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COOLPAD GROUP LIMITED

酷派集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

DISCLOSEABLE TRANSACTION DISPOSAL OF 80% EQUITY INTEREST IN COOLPAD MOBILE

On 2 December 2016, Yulong Shenzhen and Coolpad Mobile, being subsidiaries of the Company, and SuperD entered into the Equity Transfer Arrangement, pursuant to which Yulong Shenzhen has agreed to dispose of and SuperD has agreed to acquire 80% equity interest in Coolpad Mobile for an aggregate consideration of RMB272,000,000. Upon completion of the Equity Transfer, Coolpad Mobile will be held as to 20% by Yulong Shenzhen and 80% by SuperD, and will cease to be a subsidiary of the Company.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer exceed 5% but is less than 25%, therefore the transaction contemplated thereunder constitutes a discloseable transaction of the Company for the purposes of, and is subject to the requirements of reporting and announcement but exempt from the requirement of shareholders' approval under Chapter 14 of the Listing Rules.

INTRODUCTION

Yulong Shenzhen and Coolpad Mobile, being subsidiaries of the Company, and SuperD entered into the Equity Transfer Arrangement consisting of (i) the Equity Transfer Agreement entered into between Yulong Shenzhen and SuperD on 2 December 2016; and (ii) the Supplemental Agreement entered into between Yulong Shenzhen, Coolpad Mobile and SuperD on 2 December 2016. Pursuant to the Equity Transfer Arrangement, Yulong Shenzhen has agreed to dispose of and SuperD has agreed to acquire 80% equity interest in Coolpad Mobile for an aggregate consideration of RMB272,000,000. Upon completion of the Equity Transfer, Coolpad Mobile will be held as to 20% by Yulong Shenzhen and 80% by SuperD, and will cease to be a subsidiary of the Company.

EQUITY TRANSFER ARRANGEMENT

The major terms of the Equity Transfer Arrangement are as follows:

Date: 2 December 2016

Parties: (i) Yulong Shenzhen (as the vendor);

(ii) Coolpad Mobile (as the target company); and

(iii) SuperD (as the purchaser)

Target Asset:

80% equity interest in Coolpad Mobile held by Yulong Shenzhen

Consideration:

Pursuant to the Equity Transfer Arrangement, the aggregate consideration for the 80% equity interest in Coolpad Mobile is RMB272,000,000.

The consideration was determined after arm's length negotiations between Yulong Shenzhen and SuperD after taking into consideration (i) the net asset value of Coolpad Mobile as at 31 October 2016; (ii) Yulong Shenzhen's historical expenses on the promotion of the brands of Coolpad Mobile; (iii) the historical financial performance and conditions of Coolpad Mobile; (iv) the brand awareness and the experienced staff of Coolpad Mobile; and (v) the reasons and benefits of the Equity Transfer as disclosed in the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER ARRANGEMENT" below.

Upon completion of the Equity Transfer, the Company expects to record a gain on disposal of RMB188,629,000, taking into account the differences between the aggregate consideration and the net asset value of Coolpad Mobile as at 31 October 2016. The exact financial effects of the Equity Transfer are subject to the review and further audit by the Company's auditors.

Payment Arrangements:

The consideration under Equity Transfer Arrangement shall be paid by SuperD by way of bank transfer in two instalments as follows:

(i) The first instalment: 80% of the consideration, being RMB217,600,000, shall be paid by SuperD within five working days after the date on which all Initial Payment Conditions are satisfied, or waived or postponed by SuperD in written form.

(ii) The second instalment: 20% of the consideration, being RMB54,400,000, shall be paid by SuperD within five working days after the date on which all Second Payment Conditions are satisfied, or waived or postponed by SuperD in written form.

Conditions Precedents:

The Equity Transfer Agreement shall take effect upon being executed by Yulong Shenzhen and SuperD and notarized with Shenzhen Notary Public Office. The Supplemental Agreement shall take effect on 2 December 2016 upon being executed and chopped by Yulong Shenzhen, Coolpad Mobile and SuperD.

Shareholder's Rights:

Upon the completion of the Equity Transfer, SuperD and Yulong Shenzhen are entitled to the following shareholder's rights:

- (i) Neither SuperD nor Yulong Shenzhen could transfer the entirety of its equity interest in Coolpad Mobile to any unrelated third party without the written consent of the other party, subject to the remedies provided for in law or agreed by the parties.
- (ii) If either SuperD or Yulong Shenzhen intends to transfer its equity interest in Coolpad Mobile to any unrelated third party, the transferring party shall notify in written form the other party, which shall be entitled to purchase such equity interest under the same conditions on a preferential and pro rata basis. If such pre-emptive right is not exercised within 30 days after the receipt of the aforesaid notification, the transferring party shall be entitled to transfer such equity interest as originally planned.
- (iii) In spite of the aforesaid rights, if SuperD intends to directly or indirectly transfer its equity interest in Coolpad Mobile to any unrelated third party, Yulong Shenzhen shall be entitled to choose whether to transfer its equity interest in Coolpad Mobile along with SuperD on a pro rata basis. If Yulong Shenzhen wishes but is unable to make such transfer, SuperD shall not transfer its equity interest in Coolpad Mobile arbitrarily.
- (iv) If the Competitor(s) obtain(s) direct or indirect control over Coolpad Mobile, the Cross-licensing Agreement shall be terminated immediately. Coolpad Mobile, Yulong Shenzhen and such Competitor(s) shall negotiate friendly on the content and existence of the Cross-licensing Agreement. However, such provision is no longer binding if Coolpad Mobile becomes a listed company.

If Yulong Shenzhen initiates the transfer of its equity interest in Coolpad Mobile, Yulong Shenzhen shall not terminate the Cross-licensing Agreement unilaterally. If Yulong Shenzhen does not initiate but transfers all its equity interest in Coolpad Mobile, the Cross-licensing Agreement shall be terminated simultaneously.

- (v) Unless consented by Yulong Shenzhen in written form in advance and appraised by valuers recognized by Yulong Shenzhen, Coolpad Mobile (inclusive of its subsidiaries) shall not increase its registered capital with non-monetary assets.

Termination: The Equity Transfer Agreement can be terminated by Yulong Shenzhen and SuperD by consensus, a written agreement of which shall be reached and notarized with Shenzhen Notary Public Office.

The Supplemental Agreement can be terminated in the following ways:

- (i) by consensus by the parties;
- (ii) by any party with immediate effect if, within one month from the execution date of the Supplemental Agreement but no later than 31 December 2016, either the Initial Payment Conditions or the Second Payment Conditions are not satisfied; or
- (iii) by Yulong Shenzhen if SuperD delays in payment of the consideration of the Equity Transfer for over ten working days.

INFORMATION ON COOLPAD MOBILE

Coolpad Mobile is a limited liability company incorporated in the PRC and is principally engaged in the development of mobile smart devices including, among others, smart mobile phone and mobile data platform systems in the PRC, focusing on the R&D, manufacturing and sales of high-end and trendy mobile phones. As at the date of this announcement, Coolpad Mobile is wholly-owned by Yulong Shenzhen, and operates and manages “ivvi”, a brand of trendy mobile phone of the Group.

The consolidated total asset value and net asset value of Coolpad Mobile as at 31 October 2016 were RMB536,121,000 and RMB151,371,000, respectively. The consolidated net loss (both before and after taxation) of Coolpad Mobile for the two financial years ended 31 December 2015 and the ten months ended 31 October 2016 are as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the ten months ended 31 October 2016
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Net loss before taxation	907,000	24,348,500	61,222,600
Net loss after taxation	907,000	24,355,000	61,368,000

APPLICATION OF CONSIDERATION UNDER THE EQUITY TRANSFER ARRANGEMENTS

The aggregate consideration under the Equity Transfer Arrangement, being RMB272,000,000, to be received by Yulong Shenzhen will be applied by Yulong Shenzhen for the operation of its core business, the development of new series of smart mobile phone products and market expansion.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER ARRANGEMENT

The Company is of the view that the Equity Transfer Arrangement will enable the Group to concentrate on adjusting its product structure, and is expected to improve the operation of Coolpad Mobile and to facilitate Coolpad Mobile's entry into the market of intelligent hardware.

As such, the Directors are of the view that the terms and conditions of the Equity Transfer Arrangement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer exceed 5% but is less than 25%, therefore the transaction contemplated thereunder constitutes a discloseable transaction of the Company for the purposes of, and is subject to the requirements of reporting and announcement but exempt from the requirement of shareholders' approval under Chapter 14 of the Listing Rules.

None of the Directors are deemed to have material interest in the Equity Transfer, and thus have been required to abstain from voting on the relevant resolution at the Board meeting.

GENERAL INFORMATION OF THE GROUP AND THE PARTIES

The Group

The Group is principally engaged in developing wireless telecommunications technological know-how in wireless telecommunications across multiple wireless telecommunications network standards and providing integrated solutions for smartphone sets, mobile data platform system, and value-added business operations.

Yulong Shenzhen

Yulong Shenzhen is a company incorporated under the laws of the PRC with limited liability, and is principally engaged in developing smartphone sets, mobile data platform system and value-added business operations, as well as providing integrated solutions thereof in PRC. Yulong Shenzhen mainly provides its Coolpad products for enterprises, government and mobile operators as well as individual consumers in PRC.

SuperD

SuperD is a company incorporated under the laws of the PRC with limited liability, and is principally engaged in the R&D, manufacturing and sales of intelligent hardware in respect of, among others, mobile phone three-dimensional technology and three-dimensional image. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement, SuperD and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“Board”	the board of Directors
“Company”	Coolpad Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2369)
“Competitor(s)”	certain competitor(s) of the Company as agreed by the parties in the Supplemental Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Coolpad Mobile”	Shenzhen Coolpad Mobile Tech Co., Ltd. (深圳市酷派移動科技有限公司), a company incorporated under the laws of the PRC with limited liability, and is owned as to 100% by Yulong Shenzhen as at the date of this announcement
“Cross-licensing Agreement”	the existing agreement regarding cross-licencing of intellectual property between Yulong Shenzhen and Coolpad Mobile entered into on 19 July 2016
“Director(s)”	director(s) of the Company
“Equity Transfer”	the disposal of 80% equity interest in Coolpad Mobile by Yulong Shenzhen to SuperD pursuant to the Equity Transfer Arrangement
“Equity Transfer Agreement”	the equity transfer agreement entered into on 2 December 2016 between Yulong Shenzhen and SuperD in respect of the Equity Transfer
“Equity Transfer Arrangement”	the equity transfer arrangement entered into between Yulong Shenzhen, Coolpad Mobile and SuperD, consisting of the Equity Transfer Agreement and the Supplemental Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Payment Conditions”	the pre-conditions of the first instalment of the consideration for the 80% equity interest in Coolpad Mobile agreed by the parties in the Supplemental Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of PRC
“Second Payment Conditions”	the pre-conditions of the second instalment of the consideration for the 80% equity interest in Coolpad Mobile agreed by the parties in the Supplemental Agreement
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SuperD”	Shenzhen SuperD Technology Co., Ltd. (深圳超多維科技有限公司), a company incorporated under the laws of the PRC with limited liability
“Supplemental Agreement”	the supplemental agreement to the Equity Transfer Agreement entered into on 2 December 2016 between Yulong Shenzhen, Coolpad Mobile and SuperD
“Yulong Shenzhen”	Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (宇龍計算機通信科技(深圳)有限公司), a company incorporated under the laws of the PRC with limited liability
“%”	per cent

By order of the Board
Coolpad Group Limited
JIA YUETING
Chairman

Hong Kong, 2 December 2016

As at the date of this announcement, the executive Directors are Mr. Jia Yueting, Mr. Jiang Chao, Mr. Liu Hong, Mr. Liu Jiangfeng, Mr. Li Bin and Mr. Abulikemu Abulimiti and the independent non-executive Directors are Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Chan King Chung.