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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)

**SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE**

The Board is pleased to announce that on 4 November 2020 (after trading hours), the Company, the Subscriber and the Guarantor entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.180 per Subscription Share.

The Subscription Shares represent (i) approximately 8.29% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the share capital of the Company from the date of the Subscription Agreement to the date of Completion save for the allotment and issue of the Subscription Shares). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscriber and the Guarantor is a third party independent of the Company and its connected persons.

The Subscription Shares will be allotted and issued under the General Mandate.

The gross proceeds from the Subscription will be HK\$90,000,000. The net proceeds from the Subscription (after deducting the expenses incurred in the Subscription) is estimated to be approximately HK\$89,500,000.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfilment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

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THE SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement are as follows:

Date

4 November 2020 (after trading hours)

Parties to the Subscription Agreement

- (i) the Company as the issuer of the Subscription Shares;
- (ii) the Subscriber as the subscriber for the Subscription Shares; and
- (iii) the Guarantor as the guarantor in respect of the Subscriber's obligations under the Subscription Agreement.

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

Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.180 per Subscription Share.

Assuming there will be no change in the share capital of the Company from the date of the Subscription Agreement to the date of Completion save for the allotment and issue of the Subscription Shares, the Subscription Shares represent:

- (i) approximately 8.29% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 7.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares is HK\$5,000,000.

Subscription Price

The Subscription Price of HK\$0.180 per Subscription Share represents:

- (i) a discount of approximately 1.64% to the closing price of HK\$0.183 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 2.27% to the average closing price of approximately HK\$0.176 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 0.56% to the average closing price of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day.

The net proceeds from the Subscription, after deduction of relevant expenses, is estimated to be approximately HK\$89,500,000. The net Subscription Price per Subscription Share, after deduction of relevant expenses, is estimated to be approximately HK\$0.179 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Subscriber after taking into account the prevailing market price of the Shares and the trading volume of the Shares. The Directors are of the view that the Subscription Price is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Ranking

The Subscription 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 Subscription Shares.

Conditions precedent

The obligations of the Subscriber to subscribe and pay for, and the obligations of the Company to issue, the Subscription Shares is conditional upon the fulfilment (or waiver, if applicable) of the following conditions precedent:

- (a) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares (subject to customary conditions) and such approval not having been withdrawn by the Listing Committee of the Stock Exchange;
- (b) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn, the Shares continuing to be traded on the Stock Exchange at all times from the date of the Subscription Agreement to the date of Completion (save for any temporary suspension for not more than 10 Business Days) (or such other period as the Subscriber may agree) and neither the Stock Exchange nor the Securities and Futures Commission having indicated that either one of them will qualify, object to, cancel or withdraw such listing and/or dealings in the Shares (including the Subscription Shares) for reasons related to or arising from the transactions contemplated in the Subscription Agreement;
- (c) each Party having obtained all consents from third parties which are necessary to be obtained for the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement; and
- (d) the warranties being true, accurate and correct in all respects at Completion (except for such warranties that speak as of a specific date, which shall be true and correct as of such specified date) and each of the Parties having performed in all respects all its obligations under the Subscription Agreement to be performed before Completion.

The condition set out in paragraph (a) above cannot be waived by any Party. The Subscriber may by notice in writing to the Company waive any of the conditions set out in paragraphs (b), (c) and (d) above. The Company may by notice in writing to the Subscriber waive the condition set out in paragraph (d) above in respect of the warranties and obligations of the Subscriber and the Subscriber may by notice in writing to the Company waive the condition set out in paragraph (d) above in respect of the warranties and obligations of the Company.

Completion

Completion shall take place within 3 Business Days (or otherwise agreed by the Parties in writing) after the fulfilment (or waiver, if applicable) of the Conditions Precedent. In the event that any of the Conditions Precedent have not been fulfilled (or waived, as the case may be) on or prior to the Long Stop Date, then none of the Parties shall be bound to proceed with the transaction contemplated under the Subscription Agreement and the Subscription Agreement shall cease to be of any effect save for certain specified clauses and save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

Lock-up undertaking

Pursuant to the Subscription Agreement, each of the Guarantor and the Subscriber undertakes to the Company that it will not, for a period of twenty four (24) months from the date of the issuance of the Subscription Shares to the Subscriber, without the prior written consent of the Company:

- (a) offer, lend, pledge, charge, issue, sell, mortgage, assign, dispose of, or otherwise grant or create any options, rights, interests or encumbrances, either directly or indirectly, conditionally or unconditionally, in respect of any of the Subscription Shares; or
- (b) agree or contract to enter into any transaction described in paragraph (a) above.

INFORMATION ON THE SUBSCRIBER

Based on information provided to the Company, the Subscriber is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Guarantor. The Guarantor is an experienced investor and entrepreneur who has been deeply involved in mobile Internet for many years and has a profound insight into the mobile phone industry.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription 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 pursuant to the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares and the allotment and issue of the Subscription Shares is not subject to the Shareholders' approval.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFIT OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole and the allotment and issue of the Subscription Shares is an appropriate means of raising additional capital for the business operations of the Group and strengthen the Group's financial position since it will provide the Company with immediate funding and the shareholders' base of the Company will be broadened. The Directors consider that the terms of the Subscription Agreement are on normal commercial terms after arm's length negotiation and are fair and reasonable.

The gross proceeds from the Subscription will be HK\$90,000,000. The net proceeds from the Subscription (after deducting the expenses incurred in the Subscription) is estimated to be approximately HK\$89,500,000. The Company intends to apply the net proceeds from the Subscription towards business expansion, capital expenditures and general working capital of research, development, manufacturing and sale of smart phones.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

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 and Date	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 repayment 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 and Date	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 repayment of maturing debts and HK\$77 million for the Group's working capital and other general corporate purposes	Approximately HK\$106 million was used for the repayment of maturing debts and approximately HK\$65 million was used for working capital, repayment of trade payables and other general corporate purposes. The portion of the net proceeds which was used for the repayment of maturing debts had exceeded the intended use of HK\$94 million by approximately HK\$12 million, which was mainly attributable to the repayment of a high interest loan together with accrued interest. Accordingly, the Company considers that such use of net proceeds for the repayment of maturing debts by the Group was in the ordinary course of business of the Group, and in the interest 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 used for daily operating expenses and approximately HK\$52 million was used for the repayment of trade payables.

EFFECTS ON SHAREHOLDING STRUCTURE

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 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	
		Number of Shares	% (Approx.)	Number of Shares	% (Approx.)
Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited)	1	897,437,000	14.87	897,437,000	13.74
New Prestige Developments Limited Subscriber	2	689,412,000	11.43	689,412,000	10.55
Other public Shareholders		–	–	500,000,000	7.65
		4,446,558,480	73.70	4,446,558,480	68.06
Total		6,033,407,480	100	6,533,407,480	100

Notes:

- 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 of the Company and an executive Director.
- As disclosed in the announcement of the Company dated 19 December 2019, 800,000,000 Shares were allotted and issued to New Prestige Developments Limited, which is ultimately owned by Mr. Tu Erfan. As at the date of this announcement, New Prestige Developments Limited holds 689,412,000 Shares.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfilment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors 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:

“AGM”	the annual general meeting of the Company held on 19 June 2020
“Board”	the board of Directors
“Business Day”	a day (other than Saturday or Sunday or public holiday and days 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.) on which licensed banks in Hong Kong are open for general banking business
“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
“Conditions Precedent”	the conditions precedent to Completion, as more particularly set out under the paragraph headed “The Subscription Agreement – Conditions precedent”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Director(s)”	director(s) 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
“Guarantor”	Mr. Qin Tao (秦濤)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars
“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 associates

“Last Trading Day”	4 November 2020, being the last trading day immediately prior to the entering into of the Subscription Agreement
“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”	4 December 2020
“PRC”	the People’s Republic of China which, and for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“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
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscriber”	Allove Group Limited
“Subscription Agreement”	the conditional subscription agreement dated 4 November 2020 entered into between the Company, the Subscriber and the Guarantor in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.180 per Subscription Share
“Subscription Shares”	an aggregate total of 500,000,000 new Shares to be issued and allotted by the Company to the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“%”	per cent

By order of the Board
Coolpad Group Limited
Chen Jiajun
Executive Director
Chairman

Hong Kong, 4 November 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.