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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 TRANSACTION

COOPERATIVE DEVELOPMENT OF THE SECOND AND THIRD PHASES OF URBAN RENOVATION PROJECT OF COOLPAD INFORMATION HARBOR

COOPERATION AGREEMENT

The Board is pleased to announce that on 12 January 2021, Yulong and Xinghuaan have entered into a Cooperation Agreement in relation to the second and third phases of urban renovation project of the Coolpad Information Harbor (the “**Cooperation Agreement**”), pursuant to which, Yulong shall provide the Land owned by it and Xinghuaan shall provide funds and expertise in relation to the construction, operation and sales (where appropriate) for the Project.

LISTING RULES IMPLICATIONS

As the highest percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Cooperation Agreement are above 25% but less than 75%, the Cooperation Agreement constitutes a major transaction for the Company. Accordingly, the Company is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 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 Cooperation Agreement and the transactions contemplated thereunder. To the best of the Directors’ knowledge, none of the Shareholders or any of its close associates has a material interest in the Cooperation Agreement and the transactions contemplated thereunder, hence no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM.

A circular containing, among others, (i) details of the Cooperation Agreement and other information required under the Listing Rules; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 2 February 2021, i.e. within fifteen (15) business days after the publication of this announcement.

THE COOPERATION AGREEMENT

References are made to the announcements of the Company dated 17 October 2017 and 11 June 2020 relating to, among other things, the cooperative development in relation to the Project.

The Board is pleased to announce that on 12 January 2021, Yulong, an indirect wholly-owned subsidiary of the Company, and Xinghuaan have entered into the Cooperation Agreement, pursuant to which, Yulong and Xinghuaan have conditionally agreed to jointly cooperate and develop the second and third phases of the Project, whereby Yulong shall provide the Land owned by it and Xinghuaan shall provide funds and expertise in relation to the construction, operation and sales (where appropriate) for the Project.

The key terms of the Cooperation Agreement are set forth as follows:

Date

12 January 2021

Parties

(a) Yulong; and (b) Xinghuaan

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Xinghuaan and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

The Project

As at the date of the Cooperation Agreement:–

- a) the second phase of the Project (land parcel No. T401-0114) consists of 15,313.55 sq.m. of land, with a “Shenzhen Planning Permission of Construction Projects” (Shenzhen Planning Resources Permission No. NG-2020-0006) obtained by Yulong in April 2020. The aforesaid land shall be designated for non-commercial use, with a land use period of 50 years from 13 April 2020 to 12 April 2070 (“**Phase Two of the Project**”);
- b) the third phase of the Project (land parcel No. T401-0107) consists of 4,333.02 sq.m. of land, with a “Real Estate Certificate” (Yue (2016) Shenzhen Shi Real Estate No. 0146971). The “Shenzhen Planning Permission of Construction Land” (Shenzhen Planning Resources Permission No. NS-2018-0014) and “Shenzhen Planning Permission of Construction Projects” (Shenzhen Planning Resources Construction Permission No. NS-2018-0090) for the Phase Three of the Project were obtained in March 2018 and December 2018 respectively, and the “Permit of Project Construction” (No. 2018-440300-51-02-50026501) was also obtained in December 2019. The land use period is 30 years from 27 May 2015 to 26 May 2045. The aforesaid land shall be designated for commercial housing use (“**Phase Three of the Project**”).

Contributions by Yulong and Xinghuaan

Pursuant to the Cooperation Agreement, the total contribution by Yulong in the Project is estimated to be RMB51.0 million (equivalent to approximately HK\$61.2 million), of which:

- (1) as at the date of this announcement, an amount of RMB40.0 million (equivalent to approximately HK\$48.0 million) has been paid by Yulong for land use right transfer fees, land development fees, and municipal supporting facilities fees, for acquiring the state-owned land use rights for Phase Two of the Project and Phase Three of the Project via land and development agreements signed with relevant government authorities; and
- (2) an amount of RMB11.0 million (equivalent to approximately HK\$13.2 million) is expected to be paid by Yulong in respect of other related fees including land leveling fees and applicable taxes.

As the construction works for the Land remain suspended as at the date of this announcement, the Land has yet to generate any income or revenue to the Group.

Based on the preliminary property valuation conducted by an independent property valuer engaged by the Company, the appraised value of the Land is RMB342.9 million (equivalent to approximately HK\$411.48 million) as at 31 October 2020, and the net book value of the Land as at 30 June 2020 amounted to RMB51.0 million (approximately HK\$61.2 million).

Subject to the shareholders of the Company passing resolutions to approve the Cooperation Agreement and the transactions contemplated thereunder, Xinghuaan shall provide all funds, taxes and fees originated from (i) the construction and operation (or entrustment to operate) of Phase Two of the Project; and (ii) the construction, operation and sales of Phase Three of the Project. The contribution of Xinghuaan for the Project shall not be less than RMB1,371,800,000 (equivalent to approximately HK\$1,646,160,000).

Completion

For Phase Two of the Project, construction shall commence within one year upon the Cooperation Agreement becoming effective, and Xinghuaan shall complete all construction works within 36 months after the relevant construction permit is obtained.

For Phase Three of the Project, construction shall resume within two months upon the Cooperation Agreement becoming effective, and Xinghuaan shall complete all construction works within 36 months after the resumption of construction.

After the completion of the Project, excluding property management area and the public area returned to the government (物業服務用房和需歸還給政府的公共貢獻面積), Yulong shall be entitled to approximately 20% of the distributable interest in the Project, while Xinghuaan shall be entitled to the remaining distributable interest.

Subject to the Shareholders passing resolution(s) to approve the Cooperation Agreement and the transactions contemplated thereunder, Yulong shall entrust Xinghuaan the operation of the Entrusted Properties. Upon the Cooperation Agreement becoming effective, Xinghuaan shall bear all taxes, fees and risks arising from all operation services and sales (where appropriate) of the Entrusted Properties, and shall be entitled to all income generated from the operation and sales (where appropriate) of the Entrusted Properties. Delivery shall occur within 7 days upon the completion of construction and acceptance of the Entrusted Properties. Upon delivery, the entrustment period commences and ends on 12 April 2070 in respect of the entrusted portion over Phase Two of the Project and 26 May 2045 in respect of the entrusted portion over Phase Three of the Project.

Termination

The Cooperation Agreement may be terminated by mutual agreement between Yulong and Xinghuaan.

Yulong is entitled to unilaterally terminate the Cooperation Agreement in the event that the construction work of the Project for which Xinghuaan is responsible is in material non-compliance with the national and industry quality and safety standards.

Yulong or Xinghuaan are each entitled to unilaterally terminate the Cooperation Agreement, in the event that the other party does not perform its obligations or does not comply with the requirements under the Cooperation Agreement causing the purpose of the Agreement to be unachieved.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

As disclosed in the Company's announcement dated 11 June 2020, the Group decided to terminate the Cooperative Development Agreement in light of change in the circumstances and completion of the first phase of the Project by the Group. Since terminating the aforesaid Cooperative Development Agreement, the Group had been exploring other possible avenues in continuing to develop Phase Two and Phase Three of the Project. Given substantial capital requirement for the development of the Project, taking into account of its financial position and various possible fund raising methods such as debt and equity financing, the Group considers it would be in the best interest of the Company and its shareholders to re-ignite the development of the Project through its proposed cooperation with Xinghuaan.

Amidst the current market conditions and other relevant factors, the Group believes that the Cooperation Agreement and the transaction contemplated thereunder can serve to facilitate the construction of the Project without exhausting the financial resources of the Group. In addition, upon completion, the Transactions are expected to bring in 20% of the distributable interest in the Project. The Group is also of the view that the background, knowledge and experience of Xinghuaan will positively contribute to the successful development of the Project. It is also envisaged that the completion of the Project will contribute positively to the financial performance of the Group in the future.

On the above basis, the Directors are of the view that the terms and conditions of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON YULONG AND THE GROUP

Yulong is an indirect wholly-owned subsidiary of the Company. Yulong is a leading developer and provider of integrated solutions for Coolpad 酷派 smartphone sets, mobile data platform system, and value-added business operations in the PRC. Yulong mainly provides its Coolpad products for enterprises, government and mobile operators as well as individual consumers in the PRC.

The Group is principally engaged in developing wireless telecommunications and technological know-how in wireless telecommunications across multiple wireless telecommunications network standards and developing proprietary technologies and patents in mobile operating systems, radio frequency, protocols and wireless data decomposed transmission technology.

INFORMATION ON XINGHUAAN

Xinghuaan is a limited liability company established in the PRC and it is principally engaged in real estate development and operation in the PRC. It is wholly-owned by 深圳市星河房地產開發有限公司 under Galaxy Holding Group. Galaxy Holding Group has been awarded the “China 100 Real Estate Developers” by the China Real Estate Top 10 Research Team for nine consecutive years.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Cooperation Agreement exceeds 25% but is less than 75%, the Cooperation Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Cooperation Agreement and the transactions contemplated thereunder is subject to reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened and held by the Company for the Shareholders to consider and if thought fit, passing the ordinary resolution(s) to approve the Cooperation Agreement and the transactions contemplated thereunder. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder or any of its close associates has a material interest in the Cooperation Agreement and the transactions contemplated thereunder, therefore no Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) details of the Cooperation Agreement and other information required under the Listing Rules; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 2 February 2021, i.e. within fifteen (15) business days after the publication of this announcement.

DEFINITIONS

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

“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 persons”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 12 January 2021 entered into between Yulong and Xinghuaan
“Cooperative Development Agreement”	the cooperative development agreement dated 17 October 2017 entered into between Yulong and Xinghuaan
“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, passing the ordinary resolution(s) to approve the Cooperation Agreement and the transactions contemplated thereunder
“Entrusted Properties”	the properties entrusted by Yulong to Xinghuaan pursuant to the Cooperation Agreement, constituting, (i) in relation to Phase Two of the Project, 56,070 sq.m. of research buildings, 11,137 sq.m. of small business and the operations thereof; and (ii) in relation to Phase Three of the Project, 32,390 sq.m. of research buildings and the operations and sales thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	the land use right in respect of the two parcels of land under land parcel No. T401-0114 and No. T401-0107, located at the west side of Keyuan North Road, Nanshan District, 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, excludes Hong Kong, Taiwan and Macau S.A.R.
“Project”	the first, second and third phases of the urban renovation project of the Land contemplated under the Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Cooperation Agreement
“Xinghuaan”	Shenzhen Xinghuaan Real Estate Development Co., Ltd.* (深圳市星華安房地產開發有限公司), a limited liability company established in the PRC
“Yulong”	Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (宇龍計算機通信科技(深圳)有限公司), an indirect wholly-owned subsidiary of the Company
“%”	per cent

* *In this announcement, the English translation of certain Chinese names, entities and addresses is included for identification purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.*

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the exchange rate of RMB1.00 to HK\$1.20. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

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

Hong Kong, 12 January 2021

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