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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)**

### **ANNOUNCEMENT COMPLETION OF THE DEEMED DISPOSAL AND CONTINUING CONNECTED TRANSACTIONS**

#### **COMPLETION OF THE DEEMED DISPOSAL**

The Board is pleased to announce that Completion took place on 23 April 2015.

#### **CONTINUING CONNECTED TRANSACTIONS**

On 23 April 2015, Dazen Network (a subsidiary of the Company) and Beijing Qihoo entered into the Software Pre-Installation Agreement for a term from 23 April 2015 to 31 December 2017.

As (i) Beijing Qihoo is a PRC operating entity of Qihoo 360 and (ii) Tech Time, a subsidiary of Qihoo 360, owns 45% interest in Coolpad E-Commerce (a subsidiary of the Company) upon Completion, Beijing Qihoo is an associate of a substantial shareholder of the Company at subsidiary level and thus a connected person of the Company at subsidiary level. The transactions contemplated under the Software Pre-Installation Agreement constitute continuing connected transactions under the Listing Rules.

As one or more applicable percentage ratios (other than the profits ratio) in respect of the annual caps for the transactions contemplated under the Software Pre-Installation Agreement, on an annual basis, exceeds 1% but is less than 5%, the transactions contemplated under the Software Pre-Installation Agreement are subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules.

## **(1) COMPLETION OF THE DEEMED DISPOSAL**

Reference is made to the announcements of the Company dated 16 December 2014 and 10 March 2015 and the circular of the Company dated 12 February 2015 in relation to, among other things, the Subscription Agreement.

The Board is pleased to announce that as all conditions precedent to the Subscription Agreement had been fulfilled or otherwise waived, Completion took place in accordance with the terms of the Subscription Agreement on 23 April 2015. Upon Completion, Coolpad E-Commerce is owned as to 55% and 45% by the Company and Tech Time respectively.

## **(2) CONTINUING CONNECTED TRANSACTIONS**

On 23 April 2015, Dazen Network (a subsidiary of the Company) and Beijing Qihoo entered into the Software Pre-Installation Agreement for a term from 23 April 2015 to 31 December 2017, details of which are summarised below:

### **SOFTWARE PRE-INSTALLATION AGREEMENT**

**Date** : 23 April 2015

**Parties** : (1) Dazen Network  
(2) Beijing Qihoo

Dazen Network is principally 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 and/or applications of the said Internet terminal products.

Beijing Qihoo is a leading provider of the Internet and mobile security products in China.

**Term** : From 23 April 2015 up to 31 December 2017.

**Nature and terms of transactions** : Dazen Network shall pre-install the application software of Beijing Qihoo or its related companies in the handheld terminal products produced by Dazen Network and its related companies, unless it is prohibited by law or the relevant mobile network operator. In consideration, Beijing Qihoo shall pay to Dazen Network (i) a pre-installation fee and/or (ii) an agreed portion of the operating profits earned by Beijing Qihoo as a result of the pre-installation. Each year the parties shall agree on the details of the software to be pre-installed, the pre-installation fee and other terms for the pre-installation.

**Pricing basis** : The pre-installation fee is determined by the parties with reference to (i) the number of new users as a result of the pre-installation and (ii) an agreed fee per each new user which is different for different software and is determined by the parties each year taking into account the then prevailing market rate.

The agreed percentage of the operating profits of Beijing Qihoo paid to Dazen Network shall be determined by the parties separately, taking into account the popularity of the relevant software and the prevailing market rate.

In any event, the pre-installation fee and the agreed percentage of the operating profits of Beijing Qihoo paid to Dazen Network shall be no less favourable to the Group than the most unfavorable terms made available to independent third parties by Qihoo 360 Group.

In order to ensure that the above pricing basis is complied with, before agreeing on the terms of the pre-installation each year, the Group will conduct market research on (i) the terms offered by Qihoo 360 Group to other independent third parties on the said pre-installation and (ii) the terms offered by other software developers for pre-installation of their software to assess whether the terms offered by Beijing Qihoo is fair and reasonable.

**Annual caps** : RMB200,000,000 (equivalent to approximately HK\$250,000,000) per year, which is determined with reference to (i) the expected sales of the handheld terminal products produced by Dazen Network and its related companies which shall pre-install the software of Beijing Qihoo or its related companies and (ii) the parties' anticipated rate of pre-installation fee and profit sharing ratio.

**Settlement period** : The pre-installation fee shall be settled on a monthly basis by telegraphic transfer. The settlement of the agreed percentage of the operating profits shall be determined by the parties separately.

## **REASONS AND BENEFITS**

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.

Qihoo 360 Group is a leading Internet group 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.

The transactions under the Software Pre-Installation Agreement will provide a stable source of revenue to the Group. As the pre-installment fee and the agreed percentage of the operating profits of Beijing Qihoo paid to Dazen Network shall be no less favourable to the Group than terms made available to independent third parties by Qihoo 360 Group, the Directors (including the independent non-executive Directors) believe that the terms of the Software Pre-Installation Agreement (including the annual caps thereunder) are fair and reasonable, on normal commercial terms and were entered into in the ordinary and usual course of business of the Group, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As (i) Beijing Qihoo is a PRC operating entity of Qihoo 360 and (ii) Tech Time, a subsidiary of Qihoo 360, owns 45% interest in Coolpad E-Commerce (a subsidiary of the Company) upon Completion, Beijing Qihoo is an associate of a substantial shareholder of the Company at subsidiary level and thus a connected person of the Company at subsidiary level. The transactions contemplated under the Software Pre-Installation Agreement constitute continuing connected transactions under the Listing Rules.

As one or more applicable percentage ratios (other than the profits ratio) in respect of the annual caps for the transactions contemplated under the Software Pre-Installation Agreement, on an annual basis, exceeds 1% but is less than 5%, the transactions contemplated under the Software Pre-Installation Agreement are subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules.

None of the Directors have a material interest in the transactions contemplated under the Software Pre-Installation Agreement and therefore none of the Directors have abstained from voting on the board resolution approving the Software Pre-Installation Agreement.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the respective meaning as stated below:

“associates”	has the same meaning ascribed thereto in the Listing Rules
“Beijing Qihoo”	Beijing Qihoo Technology Company Limited * (北京奇虎科技有限公司), a company established under the laws of the PRC
“Board”	the board of directors of the Company
“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)
“Completion”	the completion of the subscription of shares in Coolpad E-Commerce by Tech Time under the Subscription Agreement
“connected person”	has the same meaning ascribed thereto in the Listing Rules

“Coolpad E-Commerce”	Coolpad E-Commerce Inc., a company incorporated in the Cayman Islands with limited liability and a subsidiary of the Company
“Dazen Network”	Dazen Network Technology (Shenzhen) Company Limited* (大神網絡科技(深圳)有限公司), a company established under the laws of the PRC and a subsidiary of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, 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)
“Qihoo 360 Group”	Qihoo 360 and its subsidiaries
“related company”	the company controlled by it, controls it or under the same common control
“RMB”	Renminbi, the lawful currency of PRC
“Shareholders”	holders of shares of the Company
“Software Pre-Installation Agreement”	the software pre-installation agreement dated 23 April 2015 entered into between Dazen Network and Beijing Qihoo
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed in the Listing Rules

“Subscription Agreement”	the share subscription agreement dated 16 December 2014 and entered into among the Company, Coolpad E-Commerce and Tech Time, details of which are set out in the Company’s announcement dated 16 December 2014 and the Company’s circular dated 12 February 2015
“substantial shareholder”	has the same meaning ascribed in the Listing Rules
“%”	per cent

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB0.8:HK\$1. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.*

By order of the Board  
**Coolpad Group Limited**  
**GUO DEYING**  
*Chairman*

Hong Kong, 23 April 2015

*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.*

\* *For identification purpose only*