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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

**If you have sold or transferred** all your shares in Coolpad Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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  
PROCUREMENT FRAMEWORK AGREEMENT  
RE-ELECTION OF DIRECTOR  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Advisor of Independent Board Committee  
and Independent Shareholders**



**China Everbright Capital Limited**

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A notice convening the extraordinary general meeting (“EGM”) of the Company to be held at Meeting Room of Exhibition Hall in Building 5, Coolpad Information Park, Shenzhen, People’s Republic of China on Tuesday, 27 September 2016 at 11:00 a.m. is set out on pages 37 to 38 of this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

8 September 2016

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Articles”	the articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Coolpad Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2369)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the 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, approving, the Procurement Framework Agreement, the proposed annual cap thereof and the re-election of Mr. Liu Jiangfeng as an executive Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the Procurement Framework Agreement and the proposed annual cap thereof

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## DEFINITIONS

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“Independent Financial Advisor”	China Everbright Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders on the Procurement Framework Agreement and the proposed annual cap thereof
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution in relation to the Procurement Framework Agreement and the proposed annual cap thereof at the EGM
“Latest Practicable Date”	2 September 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“LeEco”	Leshi Internet Information & Technology Corp. Beijing (樂視網信息技術(北京)股份有限公司), a joint-stock company incorporated under the laws of PRC with limited liability and listed on the GEM of Shenzhen Stock Exchange
“Leshi E-Commerce”	Leshi E-Commerce (Beijing) Company Limited (樂視電子商務(北京)有限公司), a company incorporated under the laws of PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Procurement Framework Agreement”	a procurement framework agreement entered into on 5 August 2016 between Yulong Shenzhen and Leshi E-Commerce, pursuant to which Yulong Shenzhen agreed to supply and Leshi E-Commerce agreed to procure the Products

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## DEFINITIONS

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“Product(s)”	the mobile phone products to be manufactured or distributed or services to be provided by Yulong Shenzhen, including accessories, assembly units, accompanying documents/materials, gifts, relevant services and etc., as well as any new version or functional replacement of any product adopted by Yulong Shenzhen within the term of the Procurement Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yulong Shenzhen”	Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (宇龍計算機通信科技(深圳)有限公司), a company incorporated under the laws of PRC with limited liability
“%”	per cent

**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)**

*Executive Directors:*

Mr. Jia Yueting (*Chairman*)  
Mr. Jiang Chao  
Mr. Liu Hong  
Mr. Liu Jiangfeng  
Mr. Li Bin  
Mr. Abulikemu Abulimiti

*Independent Non-Executive Directors:*

Dr. Huang Dazhan  
Mr. Xie Weixin  
Mr. Chan King Chung

*Registered Office:*

Cricket Square  
Hutchins Drive P.O.  
Box 2681 Grand  
Cayman KY1-1111  
Cayman Islands

*Head office and principal place  
of business in the PRC:*

No. 2 Flat  
Coolpad Cyber Park  
Mengxi Boulevard  
Northern Part of Science &  
Technology Park  
Nanshan District  
Shenzhen

*Principal place of business in  
Hong Kong:*

Room 1902, MassMutual Tower  
38 Gloucester Road  
Wanchai  
Hong Kong

8 September 2016

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
PROCUREMENT FRAMEWORK AGREEMENT  
AND  
RE-ELECTION OF DIRECTOR**

**I. INTRODUCTION**

Reference is made to the Company's announcements dated 5 August 2016 and 16 August 2016. The purpose of this circular is to provide you with information in relation to, among other things, (i) the Procurement Framework Agreement; (ii) the re-election of Director; and (iii) a notice convening the EGM at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Procurement Framework Agreement, the annual cap thereof for the year ending 31 December 2016, and the re-election of Director.

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## LETTER FROM THE BOARD

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### II. CONTINUING CONNECTED TRANSACTIONS – PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the Company's announcement dated 5 August 2016 in which it was announced that on 5 August 2016, Yulong Shenzhen and Leshi E-Commerce entered into the Procurement Framework Agreement, pursuant to which Yulong Shenzhen agreed to sell and Leshi E-Commerce agreed to procure the Products.

#### 1. PROCUREMENT FRAMEWORK AGREEMENT

<b>Date</b>	5 August 2016
<b>Parties</b>	(a) Yulong Shenzhen  (b) Leshi E-Commerce
<b>Term</b>	The Procurement Framework Agreement will be effective upon being signed or chopped by both parties and obtaining all internal and external approvals as required by laws and regulations, the articles of association of the parties and relevant regulatory requirements (including but not limited to the approval of the general meeting of the Company and the approval of the general meeting of LeEco), and will expire on 31 December 2016. Any party wishing to renew the agreement shall notify the other party in writing within 30 days before the expiration of the Procurement Framework Agreement.
<b>Major Terms and Conditions</b>	<p>Leshi E-Commerce will procure the Products from Yulong Shenzhen and Yulong Shenzhen will deliver the Products. Leshi E-Commerce shall settle accounts with Yulong Shenzhen after 30 days since the completion of the warehouse entry inspection by Leshi E-Commerce.</p> <p>Leshi E-Commerce shall place formal order to Yulong Shenzhen when procuring the Products. The orders shall be in the form mutually agreed by both parties, including but not limited to, paper form, electronic data form and e-mail form.</p>

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## LETTER FROM THE BOARD

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Yulong Shenzhen shall supply to Leshi E-Commerce the Products specified in the orders confirmed by the parties in written forms pursuant to the Procurement Framework Agreement. The execution of the Procurement Framework Agreement does not oblige Leshi E-Commerce to place order to procure from Yulong Shenzhen the Products, nor does it oblige Yulong Shenzhen to accept the orders placed by Leshi E-Commerce to procure the Products. The Procurement Framework Agreement shall not restrict the procurement of the same or similar products from other suppliers by Leshi E-Commerce, nor shall it restrict the sales of the same or similar products by Yulong Shenzhen to third parties.

### **Pricing Policy**

Yulong Shenzhen shall provide quotation to Leshi E-Commerce based on reasonable cost, reasonable profit and the market competition landscape of the Products. The price of any specific model shall be negotiated and confirmed by both parties by taking into account reasonable cost plus reasonable profit, with reference to the market competition landscape, which may be adjusted by Yulong Shenzhen according to market changes. The above-mentioned cost mainly includes the material cost and necessary production and processing expenses of the Products; the profit margin shall be between 1% and 10%, any specific profit margin shall be determined with reference to the prevailing and then market prices of comparable products in the market and the profit margin of previous similar products in the market, as well as the quantity of the Products prescribed in each order. In any event, the above-mentioned product quotations should be no less favourable to Yulong Shenzhen than those available to independent third parties offered by Yulong Shenzhen under the same conditions.

Within the term of the Procurement Framework Agreement, if Yulong Shenzhen cuts the price of any Product or conducts promotion thereof after Leshi E-Commerce receives any batch of such Product, Yulong Shenzhen shall ensure the implementation of price protection for such Product since the date when the new price is adopted, i.e. the relevant Product subsequently delivered by Yulong Shenzhen shall be settled based on the new price.



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## LETTER FROM THE BOARD

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### 2. PROPOSED ANNUAL CAP

The proposed annual cap under the Procurement Framework Agreement, being the consideration payable by Leshi E-Commerce to Yulong Shenzhen, for the year ending 31 December 2016 is set out below:

	<b>Year ending 31 December 2016 (RMB)</b>
Proposed annual cap (tax inclusive)	1,200,000,000

The Group did not sell any Products to Leshi E-Commerce in the past. The proposed annual cap set out above is determined based on the following factors:

- (1) Historical figures of the transactions conducted by the Group similar to those contemplated under the Procurement Framework Agreement. Mobile phone products similar to the Products have been sold by the Group to several renowned e-commerce platforms in the PRC. During the years ended 31 December 2014 and 2015, the transaction value generating from sales of such mobile phone products by the Group to the aforesaid e-commerce platforms amounted to approximately RMB2.7 billion and RMB3.3 billion, respectively. Considering the market capacity of mobile phone products in the PRC, the positioning of the price of the Products, the competition landscape in the PRC as well as the market share taken up by the Group, the annual cap of RMB1.2 billion, representing approximately 44% and 36% of the total transaction value of similar mobile phone products sold online for the year ended 31 December 2014 and 2015 respectively and covering the sales of the Products in the rest of 2016, matches the production capacity of the Group.
- (2) The respective operation plans of the Group and Leshi E-Commerce formulated according to the prevailing economic environment, the market conditions and economic indicators of the telecommunications industry, and internal business strategies. On one hand, the Group is planning to increase its investment in online sales channels to increase the proportion of its online sales of its total sales volume in the future by leveraging on Leshi E-Commerce's membership and advertisement strength in the field of Internet sales, aiming to make better use of the Internet and to record more gains from online sales channels. According to industrial statistics, the "Coolpad" brand was among the top three smartphone brands in China in 2013, since when the ranking of the "Coolpad" brand descended out of top five. Through the cooperation with Leshi E-Commerce, the Group targets to become the top five manufacturers in terms of online sales volume of mobile phones in the price range of RMB1,000 to RMB1,500. According to the industrial statistics of the Company for the first half of 2016, the online sales volume of top five mobile phones in the price range of RMB1,000 to RMB1,500 was between 1.8 million and 3.7 million. Therefore, the Group expects to sell approximately 1.7 million mobile phones within

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## LETTER FROM THE BOARD

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such price range via online channels, among which approximately 70% is expected to generate from the sales of the Products (with an average price of RMB1,000) via LeMall.com, amounting to 1.19 million. On the other hand, Leshi E-Commerce is seeking to enlarge the user basis of LeMall.com as well as its shareholder, LeEco, being a supplier of online entertaining contents. Through the sales of the Products procured by Leshi E-Commerce from Yulong Shenzhen on LeMall.com, the users of LeMall.com are expected to increase, which in turn is expected to increase the membership and consumers of LeEco, the access of which is available on LeMall.com. Accordingly, the cooperation between Yulong Shenzhen and Leshi E-Commerce will be a win-win situation, ensuring Leshi E-Commerce's stable demand for the Products for the year ending 31 December 2016.

- (3) The current and expected demand of Leshi E-Commerce for the Products, as well as the current and expected trends of the market price of the same, similar or alternative products. The Products will be characterised with their stunning design and outstanding performance distinguished from the similar products in market and will be of reasonable prices, in which Leshi E-Commerce is currently and is expected to have imperative demand considering its aforesaid operation plan and the large online demand for similar products in the PRC. Taking into account the common lifecycle of mobile phone products in the PRC and the market price of the same, similar or alternative products, the price of the Products will remain relatively stable in the year ending 31 December 2016.
- (4) A 1% buffer has been budgeted for the transaction value of the Products under the Procurement Framework Agreement taking into account any possible increase in the transaction amount of the Products in 2016.

### 3. INTERNAL CONTROL

- (1) The product operation department of the Company is responsible for monitoring, collecting and evaluating the market data, including but not limited to the prevailing market and then market price of comparable products on a monthly basis. Based on such market research report, the product operation department, the sales department, and the business department of the Company will together initially draft the product sales policy covering the retail and wholesale pricing of the products (the "**Product Policy**"). Generally, the Product Policy applies uniformly to the products, rather than the vendors. Meanwhile, the above departments will also compare the prices proposed to Leshi E-Commerce against the prices offered to independent third parties to ensure that the prices are fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to independent third parties;
- (2) After the review of the Product Policy by designated person of the product operation department of the Company, the Product Policy will be submitted to the finance department and the operation management department of the Company for review. The price is then subject to final review and approval by the general manager of the Company;

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## LETTER FROM THE BOARD

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- (3) The legal and compliance department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure it does not exceed the applicable cap;
- (4) The independent non-executive Directors will review the continuing connected transactions contemplated under the Procurement Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and
- (5) The auditors of the Company will also conduct an annual review on the pricing and annual cap of such continuing connected transactions.

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

#### **4. IMPLEMENTATION AGREEMENTS**

Yulong Shenzhen and Leshi E-Commerce will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transaction contemplated under the Procurement Framework Agreement during its term. Each implementation agreement will set out the detailed products, the specifications, quantities, prices and other relevant terms.

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

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## LETTER FROM THE BOARD

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### **5. REASONS AND BENEFITS FOR ENTERING INTO THE PROCUREMENT FRAMEWORK AGREEMENT**

Yulong Shenzhen, dedicated to becoming a global leader in the smart terminal industry, is a famous manufacturer of smartphones in China with outstanding technological innovation ability and quality management capability, as well as the systematic supply chain management capability, enabling it to provide extraordinary user experience to its mobile phone users. Based on the Le Ecosystem of “Platform, Content, Device and Application”, Leshi E-Commerce has abundant Internet operation resources and an outstanding capability to meet the customers’ demands. The e-commerce platform LeMall.com operated by Leshi E-Commerce has become one of the global mainstream e-commerce platforms.

Based on the aforementioned strengths of the parties, the Company is of the view that the Procurement Framework Agreement enables the Group to enhance its reputation and increase its market share by providing the smartphone users with integrated products that cater to their demands better. In addition, entering into the Procurement Framework Agreement will promote the transformation of Company’s traditional manufacturing model of mobile phones, integrate online and offline channels, optimise the allocation of the Company’s operation resources and achieve the Company’s synergetic development of the emerging Internet business and the traditional mobile phone manufacturing business.

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

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

### **6. LISTING RULES IMPLICATION**

As the exercise of over 30% of the voting rights of Leshi E-Commerce is controlled by Mr. Jia Yueting, an executive Director of the Company, Leshi E-Commerce is thus a connected person of the Company. Accordingly, the transactions contemplated under the Procurement Framework Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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

### 7. GENERAL INFORMATION

#### The Group

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

#### Yulong Shenzhen

Yulong Shenzhen is a company incorporated under the laws of PRC in April 1993 with limited liability, and an indirect wholly-owned subsidiary of the Company. Yulong Shenzhen is principally engaged in developing smartphone sets, mobile data platform system and value-added business operations, as well as providing integrated solutions thereof in PRC. Yulong Shenzhen mainly provides its Coolpad products for enterprises, government and mobile operators as well as individual consumers in PRC.

#### Leshi E-Commerce

Leshi E-Commerce is company incorporated under the laws of PRC on 15 April 2014 with limited liability. Leshi E-Commerce is principally engaged in the operation of the e-commerce platform Lemall.com which sells, among others, the Le SuperTVs, Le Superphones, other products under the brand of LeEco.

### III. RE-ELECTION OF DIRECTOR

Reference is made to the announcement made by the Company dated 16 August 2016 which disclosed, among others, that Mr. Liu Jiangfeng (“**Mr. Liu**”) had been appointed as an executive Director and the chief executive officer of the Company with effect from 16 August 2016.

According to Article 86(3) of the Articles, Mr. Liu (appointed to fill in the casual vacancy on the Board) shall hold office until the next general meeting of the Company after his appointment and shall then be eligible for re-election. In order to allow the Shareholders to make an informed decision in respect of the proposed re-election, the biographical details of Mr. Liu is set out below.

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## LETTER FROM THE BOARD

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Mr. Liu, aged 44. Mr. Liu graduated from Southeast University with a Bachelor's Degree in Computer Science in 1992. Mr. Liu has more than 20 years of experience in communication industry. He had served in Huawei for 19 years since 1996 and had successively served as the president of Global Technology Service Division, vice president of Network Product Line, vice president of Asia Pacific District and the president of Honor Business Unit. Under Mr. Liu's leadership, Honor, an independent subsidiary brand of Huawei, has become one of the most famous e-commerce brands in the mainland China. In 2015, Mr. Liu founded Dmall Fresh (Beijing) E-Commerce Co., Ltd., a retail platform selling fresh fruits and daily necessities online.

Save as disclosed above, Mr. Liu did not hold any directorship in any other listed public companies in the last three years, nor does he hold any other position with the Company and other members of the Group.

Mr. Liu has entered into a service contract with the Company for a fixed term of 3 years commencing on 16 August 2016. He is subject to the retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. Mr. Liu is entitled to a fixed annual salary in the amount of RMB2,400,000 which was determined by the Board based on the recommendation by the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for the position. As at the date of the Latest Practicable Date, Mr. Liu holds 3,900,000 interests in the shares of the Company within the meaning of Part XV of the SFO. As at the date of the Latest Practicable Date, Mr. Liu does not have any relationship with any other Directors, senior management or any substantial or controlling shareholders of the Company.

Save as disclosed above, the Board is not aware of any other matters in relation to Mr. Liu's appointment as an executive Director and the chief executive officer of the Company that need to be brought to the attention of the Shareholders nor any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

#### **IV. EGM**

The EGM will be held by the Company at Meeting Room of Exhibition Hall in Building 5, Coolpad Information Park, Shenzhen, People's Republic of China on Tuesday, 27 September 2016 at 11:00 a.m. for the Shareholders to consider, and if thought fit, passing the resolution to approve the Procurement Framework Agreement, the proposed annual cap thereof and the re-election of Director.

A proxy form for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

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## LETTER FROM THE BOARD

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According to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and an announcement on the results of the poll will be made after the EGM pursuant to Rule 13.39(5) of the Listing Rules.

Any Shareholder with a material interest in the proposed resolutions and his close associates will abstain from voting on the relevant resolutions. As at the Latest Practicable Date, Mr. Jia Yueting and its associates, who directly and indirectly, hold 1,448,804,386 Shares (represent approximately 28.81% of the issued share capital of the Company), control or are entitled to control over the voting right in respect of their Shares. Therefore, Mr. Jia Yueting and its associates will abstain from voting on the resolution in relation to the Procurement Framework Agreement and the proposed annual cap thereof at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no Shareholder has a material interest in the resolutions to be proposed at EGM or should be required to abstain from voting on such resolutions at the EGM.

### V. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Procurement Framework Agreement and the proposed annual cap thereof; and (ii) the letter from the Independent Financial Advisor set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Procurement Framework Agreement and the proposed annual cap thereof and the principal factors and reasons taken into account by the Independent Financial Advisor in arriving at its advice.

The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Procurement Framework Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; and (iv) are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the annual cap for the year ending 31 December 2016 mentioned above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolution in relation to the Procurement Framework Agreement and the proposed annual cap thereof at the EGM.

The Directors believe that the resolution in respect of the re-election of Director is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of the resolution at the EGM.

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## LETTER FROM THE BOARD

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### VI. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
For and on behalf of  
**COOLPAD GROUP LIMITED**  
**Jia Yueting**  
*Chairman*



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)

*Independent Board Committee:*

Dr. Huang Dazhan  
Mr. Xie Weixin  
Mr. Chan King Chung

8 September 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
PROCUREMENT FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 8 September 2016 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, the terms of the Procurement Framework Agreement and the proposed annual cap thereof for the year ending 31 December 2016 are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

China Everbright Capital Limited has been appointed by the Board as the Independent Financial Advisor to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the Procurement Framework Agreement and the proposed annual cap thereof for the year ending 31 December 2016. Details of the advice from China Everbright Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 17 to 30 of the Circular.

The Independent Shareholders are recommended to read the letter from the Independent Financial Advisor, the letter from the Board contained in the Circular as well as the additional information set out in the Appendix to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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As the Independent Board Committee, we have discussed with the management of the Company on the terms of the Procurement Framework Agreement and the basis upon which the proposed annual cap thereof for the year ending 31 December 2016 are determined.

Having considered (i) the terms and conditions of the Procurement Framework Agreement, (ii) the discussion with the management of the Company about the background to and nature of the Procurement Framework Agreement, (iii) the reasons for the proposed annual cap and the basis upon which the proposed annual cap has been determined, (iv) the business and financial effects of the Procurement Framework Agreement to the Company, and (v) the advice given by the Independent Financial Advisor and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the view that the Procurement Framework Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; (iv) are fair and reasonable and in the interests of Company and the Shareholders as a whole; and that the proposed annual cap under the Procurement Framework Agreement for the year ending 31 December 2016, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Procurement Framework Agreement and the proposed annual cap thereof for the year ending 31 December 2016.

Yours faithfully,  
Independent Board Committee  
**Dr. Huang Dazhan**  
**Mr. Xie Weixin**  
**Mr. Chan King Chung**  
*Independent Non-Executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*The following is the full text of a letter of advice from China Everbright Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



8 September 2016

*To the Independent Board Committee and the Independent Shareholders of Coolpad Group Limited (the “Company”)*

*Dear Sirs,*

### **CONTINUING CONNECTED TRANSACTIONS PROCUREMENT FRAMEWORK AGREEMENT**

#### **I. INTRODUCTION**

We refer to our engagement as the independent financial adviser to the independent board committee of the Company (“**Independent Board Committee**”) and the independent shareholders of the Company (“**Independent Shareholders**”) in relation to (i) the procurement framework agreement entered into between Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (“**Yulong Shenzhen**”), an indirect wholly-owned subsidiary of the Company, and Leshi E-commerce (Beijing) Company Limited on 5 August 2016 (the “**Procurement Framework Agreement**”), pursuant to which Yulong Shenzhen agreed to supply products to Leshi E-commerce (the “**Continuing Connected Transactions**”); and (ii) the proposed annual cap under the Procurement Framework Agreement (the “**Annual Cap**”) for the year ending 31 December 2016, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 8 September 2016 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As stated in the Letter from the Board, the exercise of over 30% of the voting rights of Leshi E-commerce is controlled by Mr. Jia Yueting, an executive Director of the Company, Leshi E-Commerce is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined under the Listing Rules in respect of the Annual Cap exceed 5%, such proposal for the year ending 31 December 2016 is subject to Independent Shareholders’ approval requirement in addition to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The Independent Board Committee, comprising all independent non-executive Directors, has been established to consider whether the terms of the Procurement Framework Agreement and the Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Company, Leshi E-commerce, Mr. Jia Yueting or any of their respective associates. As at the Latest Practicable Date, there were no relationships or interests between (a) China Everbright and (b) each of the Company, Leshi E-commerce and their associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions as detailed in the Circular.

### II. BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, the opinions expressed, by the management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Company and its subsidiaries (the “**Group**”). We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

### III. PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the Continuing Connected Transaction, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### (A) Background of and reasons of the Continuing Connected Transactions

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.

Yulong Shenzhen is a company incorporated under the laws of PRC in April 1993 with limited liability, and an indirect wholly-owned subsidiary of the Company. Yulong Shenzhen is principally engaged in developing smartphone sets, mobile data platform system and value-added business operations, as well as providing integrated solutions thereof in PRC. Yulong Shenzhen mainly provides its Coolpad products for enterprises, government and mobile operators as well as individual consumers in PRC.

Leshi E-commerce is a company incorporated under the laws of PRC on 15 April 2014 with limited liability. Leshi E-commerce is principally engaged in the operation of the e-commerce platform Lemall.com (the “**Lemall Platform**”) which sells, among others, the Le SuperTVs, Le Superphones, other products under the brand of LeEco.

As disclosed in the Letter from the Board, Yulong Shenzhen is a famous manufacturer of smartphones in China and is dedicated to becoming a global leader in the smart terminal industry. Based on the Le ecosystem of “Platform, Content, Device and Application”, Leshi E-commerce has abundant Internet operation resources and an outstanding capability to meet the customers’ demands. According to the 2015 Annual Report of Leshi Internet Information & Technology Corp Beijing, its video platform website attracted (i) a daily average unique visitors of approximately 13 million during the fourth quarter of 2015; and (ii) daily average 300 million visit views during the fourth quarter of 2015. According to the Letter from the Board, the Lemall Platform has become one of the global mainstream e-commerce platforms. The Company is of the view that the Procurement Framework Agreement enables the Group to enhance its reputation and increase its market share by providing the smartphone users with integrated products that cater to their demands better.

After our discussion with the Management, the products under the Procurement Framework Agreement (the “**Products**”) included primarily mobile phones products manufactured by Yulong Shenzhen and under the Group’s brand name “Coolpad”. The Company expects to focus the online sales of the Products on the Lemall Platform. Currently, the Company distributes its mobile phones products on various renowned e-commerce platforms. These platforms, which are in general large in scale with significant numbers of users, distribute the Yulong Shenzhen’s products alongside with the many other mobile phones products manufactured by the Company’s competitors. Although the Procurement Framework Agreement does not restrict the procurement of the same or similar products from other suppliers by Leshi E-commerce, the Lemall Platform currently only focuses on mobile phones under its own brand name. Upon the signing of the Procurement Framework Agreement, the Management expects that the Lemall Platform

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will mainly distribute mobile phones under the brand name of (i) “LeEco” and (ii) “Coolpad”. As such, the competition from other manufacturers would be significantly reduced. Furthermore, the Management is of the view that the competition between the Products and mobile phones manufactured by Leshi E-commerce or its associates is low because of the difference in market positioning in terms of specification, sizes and pricing. The Products will likely be medium-level smartphones whereas the “LeEco” smartphones will be positioned as more premium level. According to an interview conducted by South China Morning Post in August 2016, Hank Liu, the co-founder and vice chairman of LeEco, was quoted as saying that “Although LeEco and Coolpad will operate under separate brands but users of both brands will receive an uniform experience.” He further added that the cooperation between the two brands will also enable them to tap into different segments of the market.”

In addition, given the fact that “LeEco” brand is one of the largest Internet TV and mobile networking video companies in the PRC, Leshi E-commerce is also able to provide more advertising and marketing support to the Group. The “LeEco” brand currently runs an internet ecosystem of services including video and content streaming on its mobile devices and smart televisions. We reviewed the meeting minutes between the Group and representatives of Leshi E-commerce provided by the Company, we noted that Leshi E-commerce would invest into the marketing of the Products in order to boost sales on the Lemall Platform. This initiative will also benefit Leshi E-commerce by not only generating sales income on the Lemall Platform but also by introducing more users into the ecosystem of the “LeEco” brand. We have further discussed with the Management, these tentative marketing efforts would include but not limited to several months of free subscription to the LeEco membership; granting priority order rights to members of Leshi E-commerce or its associates; and marketing and promotion campaigns to be conducted among Leshi E-commerce members. Existing e-commerce platforms were unable to provide such extent of support. Therefore, the Management is of the view that the Procurement Framework Agreement would enable the Group to enhance its reputation and increase its market share by leveraging on Leshi E-commerce’s membership and advertising strength in the field of Internet sales.

Through the cooperation with Leshi E-commerce, the Management also aims to increase the proportion of its online sales, which is in general more profitable than offline sales, to its total sales for the year ending 31 December 2016. Based on our discussion with the Management, the Lemall Platform is expected to be the major e-commerce platform procuring the Products from the Group. Nonetheless, the Procurement Framework Agreement does not restrict the sales of the same or similar products by Yulong Shenzhen to third parties. As confirmed with the Management, the Lamall Platform will not be the sole authorised online distribution channel of the Products. Taking into account the followings:

1. The Lemall Platform provides an additional online platform for the distribution of the Products;

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2. The Lemall Platform will focus on the sales of mobile phones under its own brand name and the Products, which significantly reduce the competition from other competitors;
3. The additional advertising and marketing support contributed by Leshi E-commerce to boost the sales of the Products on the Lemall Platform;
4. The brand name and the ecosystem of “LeEco” is well-known in the PRC; and
5. There are no restrictive terms to restrict the sales of the same or similar products by Yulong Shenzhen to third parties on other distribution channels,

We are of the view that the Procurement Framework Agreement is entered into in the ordinary and normal course of business of the Group and is in the interests of the Company and the shareholders as a whole.

### **(B) Principal Terms of the Procurement Framework Agreement**

The purpose of the Procurement Framework Agreement is to provide a framework to the agreed general terms and conditions governing the supply of the Products to Leshi E-commerce and each of such transactions to be undertaken will be subject to specific terms and conditions (including the actual price, quantity and the type of products) under the definitive formal order to be entered into between Leshi E-commerce and Yulong Shenzhen in the form mutually agreed by both parties. The execution of the Procurement Framework Agreement does not oblige Leshi E-commerce to place order to procure from Yulong Shenzhen the Products, nor does it oblige Yulong Shenzhen to accept the orders placed by Leshi E-commerce to procure the Products. The Procurement Framework Agreement shall not restrict the procurement of the same or similar products from other suppliers by Leshi E-commerce, nor shall it restrict the sales of the same or similar products by Yulong Shenzhen to third parties. Therefore, we consider that the Procurement Framework Agreement provides flexibility to the Group to transact with other potential distribution channels in the event that (i) the Group might not be able to agree with any terms with Leshi E-commerce and (ii) the actual sales performance may not commensurate with the expectations of the Management.

Pursuant to the Procurement Framework Agreement, Leshi E-commerce shall settle accounts with Yulong Shenzhen after 30 days since the completion of the warehouse entry inspection by Leshi E-commerce. We have selected several historical transactions during the six months ended 30 June 2016 and the year ended 31 December 2015 and obtained samples of framework agreements, supplemental agreement to the framework agreement and individual procurement agreements entered into between the Group and three other independent customers. Based on our review, we noted that credit period of four weeks to 30 days were granted in these samples, which are consistent with the Procurement Framework Agreement. Therefore, we are of the view that the payment terms offered by

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the Group are no less favorable to the Group than available to other independent customers of the Group and are in the interests of the Company and its shareholders as a whole.

### **(C) Pricing Policy of the Procurement Framework Agreement**

Pursuant to the Procurement Framework Agreement, the price of any specific model shall be negotiated and confirmed by both parties by taking into account reasonable cost plus reasonable profit, with reference to the market competition landscape, which may be adjusted by Yulong Shenzhen according to market changes. The abovementioned cost mainly includes the material cost and necessary production and processing expenses of the Products; the profit margin shall be between 1% to 10%, any specific profit margin shall be determined with reference to the prevailing and then market prices of comparable products in the market and the profit margin of previous similar products in the market, as well as quantity of the Products prescribed in each order. In any event, the abovementioned product quotations should be no less favorable to Yulong Shenzhen than those available to independent third parties offered by Yulong Shenzhen under the same conditions.

We understood from the Management that the most important factor in determining the pricing of the Products would be the market prices of comparable products at launch. The prices of the mobile phones will be subsequently adjusted according to the inventory level at the distributors and the competitive landscape. The retail prices of the products are determined by the Group. As advised by the Management, the mobile phone market in the PRC is highly competitive and retail prices of mobile phones will drop upon time. Therefore, instead of a fixed pricing in the Procurement Framework Agreement, a range of profit margins was provided for. The historical average profit margin of the overall online sales of mobile phones for the year ended 31 December 2015 provided by the Company was approximately 5.2%, which is between the range of 1% to 10% profit margin set out in the Procurement Framework Agreement. According to the Group's 2015 Annual Report, the overall gross profit margin for the year ended 31 December 2015 was 10.8%, which was higher than the range of profit margin between 1% to 10% set out in the Procurement Framework Agreement. As advised by the Management, the higher profit margin of 10.8% was due to the more profitable segments of provision of other mobile phone services, property investment and the provision of finance services. We further confirmed with the Management that the gross profit margin for the overall sales (including both online and offline sales) of mobile phones for the year ended 31 December 2015 amounted to approximately 5%, which is also within the range set out in the Procurement Framework Agreement.

We have further obtained framework agreements entered into between the Group and two other independent third parties in the year ended 31 December 2015 and noted that the range of profit margins were not specified in these framework agreements. As advised by the Management, the profit margin was set out in the Procurement Framework Agreement after taken into consideration the followings: (i) the Procurement Framework Agreement will only cover a short period from the date of signing to 31 December 2016; (ii) the



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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additional advertising and marketing support from Leshi E-commerce; (iii) the lower level of competition on the Lemall Platform; and (iv) the expected large quantity to be supplied to Leshi E-commerce.

We are of the view that the range of profit margin provides flexibility for the Company to adjust the retail prices of mobile phones in response to the market competition landscape and the profit margins was set on a reasonable basis after considering the followings:

- i. Both the average profit margins of the online and overall sale of mobile phones for the year ended 31 December 2015 is within the range of 1% and 10% as set out in the Procurement Framework Agreement;
- ii. The retail prices of mobile phones changes upon time in a highly competitive market;
- iii. The period of the Procurement Framework Agreement only covers a short period from the date of signing to 31 December 2016; and
- iv. The expected significant quantity of products to be supplied to Leshi E-commerce as a result of the Company's plan to use the Lemall Platform as the major online distribution channel.

For the formal definitive order to be entered into separately between Leshi E-commerce and Yulong Shenzhen, any specific profit margin shall be determined with reference to (i) the prevailing and the then market prices of comparable products; (ii) the profit margin of previous similar products; and (iii) the quantity of the Products prescribed in each order.

As stated in the Letter from the Board, the Group has in place the following internal control procedures to ensure the pricing of the mobile phone products are fair and reasonable:

- i. The product operation department of the Company is responsible for monitoring, collecting and evaluating the market data, including but not limited to the prevailing market and the then market price of comparable products on a monthly basis. Based on such market research report, the product operation department of the Company, the sales department, and the business department will together initially draft the product sales policy covering the retail and wholesale pricing of the products (the "**Product Policy**"). Generally, the Product Policy applies uniformly to the products, rather than the vendors. Meanwhile, the above departments will also compare the prices proposed to Leshi E-commerce against the prices offered to independent third parties to ensure that the prices are fair and reasonable, on normal commercial terms, as well as no less favorable to Yulong Shenzhen than terms available to independent third parties;

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- ii. After the review of the Product Policy by designated person of the product operation department of the Company, the Product Policy will be submitted to the finance department and the operation management department of the Company for review. The price is then subject to final review and approval by the general manager of the Company; and
- iii. The legal and compliance department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure it does not exceed the applicable Annual Cap.

Having considered the above, we are of the view that the internal control measures aforementioned are appropriate in ensuring the prices set out in the formal definitive order are comparable to market prices and that offered to independent third parties. As a result, we are of the view that the Procurement Framework Agreement is a normal commercial approach and should result in market prices or fair and reasonable prices for the relevant transactions.

As disclosed in the Letter from the Board, pursuant to the Procurement Framework Agreement, if Yulong Shenzhen cuts the retail price of any Product or conducts promotion thereof after Leshi E-commerce receives any batch of such Product, Yulong Shenzhen shall ensure the implementation of price protection for such Product since the date when the new price is adopted, i.e. the relevant Product subsequently delivered by Yulong Shenzhen shall be settled based on the new price. We have obtained framework agreements entered into between the Group and two other independent third parties in the year ended 31 December 2015 and noted that price protection term is also available in both framework agreements. However, we noted that the price protection term is more stringent in the two framework agreements with independent third parties in that the price protection term will apply to inventories not yet sold to end customers whereas the price protection term of the Procurement Framework Agreement will not apply to the Products already delivered by Yulong Shenzhen but only to Products delivered subsequent to the adoption date of the new price. Therefore, we are of the view that the price protection term offered by the Group to Leshi E-commerce is more favorable to the Group than that offered to the two other independent third parties.

Furthermore, we also noted in one of the selected framework agreements that the Group accepts the return of the mobile phones unsold for any reasons, including all mobile phone products unsold. However, in the Procurement Framework Agreement, the Group only accepts return of products due to the fault of the Group, for example quality issues of the Products. Therefore, we are of the view that the return policy in the Procurement Framework Agreement is also more favorable to the Group than that offered to the two independent third parties. Having considered the above, we are of the view that the Continuing Connected Transactions are in the interests of the Group and the shareholders as a whole.

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### (D) Annual Cap

The Continuing Connected Transactions are subject to the Listing Rules' requirements and conditions as set out in details under the section headed "Reporting requirements and conditions of the Continuing Connected Transactions" below. In particular, the Continuing Connected Transactions are subject to the Annual Cap.

Pursuant to the Procurement Framework Agreement, the Annual Cap, which refers to the consideration payable by Leshi E-commerce to Yulong Shenzhen, for the year ending 31 December 2016 is RMB1.2 billion.

In arriving at the Annual Cap, as stated in the Letter from the Board, the Directors have taken into account the following factors: (i) the historical figures of transactions conducted by the Group similar to those contemplated under the Procurement Framework Agreement; (ii) the respective operation plans of the Group and Leshi E-commerce formulated according to the prevailing economic environment, the market conditions and economic indicators of the telecommunications industry, and internal business strategies; (iii) the current and expected demand of Leshi E-commerce for the Products, as well as the current and expected trends of the market price of the same, similar or alternative products; and (iv) a buffer has been budgeted for the estimated amount of sales of Products for any possible increase in the aforesaid amount in 2016.

In assessing whether the Annual Cap is fair and reasonable, we have also considered the following:

#### *(i) Review of historical figures*

Below set out the historical figures of the online sale of mobile phones for the two years ended 31 December 2014 and 2015:

	<b>For the years ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2015</b>
Number of mobile phones sold ('million)	3.8	4.9
Sales of mobile phones (RMB' billion)	2.7	3.3
Average selling price	RMB710	RMB670

The Annual Cap of RMB1.2 billion for the year ending 31 December 2016 represented approximately 44% and 36% of the total online sales for the year ended 31 December 2014 and 2015, respectively. As advised by the Management, Yulong Shenzhen is currently expected to supply primarily its new series 4G mobile phone products to Leshi E-commerce. The new series was launched to the market in August 2016. The Management expects to sell approximately 1.19 million mobile phones

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mainly from the new series on the Lemall Platform for the year ending 31 December 2016, representing 31% and 24% of the total number of mobile phones sold online for the years ended 31 December 2014 and 2015, respectively. In general, as advised by the Management, the sales of mobile phones were highest two months after launch. The sales on mobile phones will commence after shareholders' approval is obtained on the Procurement Framework Agreement, which is expected to be September 2016. Therefore, the Annual Cap covers mainly the sales of the Products from September 2016 to 31 December 2016.

As advised by the Management, during the two years ended 31 December 2015, the Group conducted its online sales of mobile phones on several e-commerce platforms. With the additional advertising and marketing support from the Leshi E-commerce and by leveraging on Leshi E-commerce membership, the Group intends to use the Lemall Platform as the major online e-commerce channel for the new series.

*(ii) The respective operation plans of the Group and Leshi E-commerce*

We understood from the Management that previously, the Group adopted the quantity strategy by supplying a wide variety of mobile phone models at low and competitive prices. The Group is adjusting its strategy by focusing on quality and the specification of the mobile phones while reducing the number of mobile phone models to be introduced. The introduction of fewer models would allow the Company to not only focus its marketing efforts on specific model to create more noise and anticipation of the models in the market but also achieve economies of scale for cost advantage. After comparing with similar models of mobile phones available in the market and considering the production cost, the Management expects the average selling price of the new series to be around RMB1,000, which would be considerably higher than that of RMB710 in 2014 and that of RMB670 in 2015 but expects to be lower than mobile phones under the "LeEco" brand.

According to a press release published by IDC in May 2016, the competition of the smartphone market is intense in China. While LeEco can attempt to get users locked into its ecosystem through subscription to its online video content, other vendors must constantly be on their feet to think of different ways to engage customers. IDC suggested that there is an opportunity in the mid-range smartphone market with replacement users seeking to upgrade their phones. This is also supported by the Chinese government's "Internet Plus Three Years Action Plans" to expand the coverage of 4G network to more rural areas by 2018. Having considered the above, we are of the view that the positioning as the medium-level 4G new series would allow the Company to capture the replacement users seeking to upgrade their phones.

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Furthermore, as mentioned above, the Group intends to increase its proportion of online sales to total sales. As advised by the Management, online sales are generally more profitable than offline sales, which entails more expenses such as rental and staff cost. According to a report on mobile phones industry in China dated December 2015 issued by Euromonitor International, an international market research firm, expects that internet retailing will continue to grow in the smartphone market in China. Some large electronics and appliances specialists with online stores will also invest in expanding their delivery areas, into more rural areas to develop potential shopping power there. The Management expects that the cooperation with Leshi E-commerce enables the Company to make better use of the Internet to record more gains from online sales channels by leveraging on the membership of Leshi E-commerce and their advertising and marketing strength in the field of Internet sales. We concur with the Management that the increasing focus on online sales is in line with the development of the PRC market in general and the operation plan to use the Lemall Platform as the major e-commerce platform will strengthen the Company's online sales.

***(iii) The current and expected demand of Leshi E-commerce for the Products, as well as the current and expected trends of the market price of the same, similar or alternative products; and***

The Group expects to sell approximately 1.19 million mobile phones from the new series on the Lemall Platform. Based on the market data for the first five months of 2016 gathered by the Company, total mobile phones sales is primarily represented by the sale of mobile phones priced in the range of RMB700 to RMB1,500. We have obtained a market research report from the Company issued by Sino Market Research Ltd, an independent market research and information company in the PRC, we noted that the mobile phones in the price range of RMB700 to RMB1,500 represented approximately 55.6% of the total online sales of mobile phones. Given the brand name of the Company, the track record and the support from the cooperation with Leshi E-commerce, the Management targets to becoming the top five manufacturers of mobile phones in the price range of RMB1,000 to RMB1,500. According to IDC, the "Coolpad" brand was among the top three smartphone brands in China in 2013. Since then, the Group has fallen out of the top five rankings. With the cooperation with Leshi E-commerce and the positioning of the new series to cater the need of the market, the Management is of the view that the Procurement Framework Agreement enables the Group to enhance its reputation and increases its market share.

According to the industrial statistics of the Company for the first half of 2016, the online sales volume of top five mobile phones in the price range of RMB1,000 to RMB1,500 was between 1.8 million and 3.7 million. Therefore, the Management expects to sell approximately 1.7 million mobile phones from the new series via online channels, among which the Lemall Platform is expected to be the major e-commerce platform with approximately 70% of the total online sales, amounting to an expected sales volume of 1.19 million.

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*(iv) Buffer budgeted for the estimated amount of sales of Products for any possible increase in the aforesaid amount in 2016.*

After discussion with the Management, we were advised that approximately 1% buffer is factored in to allow further flexibility for carrying out the transactions contemplated under the Procurement Framework Agreement.

Having taken into account (i) the Company made reference to the lower range of the mobile phone sales data for the first half year of 2016 when forecasting the demand of the new series; (ii) the appropriate positioning of the new series as medium-level products in response to the growth driver in the PRC smartphone market; (iii) the reputation and strong brand name of “LeEco”; (iv) the Group’s track record with over 10 years of experience in the manufacturing of mobile phones; and (v) the low buffer provided for the flexibility in case of any unexpected increase, we are of the view that the Annual Cap was determined on a fair and reasonable basis and is in the interest of the Company and the shareholders as a whole.

However, the independent shareholders should note that as the Annual Cap is determined based on various factors relating to future events and assumptions which may or may not remain valid for the year ending 31 December 2016, they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual amounts to be received by the Group will correspond with the Annual Cap.

### **(E) Reporting requirements and conditions of Continuing Connected Transactions**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
- in the ordinary and usual course of business of the listed issuer’s group;
  - on normal commercial terms or better; and
  - according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer’s shareholders as a whole;

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- (b) the listed issuer must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the listed issuer's board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions
- have not been approved by the listed issuer's board of director;
  - were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group;
  - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
  - have exceeded the Annual Cap;
- (c) the listed issuer must provide a copy of the auditors' letter to the Exchange at least 10 business days before the bulk printing of its annual report;
- (d) the listed issuer must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and
- (e) the listed issuer must promptly notify the Exchange and publish an announcement if the independent non-executive directors and/or the auditors cannot confirm the matters as required. The Exchange may require the listed issuer to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the maximum value of the Continuing Connected Transactions by way of the Annual Cap; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Cap not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### IV. RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Procurement Framework Agreement was entered in the ordinary and usual course of business of the Company, and that the terms of the Procurement Framework Agreement, including the Annual Cap, are fair and reasonable, on normal commercial terms and are in the interests of the Company and the shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Continuing Connected Transactions, as detailed in the notice of EGM as set out at the end of the Circular.

Yours faithfully,  
For and on behalf of  
**China Everbright Capital Limited**  
**Alvin Kam**  
*Managing Director*

*Mr. Alvin Kam is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of China Everbright Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Alvin Kam has over thirteen years of experience in corporate finance industry.*



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) The Directors' or chief executive's interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

Based on the register kept by the Company, as at the Latest Practicable Date, the interests or short positions of each Director or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and to the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

#### *Long Positions in Shares and Underlying Shares of the Company*

Name of Director	Notes	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share option	Total	Approximate percentage of the Company's issued share capital
Mr. Jia Yueting	1	-	-	1,448,804,386	-	-	-	1,448,804,386	28.81
Mr. Jiang Chao	2	28,980,000	-	-	483,000	-	-	29,463,000	0.59
Mr. Liu									
Jiangfeng		3,900,000	-	-	-	-	-	3,900,000	0.08
Mr. Li Bin	3	71,325,000	-	-	-	-	-	71,325,000	1.42
Mr. Huang									
Dazhan		288,000	-	-	-	-	-	288,000	0.01
Mr. Xie Weixin		384,000	-	-	-	-	-	384,000	0.01
Mr. Chan King									
Chung		441,600	-	-	-	-	-	441,600	0.01

Notes:

1. Mr. Jia Yueting is interested in 1,448,804,386 shares of the Company as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Nature of interests	Number of shares
Leview Mobile HK Limited	Leview Mobile Ltd	100.00	Y	Long position	1,448,804,386
Leview Mobile Ltd	Le Ltd	100.00	N	Long position	1,448,804,386
Le Ltd	LeEco Global Holding Ltd	100.00	N	Long position	1,448,804,386
LeEco Global Holding Ltd	Lele Holding Ltd	100.00	N	Long position	1,448,804,386
Lele Holding Ltd	Jia Yueting	100.00	N	Long position	1,448,804,386

2. Mr. Jiang Chao, an executive Director, was interested in the 483,000 shares held by Wintech Consultants Limited as he was one of the discretionary objects under the China Wireless Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group and the China Wireless Share Award Plan.
3. The certain interests of Mr. Li Bin in the underlying Shares are the options granted to the relevant Directors by the Company under the Share Option Schemes.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and to the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules.

**(b) Substantial Shareholders' interests or short positions in the Shares and Underlying Shares**

Based on the register kept by the Company, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

*Long Positions in Shares and Underlying Shares of the Company*

Name	Notes	Number of shares in which interested	Nature of interest	Total number of shares	Percentage of the Company's issued share capital
Mr. Guo Deying	1	462,889,484	Founder of a discretionary trust	463,372,484	9.21
		483,000	Through controlled corporation		
Data Dreamland Holding Limited ("Data Dreamland")	1	462,889,484	Beneficial owner	462,889,484	9.20
HSBC International Trustee Limited ("HSBC Trustee")	2	463,889,484	Trustee	463,889,484	9.22
Lele Holding Ltd	3	1,448,804,386	Interest of controlled corporation	1,448,804,386	28.81

*Notes:*

- The entire issued share capital of Data Dreamland is held by Barrie Bay (PTC) Limited. Barrie Bay (PTC) Limited is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a discretionary trust set up by Mr. Guo Deying and Ms. Yang Xiao (the spouse of Mr. Guo Deying) and the beneficiary objects of which include the children of Mr. Guo Deying and Ms. Yang Xiao. Mr. Guo Deying is taken to be interested in the 483,000 shares held by Wintech Consultants Limited as he is one out of the three directors of Wintech Consultants Limited and the other two directors are accustomed to act in accordance with Mr. Guo Deying's direction.
- The 462,889,484 shares were held by Data Dreamland, the entire share capital of which is held by Barrie Bay (PTC) Limited, which is acting as the trustee of the Barrie Bay Unit Trust and the entire issued share capital of which is held by HSBC Trustee. The rest 1,000,000 shares were held by HSBC Trustee privately as the trustee.
- The entire issued share capital of Leview Mobile HK Limited is held by Leview Mobile Ltd. The entire issued share capital of Leview Mobile Ltd is held by Le Ltd. The entire issued share capital of Le Ltd is held by LeEco Global Holding Ltd. The entire issued share capital of LeEco Global Holding Ltd is held by Lele Holding Ltd.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### 3. MATERIAL ADVERSE CHANGES

As disclosed in the profit warning announcement made by the Company dated 8 July 2016, the Company's management estimated that the Company's unaudited loss attributable to the owners of the Company for the six months ended 30 June 2016 will be approximately HK\$2,050 million, as compared to a profit attributable to the owners of the Company of approximately HK\$2,843 million and HK\$2,325 million for the six months ended 30 June 2015 and the year ended 31 December 2015, respectively. As disclosed in the interim results announcement made by the Company dated 29 August 2016, the Company's unaudited loss attributable to the owners of the Company for the six months ended 30 June 2016 was approximately HK\$2,053 million.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### 5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group was made up or was proposed to be acquired or disposed of by or leased to any member of the Group; and none of the Directors nor their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group as a whole.

### 6. EXPERT'S QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert who has been named in this circular or have given its opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
China Everbright Capital Limited	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) regulated activities as defined under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and references to its names in the form and context in which it appear.

## 7. EXPERT'S INTERESTS

As the Latest Practicable Date, the above-mentioned expert did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2015, being the date to which the latest audited financial statements of the Group was made up.

As the Latest Practicable Date, the above-mentioned expert was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 8. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, the following Directors (not being independent non-executive Directors) were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules as set out below:

As at the Latest Practicable Date, Mr. Jia Yueting, an executive Director, ultimately controls Leshi Mobile Intelligent Information & Technology (Beijing) Co., Ltd. (樂視移動智能信息技術(北京)有限公司), which is principally engaged in mobile phone business and therefore, Mr. Jia Yueting is considered to have interest in the business which competes or is likely compete, either directly or indirectly, with the mobile phone businesses of the Group ("**Businesses**") pursuant to the Listing Rules.

Although Mr. Jia Yueting has competing interests in other companies, he will fulfill his fiduciary duties in order to ensure that he will act in the best interest of the Shareholders and the Group as a whole at all times.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which competes or likely to compete, either directly or indirectly, with the Businesses.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 1902, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (i) the Procurement Framework Agreement;
- (ii) the letter from the Independent Board Committee as set out on pages 15 to 16 of this circular;
- (iii) the letter from the Independent Financial Advisor as set out on pages 17 to 30 of this circular;
- (iv) the written consent from the expert referred to under the paragraph headed “EXPERT’S QUALIFICATIONS AND CONSENTS” in this Appendix.

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## NOTICE OF THE EGM

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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)**

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (“**Meeting**”) of Coolpad Group Limited (the “**Company**”) will be held at Meeting Room of Exhibition Hall in Building 5, Coolpad Information Park, Shenzhen, People’s Republic of China on Tuesday, 27 September 2016 at 11:00 a.m. for the following purposes:

#### ORDINARY RESOLUTIONS

1. To consider and approve the procurement framework agreement dated 5 August 2016 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) and Leshi E-Commerce (Beijing) Company Limited (樂視電子商務(北京)有限公司) and the annual cap for the year ending 31 December 2016 for the transactions contemplated thereunder.
2. To consider and approve the re-election of Mr. Liu Jiangfeng as an executive director of the Company.

By Order of the Board of  
**COOLPAD GROUP LIMITED**  
**Jia Yueting**  
*Chairman*

Hong Kong, 8 September 2016

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## NOTICE OF THE EGM

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*Notes:*

1. The register of members of the Company will be closed from 23 September 2016 to 27 September 2016 (both days inclusive) during which period no transfer of share(s) will be effected. Members whose name appear on the register of members of the Company at the close of business on 27 September 2016 will be entitled to attend and vote at the Meeting.

In order to be eligible for attending the Meeting, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 22 September 2016.

2. Any shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
3. Where there are joint registered holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most, or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand in the register in respect of the relevant joint holding.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the extraordinary general meeting or adjournment thereof.

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