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COGOBUY GROUP

科通芯城集團

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

(Stock Code: 400)

**INSIDE INFORMATION RELATING TO PLACING OF
NEW SHARES UNDER GENERAL MANDATE
AND RESUMPTION OF TRADING**

Placing Agent



HONG KONG INTERNATIONAL SECURITIES LIMITED

PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Board hereby announces that on 1 September 2016 (before trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Placing Shares. Pursuant to the Placing Agreement, the Placing Agent agreed, on a best effort basis, to procure not less than six independent Placees to subscribe for up to a total of 270,466,900 new Placing Shares, to not less than six independent Placees, at a price of HK\$12.50 per Placing Share.

The maximum number of 270,466,900 Placing Shares under the Placing represent 20% of the existing issued share capital of the Company of 1,352,334,500 Shares as at the date of this announcement and approximately 16.67% of the issued share capital of 1,622,801,400 Shares as enlarged by the Placing Shares.

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The Placing Price of HK\$12.50 represents (i) a discount of approximately 0.48% to the closing price of the Shares of HK\$12.56 quoted on the Stock Exchange on 31 August 2016; and (ii) a premium of approximately 2.59% to the average closing price of the Shares of approximately HK\$12.18 quoted as on the Stock Exchange for the last five consecutive trading days immediately preceding to 1 September 2016. The aggregate nominal value of the maximum of 270,466,900 Placing Shares is US\$27.04.

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$3,380.84 million and HK\$3,373.04 million, respectively, and the net proceeds will be used as general working capital of the Group.

The Placing is conditional upon (i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares; (ii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof; and (iii) the passing of the requisite resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder (if required).

COMPENSATION AGREEMENT

Mr. Kang is expected to enter into a Compensation Agreement with each of the Placees, pursuant to which Mr. Kang will agree to compensate the Placee in cash if on the Reference Date, the closing market value per Share falls below the Compensation Price (on the terms and subject to the conditions as set out in the Compensation Agreement).

The Placing Shares are to be issued and allotted under the General Mandate. Completion of the Placing is subject to the satisfaction of the conditions as set out in the Placing Agreement.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:58 a.m. on 1 September 2016 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 2 September 2016.

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Reference is made to the announcement of Cogobuy Group (the “**Company**”) dated 20 May 2016 relating to the memorandum of understanding to place new Shares.

This announcement is made by the Board pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 1 September 2016, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed, on a best effort basis, to procure not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 270,466,900 Placing Shares at the Placing Price of HK\$12.50 per Placing Share. Details of the Placing Agreement are set out below:

The Placing Agreement

Date: 1 September 2016 (before trading hours)

Parties: (i) the Company (as issuer); and
(ii) Hong Kong International Securities Limited (as Placing Agent).

The Placing Agent has conditionally agreed to place up to 270,466,900 Placing Shares, on a best effort basis, to not less than six independent Placees. The Placing Agent will receive a placing commission of a fixed amount of US\$600,000 in accordance with the Placing Agreement. Such placing commission was arrived at after arm’s length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placees

The Placing Shares will be placed to not less than six Placees who shall be independent of and not connected with the Company and the connected persons of the Company. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder of the Company.

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Placing Shares

The maximum 270,466,900 Placing Shares to be placed by the Placing Agent represent (i) 20% of the existing issued share capital of the Company of 1,352,334,500 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company of 1,622,801,400 Shares as enlarged by the allotment and issuance of all the Placing Shares. The aggregate nominal value of the maximum of 270,466,900 Placing Shares is approximately US\$27.05.

Placing Price

The Placing Price of HK\$12.50 per Placing Share represents: (i) a discount of approximately 0.48% to the closing price of HK\$12.56 per Share as quoted on the Stock Exchange on 31 August 2016; and (ii) a premium of approximately 2.59% over the average closing price of approximately HK\$12.18 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement i.e. 1 September 2016.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price and the recent trading performance of the Shares. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issuance of the Placing Shares.

Conditions of the Placing

The Placing is conditional upon the fulfilment of the following conditions:

- (i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares;
- (ii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof; and
- (iii) the passing of the requisite resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder (if required).

In the event that any of the above conditions is not fulfilled on or before 23 September 2016 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and neither the Company nor the Placing Agent shall have any claim against the other for costs, damages, compensation or losses (save for any prior breaches of the Placing Agreement).

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Completion of the Placing

Completion of the Placing shall take place no later than 23 September 2016 following the satisfaction of all the conditions as set out in the Placing Agreement (or such later date as the Company and the Placing Agent shall agree).

Termination

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time if, at any time prior to 10:00 a.m. (Hong Kong time) on the date of completion of the Placing Agreement, in the reasonable opinion of the Placing Agent that the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties as set out in the Placing Agreement; or
- (ii) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
- (iii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not *sui generis* with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (v) a change or development involving a prospective change in taxation in Hong Kong or Cayman Islands or the implementation of exchange controls which shall or might materially and adversely affect the Group (as a whole) or its present or prospective shareholders in their capacity as such; or
- (vi) any change or deterioration in the conditions of local, national or international securities markets occurs.

In any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. (Hong Kong time) on the date of completion of the Placing Agreement.

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Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 271,550,100 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Placing Shares. As such, the issue of the Placing Shares is not subject to further Shareholders' approval. The General Mandate will be utilised as to 99.60% upon the allotment and issue of all the Placing Shares.

Compensation Arrangement

Mr. Kang is expected to enter into a Compensation Agreement with each of the Placees, pursuant to which Mr. Kang will agree to compensate the Placee in cash if on the Reference Date, the closing market value per Share falls below the Compensation Price (on the terms and subject to the conditions as set out in the Compensation Agreement).

If the Placee sells any of the Placing Shares at lower prices than the Compensation Price either on-market through the Hong Kong Securities Clearing Company Limited or off-market through a block trade to Independent Third Parties during the six months before the Reference Date, the Placee may request Mr. Kang to compensate the Placee for each Placing Share the difference between the value of the Placing Shares at the Compensation Price and the weighted average gross price at which the Placee sold any of the Placing Shares in the manner as set out in the Compensation Agreement.

On the Reference Date, if the Placee still owns any of the Placing Shares and the volume weighted average price (VWAP) of the last five trading days quoted on the Stock Exchange before the Reference Date (including the Reference Date, if it is a trading day) is lower than the Compensation Price, the amount of compensation per Placing Share will be the difference between the value of the Placing Shares at the Compensation Price and the value of the Placing Shares at the five-day VWAP quoted on the Stock Exchange.

Termination of the Compensation Arrangement

The Compensation Arrangement and the guarantee provided for in the Compensation Agreement will terminate if any of the following events occur prior to the Reference Date:

- (i) If the Placee disposes of, mortgages, assigns, transfers, charges, subcontract, declares a trust over the Placing Shares in whole or in part, those part of the Placing Shares will cease to be subject to the Compensation Arrangement immediately;

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- (ii) If the closing price per Share as quoted on the Stock Exchange for any 30 consecutive Trading Days is more than 180% of the Placing Price, all the Placing Shares will cease to be subject to the Compensation Arrangement; or
- (iii) The Placee fails to report within five working days after the end of each financial quarter to the Company in writing, email or fax (i) that it has complied with the Compensation Agreement; (ii) the number of Placing Shares disposed of in that quarter (if any); and (iii) any violation of the Compensation Agreement including but not limited to, details of any transfers, assignments, any creation of mortgages, charges, subcontracts, creation of a trust over the Placing Shares and any encumbrances in the Placing Shares.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Group is dedicated to serving the electronics manufacturing industry in China. The Group principally operates an e-commerce platform for the sales of integrated circuits and other electronic components, providing customers with comprehensive online and offline services across pre-sale, sale and post-sale stages. The Group launched ING DAN.com platform in September 2013 to provide information on hardware innovation, supply chain data and supply chain demand docking for global Internet of Things (“IoT”) innovators and entrepreneurs. Since 2014, the Group has also been engaged in the provision of supply chain financing service.

If all the Placing Shares are fully placed, the gross proceeds from the Placing will be HK\$3,380.84 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing of approximately HK\$7.8 million, are estimated to be approximately HK\$3,373.04 million, representing a net issue price of approximately HK\$12.47 per Placing Share. The Company intends to apply the net proceeds from the Placing as general working capital of the Group.

The Directors consider that the Placing represents an opportunity to raise additional funding for the business operations of the Group and will strengthen the Group’s financial position, and enlarge the shareholders base of the Company which may in turn enhance the liquidity of the Shares, and provide working capital to the Group to meet any financial obligations of the Group.

The Directors consider that the Placing Agreement are entered into following arm’s length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company has not conducted any other equity fund raising activities during the 12 months immediately preceding the date of this announcement.

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CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief, the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately upon completion of the Placing (assuming there is no other change in the issued Share capital of the Company from the date of this announcement to the date of completion of the Placing Agreement and all the Placing Shares are placed in full by the Placing Agent) are as follows:

	As at the date of this announcement		Upon completion of the Placing if all the Placing Shares are placed in full	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Connected Persons				
Envision Global	700,000,000	51.76%	700,000,000	43.14%
Total Dynamic Holdings Limited (Note 1)	220,184,000	16.28%	220,184,000	13.57%
Mr. Kang Jingwei, Jeffrey (Note 2)	1,800,000	0.13%	1,800,000	0.11%
Mr. Wu Lun Cheung Allen (Note 2)	1,800,000	0.13%	1,800,000	0.11%
Grantees under the RSU Scheme (Note 3)	<u>3,680,000</u>	<u>0.27%</u>	<u>3,680,000</u>	<u>0.23%</u>
Subtotal	927,464,000	68.58%	927,464,000	57.15%
In Public Hands				
Placees			270,466,900	16.67%
Other grantees under the RSU Scheme (Note 4)	21,466,800	1.59%	21,466,800	1.32%
Other public shareholders	<u>403,103,700</u>	<u>29.81%</u>	<u>403,103,700</u>	<u>24.84%</u>
Subtotal	424,570,500	31.40%	695,037,400	42.83%
Others				
Returned Shares (Note 5)	300,000	0.02%	300,000	0.02%
Subtotal	<u>300,000</u>	<u>0.02%</u>	<u>300,000</u>	<u>0.02%</u>
Total	<u><u>1,352,334,500</u></u>	<u><u>100%</u></u>	<u><u>1,622,801,400</u></u>	<u><u>100%</u></u>

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1. Total Dynamic Holdings Limited is owned by Ms. Yao Yi as to 100%.
2. Each of Mr. Kang Jingwei, Jeffrey and Mr. Wu Lun Cheung Allen is a Director. For each of Mr. Kang Jingwei, Jeffrey and Mr. Wu Lun Cheung Allen, 300,000 Shares have not yet vested under the RSU scheme as at the date of this announcement and are held by The Core Trust Company Limited on trust.
3. As at the date of this announcement, 8,969,700 Shares were awarded to employees of the Company who are connected persons of the Company (excluding the Shares awarded to Mr. Kang Jingwei, Jeffrey and Mr. Wu Lun Cheung Allen under the RSU Scheme), of which 7,519,700 Shares were vested with 2,230,000 Shares currently undisposed of held under a nominee account for and on behalf of the beneficiaries; and 1,450,000 Shares have not yet vested under the RSU scheme and are held by The Core Trust Company Limited which is also a connected person of the Company, for and on behalf of the beneficiaries.
4. As at the date of this announcement, 32,804,500 Shares were awarded to employees of the Company who are not connected persons of the Company, of which 19,561,800 Shares were vested with 7,924,100 Shares currently undisposed of held under a nominee account for and on behalf of the beneficiaries; and 13,542,700 Shares have not yet vested under the RSU scheme and are held by Computershare Hong Kong Trustees Limited, which is not a connected person of the Company, for and on behalf of the beneficiaries.
5. Returned Shares refer to the unvested Shares previously granted to the resigned employees but were forfeited at the date of their resignation. Returned Shares are held by Computershare Hong Kong Trustees Limited on trust and is expected to be utilized to satisfy future grant of award, if any.

As the Placing may or may not proceed to complete, Shareholders and potential investors of the Company are advised to exercise caution when dealing with the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:58 a.m. on 1 September 2016 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 2 September 2016.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong
“Compensation Arrangement”	the arrangement set out under the Compensation Agreement
“Compensation Agreement”	the compensation agreement between Mr. Kang and each of the Placees
“Compensation Price”	HK\$12.88 per Placing Share
“Directors”	the director(s) of the Company
“Envision Global”	Envision Global Investments Limited, a limited liability company incorporated in the British Virgin Islands on February 1, 2012 which is wholly-owned by Mr. Kang and is our immediate Controlling Shareholder (as defined under the Listing Rules)
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting on 2 June 2016 to allot and issue and deal with 20% of the then issued share capital of the Company as at the date of the annual general meeting representing 271,550,100 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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“Mr. Kang”	Mr. Kang Jingwei, Jeffrey, Chairman, Chief Executive Officer and executive Director of the Company and a controlling shareholder (as defined by the Listing Rules) of the Company
“Placee(s)”	any individual(s), institutional or other professional investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations as set out in the Placing Agreement
“Placing”	the proposed conditional placing of Placing Shares under the General Mandate on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Hong Kong International Securities Limited, a company incorporated under the laws of Hong Kong and a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 1 September 2016 entered into between the Company and the Placing Agent in respect of the Placing
“Place Price”	the price of HK\$12.50 per Placing Share
“Placing Share(s)”	up to a maximum of 270,466,900 Shares to be issued or allotted under the General Mandate and to be placed under the Placing
“Reference Date”	the last Trading Day of the three-year period after the parties to the Placing Agreement have entered into the agreement, such date to be extended by such number of days where trading of the Shares in the Stock Exchange is suspended during the three-year period after the execution of the Compensation Agreement (provided that such extension shall not be more than six months from the original Reference Date)
“RSU Scheme”	the restricted share unit scheme adopted by the Company to grant restricted share units to directors, senior management and employees of the Group, which took effect on 1 March 2014 and was amended and restated on 21 December 2014

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“Share(s)”	the ordinary share(s) of US\$0.0000001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Dynamic”	Total Dynamic Holdings Limited, a limited liability company incorporated in the British Virgin Islands on December 4, 2012 which is wholly-owned by Ms. Yao Yi and is our Shareholder
“Trading Date”	a day in which shares are traded on the Stock Exchange
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States

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

Hong Kong, 1 September 2016

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

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