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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 75% INTEREST IN TARGET COMPANY
AND
ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE**

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 11 September 2020 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Seller, pursuant to which the Seller has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Target Shares (which represent 75% of the total number of issued shares of the Target Company) for the Consideration of HK\$103,000,000, which shall be satisfied at Completion by the payment of HK\$25,000,000 in cash and the allotment and issue of 600,000,000 Consideration Shares, credited as fully paid at the Issue Price of HK\$0.130 per Consideration Share in accordance with the terms and conditions of the Sale and Purchase Agreement.

As at the date of this announcement, the Target Company is directly wholly-owned by the Seller. Upon Completion, the Target Company will be owned as to 75% and 25% by the Company and the Seller, respectively.

GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES

The Consideration Shares will be issued and allotted under the General Mandate. The General Mandate entitles the Directors to issue, allot and deal with up to 1,166,681,496 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. Since the date of the AGM and up to and including the date of this announcement, no Shares have been allotted and issued under the General Mandate.

Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and the allotment and issue of the Consideration Shares is not subject to approval of the Shareholders. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under the Listing Rules.

Completion of the Acquisition is subject to fulfilment or waiver of the Conditions Precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 11 September 2020 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Seller, pursuant to which the Seller has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Target Shares, which represent 75% of the total number of issued shares of the Target Company. The Target Company indirectly owns 95.3846% equity interest in the Project Company.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date

11 September 2020 (after trading hours)

Parties

Purchaser: the Company

Seller: the Seller

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Seller is a third party independent of the Company and its connected persons.

Subject matter

Pursuant to the Sale and Purchase Agreement, Seller has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Target Shares. The Target Shares represent 75% of the total number of issued shares of the Target Company as at the date of this announcement.

Consideration

The total price for the Target Shares to be paid by the Company to the Seller is HK\$103,000,000, which shall be satisfied by (i) HK\$25,000,000 in cash at Completion; and (ii) HK\$78,000,000 by allotment and issue by the Company to the Seller (or a company wholly-owned by the Seller) of 600,000,000 Consideration Shares, credited as fully paid, at the Issue Price of HK\$0.130 per Consideration Share in accordance with the terms and conditions of the Sale and Purchase Agreement at Completion.

The Consideration Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Consideration Shares.

Pursuant to the Sale and Purchase Agreement, the Seller shall not, without the prior consent of the Company, sell, transfer, pledge or otherwise dispose of (i) any Consideration Shares or any beneficial or other interest therein for a period of 12 months after the date of Completion; and (ii) more than an aggregate of 120,000,000 Consideration Shares or any beneficial or other interest therein after the day falling on the first anniversary of Completion until and up to the day falling on the third anniversary of Completion.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Seller and the Company with reference to (i) the valuation of 100% equity interests of the Project Company in the amount of RMB128,850,000 (equivalent to approximately HK\$145,987,050) as at 15 July 2020 by adopting market approach as prepared by an independent professional valuer; (ii) the net asset value of the Target Group as at 30 June 2020; and (iii) the business performance and prospects of the Target Group.

Consideration Shares and Issue Price

The Consideration Shares represent approximately (i) 9.94% of the total issued Shares of the Company as at the date of this announcement; and (ii) 9.05% of the total issued Shares of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there are no other changes to the share capital of the Company).

The Issue Price of the Consideration Shares represents:

- (i) a discount of approximately 8.45% to the closing price of HK\$0.142 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) a discount of approximately 16.77% to the average closing price of HK\$0.156 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was determined after arm's length negotiations between the Company and the Seller with reference to the current market price of the Shares. The Directors consider that the Consideration and the Issue Price of the Consideration Shares are fair and reasonable and on normal commercial terms.

Conditions precedent

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (a) the completion of due diligence in respect of the Target Group by the Company to the satisfaction of the Company;

- (b) the passing of resolution(s) by the Board approving the Sale and Purchase Agreement, the transactions contemplated thereunder;
- (c) the listing of, and permission to deal in, the Consideration Shares having been granted by the Stock Exchange (subject only to allotment and to other usual conditions);
- (d) the entering into of (i) service contract(s) between the Project Company and each of the key employees of the Project Company and (ii) the Deed of Undertaking;
- (e) the representations and warranties remaining true, accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;
- (f) the Seller having fully complied with the pre-completion obligations specified in the Sale and Purchase Agreement and otherwise having performed all of the covenants and agreements required to be performed by it under the Sale and Purchase Agreement;
- (g) there having been no material adverse change since the date of the Sale and Purchase Agreement;
- (h) there having been no breach of the obligations by the Seller under the Sale and Purchase Agreement; and
- (i) no statute, regulation or decision which would reasonably be expected to prohibit, restrict or materially delay the execution, delivery or performance of the Sale and Purchase Agreement, the consummation of the Acquisition or the operation of the members of the Target Group after Completion having been proposed, enacted or taken by any governmental or official authority whether in the BVI, Hong Kong, the PRC or elsewhere.

The Company may in its absolute discretion waive either in whole or in part at any time in writing any of the Conditions Precedent, save for condition (c) above.

In the event that any of the Conditions Precedent set out above shall not have been fulfilled (or waived, as the case may be) prior to the Long Stop Date, then the parties shall not be bound to proceed with the Acquisition and the Sale and Purchase Agreement shall cease to be of any effect save for any clause expressed to survive the lapse of the Sale and Purchase Agreement and save in respect of claims arising out of any antecedent breach of the Sale and Purchase Agreement.

Completion

Completion shall take place on the fifth business day after the date of actual fulfilment (or waiver, as the case may be) of the Conditions Precedent.

Upon Completion, the Target Company will be owned as to 75% and 25% by the Company and the Seller, respectively, and the Target Company will become an indirect non-wholly owned subsidiary of the Company. As a result, the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

INFORMATION ON THE GROUP, THE SELLER AND THE TARGET GROUP

The Group

The Company is an investment holding company incorporated in the Cayman Islands. Together with the subsidiaries of 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.

The Seller

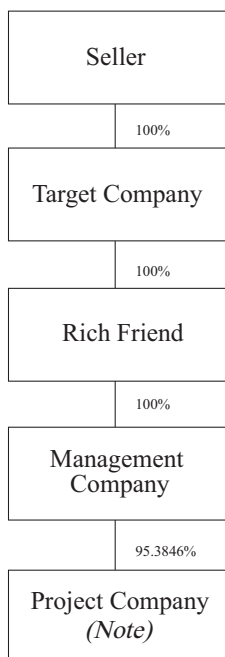
The Seller is a third party independent of the Company and its connected persons.

The Target Group

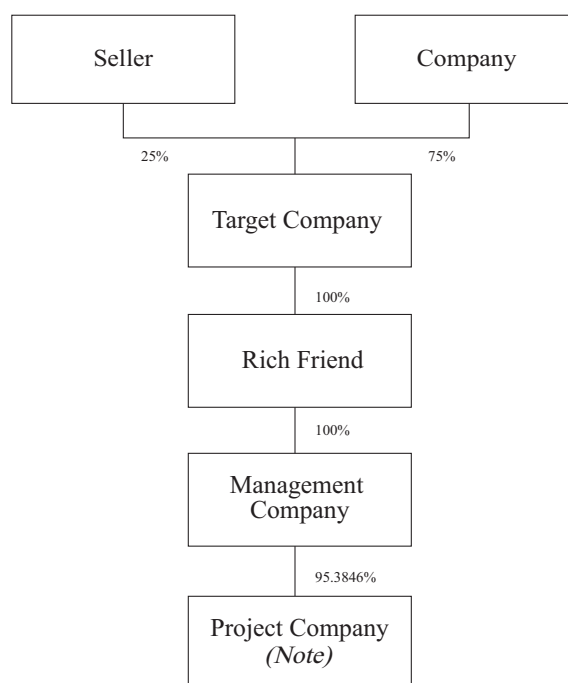
The Target Company is a BVI business company incorporated in the BVI with limited liability. The Target Company, through its subsidiary, the Project Company, is principally engaged in consultation, research and development and sales of hydrogen fuel cells and their components and related testing systems; consultation, research and development and sales of hydrogen fuel cell power system; hydrogen production, hydrogen storage, hydrogenation and consultation and research and development and sales of hydrogen-energy-related power and energy storage systems; consultation and investment in hydrogen fuel cells and new energy vehicles and parts; market consultation in the new energy industry; import and export of goods and technology; production of hydrogen fuel cells and their components and related testing systems; production of hydrogen fuel cell power systems; hydrogen production, hydrogen storage, hydrogenation and production of hydrogen-energy-related power and energy storage system.

Shareholding structure of the Target Group

Set out below is a simplified shareholding structure of the Target Group as at the date of this announcement:



Set out below is a simplified shareholding structure of the Target Group following Completion:



Note: The remaining subsidiaries of the Target Group are directly or indirectly held by the Project Company.

Financial information of the Target Group

Based on the unaudited consolidated financial statements of the Target Group, a summary of the financial information of the Target Group for the two years ended 31 December 2019 is set out below:

| | For the year ended 31 December 2019 (unaudited) RMB'000 | For the year ended 31 December 2018 (unaudited) RMB'000 |
|--------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Revenue | 44,803 | 46,888 |
| Net loss before taxation | (8,904) | (15,380) |
| Net loss after taxation | (8,904) | (15,380) |

The unaudited consolidated net assets value of the Target Group is approximately RMB35,061,000 (equivalent to approximately HK\$39,724,113) as at 30 June 2020.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

Save as disclosed below, the Company had not conducted any equity fund raising activities in the twelve months immediately preceding the date of this announcement.

| Event | Net proceeds raised (approximately) | Intended use of proceeds | Actual use of proceeds up to the date of this announcement |
|-----------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Issue and allotment of 200,000,000 Shares on 30 June 2020 | HK\$25.5 million | Capital for the repayments of trade payables and purchase of raw materials of the Group | The net proceeds of HK\$25.5 million has been fully utilized as intended and as disclosed in the announcement of the Company dated 15 June 2020. |

| Event | Net proceeds raised (approximately) | Intended use of proceeds | Actual use of proceeds up to the date of this announcement |
|---------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issue and allotment of 800,000,000 Shares on 19 December 2019 | HK\$171 million | HK\$94 million for the repayments of maturing debt and HK\$77 million for the Group's working capital and other general corporate purposes | As at the date of this announcement, out of the HK\$171 million of net proceeds raised, approximately HK\$106 million was used on the repayments of maturing debts and approximately HK\$65 million was applied as working capital, repayments of trade payables and for other general corporate purposes. The portion of the net proceeds which was applied on the repayment of the maturing debts had exceeded the original allocation of HK\$94 million by approximately HK\$12 million, which was mainly attributed to the repayment of a high interest loan together with accrued interests. Accordingly, the Company considers that such application of net proceeds on the repayment of maturing debts by the Group was in the ordinary course of business of the Group, and in the interests of the Company and its shareholders as a whole. Amongst the remaining portion of the net proceeds raised (being approximately HK\$65 million), approximately HK\$13 million was utilized for the daily operating expenses; and HK\$52 million was utilized for the repayment of trade payables. |

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 6,033,407,480 Shares in issue. Set out below is a summary of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the date of Completion):

| Shareholder | Note | As at the date of this announcement | | Immediately following Completion | |
|----------------------------------------------------------------------------------------------|------|-------------------------------------|------------|----------------------------------|------------|
| | | Numbers of Shares | %(Approx.) | Numbers of Shares | %(Approx.) |
| Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited) | 1 | 897,437,000 | 14.87 | 897,437,000 | 13.53 |
| New Prestige Developments Limited | 2 | 689,568,000 | 11.43 | 689,568,000 | 10.40 |
| Seller (or a company wholly-owned by him) | | – | – | 600,000,000 | 9.05 |
| Other public Shareholders | | 4,446,402,480 | 73.70 | 4,446,402,480 | 67.02 |
| Total | | <u>6,033,407,480</u> | <u>100</u> | <u>6,633,407,480</u> | <u>100</u> |

Note:

1. The 897,437,000 Shares are directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which is ultimately owned by Mr. Chen Jiajun, chairman and an executive Director of the Company.
2. As disclosed in the announcement of the Company dated 19 December 2019, 800,000,000 shares of the Company were allotted and issued to New Prestige Developments Limited, which is ultimately owned by Mr. Tu Erfan. As at the date of this announcement, the number of Shares held by New Prestige Developments Limited has reduced to 689,568,000 Shares.

GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES

The Consideration Shares will be issued and allotted under the General Mandate. The General Mandate entitles the Directors to issue, allot and deal with up to 1,166,681,496 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. Since the date of the AGM and up to and including the date of this announcement, no Shares have been allotted and issued under the General Mandate.

Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and the allotment and issue of the Consideration Shares is not subject to approval of the Shareholders.

APPLICATION FOR LISTING OF THE CONSIDERATION SHARES

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

REASONS FOR AND BENEFITS OF THE ACQUISITION

With rising public awareness of environmental protection, the new energy vehicle industry is developing rapidly around the world, and China is gradually emerging as one of the leaders in both the supply and demand of new energy electric vehicles. Pursuant to the Ministry of Industry and Information Technology's draft proposal for the development of the new energy vehicle sector released in late 2019, China targets to continue to, among others, develop electric vehicle battery technologies, and improve infrastructure for hydrogen fuel cell vehicles and connected vehicles. According to the statistics of an automobile manufacturers association in China, the production and sales of fuel cell vehicles in China was increased by approximately 85.55% and 79.2% in 2019 as compared to 2018, respectively.

In the Board's strategic reviews of businesses undertaken from time to time, the Board has considered the possibility of diversifying existing businesses, and, in light of the overall trend and strong growth potential of new energy vehicle business, it was contemplated that the Company shall plan a possible venture into the new energy vehicle industry. Since then, the Group has been actively seeking and exploring related business opportunities.

The Target Group is principally engaged consultation, research and development and sales of hydrogen fuel cells and their components and related testing systems; consultation, research and development and sales of hydrogen fuel cell power system; hydrogen production, hydrogen storage, hydrogenation and consultation and research and development and sales of hydrogen-energy-related power and energy storage systems; consultation and investment in hydrogen fuel cells and new energy vehicles and parts; market consultation in the new energy industry; and import and export of goods and technology; production of hydrogen fuel cells and their components and related testing systems; production of hydrogen fuel cell power systems; hydrogen production, hydrogen storage, hydrogenation and production of hydrogen-energy-related power and energy storage system. Its products have been applied to the development of fuel cell vehicles of renowned car manufacturers in China. As at the date of the Sale and Purchase Agreement, the Target Group obtained authorisations for 23 utility model patents and 3 invention patents. Applications for over 30 invention patents and over 20 utility model patents were accepted. The Target Group plans to commit itself to becoming a comprehensive hydrogen energy group with hydrogen fuel cells, hydrogen fuel vehicles, and hydrogen refueling station design and construction capabilities in the long run. It is expected that the Acquisition would serve to create synergies between on the one hand the research and development in automation technology in new energy vehicles carried out by the Target Group, and on the other hand, the Group's comprehensive research and development works in the latest telecommunication technologies such as 5G and telecommunications technologies which may be applied to the solutions for new energy commercial vehicles management including vehicle custody, energy consumption management, trajectory monitoring and safety warnings.

In view of the above, the Company would like to take this opportunity for the Group to venture into the new energy vehicle value chain.

In addition, the Directors consider that it is in the interest of the Company and its Shareholders as a whole to retain more cash for general working capital requirements and the future business development of the Group after the completion of the Acquisition. While the proposed settlement of the partial Consideration by cash shall be funded by internal resources of the Group, the proposed settlement of the remaining Consideration by the issue of Consideration Shares allows the Group to (i) minimise immediate cash outflow; (ii) avoid increasing its liabilities; (iii) complete the Acquisition without cash outlay; and (iv) maintain its liquidity position and financial leverage with readily available and accessible cash resources for its daily operations and future development demands for capital. Therefore, the Board considers that the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under the Listing Rules.

Completion of the Acquisition is subject to fulfilment or waiver of the Conditions Precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

| | |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Acquisition” | the acquisition of the Target Shares by the Company from the Seller in accordance with the Sale and Purchase Agreement; |
| “AGM” | the annual general meeting of the Company held on 19 June 2020 |
| “Board” | the board of Directors |
| “BVI” | the British Virgin Islands |
| “Company” | Coolpad Group Limited (酷派集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the Acquisition in accordance with the Sale and Purchase Agreement |
| “Conditions Precedent” | the conditions precedent to Completion, as more particularly set out under the paragraph headed “The Sale and Purchase Agreement – Conditions precedent” |

| | |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consideration Shares” | 600,000,000 new Shares with par value of HK\$0.01 each in the capital of the Company credited as fully paid |
| “Deed of Undertaking” | the deed of non-compete undertaking to be executed by the Seller in favour of the Purchaser in which the Seller shall undertake to the Company and its subsidiaries that, among others, except with consent of the Company, for the period from Completion until the date falling three years after the Seller (or any company wholly-owned by the Seller) ceases to hold any share in the Target Company, shall not in the PRC carry on business carried on by the Target Group; or solicit a client or a customer of the Target Group; or interfere with supplies to the Target Group; or solicit any employee or consultant of the Target Group; or disclose business information of the Target Group to the public; or use a trade name or logo which is confusingly similar to that of the Target Group’s |
| “Directors” | directors of the Company |
| “General Mandate” | the mandate granted to the Directors by the Shareholders at the AGM to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “independent third party(ies)” | an individual or a company who or which is independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders, of the Company, its subsidiaries or any of their respective associate |
| “Issue Price” | the issue price of HK\$0.130 per Consideration Share |
| “Listing Committee” | the listing committee of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |

| | |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Long Stop Date” | 31 December 2020, or such other date as may be agreed by the Company and the Seller |
| “Management Company” | Shenzhen Qianhai Gangshen Property Management Co., Ltd* (深圳前海港深物業管理有限公司), a company established under the laws of the PRC and wholly-owned by Rich Friend |
| “PRC” | the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Taiwan and Macau Special Administrative Region |
| “Project Company” | Shenzhen National Hydrogen New Energy Technology Co., Ltd* (深圳國氫新能源科技有限公司), a company established under the laws of the PRC and indirectly owned by the Target Company as to 95.3846% |
| “Rich Friend” | Rich Friend Industrial Limited (富友實業有限公司), a company incorporated under the laws of Hong Kong and indirectly wholly-owned by the Target Company |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale and Purchase Agreement” | the conditional sale and purchase agreement dated 11 September 2020 entered into between the Company and the Seller in relation to the Acquisition |
| “Seller” | Tsai Nam Lun |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Genius Wise Enterprises Limited (精威企業有限公司), a business company incorporated in the BVI with limited liability and wholly and beneficially owned by the Seller |
| “Target Group” | the group of companies comprising the Target Company and its subsidiaries |

“Target Shares” 75 ordinary shares in the Target Company, representing 75% of the total number of issued shares of the Target Company as at the date of this announcement

“%” per cent.

* for identification purpose only

By order of the Board
Coolpad Group Limited
Ma Fei
Executive Director
Joint Company Secretary

Hong Kong, 13 September 2020

As at the date of this announcement, the executive Directors are Mr. Chen Jiajun, Mr. Liang Rui, Mr. Ma Fei, Mr. Xu Yibo and Mr. Lam Ting Fung Freeman; the non-executive Director is Mr. Ng Wai Hung; the independent non-executive Directors are Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Guo Jinghui.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00=HK\$1.133. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ and RMB have been, could have been or may be converted at such rate or any other exchange rate.