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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)**

## **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE INDUSTRIAL PARK MANAGEMENT SERVICES AGREEMENT**

### **THE INDUSTRIAL PARK MANAGEMENT SERVICES AGREEMENT**

The Board is pleased to announce that on 14 July 2023, Dongguan Yulong and Shenzhen Kingkey entered into the Industrial Park Management Services Agreement for a term commencing from the delivery of the Industrial Park, which is expected to be on 1 October 2023, and ending on 31 December 2025 (both dates inclusive). Pursuant to the Industrial Park Management Services Agreement, Shenzhen Kingkey agreed to provide, through itself or its wholly-owned subsidiary, Dongguan Kingkey, to Dongguan Yulong property management services in respect of the Industrial Park subject to the Annual Caps.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Dongguan Yulong is an indirect wholly-owned subsidiary of the Company. Shenzhen Kingkey is ultimately controlled by Mr. Chen Hua, who is an immediate family member of Mr. Chen Jiajun, a substantial Shareholder, an executive Director, the chief executive officer and chairman of the Company. Accordingly, Shenzhen Kingkey is an associate of Mr. Chen Jiajun and a connected person of the Company, and the transactions contemplated under the Industrial Park Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the Company's announcement dated 23 December 2022 in relation to the 2022 Property Management Services Agreement. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions under the Industrial Park Management Services Agreement and the 2022 Property Management Services Agreement are of similar nature and have been entered into with the same party within a 12-month period, the Industrial Park Management Services Agreement is required to be aggregated with the 2022 Property Management Services Agreement as a series of transactions.

As one or more of the applicable percentage ratio in respect of the Annual Caps under the Industrial Park Management Services Agreement and when aggregated with the 2022 Property Management Services Agreement exceed 5%, the transactions contemplated under the Industrial Park Management Services Agreement shall be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Shenzhen Kingkey is an associate of Mr. Chen Jiajun, Mr. Chen Jiajun has a material interest in the Industrial Park Management Services Agreement and the transactions contemplated thereunder, and has abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the Directors has a material interest in the Industrial Park Management Services Agreement and the transactions contemplated thereunder or is otherwise required to abstain from voting on the relevant resolutions of the Board.

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on, among other things, the Industrial Park Management Services Agreement and the Annual Caps. The Company expects that voting at the EGM will be conducted by poll and Mr. Chen Jiajun and his associate(s) will abstain from voting at the EGM.

An Independent Board Committee will be formed to advise the Independent Shareholders on the Industrial Park Management Services Agreement and the transactions contemplated thereunder. The Company has appointed FDB Financial Group Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Industrial Park Management Services Agreement and the transactions contemplated thereunder.

A circular containing, among other things: (i) further details of the Industrial Park Management Services Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the EGM, is expected to be despatched to the Shareholders on or before 4 August 2023 in order to allow sufficient time for preparation of the relevant information to be included in the circular.

## INTRODUCTION

The Board is pleased to announce that on 14 July 2023, Dongguan Yulong and Shenzhen Kingkey entered into the Industrial Park Management Services Agreement for a term commencing from the delivery of the Industrial Park, which is expected to be on 1 October 2023, and ending on 31 December 2025 (both dates inclusive). Pursuant to the Industrial Park Management Services Agreement, Shenzhen Kingkey agreed to provide, through itself or its wholly-owned subsidiary, Dongguan Kingkey, to Dongguan Yulong property management services in respect of the Industrial Park subject to the Annual Caps.

## THE INDUSTRIAL PARK MANAGEMENT SERVICES AGREEMENT

The principal terms of the Industrial Park Management Services Agreement are summarised as follows:

<b>Date:</b>	14 July 2023
<b>Parties:</b>	(i) Dongguan Yulong  (ii) Shenzhen Kingkey
<b>Property to be managed:</b>	The Industrial Park which comprises production plants, dormitory buildings and amenities with a total area of approximately 378,000 square metres. As at the date of this announcement, the Industrial Park is under construction.
<b>Subject Matter:</b>	Shenzhen Kingkey agreed to provide, through itself or its wholly-owned subsidiary, Dongguan Kingkey, property management services in respect of the Industrial Park, including management, repairs and maintenance of communal areas and facilities, cleaning, parking and traffic safety management, security control and greening and landscape maintenance.
<b>Term:</b>	A term commencing from the delivery of the Industrial Park, which is expected to be on 1 October 2023, and ending on 31 December 2025 (both dates inclusive).

**Management Fees:**

The fees to be charged by Shenzhen Kingkey include property management service fees, private property repair and maintenance service fees and carparking spaces and vacant properties management fees (collectively, the “**Management Fees**”), which shall be determined by the Parties based on arm’s length negotiations between the Parties and prevailing market prices of similar or comparable services offered by Shenzhen Kingkey to other independent third parties and shall be adjustable according to reasonable costs and the market conditions. Such Management Fees shall not, in any event, be higher than the relevant services fees offered by Shenzhen Kingkey to other independent third parties.

In assessing and comparing the terms offered by Shenzhen Kingkey, the Group has compared the prevailing market rates charged by independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity. In particular, the Group has obtained the quotations from two other independent third parties through tender invitation (the “**Tender Process**”). The Group considers that the price and terms of services (including the standard and qualities of services) offered by Shenzhen Kingkey are no less favourable to the Group than those offered by independent third party service providers.

The Management Fees payable by Dongguan Yulong to Shenzhen Kingkey and/or Dongguan Kingkey (as the case may be) under the Industrial Park Management Services Agreement represent an all-inclusive fees for all services to be provided by Shenzhen Kingkey and Dongguan Kingkey. Shenzhen Kingkey and Dongguan Kingkey shall bear the costs of managing the Industrial Park, including any shortfall in the event that the cost of services is higher than the Management Fees received from Dongguan Yulong.

## Pricing Basis

The Management Fees are determined after arm's length negotiations and shall be calculated as follows:

1. Property management service fees: The property management service fee is calculated based on the agreed charging rates applicable to different types of properties and the gross floor area of the relevant properties to be managed. Details of the monthly charging rates (inclusive of tax) are set out below:

<b>Types of Property</b>	<b>Monthly charging rate</b> <i>(RMB/square meter)</i>
Phase 1 Factory Plant	3.8
Phase 1 Dormitory	2.5
Phase 2 (幸福樓) Dormitory	3.3
Phase 2 (幸福樓) Amenities	3.8
Phase 3 Factory Plant	6.5

The fixed monthly charging rate is determined with reference to a number of factors including:

- (a) arm's length negotiations on normal commercial terms between Dongguan Yulong and Shenzhen Kingkey during the Tender Process, during which a number of considerations, including service fees quotation, service quality and business reputation, were taken into account when assessing the eligibility of the three service providers who participated in the Tender Process. The Group considers that the price and terms of services (including the standard and qualities of services) offered by Shenzhen Kingkey are no less favourable to the Group than those offered by other two Tender Process participants.
  - (b) price guidance (if any) promulgated by the Price Control Department (物價管理部門) where the relevant property is located; and
  - (c) the anticipated operational costs (including salary and staff costs).
2. Pre-delivery management fees: Pre-delivery management fees including wages and expenses incurred prior to the date of delivery of the Industrial Park shall be calculated on an "at-cost" basis, and are required to be confirmed and approved in advance by the Group.

3. Property repair and maintenance fees: Contribution to property maintenance fund shall be made in accordance with the relevant provisions promulgated by the municipal government. The property repair and maintenance fees are customarily subject to negotiations between the Parties based on actual needs on an “at-cost” basis. Where applicable, the maintenance fees shall first be settled from the property maintenance fund, with the shortfall to be provided by Dongguan Yulong.
4. Carparking spaces and vacant properties management fees: The means and method of payment in respect of each of the carparking spaces and vacant properties management fees shall be separated agreed between the Parties.

Based on the assessment of the comparable price and terms of services obtained from the Tender Process and the above factors, the Group considers that the price and terms of services (including the standard and qualities of services) offered by Shenzhen Kingkey are no less favourable to the Group than those offered by independent third party service providers.

### **Annual Caps**

The Annual Caps for the transactions contemplated under the Industrial Park Management Services Agreement shall be RMB8,000,000, RMB22,000,000 and RMB22,000,000 for each of the year ending 31 December 2023, 2024 and 2025, respectively, which is determined with reference to the Management Fees plus other related charges on the following basis:

1. Assuming full occupancy of the Industrial Park, the annualised property management service fees which is estimated to be less than RMB20,000,000, calculated based on the agreed charging rates as set out under the paragraph headed “Pricing Basis” above multiplied by the estimated capacity area of the relevant type of property of the Industrial Park.
2. The annualised maximum amount payable for other related charges which is estimated to be less than RMB2,000,000 taking into account the total capacity area of the Industrial Park. Such other related charges represent fees for “add-on services” which are calculated on an “at-cost” basis. These “add-on services” include (without limitation) additional cleaning services, property maintenance and repair service, greenery and plant renting service, landscape maintenance, pest control, tailor-made security system, and planning and coordination of large-scale events.
3. As the Industrial Park is expected to be delivered on 1 October 2023, the pre-delivery management fees incurred in 2023 which is estimated to be less than RMB2,500,000 has also been taken into account in respect of the Annual Cap for the year ending 31 December 2023.

## INTERNAL CONTROL PROCEDURES

In order to ensure that the Company complies with the pricing policies, the monitoring of the aggregate accumulated transaction amount and, if applicable, the approval of the Annual Caps under the Industrial Park Management Services Agreement, the Company has adopted a series of internal control policies in its daily operations, including:

1. the pricing policy for the continuing connected transactions contemplated under the Industrial Park Management Services Agreement will be supervised and monitored by the relevant personnel and management of the Group to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole;
2. the Group's relevant personnel and management will conduct regular checks and assess whether individual transactions contemplated under the Industrial Park Management Services Agreement are conducted in accordance with the terms of the agreement and will also regularly review whether the price charged for the relevant property management services thereunder is fair and reasonable and in accordance with the aforesaid pricing policy. In particular, the Group will monitor the transaction amount incurred for the transactions contemplated under the Industrial Park Management Services Agreement on a monthly basis to ensure that the accumulated transaction amount does not exceed the Annual Caps;
3. the Group will prepare a continuing connected transaction report ("**CCT Report**") once every six months on the continuing connected transactions with Shenzhen Kingkey, which will be submitted to the Company's audit committee for consideration. The content of the CCT Report will include, amongst others: (i) the transaction amount incurred for the transactions contemplated under the Industrial Park Management Services Agreement within the relevant reporting period; and (ii) the status of compliance with the Industrial Park Management Services Agreement and utilisation of the Annual Caps;
4. the Company's audit committee will convene meetings at least twice a year to discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the transactions contemplated under the Industrial Park Management Services Agreement);
5. the independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Group (which include, among others, the transactions contemplated under the Industrial Park Management Services Agreement) throughout the preceding financial year and give confirmation on the transaction amount and terms of the transactions in each annual report of the Group; and
6. the external auditors of the Company will also conduct an annual review on the pricing terms and annual cap in relation to the continuing connected transactions of the Group in accordance with Rule 14A.56 of the Listing Rules.



In view of the above, the Company considers that there are adequate internal control procedures and external supervision measures to ensure that the transactions contemplated under the Industrial Park Management Services Agreement will comply with the terms of the Industrial Park Management Services Agreement and will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **GENERAL INFORMATION OF THE GROUP AND THE PARTIES**

### **The Group**

The Group is principally engaged in the production and sale of mobile phones and accessories, and the provision of wireless application services.

### **Dongguan Yulong**

Dongguan Yulong is principally engaged in the manufacturing of mobile phones and accessories.

### **Shenzhen Kingkey**

Shenzhen Kingkey is a company incorporated in the PRC. It is a wholly-owned subsidiary of Kingkey Group Co., Limited, which is ultimately controlled by Mr. Chen Hua, who is an immediate family member of Mr. Chen Jiajun, a substantial Shareholder, an executive Director, the chief executive officer and chairman of the Company. Shenzhen Kingkey is principally engaged in property management and property leasing.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE INDUSTRIAL PARK MANAGEMENT SERVICES AGREEMENT**

As the construction of the Industrial Park is expected to complete in the second half of the year, to ensure the smooth management and usage of the Industrial Park, which would expand the Group's production capacity and efficiency, the Group has been preparing for the pre-delivery work of the Industrial Park.

Taking into account (i) Kingkey Group, the holding company of Shenzhen Kingkey, is a reputable property management services provider in the PRC; (ii) the level of satisfaction of the services currently provided by Shenzhen Kingkey; (iii) Shenzhen Kingkey is familiar with the Group's property projects and services requirements; and (iv) based on the comparison of the price and terms of services (including the standard and qualities of services) from the Tender Process, the terms offered by Shenzhen Kingkey are no less favourable to the Group than those offered by independent third party service providers, the Directors consider that it is in the interest of the Group to acquire property management services from Shenzhen Kingkey under the Industrial Park Management Services Agreement to ensure quality property management practices being in place upon completion of the Industrial Park.



The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser as and when appropriate) consider that the terms of the Industrial Park Management Services Agreement (including the Annual Caps) and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Dongguan Yulong is an indirect wholly-owned subsidiary of the Company. Shenzhen Kingkey is ultimately controlled by Mr. Chen Hua, who is an immediate family member of Mr. Chen Jiajun, a substantial Shareholder, an executive Director, the chief executive officer and chairman of the Company. Accordingly, Shenzhen Kingkey is an associate of Mr. Chen Jiajun and a connected person of the Company, and the transactions contemplated under the Industrial Park Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the Company's announcement dated 23 December 2022 in relation to the 2022 Property Management Services Agreement. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions under the Industrial Park Management Services Agreement and the 2022 Property Management Services Agreement are of similar nature and have been entered into with the same party within a 12-month period, the Industrial Park Management Services Agreement is required to be aggregated with the 2022 Property Management Services Agreement as a series of transactions.

As one or more of the applicable percentage ratio in respect of the Annual Caps under the Industrial Park Management Services Agreement and when aggregated with the 2022 Property Management Services Agreement exceed 5%, the transactions contemplated under the Industrial Park Management Services Agreement shall be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Shenzhen Kingkey is an associate of Mr. Chen Jiajun, Mr. Chen Jiajun has a material interest in the Industrial Park Management Services Agreement and the transactions contemplated thereunder, and has abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the Directors has a material interest in the Industrial Park Management Services Agreement and the transactions contemplated thereunder or is otherwise required to abstain from voting on the relevant resolutions of the Board.

## GENERAL

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on, among other things, the Industrial Park Management Services Agreement and the Annual Caps. The Company expects that voting at the EGM will be conducted by poll and Mr. Chen Jiajun and his associate(s) will abstain from voting at the EGM.

An Independent Board Committee will be formed to advise the Independent Shareholders on the Industrial Park Management Services Agreement and the transactions contemplated thereunder. The Company has appointed FDB Financial Group Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Industrial Park Management Services Agreement and the transactions contemplated thereunder.

A circular containing, among other things: (i) further details of the Industrial Park Management Services Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the EGM, is expected to be despatched to the Shareholders on or before 4 August 2023 in order to allow sufficient time for preparation of the relevant information to be included in the circular.

## DEFINITIONS

In this announcement, in addition to terms defined above, the following expressions shall have the following meanings, unless the context requires otherwise:

“2022 Property Management Services Agreement”	the property management services agreement dated 23 December 2022 entered into between 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, and Shenzhen Kingkey in relation to the provision of property management services in respect of Coolpad Building situated in Shenzhen, PRC by Shenzhen Kingkey
“Annual Caps”	the proposed annual caps for the continuing connected transactions contemplated under the Industrial Park Management Services Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company

“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”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company (including independent non-executive director(s))
“Dongguan Kingkey”	Dongguan Kingkey Property Management Company Limited (東莞市京基物業管理有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of Shenzhen Kingkey
“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 the PRC and an indirect wholly-owned subsidiary of the Company
“EGM”	the extraordinary general meeting of the Company to be convened, as and when appropriate, for the Independent Shareholders to consider, and vote on, the Industrial Park Management Services Agreement and the transactions contemplated thereunder and the Annual Caps
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee of the Board, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders on the Industrial Park Management Services Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	FDB Financial Group Limited, being appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Industrial Park Management Services Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholder(s) who do not have material interests in the transactions contemplated under the Industrial Park Management Services Agreement

“Industrial Park”	factory plants and dormitories situated at Industrial West One Road, Songshan Lake, Dongguan, PRC (東莞市松山湖園區工業西一路)
“Industrial Park Management Services Agreement”	the property management services agreement dated 14 July 2023 entered into between Dongguan Yulong and Shenzhen Kingkey in relation to the provision of property management services in respect of the Industrial Park by Shenzhen Kingkey
“Kingkey Group”	Kingkey Group Company Limited and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fees”	has the meaning ascribed to it under the section headed “The Industrial Park Management Services Agreement – Management Fees” of this announcement
“Parties” and each a “Party”	the parties to the Industrial Park Management Services Agreement namely, Dongguan Yulong and Shenzhen Kingkey
“PRC”	the People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Taiwan and Macau S.A.R.
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Shenzhen Kingkey”	Shenzhen Kingkey Property Management Company Limited (深圳市京基物業管理有限公司), a company incorporated under the laws of the PRC. It is a wholly-owned subsidiary of Kingkey Group Co. Ltd., which is ultimately controlled by Mr. Chen Hua, who is an immediate family member of Mr. Chen Jiajun, a substantial Shareholder, an executive Director, the chief executive officer and chairman of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 14 July 2023

*As at the date of this announcement, the Board comprises (i) two executive directors, namely Mr. Chen Jiajun and Mr. Ma Fei; (ii) three non-executive directors, namely Mr. Liang Rui, Mr. Ng Wai Hung and Mr. Xu Yibo; and (iii) three independent non-executive directors, namely Mr. Guo Jinghui, Mr. Chiu Sin Nang Kenny and Mr. Ngai Tsz Hin Michael.*