plan and capital needs; (iv) the responses to price consultation to the Proposed A-Share Listing in the book-building process; and (v) an appropriate price to earnings ratio to be determined by the Spin-off Company and the lead underwriter having considered those of comparable companies listed in the PRC in the same industry as the Spin-off Company. As at the Latest Practicable Date, the Directors and the directors of the Spin-off Company expected the offer price per share of the Spin-off Company to be not lower than RMB25. Investors should be aware that the offer price of the Proposed A-Share Listing will be determined at a date close to the launch of the Proposed A-Share Listing based on several factors, some of which are beyond the control of the Spin-off Company and the underwriter(s) of the Proposed A-Share Listing.

It is intended that the number of new shares to be issued by the Spin-off Company under the Proposed A-Share Listing will be 25% of its enlarged issued share capital. As of the Latest Practicable Date, it was expected that approximately 35,057,471 shares of the Spin-off Company would be offered for subscription pursuant to the Proposed A-Share Listing.

The Company will make further announcement(s) once the information relating to the final offer price and expected net proceeds of the Proposed A-Share Listing is available.

LETTER FROM THE BOARD

Intended use of proceeds

The Spin-off Company intends to apply the net proceeds from the Proposed A-Share Listing (after deducting related expenses) in the following manner:

- (i) Approximately 20% of the net proceeds representing approximately RMB200 million for procuring new semiconductor chips used in electric vehicles industry from leading global semiconductor companies.
- (ii) Approximately 15% of the net proceeds representing approximately RMB150 million for procuring new semiconductor chips used in 5G infrastructure and equipment industry from leading global semiconductor companies.
- (iii) Approximately 15% of the net proceeds representing approximately RMB150 million for procuring new semiconductor chips used in clean energy industry from leading global semiconductor companies.
- (iv) Approximately 20% of the net proceeds representing approximately RMB200 million for procuring new semiconductor chips used in industry automation from leading global semiconductor companies.
- (v) Approximately 30% of the net proceeds representing approximately RMB300 million for operations of semiconductor application research laboratory, including 25% of the net proceeds for the purchase of cloud storage, software and equipment relating to industrial artificial intelligence (“AI”) and 5G application and 5% of the net proceeds for hiring new engineers and research staff.

It is expected that each of the above proceeds will be fully utilized by the end of 2023. The Spin-off Company will continue to grow its business as the leading service provider in sale and marketing of semiconductor chips by leveraging a network of global IC suppliers. The Spin-off Company intends to utilize approximately 70% of the net proceeds to procure and sell new semiconductor chip product lines, being items (i) to (iv) above. With further popularization of 5G driving the demands of higher frequency and higher speed chips, the Spin-off Company needs to secure new and higher speed chips from the respective leading global semiconductor companies. These new semi-conductor chip product lines will mainly serve high growth markets such as electronic vehicle industry, industrial automation, 5G equipments and clean energy industry, etc.

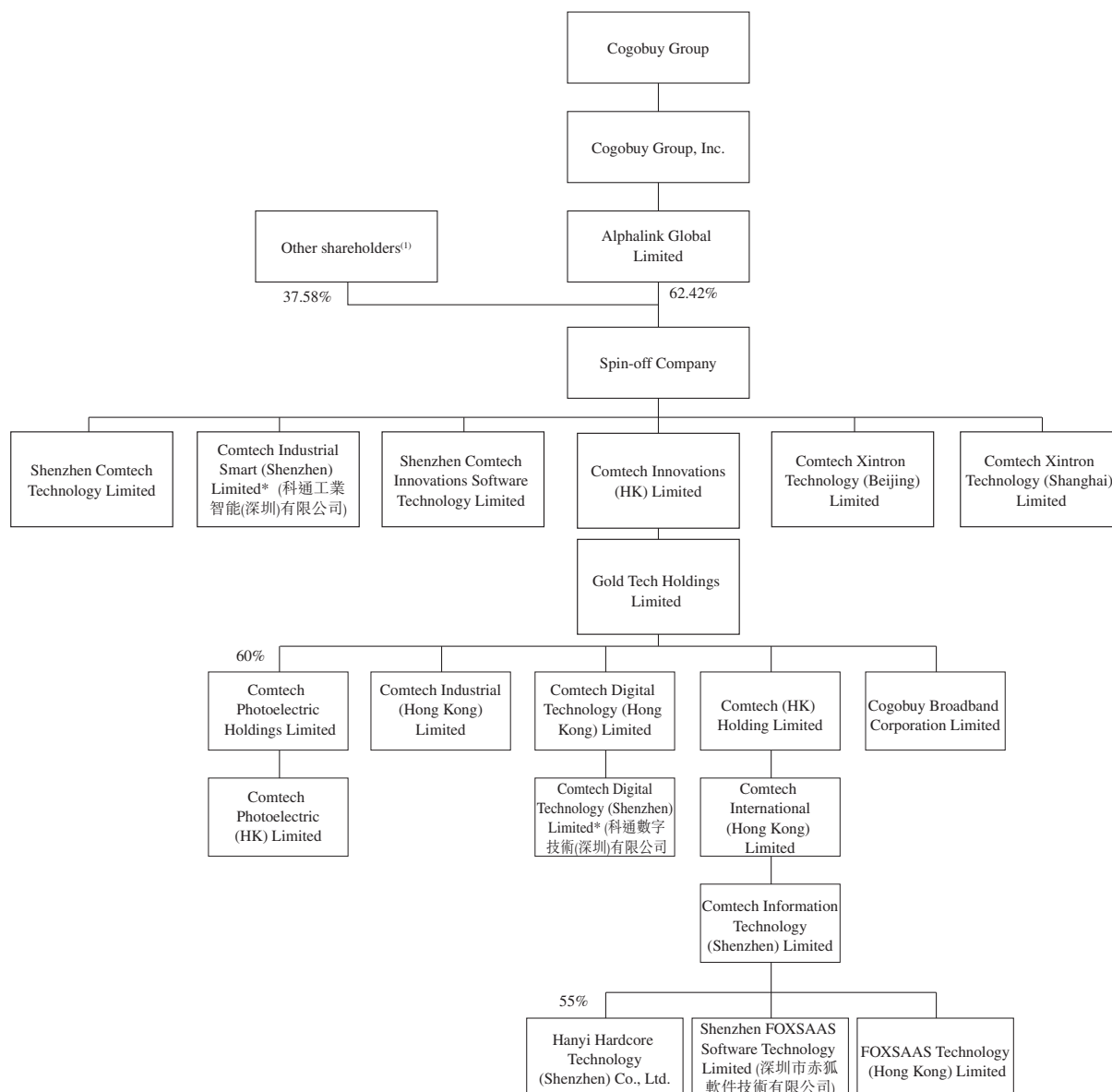
Further, the Spin-off Company plans to develop its comprehensive and professional technology semiconductor application to upstream chip suppliers by promoting the suppliers’ products and applications, leveraging on the Spin-off Company’s broad customer base and big data analysis capability. Among item (v) above, approximately 25% of net proceeds is intended to be used for establishing semiconductor application research laboratory. The Spin-off Company intends to purchase cloud storage and software to improve its big data analysis capabilities. It also intends to purchase new equipments and software for the research laboratory to develop new technology semiconductor applications. Approximately 5% of net proceeds is intended to be used for hiring new engineers and research staff.

LETTER FROM THE BOARD

Effects of the Proposed Spin-off on the shareholding structure of the Spin-off Company

Based on the current plan of the Proposed Spin-off, set out below is a simplified shareholding structure of the Spin-off Company as at the Latest Practicable Date and immediately upon completion of the Proposed Spin-off.

Shareholding structure of the Spin-off Company as at the Latest Practicable Date:



100% unless noted

* English name for identification purpose only

LETTER FROM THE BOARD

Note:

- (1) The equity interest of the Spin-off Company by the other shareholders are held as to:
- (a) 4.92% by Guangdong Yuecai Industry Investment Fund Partnership Enterprise (Limited Partnership)* (廣東粵財產業投資基金合夥企業(有限合夥));
 - (b) 4.42% by Optimum Profuse Technology (HK) Limited (優車易購(香港)有限公司);
 - (c) 4.08% by Innovations & Associates Limited (創新聯合有限公司);
 - (d) 4.08% by Shenzhen ING DAN Innovation Consulting Partnership* (深圳市硬蛋創新諮詢合夥企業(有限合夥));
 - (e) 3.47% by Shenzhen Yicun Tongsheng Equity Investment Fund Partnership Enterprise (Limited Partnership)* (深圳一村同盛股權投資基金合夥企業(有限合夥));
 - (f) 1.73% by Shenzhen Shenbao Yiben Culture Equity Investment Fund Partnership (Limited Partnership)* (深圳市深報一本文化產業股權投資基金合夥企業(有限合夥));
 - (g) 1.63% by Shenzhen Weijing Tongrui Investment Center (Limited Partnership)* (深圳威景同瑞投資中心(有限合夥));
 - (h) 1.10% by 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));
 - (i) 1.04% by Wenrun Zhenxin No. 1 (Zhuhai) Equity Investment Fund Partnership Enterprise (Limited Partnership)* (溫潤振信壹號(珠海)股權投資基金合夥企業(有限合夥));
 - (j) 1.04% by Jiangsu Jiequan Taihu Guolian Emerging Growth Industry Investment Enterprise (Limited Partnership)* (江蘇趵泉太湖國聯新興成長產業投資企業(有限合夥));
 - (k) 1.04% by Liuzhou Shengdong Investment Center (Limited Partnership)* (柳州盛東投資中心(有限合夥));
 - (l) 1.04% by Guangdong Bozi Tongze No. 1 Equity Investment Fund Partnership Enterprise (Limited Partnership)* (廣東博資同澤一號股權投資合夥企業(有限合夥));
 - (m) 1.04% by Zhongtai Venture Capital (Shenzhen) Co., Ltd.* (中泰創業投資(深圳)有限公司);
 - (n) 1.04% by 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));
 - (o) 1.04% by Chaoshang ASEAN Investment Fund Management Co., Ltd.* (潮商東盟投資基金管理有限公司);
 - (p) 0.10% by Homwon Capital Management Co., Ltd.* (弘灣資本管理有限公司);
 - (q) 0.69% by 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));
 - (r) 0.62% by Shenzhen Bay Pan-cultural Venture Capital Partnership (Limited Partnership)* (深圳灣泛文化產業創業投資合夥企業(有限合夥));
 - (s) 0.52% by Zhuzhou Jushidai Private Equity Fund Partnership (Limited Partnership)* (株洲聚時代私募股權基金合夥企業(有限合夥));
 - (t) 0.35% by Guangzhou Changsheng Jiuliang High-end Manufacturing Investment Partnership (Limited Partnership)* (廣州長晟久量高端製造產業投資合夥企業(有限合夥));

LETTER FROM THE BOARD

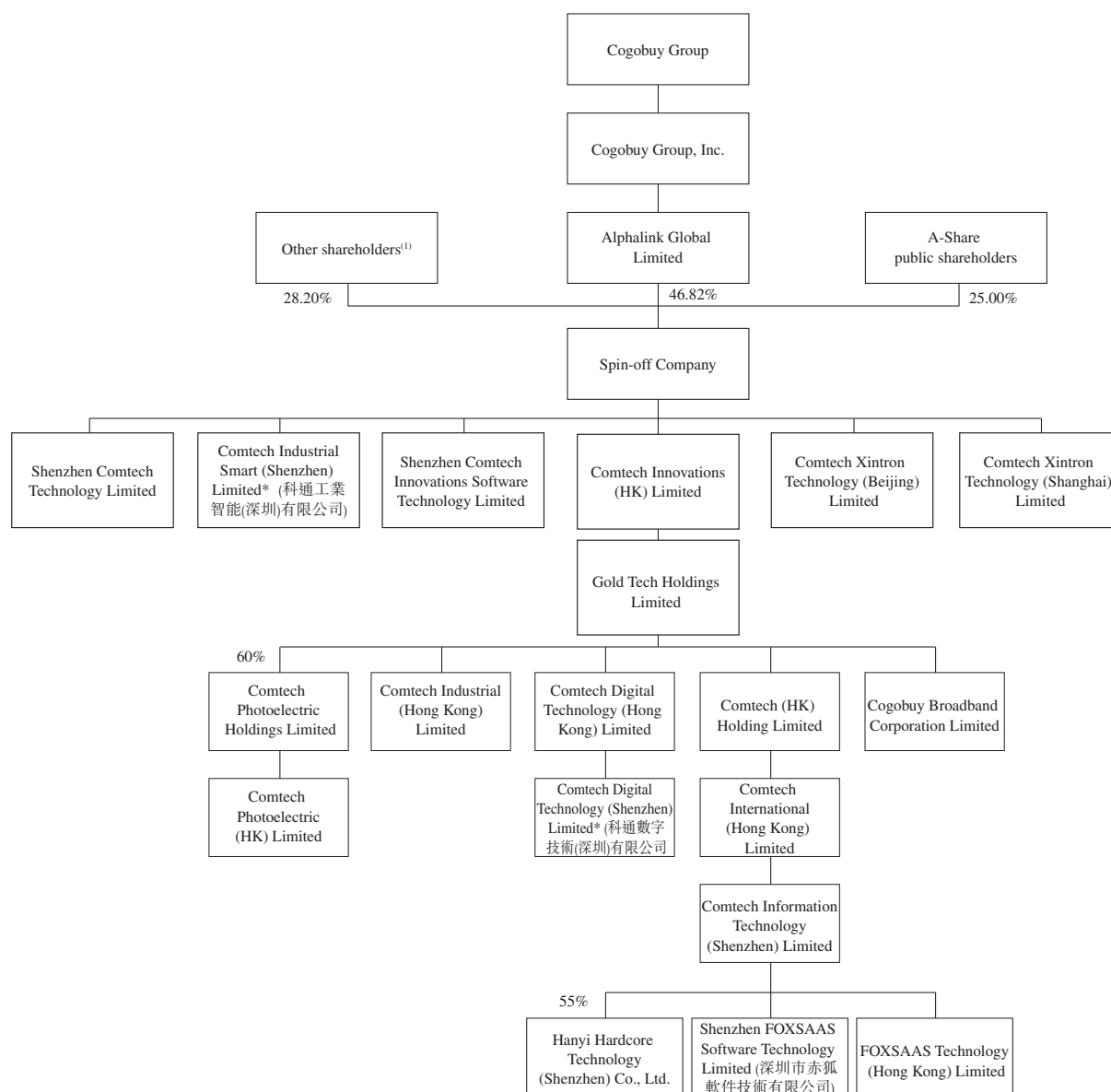
- (u) 0.35% by Shenzhen S&M CG Venture Investment Co., Ltd.* (深圳市中小擔創業投資有限公司);
- (v) 0.35% by Shenzhen CATIC Pingshan Integrated Circuit Venture Capital Partnership (Limited Partnership)* (深圳中航坪山積體電路創業投資合夥企業(有限合夥));
- (w) 0.35% by Shenzhen Hongwen Wenchuang Capital Co., Ltd.* (深圳市弘文文創投資有限公司);
- (x) 0.17% by Guangdong Yimi Venture Capital Partnership Enterprise (Limited Partnership)* (廣東蟻米創業投資合夥企業(有限合夥));
- (y) 0.17% by Liuzhou Woshun Investment Center (Limited Partnership)* (柳州沃順投資中心(有限合夥));
- (z) 0.17% by Gongqingcheng Kaisheng No. 3 Equity Investment Partnership (Limited Partnership)* (共青城凱晟三號股權投資合夥企業(有限合夥));
- (aa) 0.07% by Anbaike (Shanghai) Business Information Consulting Co., Ltd.* (安拜客(上海)商務資訊諮詢有限公司);
- (bb) 0.04% by Guangzhou Chuangying Jianke Investment Partnership Enterprise (Limited Partnership)* (廣東創盈健科投資合夥企業(有限合夥)); and
- (cc) 0.01% by Hengqin Qichuang Gongxiang Equity Investment Fund Partnership Enterprise (Limited Partnership)* (橫琴齊創共享股權投資基金合夥企業(有限合夥)).

Save for (i) Innovations & Associates Limited and Shenzhen ING DAN Innovation Consulting Partnership* (深圳市硬蛋創新諮詢合夥企業(有限合夥)), which are held by employees of the Group to acquire an equity interest in the Spin-off Company with a goal to retain and motivate critical employees to work towards the long-term goal, expansion and development of the Spin-off Company, and (ii) Anbaike (Shanghai) Business Information Consulting Co., Ltd. which is ultimately controlled by the spouse of Ms. Ni Hong, Hope (the non-executive Director of the Company), all the shareholders listed under Note (1) herein are independent third parties to the Company.

LETTER FROM THE BOARD

For further details, please refer to the Company's announcements dated 10 September, 25 September, 16 October 2020 and 29 June 2021.

Shareholding structure of the Spin-off Company immediately upon completion of the Proposed Spin-off (assuming 35,057,471 shares of the Spin-off Company will be issued and there are no other changes to the total issued share capital of the Spin-off Company other than the shares to be issued under the Proposed A-Share Listing, i.e. the offering size represents approximately 25.00% of the enlarged issued share capital of the Spin-off Company):



100% unless noted

* English name for identification purpose only

Note:

(1) See Note (1) on pages 10 to 11.

LETTER FROM THE BOARD

3. INFORMATION OF THE COMPANY

The Company is a limited liability company incorporated in the Cayman Islands and its shares have been listed on the Main Board of the Stock Exchange. The Company, together with its subsidiaries, is principally engaged in operating an enterprise service platform that trades IC and related products and provides services to AIoT sectors 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.

4. INFORMATION OF THE SPIN-OFF GROUP

Comtech, an indirect non-wholly owned subsidiary of the Company, is a limited liability company incorporated in the PRC. As at the Latest Practicable Date, Comtech had a registered capital of RMB105.2 million.

The Spin-off Group is principally engaged in sale and marketing semiconductor chips by leveraging a network of global IC suppliers, including the world's top 100 suppliers and the leading domestic chip companies. It also provides comprehensive and professional technology application solutions to upstream chip suppliers by promoting their products and technologies' applications using its broad customer base and big data analysis capabilities.

The following table summarises the unaudited consolidated financial information of the Spin-off Group extracted from its unaudited management accounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021; and does not eliminate the profit generated from the inter-segment sales and inter-segment dividend income within the Group:

	For the year ended		For the
	31 December		six months
	2019	2020	ended 30 June
	(RMB'000)	(RMB'000)	2021
			(RMB'000)
Profit before tax	87,956	133,387	164,443
Profit after tax	85,809	125,103	153,474
Profit attributable to owners of the Company	85,809	75,546	97,246

As at 30 June 2021, the unaudited consolidated net asset value of the Spin-off Group was approximately RMB933.4 million.

LETTER FROM THE BOARD

5. INFORMATION OF THE REMAINING GROUP

Upon completion of the Proposed Spin-off, the Remaining Group will continue to be principally engaged in (1) developing and sale of proprietary AIoT products; (2) providing customized modules and solutions and (3) providing services including software service, data service and incubating and supply chain finance services. Further, immediately upon completion of the Proposed Spin-off, the Remaining Group will satisfy all the requirements under paragraph 3(c) of PN 15 and retain a sufficient level of operations and assets to support its separate listing status.

6. BUSINESS DELINEATION BETWEEN THE REMAINING GROUP AND THE SPIN-OFF GROUP

Following a business restructuring in early 2020 (the “**Restructuring**”), the Company merged its direct chip sales conducted via Cogobuy.com and its AIoT services conducted through ING DAN.com into its Ingdan Innovations business segment, to be named as the COMTECH business, and, as its second part of business, the Company merged its research and development and financing and corporate services, which include developing module technology solutions and providing added-value and customization solutions and were previously conducted through the ING DAN.com AIoT business services platform, into its business segment of Ingfin Technologies, formerly Ingfin Services, to be named as the ING DAN business.

Upon completion of the Restructuring, the COMTECH business has been conducted through the Spin-off Group as a separate and distinct line of business. Following the completion of the Proposed Spin-off, the COMTECH business will continue to be operated by the Spin-off Group. The Remaining Group will continue to operate the ING DAN business.

The Spin-off Group will continue to operate the COMTECH business while the Remaining Group will continue to operate the ING DAN business, each as described above. The COMTECH business described above is intended to only be carried out by the Spin-off Group, and the Remaining Group will not engage in businesses that are similar to or in competition with the COMTECH business.

ING DAN business, on the other hand, generates revenue through the sale of products it develops, including but not limited to hardware products, software and other technical services. The Remaining Group does not and does not intend to conduct any business that competes with the COMTECH business following the completion of the Proposed Spin-off.

7. OPERATIONAL, MANAGEMENT AND FINANCIAL INDEPENDENCE OF THE REMAINING GROUP

(a) Operational Independence

The Company is of the view that the Spin-off Group and the Remaining Group will be able to operate independently of each other and in the interests of its shareholders as a general body in situations where an actual or potential conflict of interests arise.

LETTER FROM THE BOARD

As of the Latest Practicable Date, the Company currently has six directors, comprising two executive directors, one non-executive director and three independent non-executive directors, all of whom will continue as directors of Remaining Company following the completion of the Proposed Spin-off.

It is expected that, save for Mr. Kang, who may potentially be one of the proposed non-executive directors of Spin-off Company and is currently a director and chairman of the Board, there will not be any overlap between the Spin-off Company and the Remaining Company in terms of directorship. Mr. Kang, if proposed as a non-executive director of Spin-off Company, will focus only on the overall strategic planning of the Spin-off Group and ensuring that the Remaining Company's interests are protected, and will not be involved in the day-to-day management and operations of Spin-off Company's businesses.

It is intended that the proposed independent non-executive directors to be appointed by the Spin-off Company will be different from the independent non-executive directors of the Remaining Company. The independent non-executive directors of the Spin-off Company will provide checks and balances over the decision-making of the board of directors of the Spin-off Company on any significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests. The Spin-off Company will also adopt corporate governance measures to manage potential conflicts of directors' interests following the completion of the Proposed Spin-off. For matters where Mr. Kang may have actual or potential conflicts of interests, he will abstain from voting on the relevant board resolutions in compliance with the articles of association of Spin-off Company and Remaining Company, as the case may be.

On the basis of the current proposed board composition of Spin-off Company and the above, the Directors believe that the board of Spin-off Company will operate and resolve all actual or potential conflict of interests involving Remaining Company's businesses independently of Remaining Company, and vice versa.

(b) Management Independence

Further, the Spin-off Group and the Remaining Group are currently managed and operated by different management teams in the Group. The Company expects that the division of responsibilities among the management teams will remain largely unchanged following the Proposed Spin-off.

The day-to-day operations of the Spin-off Company and its subsidiaries will be carried out by its chief executive officer, Li, Honghui, Henry (李宏輝) and other senior managers, all of whom will not hold any position at the Remaining Group following the completion of the Proposed Spin-off.

Li Henry, together with, Li, Feng (李峰), the president of the Spin-off Company, did not hold any position in the Remaining Group since the Restructuring. Prior to the Restructuring, both Li Feng and Li Henry were primarily responsible for overseeing the direct chip sales of

LETTER FROM THE BOARD

the Company and did not have any roles in the businesses of the Remaining Group. Following the Restructuring, Li Feng and Li Henry, as senior vice-president and vice-president of Comtech, respectively, exclusively carried out the daily management and operations of the Spin-off Group.

For the reasons above, it is expected that there will not be any conflict of interests with respect to day-to-day operational affairs between Spin-off Company and Remaining Company.

(c) Financial Independence

As of the Latest Practicable Date, the Company guarantees the payment obligations of certain subsidiaries in the Group, including subsidiaries in the Spin-off Group, which are denominated in foreign currencies (the “**Guarantees**”). The amount of Guarantee as of November 21, 2021 is approximately RMB374.8 million. Save as disclosed above, there are no loans or other forms of financial assistance provided by the Group or associates of the Company to Spin-off Company as of the Latest Practicable Date.

It is intended that the Guarantees will terminate before the Proposed A-Share Listing. Therefore, immediately after such listing, there will be no loan or other forms of financial assistance provided by the Remaining Group or associates of the Remaining Company to Spin-off Company. The Proposed A-Share Listing of the Spin-off Group will provide the Spin-off Group with an independent financing platform and investor base. The Proposed A-Share Listing of the Spin-off Group will enable the Spin-off Group to undergo equity and/or debt financing directly from the capital market, which will provide the Spin-off Group with funds for its future development, and further facilitating its business development and enhancing its competitiveness. The Spin-off Group expects to negotiate with the counterparts to replace these Guarantees such that the Spin-off Group will guarantee these payment obligations (instead of by the Remaining Group).

On this basis, the Company is of the view that the Spin-off Company will be financially independent of the Remaining Company and the Remaining Group at the time of its listing.

8. ONGOING AND FUTURE TRANSACTIONS BETWEEN SPIN-OFF GROUP AND THE REMAINING GROUP AFTER THE PROPOSED SPIN-OFF

The Company and the Spin-off Company have identified a number of transactions between (a) the Spin-off Group; and (b) the Remaining Group and associates of the Company which are ongoing, some of which are expected to continue after the completion of the Proposed Spin-off. As the Spin-off Company is expected to remain as a subsidiary of the Company and no connected persons are expected to hold 10% or more interests in its issued share capital, none of these transactions are expected to constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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Nevertheless, these transactions will be conducted on normal and commercial terms and in the ordinary and usual course of business of the Remaining Group. They will not cause any business dependence or reliance issue between the Spin-off Group and the Remaining Group.

Set out below is a summary of the continuing transactions between (a) the Spin-off Group; and (b) the Remaining Group and associates of the Company which, based on information currently available, are expected to continue after the Proposed Spin-off:

- (a) Product sales and technical services provided by the Remaining Company to the Spin-off Company. The Remaining Group is responsible for developing module technology solutions and providing other added-value and customization services for certain clients that the Spin-off Group currently has a supplier-customer relationship with. As a purely logistical step to distribute the end product to the client, the Remaining Group will first sell the customized product to the Spin-off Group on an arm's length basis.
- (b) Product procurement and purchasing services provided to Remaining Company by Spin-off Company. As part of the Remaining Group's business of developing module technology solutions and providing other added-value and customization services, the Remaining Group requires the chips of particular suppliers that the Spin-off Group currently has a supplier-customer relationship with. As a purely logistical step to procure these chips, the Remaining Group will first procure the required chips from the Spin-off Group on an arm's length basis.

9. FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE GROUP

The Spin-off Company will continue to be an indirect non-wholly owned subsidiary of the Company upon completion of the Proposed Spin-off. The following is the expected financial impact of the Proposed Spin-off on the Group:

It is expected that the entities within the Spin-off Group will not cease to be the subsidiaries of the Company immediately upon completion of the Proposed Spin-off. The following expected financial impact, which estimates the financial impact of the Proposed Spin-off on the Group is made on the basis of the current structure of the Proposed Spin-off which is subject to finalization and is for illustration purposes only. The analysis below does not purport to represent how the financial position of the Group will be upon completion of the Proposed Spin-off.

The Group will not derecognize the assets and liabilities of the Spin-off Group from the consolidated statement of financial position as well as the carrying amount of non-controlling interests in the Spin-off Group. Rather, the Proposed Spin-off would be classified as deemed disposal of the Spin-off Group.

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Earnings

The Proposed Spin-off will be regarded as a transaction with non-controlling interest, the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in the Spin-off Company. It is expected that there would be no gain or loss on the deemed disposal and the Proposed Spin-off to be recognized in the Company's consolidated income statement upon completion of the Proposed Spin-off in accordance with Hong Kong Financial Reporting Standards 10. The difference between the amount by which the non-controlling interest is adjusted and the net proceeds raised from the Proposed A-Share Listing will be recorded in equity attributed to the Shareholders. In addition, as the proportion of the Company's shareholding in the Spin-off Company will be diluted immediately upon completion of the Proposed Spin-off, it is expected that the earnings attributable to shareholders of the Company contributed by the Spin-off Company will decrease while the earnings attributable to non-controlling interests of the Company will increase.

The Spin-off Group will continue to be accounted for as a subsidiary of the Company upon completion of the Proposed Spin-off and the financial results of the Spin-off Group will continue to be consolidated into the accounts of the Group. The effect of the Proposed Spin-off on the future earnings of the Group will depend on, among other things, the return generated from the proceeds raised from the Proposed A-Share Listing as well as the future business operations of the Spin-off Group.

Assets and liabilities

The Proposed A-Share Listing will increase the number of shares of the Spin-off Company and raise corresponding funds. The net proceeds of the Proposed A-Share Listing will increase the cash recorded in the consolidated balance sheet of the Group and increase the total assets of the Group correspondingly. The Proposed Spin-off will not affect the liabilities of the Group. Hence, the Proposed A-Share Listing will raise funds and further improve the structure of the Group's assets and liabilities.

10. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Company considers that the Proposed Spin-off and Listing would enable investors to better value the Remaining Group with its focus on its AIoT business. Further, as the business of the Spin-off Group has grown to a size sufficient to command a separate listing status, given that Spin-off Company will remain as a subsidiary of the Company and all income statement and balance sheet items of Spin-off Company will continue to be consolidated in the Company's financial statements after the Proposed Spin-off and Listing, the directors of the Company consider that such status will be beneficial to the Company for the following reasons:

- (i) it will enable the Company to fully focus on and deploy its funds towards the development of its AIoT business without needing to consider Spin-off Group's funding requirements;

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- (ii) the value of Spin-off Group is expected to be enhanced through the Proposed Spin-off and Listing which will in turn benefit the Company as a controlling shareholder of Spin-off Company, given that:
 - (a) the Proposed Spin-off and Listing could better reflect the value of Spin-off Group on its own merits and increase its operational and financial transparency through which investors would be able to appraise and assess the performance and potential of Spin-off Company separately and distinctly from those of the Remaining Group;
 - (b) a listing on the stock exchanges in the PRC will enable Spin-off Group to directly and independently access both equity and debt capital markets in the future, as well as further enhance Spin-off Company's ability to secure bank credit facilities;
 - (c) a listing on the stock exchanges in the PRC will provide clarity of the credit profile of Spin-off Group for agencies and financial institutions that wish to analyze and lend against the credit of Spin-off Company;
 - (d) the independent listing of Spin-off Group will lead to a more direct alignment of its management's responsibilities and accountability with its operating and financial performance. This is expected to result in enhanced management focus, which should in turn lead to improved decision-making processes, faster response time to market changes and increased operational efficiency. The management of Spin-off Group will be under heightened scrutiny from the investor community and it will be possible to measure their performance against the stock market performance of Spin-off Group. It will also be possible to link management incentives to such performance, thereby increasing management motivation and commitment; and
 - (e) a listing on the stock exchanges in the PRC would help enhance the profile of the Group as a whole and grow its investor base, and the PRC listing status of a subsidiary of the Group may also raise the customer confidence level towards the Group and enhance the Group's corporate and brand awareness.

11. WAIVER IN RESPECT OF ASSURED ENTITLEMENT

Pursuant to the requirements under paragraph 3(f) of PN15, a listed company contemplating a spin-off is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares of the spun-off entity, either by way of a distribution in specie of existing shares of the spun-off entity or by way of preferred application in any offering of existing or new shares of the spun-off entity.

Pursuant to the advice of Comtech's PRC legal adviser in respect of the Proposed Spin-off and Listing (the "**PRC Legal Adviser**"), only investors in compliance with certain requirements under the relevant PRC laws and regulations, including but not limited to, the Securities Law of People's Republic of China (《中華人民共和國證券法》), Measures for the Administration of the Registration of IPO Stocks on the Science and Technology Innovation Board (for Trial Implementation)

LETTER FROM THE BOARD

(《科创板首次公开发行股票注册管理办法(试行)》), Measures for the Administration of the Offering and Underwriting of Securities (《證券發行與承銷管理辦法》), Guidance of the China Securities Depository and Clearing Corporation Limited on Brokerage Account Business (《中國證券登記結算有限責任公司證券賬戶業務指南》), Administrative Measures for Securities and Futures Investment Made in China by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》), Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (《外國投資者對上市公司戰略投資管理辦法》), will qualify as an applicant for initial public offering of shares listed on any stock exchanges in the PRC, subject to compliance with the trading qualifications of the relevant board:

- (i) PRC citizens who have reached the age of 18 (including PRC citizens who are above the age of 16 but under the age of 18, whose main source of income is from their own labour);
- (ii) PRC institutional investors;
- (iii) foreign investors who held shares in an entity before its proposed listing on the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
- (iv) foreign citizens having a permanent residency in the PRC;
- (v) residents of Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan region working and residing in the PRC;
- (vi) foreign natural persons working in the PRC, provided that the securities regulator of his/her state of nationality has entered into regulatory cooperation mechanisms with the CSRC;
- (vii) foreign natural person investors qualified as incentive targets under the Measures for the Administration of Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》) of the PRC;
- (viii) qualified foreign institutional investors and RMB qualified foreign institutional investors approved by the CSRC; and
- (ix) foreign strategic investors approved by the Ministry of Commerce of the PRC.

((i) to (ix) above are collectively referred to as “**Qualified Investors**”).

As advised by the PRC Legal Adviser, the Qualified Investors, including the southbound shareholders of the Company (if any), are also subject to legal restrictions in providing the assured entitlements to Comtech’s shares under the PRC laws and regulations. As such, there are legal impediments to provide the existing shareholders assured entitlement.

LETTER FROM THE BOARD

The Company has made enquiries to its Hong Kong share registrar and was given to understand that it is unable to identify whether a shareholder of the Company is a Qualified Investor by virtual of the information available to the share registrar. Based on the above factors, it is impracticable to preferentially allocate shares of Comtech to the shareholders of the Company.

In view of the above legal impediments for providing the assured entitlement to the Company's shareholders, it is not feasible for the Company to comply with the requirement of paragraph 3(f) of PN15 in connection with the Proposed Spin-off and Listing. Thus, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under paragraph 3(f) of PN15 (the **"Waiver"**).

12. LISTING RULES IMPLICATION

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off may be higher than 25% but in any event less than 75%, the Proposed Spin-off, if proceed, may constitute a possible major transaction under Chapter 14 of the Listing Rules. The Company therefore convenes the EGM to obtain the approval of Shareholders regarding the Proposed Spin-off as required under paragraph 3(e)(1) of PN 15 and Chapter 14 of the Listing Rules. The Company intends to convene the EGM to obtain the Shareholders' approval to fulfill condition (a) in the paragraph headed "Conditions of the Proposed Spin-off" in this letter from the Board.

On the basis that, as far as the Directors are aware, none of the Shareholders has a material interest in the Proposed Spin-off which is different from those of other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Proposed Spin-off at the EGM.

13. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Mr. Ye Xin, Dr. Ma Qiyuan and Mr. Hao Chunyi, Charlie, being all independent non-executive Directors, has been established to advise the Shareholders in respect of the terms of the Proposed Spin-off. The letter from the Independent Board Committee is set out on page 24 of this circular.

The Company has also appointed Shenwan Hongyuan as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off. The letter from Shenwan Hongyuan is set out on pages 25 to 41 of this circular.

LETTER FROM THE BOARD

14. EGM

The EGM will be convened by the Company at IngDan Innovation Center, 1st Floor Microsoft Comtech Tower, No. 55 Gaoxin South 9th Road, Nanshan District, Shenzhen, China on March 29, 2022 (Tuesday) at 2:30 p.m., at which resolution will be proposed to consider and, if thought fit, approve the Proposed Spin-off. A notice convening the EGM is set out on pages 52 to 54 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will exercise his power under article 66 of the articles of association of the Company to put the resolution to be proposed at the EGM to be voted by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As far as the Directors are aware, none of the Shareholders has a material interest in the Proposed Spin-off which is different from those of other Shareholders. As such, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Proposed Spin-off at the EGM.

Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

15. CLOSURE OF REGISTER OF MEMBERS

For determination of the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, March 24, 2022 to Tuesday, March 29, 2022, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, March 23, 2022. Shareholders whose names are recorded in the register of members of the Company on Tuesday, March 29, 2022 are entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

16. RECOMMENDATION

The Directors (including the independent non-executive Directors, after taking into account the advice of Independent Financial Adviser) consider that the Proposed Spin-off to be fair and reasonable, and in the interests of the Company and the Shareholders taken as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Spin-off.

17. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors of the Company should note that the Proposed Spin-off is subject to, among other things, obtaining approvals from the relevant regulatory authorities, market conditions and other factors. There is no assurance that the Proposed Spin-off will take place or as to when it will take place. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in or investing in the Shares. The Company will make further announcement(s) in relation to the Proposed Spin-off in accordance with the requirements of the Listing Rules as and when appropriate.

Yours faithfully,

By order of the Board

Cogobuy Group

KANG Jingwei, Jeffery

Chairman, Executive Director and Chief Executive Officer



COGOBUY GROUP

科通芯城集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 400)

March 10, 2022

To the Shareholders

Dear Sir or Madam,

**POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION
IN RELATION TO PROPOSED SPIN-OFF AND
SEPARATE A-SHARE LISTING OF COMTECH**

We refer to the circular dated March 10, 2022 (the “**Circular**”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Shareholders in respect of the terms of the Proposed Spin-off, details of which are set out in the “Letter from the Board” contained in the Circular on pages 4 to 23 of the Circular.

Shenwan Hongyuan has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in relation to Proposed Spin-off. The text of the letter of advice from Shenwan Hongyuan to the Independent Board Committee and the Shareholders is set out on pages 25 to 41 of the Circular.

Having taken into account of the advice of the Independent Financial Adviser, we consider that the Proposed Spin-off to be fair and reasonable, and in the interests of the Company and the Shareholders taken as a whole. Accordingly, we recommend the Shareholders to vote in favour of the resolution at the EGM to approve the Proposed Spin-off.

Yours faithfully,

For and on behalf of

Independent Board Committee

Cogobuy Group

Mr. Ye Xin, Dr. MA Qiyuan, Mr. Hao Chunyi, Charlie

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Shenwan Hongyuan Capital (H.K.) Limited for the purpose of inclusion in this circular.



Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

10 March 2022

To *The Independent Board Committee and
the Shareholders of*
Cogobuy Group

Dear Sir or Madam,

POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION IN RELATION TO PROPOSED SPIN-OFF AND SEPARATE A-SHARE LISTING OF COMTECH

INTRODUCTION

We refer to the circular of Cogobuy Group dated 10 March 2022 (the “**Circular**”), of which this letter forms part, regarding, *inter alia*, the Proposed Spin-off. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

With reference to the Circular, the Proposed Spin-off involves the spin-off of the Spin-off Company and its separate listing on the Mainland China Stock Exchange by way of an initial public offering. For the purpose of the Proposed Spin-off, the Company has submitted a proposal on the Proposed Spin-off to the Stock Exchange pursuant to PN 15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off under PN 15. The Stock Exchange also granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under the Proposed Spin-off as required by paragraph 3(f) of PN 15.

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off may be higher than 25% but in any event less than 75%, the Proposed Spin-off, if proceed, may constitute a possible major transaction under Chapter 14 of the Listing Rules. The Company therefore will convene the EGM to obtain the approval of Shareholders regarding the Proposed Spin-off as required under paragraph 3(e)(1) of PN 15 and Chapter 14 of the Listing Rules.

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As far as the Directors are aware, none of the Shareholders has a material interest in the Proposed Spin-off which is different from those of other Shareholders. As such, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Proposed Spin-off at the EGM.

We, Shenwan Hongyuan Capital (H.K.) Limited, have been appointed by the Company as the independent financial adviser to advise you on the Proposed Spin-off, details of which are set out in the Circular. In this letter, we will make recommendations to you as to whether the terms of the Proposed Spin-off are fair and reasonable and are in the interests of the Company and the Shareholders as a whole as well as to advise the Shareholders on how to vote at the EGM in respect of the Proposed Spin-off.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Ye Xin, Dr. Ma Qiyuan and Mr. Hao Chunyi, Charlie, has been established to advise the Shareholders, taking into account our recommendations, as to whether the terms of Proposed Spin-off are fair and reasonable and are in the interests of the Company and the Shareholders as a whole as well as to advise the Shareholders on how to vote at the EGM in respect of the Proposed Spin-off. The advice of the Independent Board Committee as regards the Proposed Spin-off is contained in its letter included in the Circular.

We, Shenwan Hongyuan Capital (H.K.) Limited, did not act as the independent financial adviser to the Company during the two years preceding the date hereof. We are not aware of any of the circumstances set out in Rule 13.84 of the Listing Rules, that would affect our independence to advise you on the Proposed Spin-off, existed as at the Latest Practicable Date.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and statements supplied, opinions and representations expressed by the Company and the Directors and have assumed that all such information and statements supplied, opinions and representations expressed to us were true, accurate and complete in all material respects at the time they were provided and continue to be true up to the date of the EGM. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information and statements supplied as well as opinions and representations expressed to us.

We consider that we have been provided with sufficient information to enable us to reach our advice and recommendations as set out in this letter and to justify our reliance on the accuracy of such information. We have no reason to suspect that any material facts or information (which are known to the Company) have been omitted or withheld from the information or statements supplied, or opinions or representations expressed to us nor to doubt the truth and accuracy of the information and statements supplied, or the reasonableness of the opinions and representations expressed to us. We have not, however, carried out any independent verification on the information provided to us by the Company and the Directors, nor have we conducted any independent in-depth investigation into the business or affairs or future prospects of the Group.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into account the following principal factors and reasons in arriving at our recommendations with regard to the Proposed Spin-off:

1. Background and Financial Information of the Group

The Group is principally engaged in operating an enterprise service platform that trades IC and related products and provides services to artificial intelligence (“**AI**”) and Internet of Things (“**IoT**”, and together with AI, “**AIoT**”) sectors in China. These services are provided through the Company’s online platforms, including the websites Cogobuy.com and ING DAN.com, as well as through the Company’s offline services channels.

Following a business restructuring in early 2020 (the “**Restructuring**”), the Company reorganised itself into two distinct primary businesses, namely the Comtech business (the “**Comtech Business**”) and Ingdan business (the “**Ingdan Business**”).

The Comtech Business is operated by the Spin-off Group and focuses on the promotion and sales of IC chips sourced worldwide as raw materials to AIoT and other electronics manufacturers in the PRC.

The Ingdan Business is operated by the Remaining Group and focuses on (i) the R&D and sales of proprietary AIoT products; (ii) providing customized modules and solutions; and (iii) providing services including software services, data services as well as incubating and supply chain financing services, primarily in the industries of smart auto, 5G applications and memory/storage.

Set out below is the financial information of the entire Group for the two years ended 31 December 2019 and 2020 (“**FY2019**” and “**FY2020**” respectively) and for the six months ended 30 June 2020 and 2021 (“**1H2020**” and “**1H2021**” respectively), as extracted from the Company’s annual report for the year ended 31 December 2020 (the “**2020 Annual Report**”) and interim report the six months ended 30 June 2021 (the “**2021 Interim Report**”).

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	For the year ended 31 December		For the six months ended 30 June	
	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5,854,247	6,185,100	3,281,205	3,927,305
— Comtech Business	3,609,438	3,740,764	1,784,453	3,022,548
— Ingdan Business	2,244,809	2,444,336	1,496,752	904,757
Gross profit	565,640	698,630	254,553	344,643
Profit for the year/period	144,985	187,428	118,559	172,446
Profit attributable to owners of the Company	110,067	123,200	100,077	110,464

As disclosed in the 2020 Annual Report, the growing accessibility and applications of 5G technology have boosted the chip industry as well as the Group's chip sales. The Group generated revenue of approximately RMB6,185.1 million for FY2020, representing an increase of approximately 5.7% as compared to approximately RMB5,854.2 million for FY2019. The increase was primarily attributable to a strong demand for high-end chips driven by the large-scale domestic expansion of 5G, AI, IoT, and other technology infrastructure and the growth in the provision of customised modules and solutions under the Ingdan Business.

Under the aforesaid favourable industry development, the Group's gross margin rose from approximately 9.7% for FY2019 to approximately 11.3% for FY2020 and the gross profit increased by approximately 23.5% from RMB565.6 million for FY2019 to RMB698.6 million for FY2020. The Group recorded profit of approximately RMB187.4 million for FY2020, representing an increase of approximately 29.3% as compared to approximately RMB145.0 million for FY2019.

As stated in the 2021 Interim Report, the expansion of domestic 5G construction scale continues to accelerate, and more industries are reliant on AI and IoT, which intensifies chip demand and drives the Group's revenue to attain significant growth during 1H2021. The Group's revenue and gross profit increased to approximately RMB3,927.3 million and RMB344.6 million respectively for 1H2021, representing an increase of approximately 19.7% and 35.4% as compared to those for 1H2020. Profit for 1H2021 increased by approximately 45.5% to approximately RMB172.4 million from approximately RMB118.6 million for 1H2020. The increase in profit was primarily due to an increase in revenue and gross profit, which was offset in part by an increase in non-controlling interests of approximately RMB43.5 million recorded in 1H2021 as compared to 1H2020, as a result of the decrease of the Group's interest in the Spin-off Company following the completion of the Restructuring and the Spin-off Company's several rounds of financing by way of share issuance as set out in the announcements of the Company dated 10 September 2020, 25 September 2020, 16 October 2020 and 30 June 2021.

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	As at 31 December 2019 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>	As at 30 June 2021 <i>RMB'000</i>
Non-current assets	2,270,837	2,488,868	2,381,370
Current assets	<u>3,160,935</u>	<u>3,003,297</u>	<u>3,815,761</u>
Total assets	<u>5,431,772</u>	<u>5,492,165</u>	<u>6,197,131</u>
Current liabilities	1,066,857	836,093	1,352,043
Non-current liabilities	<u>4,300,009</u>	<u>432,486</u>	<u>590,757</u>
Total liabilities	<u>1,131,763</u>	<u>1,268,579</u>	<u>1,943,160</u>
Net assets	<u>4,300,009</u>	<u>4,223,586</u>	<u>4,253,971</u>

The Group had net assets of approximately RMB4,254.0 million as at 30 June 2021, which was similar to the net assets as at 31 December 2020 and 2019 respectively.

2. Background and Financial Information of the Spin-off Group

The Proposed Spin-off involves the spin-off of the Spin-off Company (i.e. Comtech) and its separate listing on the Mainland China Stock Exchange by way of an initial public offering.

Comtech, an indirect non-wholly owned subsidiary of the Company, is a limited liability company incorporated in the PRC. As at the Latest Practicable Date, Comtech had a registered capital of RMB105.2 million.

The Spin-off Group is principally engaged in the sales and promotion and sales of IC chips sourced worldwide as raw materials to AIoT and other electronics manufacturers in the PRC (i.e. the Comtech Business) as mentioned in the section headed “1. Background and Financial Information of the Group” above in this letter.

Set out below is the summary of the unaudited consolidated financial information of the Spin-off Group for the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 respectively based on the unaudited management accounts provided by the Group, which does not eliminate the profit generated from the inter-segment sales and inter-segment dividend income within the Group:

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	For the year ended 31 December		For the six months ended 30 June
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3,906,711	4,223,532	3,255,656
Profit before tax	87,956	133,387	164,443
Profit after tax	85,809	125,103	153,474
Profit attributable to owners of the Company	85,809	75,546	97,246

The revenue of the Spin-off Group increased from approximately RMB3,906.7 million for FY2019 by approximately 8.1% to approximately RMB4,223.5 million for FY2020. As advised by the Directors, the increase was primarily due to the growth in direct sales revenue, which was supported by the greater demand for high-end chips with the large-scale domestic expansion of 5G and other new technology infrastructure.

The Spin-off Group recorded net profit of approximately RMB125.1 million for FY2020, representing an increase of approximately 45.8% as compared to approximately RMB85.8 million. As advised by the Directors, besides the growth in revenue and gross profit, the decrease in finance costs also contributed to the increase in the Group's net profit for FY2020. However, the profit attributable to owners of the Company decreased by approximately 12.0% from approximately RMB85.8 million for FY2019 to approximately RMB75.5 million for FY2020, mainly due to the decrease of the Group's interest in the Spin-off Company following the completion of the Restructuring and the Spin-off Company's several rounds of financing by way of share issuance as set out in the announcements of the Company dated 10 September 2020, 25 September 2020 and 16 October 2020.

For 1H2021, the Spin-off Group generated revenue of approximately RMB3,255.7 million, representing approximately 77.1% of the full-year revenue of approximately RMB4,223.5 million for FY2020. As advised by the Directors, the Spin-off Group's sales for 1H2021 continued to benefit from the increasingly strong demand for high-end chips with the large-scale domestic expansion of 5G, AI, IoT and other technology infrastructure. The Spin-off Group recorded profit and profit attributable to the owners of the Company of approximately RMB153.5 million and RMB97.2 million respectively for 1H2021, which exceeded those of the full-year for FY2020.

As at 30 June 2021, the unaudited consolidated net assets value of the Spin-off Group was approximately RMB933.4 million.

3. Information of the Remaining Group

Upon completion of the Proposed Spin-off, the Remaining Group will continue to be principally engaged in (i) the R&D and sales of proprietary AIoT products; (ii) providing customized modules and solutions; (iii) providing services including software services, data services as well as incubating and supply chain financing services, primarily in the industries of smart auto, 5G applications and memory/storage (i.e. the Ingdan Business) as mentioned in the section headed “1. Background and Financial Information of the Group” above in this letter. As advised by the Directors, the Ingdan Business is able to meet the profit requirement for listing on the Stock Exchange on its own for the three years ended 31 December 2020.

As we understand from the Directors, the Group’s goal is to become the world’s leading technology integration service platform for the growing AIoT smart hardware industry, focusing on smart cars, smart homes, robotics, etc. As the R&D projects of the Ingdan Business are becoming more sophisticated, the proprietary products of the Ingdan Business would contribute even more momentum to the Remaining Group’s performance. The Remaining Group plans to further enhance its performance through value-added services, including but not limited to the provision of corporate and technology services, as well as investment services such as incubation programs.

4. Reasons for and Benefits of the Proposed Spin-off

As disclosed in the letter from the Board contained in the Circular (the “**Letter from the Board**”), the Company considers that the Proposed Spin-off would enable investors to better value the Remaining Group with its focus on the Ingdan Business. Further, as the business of the Spin-off Group has grown to a size sufficient to command a separate listing status, and given that the Spin-off Company will remain as a subsidiary of the Company and all income statement and balance sheet items of the Spin-off Company will continue to be consolidated in the Company’s financial statements after the Proposed Spin-off, the Directors consider that such status will be beneficial to the Company for the following reasons:

- (i) it will enable the Company to fully focus on and deploy its funds towards the development of its Ingdan Business without needing to consider the Spin-off Company’s funding requirements;
- (ii) the value of the Spin-off Company is expected to be enhanced through the Proposed Spin-off which will in turn benefit the Company as a controlling shareholder of the Spin-off Company, given that:
 - (a) the Proposed Spin-off could better reflect the value of the Spin-off Group on its own merits and increase its operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the Spin-off Group separately and distinctly from those of the Remaining Group;

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- (b) a listing on the stock exchanges in the PRC will enable the Spin-off Group to directly and independently access both equity and debt capital markets in the future, as well as further enhance the Spin-off Group's ability to secure bank credit facilities;
- (c) a listing on the stock exchanges in the PRC will provide clarity of the credit profile of the Spin-off Group for agencies and financial institutions that wish to analyze and lend against the credit of the Spin-off Group;
- (d) the independent listing of the Spin-off Company will lead to a more direct alignment of its management's responsibilities and accountability with its operating and financial performance. This is expected to result in enhanced management focus, which should in turn lead to improved decision-making processes, faster response time to market changes and increased operational efficiency. The management of the Spin-off Group will be under heightened scrutiny from the investor community and it will be possible to measure their performance against the stock market performance of the Spin-off Company. It will also be possible to link management incentives to such performance, thereby increasing management motivation and commitment; and
- (e) a listing on the stock exchanges in the PRC would help enhance the profile of the Group as a whole and grow its investor base, and the PRC listing status of a subsidiary of the Group may also raise the customer confidence level towards the Group and enhance the Group's corporate and brand awareness.

Having considered the above and taking into account the expected valuation of the Spin-off Company as detailed in the analysis under "6.4 Valuation under the Proposed A-Share Listing" in this letter below, we concur with the Directors' view that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

5. Conditions of the Proposed Spin-off

The Proposed Spin-off will be conditional upon, among other things, the following:

- (a) approval of the Proposed Spin-off by the Shareholders at the EGM;
- (b) approval of the Proposed A-Share Listing by the board of directors and the shareholders of the Spin-off Company;
- (c) approval of the Proposed Spin-off by the Listing Committee of the Stock Exchange;
- (d) the approval and/or registration of the Mainland China Stock Exchange and the CSRC in relation to the Proposed A-Share Listing; and
- (e) any other PRC regulatory approvals required by the relevant laws and regulations.

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As at the Latest Practicable Date, condition (c) has been fulfilled. None of the conditions is waivable. If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and an announcement will be published by the Company.

6. The Proposed Spin-off

6.1 *Structure of the Proposed Spin-off*

As disclosed in the Letter from the Board, subject to approvals by the Shareholders and the relevant Mainland China regulators, it is currently proposed that the Spin-off Company will issue A-shares on the Mainland China Stock Exchange by way of an initial public offering to public investors in the market, or other methods as requested or agreed by the CSRC. The actual number of shares to be offered by the Spin-off Company will depend on the market conditions and the relevant rules and regulations of the CSRC as amended from time to time.

As stated in the Letter from the Board, it is intended that the number of new shares to be issued by the Spin-off Company will be equivalent to 25% of its enlarged issued share capital upon the listing of the Spin-off Company on the Mainland China Stock Exchange. As at the Latest Practicable Date, it was expected that approximately 35,057,471 shares of the Spin-off Company would be offered for subscription pursuant to the Proposed A-Share Listing.

It is expected that immediately upon completion of the Proposed Spin-off, the Company's interest in Spin-off Company is expected to decrease from 62.42% to a level of approximately 46.82% assuming an issue of 25% of its enlarged share capital for public subscription in the Proposed Spin-off, but the Spin-off Company is still expected to be accounted for as a subsidiary of Company for the following reasons:

- (i) Upon the listing of the Spin-off Company in the PRC, the Company will remain to be the single largest shareholder of the Spin-off Company with the rights to exercise voting powers in the Spin-off Company, including but not limited to the nomination and appointment of its board of directors; and
- (ii) As mentioned in the Company's PN15 application to the Stock Exchange, the Spin-off Company will continue to be an indirect non-wholly owned subsidiary of the Company through the significant control the Company will exercise over it by virtue of the fact that there will be no other significant shareholder capable of exercising material influence over Spin-off Company through controlling its board of directors.

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Please refer to the section headed “Effects of the Proposed Spin-off on the shareholding structure of the Spin-off Company” in the Letter from the Board for the simplified shareholding structure of the Spin-off Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Proposed Spin-off, based on the current plan of the Proposed Spin-off.

6.2 *Illustrative proceeds to be raised*

Based on our understanding from the Directors, assuming the Spin-off Company will issue 25% of its enlarged share capital in its Proposed A-Share Listing, it is currently expected that the gross proceeds to be raised will be approximately RMB1 billion. However, investors should be aware that the proceeds to be raised is subject to the market conditions close to the launch of the Proposed A-Share Listing.

The offer price of shares of the Spin-off Company to be offered in the Proposed A-Share Listing is to be determined primarily with reference to the investor responses to the price consultation conducted by the underwriting syndicate and/or any other method(s) to be agreed between the Spin-off Company and the lead underwriter. In determining the offer price and the size of the new issue, the Spin-off Company will take into account, among other things, (i) its historical operating results and financial performance; (ii) its business prospects; (iii) its expansion plan and capital needs; (iv) the investor responses to price consultation to the Proposed A-Share Listing in the book-building process; and (v) an appropriate price to earnings ratio to be determined by the Spin-off Company and the lead underwriter having considered those of comparable companies listed in the PRC in the same industry as the Spin-off Company. As at the Latest Practicable Date, the Directors and the directors of the Spin-off Company expected the offer price per share of the Spin-off Company to be not lower than RMB25 (the “**Expected Issue Price**”). Investors should be aware that the offer price of the Proposed A-Share Listing will be determined at a date close to the launch of the Proposed A-Share Listing based on several factors, some of which are beyond the control of the Spin-off Company and the underwriter(s) of the Proposed A-Share Listing.

Although the offer price per share of the Spin-off Company has not been fixed yet, we consider the aforesaid offer price determination process and basis to be in line of the usual market practice.

6.3 *Intended use of proceeds*

The Spin-off Company intends to apply the net proceeds from the Proposed A-Share Listing (after deducting related expenses) in the following manner:

- (i) approximately 20% of the net proceeds (i.e. approximately RMB200 million) for procuring new semiconductor chips used in electric vehicles industry from leading global semiconductor companies;

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- (ii) approximately 15% of the net proceeds (i.e. approximately RMB150 million) for procuring new semiconductor chips used in 5G infrastructure and equipment industry from leading global semiconductor companies;
- (iii) approximately 15% of the net proceeds (i.e. approximately RMB150 million) for procuring new semiconductor chips used in clean energy industry from leading global semiconductor companies;
- (iv) approximately 20% of the net proceeds (i.e. approximately RMB200 million) for procuring new semiconductor chips used in industry automation from leading global semiconductor companies; and
- (v) approximately 30% of the net proceeds (i.e. approximately RMB300 million) will be used for operations of semiconductor application research laboratory, including 25% of the net proceeds for the purchase of cloud storage, software and equipment relating to industrial AI and 5G application and 5% of the net proceeds for hiring new engineers and research staff.

As stated in the Letter from the Board, it is expected that each of the above proceeds will be fully utilised by the end of 2023. We are of the view that the intended use of proceeds is in line with the Spin-off Company's business objective to further strengthen its position as a leading service provider in sale and marketing of semiconductor chips to its customers in various industry sectors.

6.4 Valuation under the Proposed A-Share Listing

In assessing the valuation of the deemed disposal as a result of the Proposed Spin-off, we have performed an analysis based on comparable companies of the Spin-off Group we identified in the public domain with details set out below.

We have considered all the commonly adopted trading multiples, including price-to-earnings ratio ("**P/E ratio**"), enterprise value to earnings before interest, tax, depreciation and amortization ratio ("**EV/EBITDA ratio**"), price to sales ratio ("**P/S ratio**") and price to book ratio ("**P/B ratio**") for the comparison purpose.

Having considered (i) the Spin-off Group runs a light-asset business which focuses on the promotion and sales of IC chips with a profitable track record; (ii) measurements using P/S ratio (which does not account for the profitability of the business) and P/B ratio (which is more appropriate for asset heavy business) fail to reflect the profitability and earnings potential of the business; (iii) EV/EBITDA ratio is mainly used to value companies which require substantial front loaded capital investment and debt financing to support the building of the investment; and (iv) the business of the Spin-off Company has been well-established and profitable for a number of years, we, therefore, are of the view that P/E ratio is the most applicable and useful benchmark for comparison across the comparable companies.

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Based on (i) the estimated market capitalisation of the Spin-off Company of approximately RMB4,000 million with reference to the expected gross proceeds of approximately RMB1 billion from the Proposed A-share Listing (assuming 25% of the enlarged issued share capital of the Spin-off Company will be offered in the Proposed A-Share Listing); and (ii) the net profit of the Spin-off Company for FY2020 of approximately HK\$125.1 million, the implied P/E ratio of the Spin-off Group is approximately 32.0 times.

In order to provide the Shareholders with a general reference regarding the valuation of companies engaging in a business similar to that of the Spin-off Group, we have conducted a search for companies (the “**Comparable Companies**”) based on the following selection criteria on Wind¹ on a best effort basis: (i) listed on any of the stock exchanges in the PRC; and (ii) generated over 50% of its revenue from distribution of IC and/or electronic components while recorded positive profit in its latest financial year.

¹ Based on the website of Wind (www.wind.com.cn), Wind is a leading provider of financial information services in China and its users include securities companies, fund management corporations, insurance companies, banks, investment firms, and media. Its data is also frequently cited by authoritative Chinese and English media, research reports, and academic papers.

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The following table sets out the P/E ratio of the Comparable Companies for reference purpose:

Stock code	Company name	Listing Date	Principal activities	Market Capitalisation (RMB million)	P/E ratio (Note 1)
000062.SZ	Shenzhen Huaqiang Industry Co., Ltd.	30 January 1997	Distribution of electronic components including IC	14,977	24.0
300131.SZ	Shenzhen Yitao Intelligent Control Co., Ltd.	19 October 2010	Distribution of electronic components including IC	6,652	24.7
300975.SZ	Nanjing Sunlord Electronics Corporation Ltd.	21 April 2021	Distribution of electronic components including IC	6,817	45.6
301099.SZ	Shanghai Yct Electronics Group Co., Ltd.	22 November 2021	Distribution of electronic components including IC	5,748	96.5 (Note 2)
300493.SZ	Shanghai Fortune Techgroup Co., Ltd.	10 December 2015	Distribution of IC products	3,674	81.6
				Average	44.0
				Maximum	81.6
				Minimum	24.0
				The Company (Note 3)	20.4
				The Spin-off Company	32.0

Source: Wind and Shenzhen Stock Exchange

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Notes:

1. The P/E ratio of each Comparable Company is calculated based on (i) the market capitalisation of each Comparable Company as at the Latest Practicable Date; and (ii) the profit attributable to the owners of the Comparable Company in its latest financial year.
2. The P/E ratio of Shanghai Yct Electronics Group Co., Ltd. is excluded as we consider it as an extreme outlier statistically comparing to the P/E ratios of other comparable companies as its P/E ratio is located outside 1 standard deviation from the average. Its extremely high P/E ratio was probably due to the market speculation as it was newly listed on 22 November 2021, with latest stock price increased over 200% as compared to its IPO price.
3. The P/E ratio of the Company is calculated based on (i) the market capitalisation of the Company of approximately HK\$3,108 million (equivalent to approximately RMB2,516 million) which is calculated based on the closing price of the Company as quoted on the Stock Exchange and 1,412,766,732 Shares issued as at the Latest Practicable Date; and (ii) the profit attributable to the owners of the Company of approximately RMB123.2 million for FY2020.

As set out in the table above, we have identified 4 Comparable Companies (after excluding the extreme outlier) based on our selection criteria as mentioned above for comparing the valuation of such companies listed on the PRC stock exchanges with the Spin-off Group. To the best of our knowledge and as far as we are aware, the list of the selected Comparable Companies, in our view, are exhaustive, fair and representative for the comparison purpose. We note that the estimated implied P/E ratio of the Spin-off Company upon the Proposed Spin-off is within the range of those of the Comparable Companies and is higher than the trailing P/E ratio of the Company.

Given that (i) the estimated implied P/E ratio of the Spin-off Company upon the Proposed Spin-off is within the range of those of the Comparable Companies and is higher than the trailing P/E ratio of the Company, together with (ii) the benefits to be brought to the Group as a result of the Proposed Spin-off, details of which are set out in the section headed “Reasons for and Benefits of the Proposed Spin-off” above, we consider that the Proposed Spin-off would unlock the value of the Comtech Business in the Company, which would be beneficial to the Company and its Shareholders as a whole.

Shareholders should note that the calculation of the implied P/E ratio of the Spin-off Company and the comparison above is for illustrative purposes only. The actual amount of gross proceeds to be raised from the Proposed A-Share Listing and the actual P/E ratio of the Spin-off Company will be subject to the market conditions in the PRC at the time of the Proposed A-Share Listing, and the financial performance of the Spin-off Group before its listing.

7. Financial Effects of the Proposed Spin-off on the Group

As disclosed in the Letter from the Board, it is expected that immediately upon completion of the Proposed Spin-off, the Company’s interest in Spin-off Company is expected to decrease from 62.42% to a level of approximately 46.82% in the Proposed Spin-off.

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Nevertheless, the Spin-off Company will still be accounted for as a subsidiary of Company through the significant control the Company will exercise over the Spin-off Company by virtue of (i) being the single largest shareholder of Spin-off Company with the rights to exercise voting powers of Spin-off Company, including but not limited to the nomination and appointment of its board of directors; (ii) the fact that it is expected that there will be no other significant shareholder capable of exercising material influence over Spin-off Company; and (iii) the Company controlling the board of directors of Spin-off Company. In this regard, the financial results of the Spin-off Group will continue to be consolidated into the accounts of the Group.

Effect on net assets

Assuming the Proposed Spin-off and the Proposed A-Share Listing had completed on 31 December 2020, the total assets of the Group would have been enhanced by the amount of net proceeds from the Proposed A-Share Listing, while there would be no material increase in liabilities of the Group as a result of the Proposed Spin-off. Therefore, the net assets value of the Group would have been enhanced as a result of the Proposed Spin-off and the Proposed A-Share Listing.

The estimated change in the Group's net assets as mentioned above is based on, among others, the current structure of the Proposed Spin-off and the Proposed A-Share Listing in accordance with information currently available to the Company. Accordingly, the eventual change in the Group's net assets, which will be calculated based on the final structure of the Proposed Spin-off and the Proposed A-Share Listing, and the financial position of the Spin-off Group immediately upon the completion of the Proposed Spin-off.

Effect on earnings

The Proposed Spin-off will be regarded as a deemed disposal of interest in the Spin-off Company by the Company, which will result in an increase in non-controlling interests of the Group. The difference between the net proceeds raised from the Proposed A-Share Listing and the change in share of consolidated net assets value of the Spin-off Group by the non-controlling interest upon completion of the Proposed A-share Listing will be recorded in equity attributable to the owners of the Company. Therefore, there would be no gain or loss on the deemed disposal and the Proposed Spin-off to be recognised in the Company's consolidated income statement upon completion of the Proposed Spin-off.

Upon completion of the Proposed Spin-off, the proportion of the Company's shareholding in the Spin-off Company will be diluted. Assuming the Proposed Spin-off and the Proposed A-Share Listing had completed on 1 January 2020, the earnings attributable to Shareholders contributed by the Spin-off Company would have been decreased as a result of the increase in share of profit attributable to non-controlling interests of the Spin-off Group.

8. Waiver in respect of Assured Entitlement

Pursuant to the requirements under paragraph 3(f) of PN15, a listed company contemplating a spin-off is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares of the spun-off entity, either by way of a distribution in specie of existing shares of the spun-off entity or by way of preferred application in any offering of existing or new shares of the spun-off entity.

As stated in the Letter from the Board, pursuant to the advice of the Spin-off Company's PRC legal adviser in respect of the Proposed Spin-off and Proposed A-share Listing (the "**PRC Legal Adviser**"), only investors in compliance with certain requirements under the relevant PRC laws and regulations will qualify as an applicant for initial public offering of shares listed on any stock exchanges in the PRC, subject to compliance with the trading qualifications of the relevant board as specified under the section headed "11. WAIVER IN RESPECT OF ASSURED ENTITLEMENT" in the Letter from the Board ("**Qualified Investors**"). As advised by the PRC Legal Adviser, the Qualified Investors, including the southbound Shareholders (if any), are also subject to legal restrictions in providing the assured entitlements to Comtech's shares under the PRC laws and regulations. As such, there are legal impediments to provide the existing Shareholders assured entitlement.

The Company has made enquiries to its Hong Kong share registrar and was given to understand that it is unable to identify whether a shareholder of the Company is a Qualified Investor by virtual of the information available to the share registrar. Based on the above factors, it is impracticable to preferentially allocate shares of Comtech to the Shareholders.

In view of the above legal impediments for providing the assured entitlement to the Shareholders, it is not feasible for the Company to comply with the requirement of paragraph 3(f) of PN15 in connection with the Proposed Spin-off. Thus, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under paragraph 3(f) of PN15.

Based on the forgoing and after considering the reasons for and benefits of the Proposed Spin-off as discussed above in this letter, we consider that the waiver in respect of assured entitlement is in the interest of the Company and Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the principal factors and reasons set out above, we are of the view that the terms of the Proposed Spin-off are fair and reasonable so far as the Company and the Shareholders are concerned, and the Proposed Spin-off are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Shareholders to vote in favour of the resolution at the EGM to approve the Proposed Spin-off.

Yours faithfully,
For and on behalf of
Shenwan Hongyuan Capital (H.K.) Limited
Ting Kay Loong
Managing Director

Mr. Ting Kay Loong is a licensed person and a responsible officer of Shenwan Hongyuan Capital (H.K.) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO since 2006. Mr. Ting has participated in the provision of financial advisory or independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial statements for the six months ended 30 June 2021 are disclosed in the following annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 and the interim report for the six months ended 30 June 2021, respectively, which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.cogobuy.com>):

- the 2018 annual report of the Company for the year ended 31 December 2018 which was published on 26 April 2019 (available on: <http://www1.hkexnews.hk/listedco/listconews/SEHK/2019/0426/ltn201904261403.pdf>), please refer to pages 77 to 207 in particular;
- the 2019 annual report of the Company for the year ended 31 December 2019 which was published on 29 April 2020 (available on: <http://www1.hkexnews.hk/listedco/listconews/SEHK/2020/0429/2020042900027.pdf>), please refer to pages 80 to 224 in particular;
- the 2020 annual report of the Company for the year ended 31 December 2020 which was published on 28 April 2021 (available on: <http://www1.hkexnews.hk/listedco/listconews/SEHK/2021/0428/2021042802382.pdf>), please refer to pages 83 to 212 in particular; and
- the interim report of the Company for the six months ended 30 June 2021 which was published on 29 September 2021 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0929/2021092900001.pdf>), please refer to pages 33 to 100 in particular.

2. INDEBTEDNESS

As at the close of business on 31 January 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the borrowings of the Group comprised the following indebtedness:

	As at 31 January 2022 (unaudited) (RMB'000)
Borrowings	
Unsecured and guaranteed	
Bank loans	<u>116,756</u>
Sub-total	<u>116,756</u>
Secured by assets owned by the Group and guaranteed	
Bank loans	<u>373,954</u>
Sub-total	<u>373,954</u>
Total borrowings	<u><u>490,710</u></u>
Lease liabilities	

As at the close of business on 31 January 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had lease liabilities of RMB36,994,000 relating to various offices, factories and warehouses leased by the Group as lessee.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or authorised or otherwise created but unissued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or contingent liabilities at the close of business on 31 January 2022.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances, other internal resources and available existing unutilised credit facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Company achieved sustainable development in the year 2021. It will remain focused on its principal businesses, while at the same time seizing new opportunities for development in a prudent manner and increasing its effort in PRC market expansion.

(a) The Spin-off Group

The Spin-off Group leverages a network of global IC suppliers, including the world's top 100 suppliers and the leading domestic chip companies. It also provides comprehensive and professional technology application solutions to upstream chip suppliers by promoting their products and technologies' applications using its broad customer base and big data analysis capabilities.

As the expansion of domestic 5G construction scale continues to accelerate, multiple industries will utilize more and more chips, which shall in turn intensifies chip demand and drives the Spin-off Group's revenue to continue to grow. As part of the Spin-off Company's strategy to increase our revenue and profitability, the Spin Group will continue to penetrate deep into IC sales, by expanding into new industries and new customers as well as increasing sales to the existing customers.

According to information from IC Insights, Inc. (<https://www.icinsights.com/news/bulletins/2022-Semiconductor-Sales-To-Grow-11-After-Surging-25-In-2021/>), total semiconductor sales in 2022 are forecast to grow 11% and reach a record-high US\$680.6 billion after worldwide revenues climbed 25% in the 2021 economic rebound from the 2020 outbreak of the Covid-19 virus crisis.

With the further popularization of 5G driving demands of higher frequency and higher speed chips, the Company believes it will bring continuous growth in the market of chip sales for the Spin-off Group.

(b) The Remaining Group

The Remaining Group focuses on developing proprietary AIoT products, hardware, software and solution, for different industries, including the Internet of Vehicles, smart homes and AI surveillance. It also provides financing services and seeks investment opportunities in high-quality startups within the Remaining Group's AIoT ecosystem to improve the Remaining Group's overall strategic position and generate investment income.

AI technologies has promoted technological transformation in all walks of life. Areas of application such as Internet of Vehicles, smart home, smart city, smart retail, and smart manufacturing have taken the lead in the development, driving the technological advancement of the AIoT industry and enriching application scenarios.

In particular, Electric Vehicle (“EV”) and Vehicle-to-Everything (“V2X”) is regarded as the most prominent segment within 5G vertical industry applications. The development trend of EV and autonomous driving will continue to promote the increase of in-car electronic equipment. With the numerous application scenarios of the Internet of Vehicles, the Remaining Group is aware of the explosive growth and market advantages of the Internet of Vehicles. The Remaining Group has actively cooperated with different chip manufacturers and automobile manufacturers to make strategic developments and invest in the Internet of Vehicles market, making EV a new growth driver while bringing tremendous market opportunities to the Remaining Group by selling modules and software and solution to customers within the industry.

To enhance the Remaining Group’s business capabilities, the Remaining Group may consider to have acquisition projects to develop strategic partnerships in recent years. The Remaining Group will continue to seek opportunities to enhance our revenue base through acquisitions and strive to generate promising returns to the Shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO); or (b) entered in the register required to be kept under Section 352 of the SFO; or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) to were as follows:

(a) Long positions in the shares and underlying shares

Name of Director	Nature of interest	Ordinary Shares	Approximate percentage of shareholding ⁽¹⁾
Mr. Kang	Interest of a controlled corporation	650,200,000 ⁽²⁾	46.02%
Mr. Kang	Beneficial owner	1,800,000	0.13%
Mr. Wu	Beneficial owner	1,800,000	0.13%

Notes:

- (1) The total number of Shares in issue as at the Latest Practicable Date (i.e. 1,412,766,732 Shares) has been used for the calculation of the approximate percentage.
- (2) Mr. Kang owns 100% of Envision Global Investments Limited, a limited liability company incorporated in the BVI (“**Envision Global**”), which in turn owns these Shares. Therefore, Mr. Kang is deemed to be interested in these Shares held by Envision Global.

(b) Long positions in shares of the associated corporations of the Company

Name of associated corporation	Name of Director	Nature of interest	Ordinary Shares	Approximate percentage of shareholding⁽¹⁾
Envision Global	Mr. Kang	Beneficial owner	1 share ⁽¹⁾	100%

Note:

(1) Mr. Kang directly owns 100% of Envision Global.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(c) Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Long positions in the Shares	Approximate percentage of shareholding⁽¹⁾
Envision Global	Beneficial owner	650,200,000 ⁽¹⁾	46.02%
Mr. Kang	Interest of controlled corporation	650,200,000 ⁽¹⁾	46.02%
Mr. Kang	Beneficial owner	1,800,000	0.13%
Total Dynamic	Beneficial owner	182,888,000 ⁽²⁾	12.95%
Ms. Yao	Interest of a controlled corporation	182,888,000 ⁽²⁾	12.95%

Notes:

(1) Mr. Kang owns 100% of Envision Global, which in turn owns these Shares. Therefore, Mr. Kang is deemed to be interested in these Shares held by Envision Global.

- (2) Ms. Yao owns 100% of Total Dynamic Holdings Limited, a limited liability company incorporated in the BVI (“**Total Dynamic**”), which in turn owns these Shares. Therefore, Ms. Yao is deemed to be interested in these Shares held by Total Dynamic.
- (3) As of the Latest Practicable Date, the percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of 1,412,766,722 Shares in issue (without taking into account the Shares to be issued pursuant to the restrictive share unit scheme).

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS’ COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his or her respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS’ INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, save as the property leasing and complementary services framework agreement dated 23 December 2019 between the Company and Comtech (China) Holding Ltd. (“**Comtech China**”), a limited liability company incorporated in the British Virgin Islands on May 27, 2002 which is indirectly wholly-owned by Mr. Kang, pursuant to which Comtech China has agreed, and will procure its subsidiaries to agree, to provide property leasing and complementary property management services to the Group (details of which are set out in the Company’s announcements dated 23 December 2019 and 20 February 2020):

- (a) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and

- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert which has given its opinion or advice which is contained in this circular:

Name	Qualification
Shenwan Hongyuan	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Shenwan Hongyuan did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Shenwan Hongyuan did not have any direct or indirect interest in any assets which had been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Shenwan Hongyuan has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its, letter and/or references to its name, in the form and context in which they appear.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, no contracts (contracts not being entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material.

10. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company in Hong Kong is at Block A, 5th Floor, Goodman Kwai Chung Logistics Centre, 585-609 Castle Peak Road, Kwai Chung, New Territories, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Wu. Mr. Wu is a member of the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and a certified public accountant in Hong Kong. Mr. Wu is also a member and a chartered global management accountant of the American Institute of Certified Public Accountants.

11. DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange at www.hkexnews.com and the website of the Company at www.cogobuy.com for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2018, 2019, 2020;
- (c) the interim report of the Company for the six months ended 30 June 2021;
- (d) the letter from the Independent Board Committee, which is set out on page 24 of this circular;
- (e) the letter from the Independent Financial Adviser, which is set out on pages 25 to 41 of this circular; and
- (f) this circular.

12. MISCELLANEOUS

In the event of any inconsistency, the English language text of this circular (other than the names of the legal entities established in Mainland China) shall prevail over the Chinese language text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



COGOBUY GROUP

科通芯城集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 400)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Cogobuy Group (the “**Company**”) will be held at IngDan Innovation Center, 1st Floor Microsoft Comtech Tower, No. 55 Gaoxin South 9th Road, Nanshan District, Shenzhen, China on March 29, 2022 at 2:30 p.m. for the following purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the spin-off of Shenzhen Comtech Limited* (深圳市科通技術股份有限公司) (the “**Spin-off Company**”), currently an indirect non-wholly owned subsidiary of the Company, and a separate listing of the shares of the Spin-off Company on a stock exchange in the People’s Republic of China (the “**Proposed Spin-off**”) be and is hereby approved;
- (b) any one director of the Company be and is hereby authorised, for and on behalf of the Company, to take all steps and do all acts and things as they consider to be necessary, appropriate or expedient in connection with and to implement or give effect to the Proposed Spin-off and to execute all such other documents, instruments and agreements (including the affixation of the Company’s common seal) deemed by them to be incidental to, ancillary to or in connection with the Proposed Spin-off and to attend to any necessary registration and/or filing for and on behalf of the Company.”

By order of the Board

Cogobuy Group

KANG Jingwei, Jeffery

Chairman, Executive Director and Chief Executive Officer

Hong Kong, March 10, 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head Office and Principal Place of Business in China:

11/F, Microsoft Comtech Tower
No. 55 Gaoxin South 9th Road
Nanshan District
Shenzhen, China

Principal Place of Business in Hong Kong:

Block A, 5th Floor,
Goodman Kwai Chung Logistics Centre
585–609 Castle Peak Road
Kwai Chung
New Territories
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).
3. For determination of the entitlement of shareholders of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, March 24, 2022 to Tuesday, March 29, 2022, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, March 23, 2022. Shareholders whose names are recorded in the register of members of the Company on Tuesday, March 29, 2022 are entitled to attend and vote at the EGM.
4. Where there are joint holders of any share in the Company, any one of such joint holders may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM (or any adjournment thereof), the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. As at the date of this notice, the board of directors of the Company consists of Mr. Kang Jingwei, Jeffery (Chairman) and Mr. Wu Lun Cheung, Allen (Chief Financial Officer and Company Secretary) as executive Directors; Ms. Ni Hong, Hope as non-executive Director; and Mr. Ye Xin, Dr. Ma Qiyuan and Mr. Hao Chunyi, Charlie as independent non-executive Directors.

* *For identification purpose only*