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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)

Financial advisor to the Company



MAJOR TRANSACTION DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY AND RESUMPTION OF TRADING

SUBSCRIPTION AGREEMENT

The Board is pleased to announce 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 agreed to allot and issue the Subscription Shares at the total consideration of USD409.05 million (equivalent to approximately HK\$3,170.14 million).

DEEMED DISPOSAL

As at the date of this announcement, 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% interest in the issued share capital of Coolpad E-Commerce by the Company pursuant to Rule 14.29 of the Listing Rules.

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.

To the best of the Directors' knowledge, none of the Shareholders is interested in the Share Subscription and, accordingly, no Shareholder is required to abstain from voting at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, details of the Share Subscription, a notice of EGM and other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 17 January 2015, which is more than 15 business days after the publication of this announcement, as the Company requires more time to prepare the information to be included in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on Tuesday, 16 December 2014 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Wednesday, 17 December 2014.

THE 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 date of this announcement

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

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.

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; and
- (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.

The Shareholders' Agreement shall be signed before Closing as one of the conditions precedent to Closing. The Company shall make a further announcement regarding the Shareholders' Agreement after the Company, Coolpad E-Commerce and the Investor agree on the terms and conditions of the Shareholders' Agreement.

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 it 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;
- (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 THE 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 date of this announcement, Coolpad E-Commerce only has a subsidiary, namely Coolpad E-Commerce Limited, which is an intermediate holding incorporated in Hong Kong in October 2014.

Closing is conditional upon, among others, the consummation of the 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.

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.

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.

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

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FINANCIAL EFFECTS ON THE COMPANY

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

LISTING RULES IMPLICATIONS

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DEFINITIONS

“Board”	the board of Directors
“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 (Stock Code:2369)
“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”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Subscription Agreement and the Share Subscription
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Investor”	Tech Time Development Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Qihoo 360
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Taiwan, Hong Kong and Macau
“Qihoo 360”	Qihoo 360 Technology Co. Ltd., a company whose shares of which are listed on the New York Stock Exchange (stock code: QIHU)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of Shares

“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Company, Coolpad E-Commerce and the Investor before Closing
“Shares”	ordinary shares 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
“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 announcement 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.

By order of the Board
COOLPAD GROUP LIMITED
GUO DEYING
Chairman

Hong Kong, 16 December 2014

As at the date of this announcement, 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.