
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Coolpad Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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Coolpad 酷派
COOLPAD GROUP LIMITED
酷派集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2369)

**(1) MAJOR TRANSACTION
DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY
(2) POSSIBLE VERY SUBSTANTIAL ACQUISITION AND
VERY SUBSTANTIAL DISPOSAL RELATING TO
THE SHAREHOLDERS' AGREEMENT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Advisor to the Company



A notice convening the extraordinary general meeting ("EGM") of the Company to be held at Meeting Room of Exhibition Hall in Building 5, Coolpad Information Park, Shenzhen, the PRC on Tuesday, 10 March 2015 at 10:00 a.m. is set out on pages 28 to 30 of this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of 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, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

12 February 2015

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Accompanying: Form of proxy for EGM

DEFINITIONS

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

“Business Days”	any day other than a Saturday, Sunday or other day which commercial banks in Hong Kong, Cayman Islands or the PRC are required or authorized by law or executive order to be closed or on which a tropical cyclone warning No. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	British Virgin Islands
“Closing”	the closing of the Share Subscription
“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
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Coolpad E-Commerce”	Coolpad E-Commerce Inc., a company incorporated in the Cayman Islands with limited liability
“Coolpad E-Commerce Group”	Coolpad E-Commerce and its subsidiaries upon consummation of the Restructuring
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve (a) the Subscription Agreement and the transactions contemplated thereunder and (b) the Shareholders’ Agreement and the transactions contemplated thereunder (including the grant of the Exit Call Option, the Non-Competition Call Option and the Non-Competition Put Option by the Company to the Investor)
“Exit Call Option”	the exit call option under the Shareholders’ Agreement, details of which are set out in the paragraph headed “Exit Call Option” in this circular
“Group”	the Company and its subsidiaries

DEFINITIONS

“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
“Investor”	Tech Time Development Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Qihoo 360
“Latest Practicable Date”	10 February 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Competition Call Option”	the non-competition call option granted by the Company to the Investor, details of which are set out in the paragraph headed “Non-Competition Put and Call Options” in this circular
“Non-Competition Put Option”	the non-competition put option granted by the Company to the Investor, details of which are set out in the paragraph headed “Non-Competition Put and Call Options” in this circular
“PRC”	The People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Qihoo 360”	Qihoo 360 Technology Co. Ltd., a company whose shares of which are listed on the New York Stock Exchange (stock code: QIHU)
“Restructuring”	has the meaning defined in the paragraph headed “Information about Coolpad E-Commerce Group” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Subscription”	the subscription by the Investor of the Subscription Shares pursuant to the Subscription Agreement
“Shareholders”	the holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement dated 9 January 2015 and entered into among the Company, Coolpad E-Commerce and the Investor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the share subscription agreement dated 16 December 2014 and entered into among the Company, Coolpad E-Commerce and the Investor in relation to, among other things, the subscription of the Subscription Shares by the Investor
“Subscription Shares”	900 ordinary shares of USD0.01 each in the share capital of Coolpad E-Commerce, representing 45% of its enlarged issued share capital upon Closing
“USD”	United States Dollars, the lawful currency of the United States of America
“%”	per cent

For ease of reference, the exchange rates between United States dollars and Hong Kong dollars provided in this circular are USD1.00=HK\$7.75 respectively. The provision of such exchange rates do not mean that Hong Kong dollars could be converted into United States dollars based on such exchange rates.

LETTER FROM THE BOARD

Coolpad 酷派
COOLPAD GROUP LIMITED
酷派集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2369)

Executive Directors:

Mr. Guo Deying
(Chairman and Chief Executive Officer)
Mr. Jiang Chao
Mr. Li Bin
Mr. Li Wang

Independent non-executive Directors:

Dr. Huang Dazhan
Mr. Xie Weixin
Mr. Chan King Chung

Registered office:

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

*Head office and principal place
of business in the PRC:*

No. 2 Flat
Coolpad Cyber Park
Mengxi Boulevard
Northern Part of Science
& Technology Park
Nanshan District
Shenzhen

*Principal place of business
in Hong Kong:*

Room 1902, MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

12 February 2015

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR TRANSACTION
DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY
(2) POSSIBLE VERY SUBSTANTIAL ACQUISITION AND
VERY SUBSTANTIAL DISPOSAL RELATING TO
THE SHAREHOLDERS' AGREEMENT**

1. INTRODUCTION

Reference is made to the Company's announcement dated 16 December 2014 in which it was announced that on 16 December 2014, the Company, Coolpad E-Commerce (a direct wholly-owned subsidiary of the Company) and the Investor entered into the Subscription Agreement, pursuant to which, the Investor agreed to subscribe and Coolpad E-Commerce

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agreed to allot and issue the Subscription Shares at the total consideration of USD409.05 million (equivalent to approximately HK\$3,170.14 million). The Share Subscription constitutes a major transaction of the Company. Accordingly, the Company is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Reference is also made to the Company's announcement dated 9 January 2015 in which it was announced that as a condition precedent to Closing, the Company, Coolpad E-Commerce and the Investor entered into the Shareholders' Agreement on 9 January 2015 to regulate the respective shareholders' rights of the Company and the Investor in Coolpad E-Commerce, which includes the grant of the Exit Call Option, the Non-Competition Call Option and the Non-Competition Put Option by the Company to the Investor. Each of the grant of the Exit Call Option and the Non-Competition Call Option by the Company constitutes a possible very substantial disposal of the Company under Chapter 14 of the Listing Rules, whereas the grant of the Non-Competition Put Option by the Company constitutes a possible very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Accordingly, the Company is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

The purpose of this circular is to provide you with information in relation to, among other things, (i) details of the Subscription Agreement and the transactions contemplated thereunder; (ii) details of the Shareholders' Agreement and the transactions contemplated thereunder; (iii) the financial information of the Group; and (iv) a notice convening the EGM at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve (a) the Subscription Agreement and the transactions contemplated thereunder, (b) the Shareholders' Agreement and the transactions contemplated thereunder (including the grant of the Exit Call Option, the Non-Competition Call Option and the Non-Competition Put Option by the Company to the Investor).

2. SUBSCRIPTION AGREEMENT

Date

16 December 2014

Parties

Company: Coolpad Group Limited

Coolpad E-Commerce: Coolpad E-Commerce Inc., a company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date

The Investor: Tech Time Development Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Qihoo 360

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, (i) the Investor is an investment holding company; and (ii) for Qihoo 360, its shares are listed on the New York Stock Exchange and it is a leading Internet company in China.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, the Investor and its ultimate beneficial substantial owners are third parties independent of the Company and its connected persons.

Subject Matter

The subject matter of the Share Subscription comprises the Subscription Shares, which, upon the allotment and issuance of the same, will represent 45% of the enlarged issued share capital of Coolpad E-Commerce. Further details of the Coolpad E-Commerce Group are set out in the section headed “Information about the Coolpad E-Commerce Group” below.

Consideration

The consideration of USD409.05 million (equivalent to approximately HK\$3,170.14 million), representing USD454,500 (equivalent to approximately HK\$3,522,375) for each Subscription Share, will be paid in full by the Investor in USD or at the option of the Investor, in RMB based on the central parity rate for the exchange of USD into RMB published by the People’s Bank of China, upon Closing.

The consideration was arrived at after arm’s length negotiations between the parties taking into account the parties’ assessment on the possible future prospects of the business of the Coolpad E-Commerce Group. The parties agreed to use an agreed pricing of the entire Coolpad E-Commerce Group before Closing of US\$500 million to determine the consideration, which was arrived at multiplying (i) the parties’ expected sales of Dazen “大神” brand products and the related service and accessory in 2014 of US\$502 million based on the information available as at the date that the consideration was agreed by (ii) an agreed pricing-to-revenue ratio of 1. The agreed pricing-to-revenue ratio of 1 was determined based on the pricing-to-revenue ratios of leading comparable peers in the same industry of approximately 1.94 with an agreed discount by the parties due to the more mature businesses of such peers when compared to that the current status of the Dazen “大神” brand and the Coolpad E-Commerce Group as at the date of the Subscription Agreement. Additionally, the expected benefits from the high margin software ecosystem and potential synergies in a potential partnership with Qihoo 360 which will be formed around the Dazen brand was also taken into account at arriving at the valuation. Based on the pre-Closing pricing of US\$500 million, the agreed post-Closing pricing of Coolpad E-Commerce Group is US\$909.05 million and the Investor is entitled to 45% shareholding in Coolpad E-Commerce by injecting US\$409.05 million.

LETTER FROM THE BOARD

Conditions Precedent

The obligations of all parties to consummate Share Subscription will be subject to the satisfaction or waiver, at or prior to the Closing, of the following conditions:

- (a) there shall be no effective injunction, writ or preliminary restraining order of any nature issued by a government entity of competent jurisdiction to the effect that the Share Subscription may not be consummated as provided in the Subscription Agreement;
- (b) no law, judgment or order shall have been enacted, promulgated, entered or enforced by any court or government entity which would prohibit, materially restrict, impact or delay implementation of the Share Subscription;
- (c) consents, authorizations, waivers or approvals of any government entity as may be required to be obtained in connection with the execution, delivery or performance of the Subscription Agreement, the failure to obtain of which would prevent the legal and valid consummation of the Share Subscription, shall have been obtained;
- (d) the Shareholders' Agreement and each of the agreements contemplated under the Subscription Agreement (excluding the restated articles of association of Coolpad E-Commerce) shall have been executed and delivered by each party thereto at the Closing; and the restated articles of association of Coolpad E-Commerce shall have been duly adopted by shareholders of Coolpad E-Commerce; and
- (e) the Company shall have obtained the Shareholder's approval of the transactions contemplated under the Subscription Agreement and under the Shareholders' Agreement pursuant to applicable laws and applications.

Further, the obligations of the Investor under the Subscription Agreement to consummate the Share Subscription will be subject to the satisfaction, at or prior to the Closing, of, among others, the following conditions, any one or more of which may be waived in writing by the Investor:

- (a) the representations and warranties of the Company and Coolpad E-Commerce in the Subscription Agreement shall be true and correct in all material respects. Each of the member of Coolpad E-Commerce Group and the Company shall have performed and complied with, in all material respects, all covenants and agreements required by the Subscription Agreement to be performed or complied with by them on or prior to the Closing;
- (b) no fact, event or circumstance shall have occurred which has had or could reasonably be expected to have a material adverse effect and no material change in any relevant laws, regulations or policies in any of the jurisdictions or sectors in which any member of Coolpad E-Commerce Group does business shall have occurred that could reasonably be expected to materially and adversely affect any member of Coolpad E-Commerce Group;

LETTER FROM THE BOARD

- (c) the Company and Coolpad E-Commerce shall have made all filings and shall have obtained all permits, authorizations, consents and approvals required to be obtained by the member of Coolpad E-Commerce Group and/or the Company to consummate the Share Subscription;
- (d) the Restructuring shall have been consummated in such manner and on such terms satisfactory to the Investor and in particular no member of Coolpad E-Commerce Group shall owe any amount to the Company or any member of the Group (other than the member of Coolpad E-Commerce Group) as of Closing; and
- (e) the Investor shall have completed its business, technical, legal and financial due diligence review to its satisfaction within three months after the Shareholders approve the Share Subscription (or such longer period as the Investor and the Company may otherwise agree).

Further, the obligations of the Company and Coolpad E-Commerce under the Subscription Agreement to consummate the Share Subscription will be subject to the satisfaction, at or prior to the Closing, of, among the others, the following condition, which may be waived in writing by the Company and Coolpad E-Commerce:

- (a) the representations and warranties of the Investor in the Subscription Agreement shall be true and correct in all material respects. The Investor shall have performed and complied with, in all material respects, all covenants and agreements required by the Subscription Agreement to be performed or complied with by it on or prior to the Closing.

The Subscription Agreement may be terminated either by the Company or the Investor if the Closing shall not have occurred on or before 30 June 2015.

Closing

Closing shall take place on the date that is seven Business Days after all the conditions to Closing are satisfied or waived or any other date as is mutually agreeable to the parties.

Upon Closing, the Investor will become the legal and beneficial owner of the Subscription Shares and Coolpad E-Commerce will continue to be a direct subsidiary of the Company. Accordingly, the financial results of Coolpad E-Commerce will continue to be consolidated into the financial statements of the Group.

Information about Coolpad E-Commerce Group

Coolpad E-Commerce is an investment holding company incorporated in the Cayman Islands with limited liability in September 2014. As at the Latest Practicable Date, Coolpad E-Commerce only has a subsidiary, namely Coolpad E-Commerce Limited, which is an intermediate holding incorporated in Hong Kong in October 2014.

LETTER FROM THE BOARD

Closing is conditional upon, among others, the consummation of the restructuring (“Restructuring”), which involves the following steps:

- (i) Coolpad E-Commerce Limited will establish a wholly owned subsidiary in the PRC as the operating company for the Coolpad E-Commerce Group; and
- (ii) the Group will then inject certain assets as agreed with the Investor to the said operating company, including certain intellectual property rights (such as software copyrights, trademarks and domain names, in particular those relating to the Dazen “大神” brand), business contracts and employees.

The Group has launched the Dazen “大神” branded smartphones to the market in January 2014. The assets to be transferred during the Restructuring are the intellectual property rights, business contracts and employees relating to the business of Dazen “大神” branded smartphones. The unaudited revenue generated by the sales of Dazen “大神” brand products and the related service and accessory for the six months ended 30 June 2014 is RMB1,098 million. The units of Dazen smartphones sold in 2014 were more than 4 million. Such smartphones were mainly divided into two categories of the retail selling price. The first category is of the price range between RMB800 to RMB1,400 per unit with the profit margin of approximately 10%. The second category is of the price range between RMB1,500 to RMB1,800 per unit with the profit margin of approximately 14%. The book value of the assets to be injected into Coolpad E-Commerce Group during the Restructuring in the Group’s unaudited financial statement as at 30 June 2014 is nil, as all the intellectual properties to be injected were self-developed by the Group where any costs incurred have not been capitalized and there is no book value recognized for the business contracts and employee contracts.

It is intended that Coolpad E-Commerce Group will principally be engaged in the research, development, designing, manufacturing, distribution, marketing and sales of Internet and other terminal products that are distributed through Internet as the primary channel (“Internet terminal products”) and the research, development, operating and provision of services for the key components, software and/or applications of the said Internet terminal products. The Internet terminal products include but not limited to mobile phones, intelligent hardware and accessories.

Reasons for and benefits of entering into the Share Subscription

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.

LETTER FROM THE BOARD

The Directors considered that the Share Subscription represents a good opportunity to raise capital for the future development of the Coolpad E-Commerce Group. The Directors intend to apply the consideration received by the Group from the Share Subscription to the business expansion of the Coolpad E-Commerce Group and in particular to take advantage of the expected strong growth in the China mobile Internet and Internet-related smartphone segments. The increasing importance of the Internet both as a monetisation and marketing platform presents significant growth opportunities for the Group to leverage its existing expertise and leadership positions in China smartphones.

Further, Qihoo 360 is a leading Internet company in China which offers comprehensive, effective and user-friendly Internet and mobile security products and services to protect users' computers and mobile devices against malware and malicious websites. To the best knowledge of the Directors, Qihoo 360 is the leading provider of the Internet and mobile security products in China as measured by the number of users. The Share Subscription facilitates the synergy of skills and resources from the Group and the group of Qihoo 360 which will be beneficial for the advancement of the business operations of Coolpad E-Commerce Group. In particular, the opportunity to combine the Group's traditional smartphone research and development and intellectual property strengths with Qihoo 360's mobile app development and online marketing expertise will allow the Coolpad E-Commerce Group to offer compelling and innovative products and services to its customers in the Internet smartphone space.

Based on the above, the Directors considered that the Share Subscription is in the interest of the Company and the Shareholders taken as a whole. The terms of the Share Subscription are fair and reasonable and the Subscription Agreement was entered into on normal commercial terms.

Deemed Disposal

As at the Latest Practicable Date, the Company was directly interested in the entire issued share capital of Coolpad E-Commerce. Upon Closing, (a) the Investor will be interested in 45% of the issued share capital of Coolpad E-Commerce as enlarged by the Subscription Shares; and (b) the Company's interest in Coolpad E-Commerce will be diluted to 55%, representing a decrease of 45%. Accordingly, the Share Subscription constitutes a deemed disposal of 45% indirect interest in the issued share capital of Coolpad E-Commerce by the Company pursuant to Rule 14.29 of the Listing Rules.

Financial effects on the Company

The Company is not expected to record in its income statement any gain or loss arising from the deemed disposal based on consideration under Share Subscription. The exact financial effects of the Share Subscription are subject to the review of the Company's auditors.

Listing Rules Implications

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are above 25% but less than 75%, the Share Subscription constitutes a major transaction of the Company. Accordingly, the Company is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

3. SHAREHOLDERS' AGREEMENT

As a condition precedent to Closing, the Company, Coolpad E-Commerce and the Investor entered into the Shareholders' Agreement to regulate the respective shareholders' rights of the Company and the Investor in Coolpad E-Commerce on 9 January 2015, with the following major terms:

Exit Call Option

If an initial public offering of the E-Commerce Shares on an internationally recognized stock exchange has not occurred by the fifth anniversary of the date of the Shareholders' Agreement and the Company and the Investor are unable to agree on an exit strategy within six months thereafter ("Discussion Period"), then at any time within one year after the expiration of the Discussion Period, each of the Company and the Investor ("Calling Shareholder") shall have the Exit Call Option (i.e. the right, by serving a written notice, to require another ("Called Shareholder") to sell and transfer all the E-Commerce Shares owned by the Called Shareholder at a price specified by the Calling Shareholder).

Upon receipt of the said written notice, the Called Shareholder can then decide, within 10 business days, either to accept the Exit Call Option (i.e. selling all its E-Commerce Shares to the Calling Shareholders at the price specified by the Calling Shareholder) or to deliver a counter-call notice to the Calling Shareholder requiring it to sell and transfer all the E-Commerce Shares owned by it at a price higher than the price previously offered by the Calling Shareholder. This process shall continue until one of them accepts the Exit Call Option. The closing of the sale and purchase of such E-Commerce Shares shall be done on the 45th day after the final notice, which shall be extended for another 45 days to obtain any regulatory approval or Shareholders' approvals.

In case the Investor exercises the Exit Call Option requiring the Company to sell its E-commerce Shares to the Investor, the Company has discretion to decide whether to accept the Exit Call Option or to deliver a counter-notice to the Investor requiring the Investor to sell its E-commerce Shares to the Company. In this case, in deciding whether to accept the Exit Call Option or to deliver a counter-call notice, the Company will comply with the requirements under Chapter 14 of the Listing Rules and if applicable Chapter 14A of the Listing Rules. Further, the Company will comply with the requirements under Chapter 14 of the Listing Rules and if applicable Chapter 14A of the Listing Rules in deciding whether to exercise the Exit Call Option.

Non-Competition Put and Call Options

The Company undertakes that it shall not conduct any business of the research, development, designing, manufacturing, distribution, marketing and sales of (i) the Internet terminal products under the "大神" (Dazen) brand and (ii) other mobile phones that are distributed through Internet as the primary channel excluding the "Coolpad" series of products developed for mobile network operators and the "IVVI" series of products developed for the

LETTER FROM THE BOARD

open market and the research, development, operating and provision of services for key components and/or application exclusively used for the Internet terminal products described above (“Restricted Business”) other than through Coolpad E-Commerce Group and for so long as the Investor and/or its affiliates hold any E-Commerce Shares, the Company shall not, and shall procure that each of its affiliates will not, without the Investor’s prior written consent:

- (a) directly or indirectly, (i) own any interest in, manage, control, participate in, consult with, render services for or otherwise engage in, or provide assistance to, any business identical or similar to, or competing with the Restricted Business (“Competing Business”) in the PRC, Hong Kong, Taiwan or the United States of America other than through any member of Coolpad E-Commerce Group; (ii) enter into any joint venture or other cooperation arrangement with any competitor of the Investor in connection with any Competing Business; provided that the purchase by any such Investor’s competitor of the Company’s publicly traded shares through open market purchases shall not be deemed as violation;
- (b) enter into any agreement, joint venture or arrangement with any person that involves any issuance of equity securities of the Company and/or its affiliates to any of the Investor’s primary competitor or any acquisition by the Company and/or its affiliates of any equity securities of any of the Investor’s primary competitor; provided that, the purchase by any such Investor’s primary competitor of the Company’s publicly traded shares through open market purchases shall not be deemed as violation; and provided further that in the event any such Investor’s primary competitor becomes an owner of any issued share capital of the Company through open market purchase, the Company and the Investor shall discuss in good faith to explore ways for the Company to avoid a change of control of the Company due to such actions taken by such Investor’s primary competitor.

Upon a breach of the undertakings above, the Investor shall be entitled to elect to exercise:

- (a) the Non-competition Call Option (i.e. an option, by serving a notice, to purchase all E-Commerce Shares held by the Company or its permitted transferees at a price of US\$227,250 per E-Commerce Shares being 50% of the subscription price under the Share Subscription (subject to appropriate adjustment for share splits, share dividends, combinations, recapitalizations and similar events with respect to such shares)). Such price was arrived at after arm’s length negotiations between the parties with reference to usual practices. The closing of such purchase shall be on the 45th day after the final notice, which shall be extended as necessary to obtain any regulatory approvals. Upon the close of such purchase, the Company will no longer have any shareholding in Coolpad E-Commerce; or

LETTER FROM THE BOARD

- (b) the Non-competition Put Option (i.e. an option, to require the Company to purchase all E-Commerce Shares held by the Investor and/or its permitted transferees at a price equal to two times of the fair market value of such E-Commerce Shares as of the date of the put notice given by the Investor.) The fair market value shall be determined by an appraiser jointly selected by the Company and the Investor. If the Company and the Investor fail to agree on the appraiser within 30 days after the delivery of the put notice, each of them shall select an appraiser and the fair market value shall be determined by the arithmetic average of the two appraisers. Any appraiser to be appointed shall be a top 10 financial institutions measured by the total transaction volume of worldwide merger and acquisition transactions advised by such institutions in the most recent three full calendar years before as reported by Thomson Financial or its successor or if not available, a reputable global investment bank or third party appraiser with office in Hong Kong. Upon the close of such purchase, the Company will hold the entire shareholding in Coolpad E-Commerce, assuming that there is no change in the shareholding in E-Commerce from the date of Closing to the date of exercise of the Non-competition Put Option.

Likewise, under the Shareholders' Agreement, the Investor provides a similar non-competition undertakings to the Company and in case of any such breach, the Company is entitled to purchase all E-Commerce Shares held by the Investor or its permitted transferee at a price of US\$227,250 per E-Commerce Shares being 50% of the subscription price under the Share Subscription (subject to appropriate adjustment for share splits, share dividends, combinations, recapitalizations and similar events with respect to such shares). Such price was arrived at after arm's length negotiations between the parties with reference to usual practices. The closing of such purchase shall be on the 45th day after the final notice, which shall be extended as necessary to obtain any regulatory approvals. The Company is only granted a call option but not a put option in case the Investor breaches its non-competition undertaking. This was agreed by the parties after arms' length negotiation taking into account that (i) the Company will have a controlling stake in Coolpad E-Commerce Group and (ii) the Company only injected non-cash assets to Coolpad E-Commerce Group. As the exercise of this option is at the discretion of the Company, the Company will comply with Rule 14.75(2) and Chapter 14A of the Listing Rules (if applicable) in case it exercises such option.

Board Composition

The initial number of directors of Coolpad E-Commerce shall be five with three nominees from the Company and two nominees from the Investor.

Reserved Matters

Coolpad E-Commerce shall not, without the affirmative vote of at least four directors, including at least one director appointed by the Investor and one director appointed by the Company, take any of the actions below:

1. effect any change in the share capital or shareholding structure of any subsidiary of Coolpad E-Commerce;

LETTER FROM THE BOARD

2. amend, modify or waive any provisions of the charter documents of any subsidiary of Coolpad E-Commerce;
3. change the scope of business of Coolpad E-Commerce or any of its subsidiaries, approve the development of any new line of business or enter into any business other than the intended business;
4. sell or dispose of all or substantially all of the assets of Coolpad E-Commerce or any of its subsidiaries;
5. declare any dividend, or make any payment or other distribution to the shareholders of Coolpad E-Commerce;
6. effect an initial public offering of Coolpad E-Commerce;
7. cause or permit Coolpad E-Commerce or any of its subsidiaries to make borrowings, make financial commitments or guarantees, or otherwise incur any indebtedness, in each case, in excess of RMB100 million;
8. cause or permit Coolpad E-Commerce or any of its subsidiaries to enter into any transactions with a related party;
9. cause or permit Coolpad E-Commerce or any of its subsidiaries to acquire or dispose of any asset involving a value higher than RMB100 million;
10. approve or change any budget or business plan of Coolpad E-Commerce or any of its subsidiaries or any modification thereto and approve or change any operating guideline, investment plan, plan for profit sharing and/or loss allocation;
11. approve the employment or termination of, or determine the compensation of the chairman of the board of directors and the chief executive officer of Coolpad E-Commerce or any of its subsidiaries;
12. adopt or amend any employee share incentive plan of Coolpad E-Commerce or any of its subsidiaries;
13. the granting or creation of any encumbrance over all or a material part of Coolpad E-Commerce's assets, tangible or intangible;
14. enter into, out of Coolpad E-Commerce's ordinary course of business, any single transaction or series of transactions, individually or in the aggregate, involving an amount or value of RMB10 million over any 12 consecutive calendar month period;
15. incur any capital expenditure in any quarter with an amount exceeding 30% of the budget of capital expenditure for the relevant quarter as approved by the board of directors, or incur any capital expenditure in any year which, together with all other capital expenditures incurred during the same year, in aggregate, exceeds 30% of the annual budget of capital expenditure for the relevant year as approved by the board of directors;

LETTER FROM THE BOARD

16. cause Coolpad E-Commerce or any of its subsidiaries to (1) commence any case, proceeding or other action (A) under any bankruptcy, insolvency or similar law seeking to have an order of relief entered with respect to it or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or all or any substantial part of its property, (2) make a general assignment for the benefit of its creditors or (3) admit in writing its inability to pay its debts when they become due.

Coolpad E-Commerce shall not, without obtaining affirmative votes of holders of no less than 80% of the voting power of the shares of Coolpad E-Commerce, take any of the actions below:

1. effect any change in the share capital or shareholding structure of Coolpad E-Commerce or any of its subsidiaries;
2. change the size or composition of the board of directors of Coolpad E-Commerce or any of its subsidiaries or any committee thereof;
3. amend, modify or waive any provisions of the charter documents of Coolpad E-Commerce;
4. cause or permit Coolpad E-Commerce or any of its subsidiaries to suspend or cease carrying on its business; and
5. cause or permit Coolpad E-Commerce or any of its subsidiaries to enter into any joint venture or partnership.

Other rights

The Shareholders' Agreement also contains provisions which give each of the Company and the Investor (i) the first right of refusal over sales of E-Commerce Shares by other shareholders; and (ii) the pre-emptive rights to participate in further issue of E-Commerce Shares in portion to its shareholding. Save as disclosed, the Shareholders' Agreement does not contain other material provisions regarding the dividend policy and the Company's obligations for provision of future financing for Coolpad E-Commerce Group.

Reasons for and benefits of entering into the Shareholders' Agreement

It is one of the conditions precedent to Closing for the Company and the Investor to enter into the Shareholders' Agreement to regulate the respective shareholders' rights in Coolpad E-Commerce. The grant of Exit Call Option under the Shareholders' Agreement is mutual to both shareholders and it provides a way for the parties to exit in case an initial public offering of the E-Commerce Shares cannot be done as intended and the parties cannot otherwise agree on an exit strategy.

LETTER FROM THE BOARD

Each of the Company and the Investor gives similar non-competition undertakings to another such that each of them shall not conduct business in competition with Coolpad E-Commerce Group which shall be in the best interest for the development of Coolpad E-Commerce Group. Without such mutual undertakings, either party may conduct competing business with Coolpad E-Commerce Group which will be detrimental to the business development of Coolpad E-Commerce Group. Further, based on the Group's business plan, it only plans to conduct such restricted business through Coolpad E-Commerce Group, members of which are subsidiaries of the Company and are controlled by the Group. In view of the aforesaid, the Directors believe that such non-competition undertaking will not unduly fetter the Group's future development. The Non-Competition Call Option and the Non-Competition Put Option can only be exercised by the Investor in the case the Company breaches its non-competition undertakings.

Based on the above, the Directors considered that the Shareholders' Agreement (including the grant of the Exit Call Option, the Non-Competition Call Option and the Non-Competition Put Option by the Company to the Investor) is in the interest of the Company and the Shareholders taken as a whole. The terms of the Shareholders' Agreement are fair and reasonable and the Shareholders' Agreement was entered into on normal commercial terms.

The Directors are of the view that even if the Group disposes of the entire shareholding in Coolpad E-Commerce Group due to the exercise of the Exit Call Option or the Non-competition Call Option, the remaining business of the Group still constitutes sufficient level of operations as required under Rule 13.24 of the Listing Rules as (a) as the business to be undertaken by the Coolpad E-Commerce Group only commenced in 2014, such business has no contribution to the Group's revenue or profit for the year ended 31 December 2013; (b) based on the operating segment information set out in the Company's annual report 2013, (i) the Group's business of 3G and 4G Coolpad smartphones ("Coolpad Smartphone Business"), which will not be injected into Coolpad E-Commerce Group, accounts for 99.9% of the Group's total revenue for the year ended 31 December 2013; (ii) all the profit of the Group for the year ended 31 December 2013 was attributable to the Coolpad Smartphone Business; (iii) the assets for the Coolpad Smartphone Business accounted for 96.9% of the Group's total assets for the year ended 31 December 2013.

Listing Rules Implications

Each of the grant of the Exit Call Option and the Non-Competition Call Option by the company constitutes a possible very substantial disposal of the Company under Chapter 14 of the Listing Rules, whereas the grant of the Non-Competition Put Option by the Company constitutes a possible very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Accordingly, the Company is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

In respect of the grant of the Exit Call Option by the Investor to the Company, as the Company has discretion to decide whether to exercise the Exit Call Option requiring the Investor to sell its E-commerce Shares to the Company, the Company will comply with the requirements under Chapter 14 of the Listing Rules and if applicable Chapter 14A of the Listing Rules in deciding whether to exercise the Exit Call Option.

LETTER FROM THE BOARD

4. EGM

The EGM will be held by the Company at Meeting Room of Exhibition Hall in Building 5, Coolpad Information Park, Shenzhen, the PRC on Tuesday, 10 March 2015 at 10:00 a.m. for the Shareholders to consider, and if thought fit, passing the resolutions to approve (a) the Subscription Agreement and the transactions contemplated thereunder and (b) the Shareholders' Agreement and the transactions contemplated thereunder (including the grant of the Exit Call Option, the Non-Competition Call Option and the Non-Competition Put Option by the Company to the Investor).

A proxy form for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the proxy form and return it 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, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

According to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the EGM will 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 and an announcement on the results of the poll will be made after the EGM pursuant to Rule 13.39(5) of the Listing Rules.

Any Shareholder with a material interest in the proposed resolutions and his close associates will abstain from voting on the relevant resolutions. To the best of the Directors' knowledge, none of the Shareholders has material interest in the Share Subscription or in the Shareholders' Agreement which is different from that of the other Shareholders and, accordingly, no Shareholder is required to abstain from voting at the EGM.

5. RECOMMENDATION

The Board considers that the Subscription Agreement was entered into on normal commercial terms after arm's length negotiation and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board also considers that the Shareholders' Agreement will be entered into on normal commercial terms after arm's length negotiation and the terms of the Shareholders' Agreement thereunder (including the grant of the Exit Call Option, the Non-Competition Call Option and the Non-Competition Put Option by the Company to the Investor) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the proposed ordinary resolutions to approve (a) the Subscription Agreement and the transactions contemplated thereunder and (b) the Shareholders' Agreement and the transactions contemplated thereunder (including the grant of the Exit Call Option, the Non-Competition Call Option and the Non-Competition Put Option by the Company to the Investor) at the EGM.

LETTER FROM THE BOARD

6. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
COOLPAD GROUP LIMITED
Guo Deying
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 are disclosed in the following documents which have been published on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.coolpad.com.hk>):

- pages 38 to 122 of the annual report of the Company for the year ended 31 December 2011 published on 19 April 2012 (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0419/LTN20120419186.pdf>);
- pages 42 to 126 of the annual report of the Company for the year ended 31 December 2012 published on 8 April 2013 (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0408/LTN20130408605.pdf>);
- pages 42 to 138 of the annual report of the Company for the year ended 31 December 2013 published on 15 April 2014 (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0415/LTN20140415043.pdf>);
and
- pages 19 to 40 of the interim report of the Company for the year ended 30 June 2014 published on 5 September 2014 (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0905/LTN20140905013.pdf>).

2. INDEBTEDNESS

As at the close of business on 30 November 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had borrowings amounting to approximately HK\$2,200.2 million. The following table illustrates the Group's indebtedness as at the close of business on 30 November 2014:

	<i>HK\$'000</i>
<i>Current</i>	
Bank loans – import and trust receipt loans	465,402
<i>Non-current</i>	
Bank loans – secured	1,734,801
	<hr/>
Total borrowings	<u><u>2,200,203</u></u>

As at 30 November 2014, the following assets of the Group were pledged for certain bank borrowings: (i) certain properties and plants of the Group located in Mainland China, the total book value of which were approximately HK\$139.9 million; and (ii) certain shares of the Company's subsidiaries. As at 30 November 2014, the Group's time deposits of approximately HK\$527.5 million were also used to secure bills payable.

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, or any outstanding debt securities, bank overdrafts and liabilities under acceptances or acceptance credits or other similar borrowings, indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 November 2014.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 November 2014.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the internal financial resources available to the Group and proceeds from the Share Subscription, the Group have sufficient working capital for its present requirements in the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

Up to and including the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

Looking forward, the Group will continue to leverage innovation and technical expertise to satisfy diverse consumer needs, amplify core competitive strengths and enhance the user experience of its products in the rapidly evolving global smartphone industry. While smartphone market environment will continue to be volatile, the Group will further consolidate its leading domestic 4G position and expand in overseas market aggressively, by leveraging its famous brand reputation and strong 4G smartphones product offering of high-end to mid-and low-end smartphones.

Through the transactions described in this circular the Group will diversify its sales channel and enhance its competitive position. In addition to the advantage of the traditional carriers' channel under "Coolpad" brand, the Group will expand its efforts to develop the e-commerce channel under the "Dazen" brand, and develop an open channel under the "ivvi" brand in the future. The Group will continue to identify markets' development opportunities to support sustained growth, through its innovative technologies, hard-working philosophy, quick response capabilities to the market demands, and differentiated product positioning. "Coolpad", "ivvi" and "Dazen" brands target different group of users through different sales channel. "Coolpad" brand mainly targets the low-end markets and such products are mainly sold in the carriers' channel (such as the telecommunication operators) at lower prices, whereas "ivvi" brand mainly targets the mid-to-high end markets and such products are mainly sold in

the open channel (such as the department stores). On the other hand, “Dazen” brand mainly targets the internet users and such products are mainly sold through the e-commerce channel, such as the Internet. Given that these brands target different users group, the Group currently does not have intention to scale down the business scale of “Coolpad” and “ivvi” brands after launching “Dazen” brand to the market.

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 enquires, 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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) The Directors' or chief executive's interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

Based on the register kept by the Company, as at the Latest Practicable Date, the interests or short positions of each Director or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were 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 contained in the Listing Rules, were as follows:

Long Positions and Short Positions in Shares and Underlying Shares of the Company

Name of Director	Notes	Directly Beneficially Owned	Through spouse or minor corporation	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share Option	Total	Approximate percentage of the Company's issued share capital
Mr. GUO Deying	1 & 2	-	1,662,342,496	420,000	-	1,662,342,496	-	1,662,762,496	38.71
Mr. JIANG Chao	3	25,200,000	-	-	420,000	-	-	25,620,000	0.60
Mr. LI Bin	4	17,500,000	-	-	-	-	11,200,000	28,700,000	0.67
Mr. LI Wang	4	10,040,000	-	-	-	-	9,600,000	19,640,000	0.46
Mr. CHAN King Chung	4	384,000	-	-	-	-	-	384,000	0.01
Mr. HUANG Dazhan	4	288,000	-	-	-	-	-	288,000	0.01
Mr. XIE Weixin	4	384,000	-	-	-	-	-	384,000	0.01

Long positions in shares of an associated corporation

Name of Director	Note	Number of shares held, capacity and nature of interest			Percentage of issued share capital of the associated corporation
		Name of associated corporation	Through spouse or minor children	Founder of a discretionary trust	
Mr. Guo Deying	1	Data Dreamland Holding Limited	1,000	1,000	100

Notes:

- The entire issued share capital of Data Dreamland Holding Limited (“*Data Dreamland*”) is held by Barrie Bay Limited (“*Barrie Bay*”), which is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a unit trust held by HSBC International Trustee Limited (“*HSBC Trustee*”) acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a discretionary trust set up by Mr. GUO Deying (“*Mr. GUO*”), an executive Director, and his spouse, Ms. YANG Xiao (“*Ms. YANG*”), the beneficiary objects of which include the children of Mr. GUO and Ms. YANG.

Each of Mr. GUO and Ms. YANG is taken to be interested in the 1,662,342,496 shares held by Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their minor children under the Barrie Bay Trust. The long positions in the Company’s shares of each of Mr. GUO and Ms. YANG under the column “Through spouse or minor children” and the column “Founder of a discretionary trust” in the table headed “Long positions in shares of the Company” above refers to the same 1,662,342,496 shares. Each of Mr. GUO and Ms. YANG is taken to be interested in the entire issued share capital of Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their minor children under the Barrie Bay Trust. The long positions in shares of Data Dreamland of each of Mr. GUO and Ms. YANG in the column “Through spouse or minor children” and the column “Founder of a discretionary trust” under the table headed “Long positions in shares of an associated corporation” above refers to the same 1,000 shares.

- Mr. GUO was taken to be interested in the 420,000 shares held by Wintech Consultants Limited as he was one out of the three directors of Wintech Consultants Limited and the other two directors were accustomed to act in accordance with Mr. GUO’s direction.
- Mr. JIANG Chao, an executive Director, was interested in the 420,000 shares held by Wintech Consultants Limited as he was one of the discretionary objects under the China Wireless Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group and the China Wireless Share Award Plan.
- The interests of these Directors in the underlying Shares are the options granted to the relevant Directors by the Company under the Share Option Schemes.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were 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 contained in the Listing Rules.

(b) Substantial Shareholders' interests or short positions in the Shares and Underlying Shares

Based on the register kept by the Company, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Long Positions and Short Positions in Shares and Underlying Shares of the Company

Name	Notes	Number of shares in which interested	Nature of interest	Total number of shares	Percentage of the Company's issued share capital
Data Dreamland Holding Limited ("Data Dreamland")	1	1,662,342,496	Beneficial owner	1,662,342,496	38.70
Barrie Bay Limited ("Barrie Bay")	2	1,662,342,496	Interest of controlled corporation	1,662,342,496	38.70
HSBC International Trustee Limited ("HSBC Trustee")	2	1,662,342,496	Trustee	1,662,342,496	38.70
Ms. YANG Xiao	1	1,662,762,496	Spouse interest	1,662,762,496	38.70

Notes:

1. The entire issued share capital of Data Dreamland is held by Barrie Bay. Barrie Bay is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Unit Trust is a unit trust held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Unit Trust which is a discretionary trust set up by Mr. GUO and Ms. YANG and the discretionary objects of which include the children of Mr. GUO and Ms. YANG. Ms. YANG is also deemed to be interested in 420,000 shares held by Wintech Consultants Limited, which are deemed to be interested by Mr. Guo, the spouse of Ms. YANG.
2. The 1,662,342,496 shares were held by Data Dreamland, the entire share capital of which is held by Barrie Bay, which is acting as the trustee of the Barrie Bay Unit Trust and the entire issued share capital of which is held by HSBC Trustee.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

5. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the facility agreement dated 14 April 2014 entered into among the Company, as a borrower, and Digital Tech Inc., Yulong Infotech Inc., and Coolpad Technologies Inc. (all being the subsidiaries of the Company) as original guarantors, CTBC Bank Co., Ltd. and UBS AG Hong Kong Branch as mandated lead arrangers and bookrunners, The Bank of East Asia, Limited, Offshore Banking Branch, Chang Hwa Commercial Bank Ltd., Offshore Banking Branch, First Commercial Bank, Offshore Banking Branch and Land Bank of Taiwan Co., Ltd. Hong Kong Branch as mandated lead arrangers, Hua Nan Commercial Bank, Ltd., Offshore Banking Branch, Ta Chong Bank, Offshore Banking Branch and Jih Sun International Bank as arrangers and CTBC Bank Co., Ltd. as facility agent and security agent in respect of a 3-year term loan facility in the principal amount of US\$107,000,000 with a greenshoe option of up to US\$68,000,000;

(b) the Subscription Agreement; and

(c) the Shareholders' Agreement.

6. LITIGATION AND POSSIBLE LEGAL ACTION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

7. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which competes or likely to compete, either directly or indirectly, with the business of the Group.

8. MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in the PRC is No. 2 Flat, Coolpad Cyber Park, Mengxi Boulevard, Northern Part of Science & Technology Park, Nanshan District, Shenzhen. The principal place of business of the Company in Hong Kong is at Room 1902, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

(c) The secretary of the Company is Mr. Jiang Chao, who is a fellow member of the Association of Chartered Certified Accountants.

(d) The Company's branch registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, which is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 1902, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) each of the material contracts as set out under the paragraph headed “Material Contracts” in this appendix;
- (iii) the annual reports of the Company for the two years ended 31 December 2012 and 2013; and
- (iv) this circular.

NOTICE OF EGM

Coolpad 酷派
COOLPAD GROUP LIMITED
酷派集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2369)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“Meeting”) of Coolpad Group Limited (the “Company”) will be held at Meeting Room of Exhibition Hall in Building 5, Coolpad Information Park, Shenzhen, the People’s Republic of China on Tuesday, 10 March 2015 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the subscription agreement (“Subscription Agreement”) dated 16 December 2014 entered into among the Company, Coolpad E-Commerce Inc. and Tech Time Development Limited, a copy of which is marked “A” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved; and
- (b) any one of the directors (“Directors”) of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Subscription Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto of a non-material nature (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Subscription Agreement) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

2. **“THAT:**

- (a) the shareholders’ agreement (“Shareholders’ Agreement”) dated 9 January 2015 entered into among the Company, Coolpad E-Commerce Inc. and Tech Time Development Limited, a copy of which is marked “B” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved and the transactions contemplated

NOTICE OF EGM

thereunder (including the grant of the Exit Call Option (as defined in in the Company's circular dated 12 February 2015) ("Circular")), the Non-Competition Call Option (as defined in the Circular) and the Non-Competition Put Option (as defined in the Circular) by the Company) be and are hereby approved; and

- (b) any one Director be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Shareholders' Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto of a non-material nature (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Shareholders' Agreement) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

By Order of the Board of
COOLPAD GROUP LIMITED
GUO DEYING
Chairman and Chief Executive Officer

Hong Kong, 12 February 2015

NOTICE OF EGM

Notes:

1. The register of members of the Company will be closed from 6 March 2015 to 10 March, 2015 (both days inclusive) during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the said extraordinary general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 5 March 2015. Members whose name appear on the register of members of the Company at the close of business on 10 March 2015 will be entitled to attend and vote at the Meeting.
2. Any shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
3. Where there are joint registered holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most, or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand in the register in respect of the relevant joint holding.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the extraordinary general meeting or adjournment thereof.

As at the date of this notice, the executive Directors are Mr. Guo Deying, Mr. Jiang Chao, Mr. Li Bin and Mr. Li Wang, and the independent non-executive Directors are Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Chan King Chung.