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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)**

**MAJOR AND CONNECTED TRANSACTION  
DEEMED DISPOSAL OF CERTAIN INTEREST IN A SUBSIDIARY**

**SHARE ADJUSTMENT FRAMEWORK AGREEMENT**

The Board announces that on 18 September 2015, the Company, Tech Time and Coolpad E-Commerce entered into the Share Adjustment Framework Agreement, pursuant to which the shareholding structure in Coolpad E-Commerce will be adjusted and among others (a) each share of the Coolpad E-Commerce held by the Company and Tech Time will be split into 10 shares; and (b) Coolpad E-Commerce agreed to repurchase 6,800 shares of Coolpad E-Commerce held by the Company, and Coolpad E-Commerce as consideration for the repurchase will transfer its Internet Related Business to the Company.

**DEEMED DISPOSAL**

As at the date of this announcement, the Coolpad E-Commerce was owned as to 50.5% and 49.5% by the Company and Tech Time, respectively. Upon Completion, (a) the Company will be interested in 25% of the issued share capital of Coolpad E-Commerce; (b) Tech Time will be interested in 75% of the issued share capital of Coolpad E-Commerce as enlarged by the Share Adjustment; and (c) Coolpad E-Commerce will no longer be a subsidiary of the Company. Accordingly, the Share Adjustment constitutes a deemed disposal of 100% interest in the issued share capital of Coolpad E-Commerce by the Company pursuant to Rule 14.29 of the Listing Rules.

**LISTING RULES IMPLICATION**

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

In addition, as at the date of this announcement, Tech Time is a substantial shareholder of the Coolpad E-Commerce and thus a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. The transactions contemplated under the Share Adjustment Framework Agreement constitute connected transactions for the Company under the Listing Rules.

As (i) the Board has approved the Share Adjustment Framework Agreement and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Share Adjustment Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Share Adjustment Framework Agreement are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

### **DESPATCH OF CIRCULAR**

An EGM will be convened and held for the Shareholders to consider, and if thought fit, pass the resolutions to approve (among other things) the Share Adjustment Framework Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Share Adjustment Framework Agreement, a notice of EGM and other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 October 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.

References are made to the announcements of the Company dated 16 December 2014, 9 January 2015 and 25 May 2015 and the circular of the Company dated 12 February 2015 in relation to the Shareholders Agreement and a series of transactions entered into amongst the Company, Tech Time and Coolpad E-Commerce.

### **THE SHARE ADJUSTMENT FRAMEWORK AGREEMENT**

#### **Date**

18 September 2015

#### **Parties**

- (1) the Company
- (2) Tech Time, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Qihoo 360
- (3) Coolpad E-Commerce, a company incorporated in the Cayman Islands with limited liability and is own as to 50.5% by the Company and 49.5% by Tech Time respectively as at the date of this announcement

To the best knowledge, information and belief of the Directors, (i) Tech Time 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.

## Subject Matter

Pursuant to the Share Adjustment Framework Agreement, the shares of Coolpad E-Commerce will be restructured and adjusted as follows:

(a) Share Split

Each share of Coolpad E-Commerce held by the Company and Tech Time will be split to 10 shares, whereby after the share split, the Company and Tech Time will each hold 10,100 shares and 9,900 shares of Coolpad E-Commerce, respectively.

(b) Share Repurchase

Coolpad E-Commerce agreed to repurchase 6,800 shares of Coolpad E-Commerce held by the Company. Upon Completion, the shareholding structure of Coolpad E-Commerce will be as follows:

<b>Shareholders</b>	<b>No. of Shares hold</b>	<b>% Shareholding</b>
The Company	3,300	25%
Tech Time	9,900	75%
<b>Total</b>	<b>13,200</b>	<b>100%</b>

Coolpad E-Commerce will no longer be a subsidiary of the Company.

## Consideration

As consideration for the said share repurchase, Coolpad E-Commerce will transfer its Internet Related Business to the Company. The Internet Related Business is an important line of business integral to the development of the Company. The Internet Related Business was originally injected to Coolpad E-Commerce as in-kind contribution by the Company. The technical details of the transfer of the Internet Related Business shall be set out in the Business Adjustment Framework Agreement.

The consideration was arrived at after arm's length negotiations between the parties taking into account the value of the assets of Coolpad E-Commerce, the value of the Internet Related Business and the possible future prospect of the business of Coolpad E-Commerce.

The net profits (both before and after taxation) attributable to shareholders of Coolpad E-Commerce for the periods immediately preceding the Share Adjustment are as follows:

	<b>For the six months ended 30 June 2015 (unaudited) USD million</b>	For the year ended 31 December 2014 (audited) USD million
Net profit before tax	<b>-13.78</b>	–
Net profit after tax	<b>-13.78</b>	–

As Coolpad E-Commerce was established in September 2014, no net profit was recorded for the year ended 31 December 2013.

The audited total assets and net assets of Coolpad E-Commerce was both USD11, as at 31 December 2014. The unaudited total assets and net assets of Coolpad E-Commerce was approximately USD486.72 million and USD396.24 million, respectively, as at 30 June 2015.

### **Condition Precedents**

The Share Adjustment is subject to the following condition precedents:

- (a) All parties having obtained the necessary board and shareholders' approvals and official approvals from the relevant regulatory authorities; and
- (b) Other conditions as required in similar transaction (without violating the requirements of the regulatory authorities in Hong Kong).

### **Completion**

The Completion shall take place within 2 months after obtaining the shareholders' approval at the EGM for the transactions contemplated under the Share Adjustment Framework Agreement, but in any event within 12 months after the date of the Share Adjustment Framework Agreement.

### **Other terms**

- (a) Pre-emptive rights and restrictions of transfer

Pursuant to the Share Adjustment Framework Agreement, the Company and Tech Time enjoy pre-emptive rights to purchase any shares offered for sale by the other parties and all or part of the shares of Coolpad E-Commerce hold by either parties shall not be transferred to the main competitors of the other parties without prior consent.

(b) Amendments to the Shareholders Agreement

The parties agreed that upon Completion, certain provisions, including the Non-Competition Obligations, Exit Call Option and the Put and Call Options provisions in the Shareholders Agreement will no longer be effective and will be deleted in the amended and restated shareholders agreement.

Tech Time has also agreed not to claim for any breach of Non-Competition Obligation and not to exercise any Exit Call Option or Put and Call Options upon Completion.

(c) Sales Discount and Share Transfer

According to the Share Adjustment Framework Agreement, the Company has also agreed to grant a sales discount at a value equivalent to USD22.5 million (equivalent to approximately HK\$174.375 million) to Coolpad E-Commerce. The discount will be deductible from the purchases made to the Company by Coolpad E-Commerce within 36 months from the date of the Share Adjustment Framework Agreement, with each discount amount given not exceeding 50% of each total purchase value.

Upon 1 month after the fulfillment of the grant of sales discount by the Company, Tech Time agreed to transfer 297 of its shares in Coolpad E-Commerce for free. After the transfer, the shareholding structure of Coolpad E-Commerce will be as follows:

<b>Shareholders</b>	<b>No. of shares hold</b>	<b>% Shareholding</b>
The Company	3,597	27.25%
Tech Time	9,603	72.75%
<b>Total</b>	<b>13,200</b>	<b>100%</b>

If the full amount of the sales discount were not granted within 36 months from the date of the Share Adjustment Framework Agreement, the amount of Shares to be transferred by Tech Time for free will be adjusted proportionately and if the share transfer cannot be effected due to any laws, regulations of listed companies or any objective reasons, Coolpad E-Commerce shall return all sales discount given to Coolpad E-Commerce to the Company.

(d) Management

The parties agreed that the number of board members of Coolpad E-Commerce will become 4 upon Completion, of which Tech Time is entitled to appoint 3 directors and the Company is entitled to appoint 1 director to the board of directors of Coolpad E-Commerce.

**Other Agreements**

The parties have also entered into the Business Adjustment Framework Agreement to reflect the details of the business adjustment according to the arrangement under the Share Adjustment Framework Agreement and will enter into the amended and restated shareholders agreement to give effect to the Share Adjustment Framework Agreement.

## **INFORMATION ABOUT THE COMPANY**

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.

## **INFORMATION ABOUT THE COOLPAD E-COMMERCE**

Coolpad E-Commerce is an investment holding company incorporated in the Cayman Islands with limited liability established by the Company in September 2014. Coolpad E-Commerce 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, software and/or applications of the said Internet terminal products.

## **INFORMATION ABOUT TECH TIME**

Tech Time is a wholly-owned subsidiary of Qihoo 360 and Qihoo 360 is principally engaged in providing Internet and mobile security products in China.

## **REASONS AND BENEFITS FOR ENTERING INTO THE SHARE ADJUSTMENT FRAMEWORK AGREEMENT**

The Share Adjustment allows the Company to regain full control of an important line of business integral to the development of the Company and enables further discussion on future cooperation opportunities with Internet company in Mainland China and worldwide.

Based on the above, the Board (including the independent non-executive Directors), considers the terms of the Share Adjustment Framework Agreement are fair and reasonable, the transactions under the Share Adjustment Framework Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the transactions contemplated under the Share Adjustment Framework Agreement and therefore none of the Directors have abstained from voting on the board resolution approving the Share Adjustment Framework Agreement.

## **DEEMED DISPOSAL**

As at the date of this announcement, the Coolpad E-Commerce was owned as to 50.5% and 49.5% by the Company and Tech Time, respectively. Upon Completion, (a) the Company will be interested in 25% of the issued share capital of Coolpad E-Commerce; (b) Tech Time will be interested in 75% of the issued share capital of Coolpad E-Commerce as enlarged by the Share Adjustment; and (c) Coolpad E-Commerce will no longer be a subsidiary of the Company. Accordingly, the Share Adjustment constitutes a deemed disposal of 100% 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 preliminarily expects that the Group might record a loss from the transactions contemplated under the Share Adjustment Framework Agreement. The exact financial effects of the Share Adjustment are subject to the review of the Company's auditors.

## **LISTING RULES IMPLICATION**

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

In addition, as at the date of this announcement, Tech Time is a substantial shareholder of the Coolpad E-Commerce and thus a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. The transactions contemplated under the Share Adjustment Framework Agreement constitute connected transactions for the Company under the Listing Rules.

As (i) the Board has approved the Share Adjustment Framework Agreement and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Share Adjustment Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Share Adjustment Framework Agreement are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## **DESPATCH OF CIRCULAR**

An EGM will be convened and held for the Shareholders to consider, and if thought fit, pass the resolutions to approve (among other things) the Share Adjustment Framework Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Share Adjustment Framework Agreement, a notice of EGM and other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 October 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.



## DEFINITIONS

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

“Board”	the board of Directors
“Business Adjustment Framework Agreement”	the agreement dated 18 September 2015 entered into between the Company, Tech Time and Coolpad E-Commerce in relation to, among others, the detailed arrangement on the transfer of Internet Related Business
“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 Share Adjustment Framework Agreement
“Coolpad E-Commerce”	Coolpad E-Commerce Inc., a company incorporated in the Cayman Islands with limited liability and a non wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of considering, and if thought fit, approving, the Share Adjustment Framework Agreement and the transactions contemplated thereunder
“Exit Call Option”	The “Exit Call Option” as provided in the Shareholders Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars
“Internet Related Business”	includes (i) all OS systems and their rights of operation for all mobile devices of the Group except for “Dazen” and “QIKU” mobile devices; (ii) all rights of operation for the internet business of the Group except for “Dazen” and “QIKU” mobile internet business; (iii) the domain names and server of the Coolpad website (coolpad.com) and Coolshop (shop.coolpad.com) and their rights of operation and management; (iv) the rights of operation of “Coolyun”; and (v) the rights of operation of “Zuimei Weather” application and related business
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Non-Competition Obligation”	the “Coolpad Non-Competition Obligation” as provided in the Shareholders Agreement
“Put and Call Options”	the “Put and Call Options” as provided in the Shareholders Agreement
“Qihoo 360”	Qihoo 360 Technology Co. Ltd., the shares of which are listed on the New York Stock Exchange (stock code: QIHU)
“Share Adjustment”	the share adjustment as a result of the share split and share repurchase of 6,800 shares of Coolpad E-Commerce held by the Company by Coolpad E-Commerce
“Shareholder(s)”	holder(s) of the shares in the Company
“Share Adjustment Framework Agreement”	the agreement dated 18 September 2015 entered into between the Company, Tech Time and Coolpad E-Commerce in relation to, among others, the Share Adjustment
“Shareholders Agreement”	the shareholders’ agreement dated 9 January 2015 and entered into among the Company, Coolpad E-Commerce and Tech Time, details of which are set out in the Company’s announcement dated 9 January 2015 and the Company’s circular dated 12 February 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tech Time”	Tech Time Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Qihoo 360
“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, 18 September 2015

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