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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)

CONTINUING CONNECTED TRANSACTIONS KEY COMPONENT PROCUREMENT FRAMEWORK CONTRACT

KEY COMPONENT PROCUREMENT FRAMEWORK CONTRACT

The Board is pleased to announce that on 22 September 2016, Dongguan Yulong, a wholly-owned subsidiary of the Company, entered into the Key Component Procurement Framework Contract with Lesai Mobile, pursuant to which Dongguan Yulong agreed to purchase the Products from Lesai Mobile.

LISTING RULES IMPLICATION

As Lesai Mobile is a wholly-owned subsidiary of Leview Mobile HK Limited, a substantial shareholder of the Company, Lesai Mobile is thus a connected person of the Company. Accordingly, the transactions contemplated under the Key Component Procurement Framework Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the proposed annual cap under the Key Component Procurement Framework Contract for the year ending 31 December 2016 exceed 0.1% but are less than 5%, the transactions contemplated under the Key Component Procurement Framework Contract are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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KEY COMPONENT PROCUREMENT FRAMEWORK CONTRACT

Date 22 September 2016

Parties (a) Dongguan Yulong
(b) Lesai Mobile

Major Terms and Conditions Dongguan Yulong shall provide rolling demand forecasts in respect of the Products on a monthly basis for the following six months to Lesai Mobile. Such forecasts are not variable within the last four weeks before the date of delivery set out in the orders of the Products.

Dongguan Yulong shall issue written orders for the procurement of the Products, which set out, among others, the name, specification, quantity, price, date and place of delivery, transport means and materials to be used, via fax or e-mail which shall be confirmed by Lesai Mobile within three business days upon its receipt of the same. Such orders shall take effect after Dongguan Yulong's receipt of the chopped written confirmation from Lesai Mobile.

Dongguan Yulong may issue emergent orders via e-mail or other agreed forms to Lesai Mobile, which shall assist to complete the delivery of the Products as soon as possible after its receipt of such orders. The specific time of delivery shall be agreed upon by the parties separately and reasonably.

Dongguan Yulong shall be responsible for handling the Sluggish Materials attributable to it, and Lesai Mobile shall endeavor to its best to assist Dongguan Yulong to handle such Sluggish Materials.

Pricing Policy The price of the Products includes the price and the value-added tax of the components, and shall be settled in US dollars. The price shall be determined with reference to the lower of (i) the then prevailing market price of the Products, and (ii) the price paid by Dongguan Yulong for procuring the Products from independent third parties. The price of the Products shall be updated once every quarter in principle according to the market price of the Products. Lesai Mobile has undertaken that the prices of the Products offered to Dongguan Yulong shall be no higher than offered to independent third parties under the same conditions.

Dongguan Yulong shall pay 100% of the consideration for the Products under the relevant orders to Lesai Mobile after such orders take effect. Such payment arrangements are consistent with the market practices of the Products.

Term The Key Component Procurement Framework Contract will be effective upon being chopped by both parties and obtaining all internal and external approvals as required by laws and regulations, the articles of association of the parties and relevant regulatory requirements, and will expire on 31 December 2016.

Other Information The Products to be delivered by Lesai Mobile shall be in compliance with the quality standards agreed upon by both parties. Under circumstances where the Products fail to meet the aforesaid quality standards or have defects in quality, Dongguan Yulong is entitled to request Lesai Mobile to replace the Products, to return the Products to Lesai Mobile or to procure the Products at discounts (if applicable) in accordance with the Key Component Procurement Framework Contract.

PROPOSED ANNUAL CAP

The proposed annual cap, being the consideration payable by Dongguan Yulong to Lesai Mobile, of the Key Component Procurement Framework Contract for the year ending 31 December 2016 is set out below:

	Year ended 31 December 2016 (USD)
Proposed annual cap (tax inclusive)	42,000,000

Dongguan Yulong did not procure any Products from Lesai Mobile in the past. The proposed annual cap set out above was determined based on the following:

- (1) the actual transaction value of procurement by the Group of products similar to the Products in the past;
- (2) the actual demand of the Group for the Products and the expected trends of the market price thereof during the year ending 31 December 2016;
- (3) the smartphone market conditions and competition in the PRC during the year ending 31 December 2016;
- (4) the respective operation plans of the Group and Lesai Mobile formulated according to the prevailing economic environment, the market conditions and economic indicators of the telecommunications industry, and internal business strategies;
- (5) a buffer has been budgeted for the estimated amount of the Group's procurement of the Products for any possible increase in the aforesaid amount in the year ending 31 December 2016.

INTERNAL CONTROL

- (1) The product operation department of the Company is responsible for monitoring, collecting and evaluating the market data, including but not limited to the prevailing market and then market price of comparable products on a monthly basis. Based on such market research report, the product operation department, the supply chain management department, the purchasing department, and the business department of the Company will together initially draft the product procurement policy covering the procurement of the products (the "**Product Policy**"). Generally, the Product Policy applies uniformly to the products, rather than the vendors. Meanwhile, the above departments will also compare the prices offered by Lesai Mobile against the prices offered by independent third parties to ensure that the prices are fair and reasonable, on normal commercial terms, as well as no less favorable to the Group than terms available from independent third parties;

- (2) After the review of the Product Policy by designated person of the product operation department of the Company, the Product Policy will be submitted to the finance department and the operation management department of the Company for review. The Product Policy is then subject to final review and approval by the general manager of the Company;
- (3) The legal and compliance department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure it does not exceed the applicable cap;
- (4) The independent non-executive Directors will review the continuing connected transactions contemplated under the Key Component Procurement Framework Contract to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and
- (5) The auditors of the Company will also conduct an annual review on the pricing and annual cap of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the Key Component Procurement Framework Contract, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the Key Component Procurement Framework Contract will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLEMENTATION AGREEMENTS

Dongguan Yulong and Lesai Mobile will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transaction contemplated under the Key Component Procurement Framework Contract during its term. Each implementation agreement will set out the detailed products, specifications, quantities, prices and other relevant terms.

As the implementation agreements provide for the procurement of the Products as contemplated under the Key Component Procurement Framework Contract, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Key Component Procurement Framework Contract and the relevant annual cap, and if they are exceeded, the Company will comply with the relevant Listing Rules accordingly.

REASONS AND BENEFITS FOR ENTERING INTO THE KEY COMPONENT PROCUREMENT FRAMEWORK CONTRACT

The Company is of the view that the Key Component Procurement Framework Contract is of great benefits to both Dongguan Yulong and Lesai Mobile, pursuant to which large-scale procurement will allow Dongguan Yulong to negotiate with Lesai Mobile for lower prices for the Products. According to the Group's preliminary price enquiry, the price to be paid by Dongguan Yulong to Lesai Mobile for procuring the Products under the Key Component Procurement Framework Contract is expected to be lower than to be paid by Dongguan Yulong to independent third parties, thus lowering Dongguan Yulong's cost subsequently.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Key Component Procurement Framework Contract and the transactions contemplated thereunder are (i) on normal commercial terms; (ii) entered into in the ordinary and usual course of business of the Group; and (iii) fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Jia Yueting and Mr. Liu Hong, as Directors of the Company, are deemed to have material interests in the transactions under the Key Component Procurement Framework Contract and have abstained from voting on the board resolution approving the Key Component Procurement Framework Contract and the proposed annual cap thereof. Other than those Directors mentioned above, none of the other Directors has or is deemed to have material interest in such transactions.

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GENERAL INFORMATION OF THE GROUP AND THE PARTIES

The Group

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

Dongguan Yulong

Dongguan Yulong is a company established under the laws of the PRC and is principally engaged in component procurement, manufacture of mobile phones and provision of R&D and design solutions for mobile intelligent terminals and information service platforms.

Lesai Mobile

Lesai Mobile is a private company limited by shares incorporated under the laws of Hong Kong and is principally engaged in providing integrated supply chain management service through integrating demanders, suppliers and manufacturers by its thorough supply chain ability.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Coolpad Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2369)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Dongguan Yulong”	Dongguan Yulong Telecommunication Tech Co., Ltd. (東莞宇龍通信科技有限公司), a company incorporated under the laws of PRC with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Key Component Procurement Framework Contract”	a key component procurement framework contract entered into on 22 September 2016 between Dongguan Yulong and Lesai Mobile, pursuant to which Lesai Mobile agreed to supply and Dongguan Yulong agreed to procure the Products
“Lesai Mobile”	Lesai Mobile HK Limited, a private company limited by shares incorporated under the laws of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Product(s)”	the integrated circuit chip(s) of smartphones to be procured by Dongguan Yulong from Lesai Mobile under the Key Component Procurement Framework Contract
“RMB”	Renminbi, the lawful currency of PRC

“Shareholder(s)”	holder(s) of the shares in the Company
“Sluggish Material(s)”	the Products not consumed due to the discrepancy between the invariable rolling forecasts and the orders made by Dongguan Yulong to Lesai Mobile for reasons attributable to Dongguan Yulong, and the Products in the orders which are required by Dongguan Yulong but cannot be cancelled or varied upon the negotiations between Lesai Mobile and the original producers of the Products
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Coolpad Group Limited
JIA YUETING
Chairman

Hong Kong, 22 September 2016

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