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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 a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Coolpad Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

**(1) MAJOR TRANSACTION IN RELATION TO
COOPERATIVE DEVELOPMENT OF PHASE TWO AND PHASE THREE OF
URBAN RENOVATION PROJECT OF COOLPAD INFORMATION HARBOR;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting (“EGM”) of the Company to be held at 2nd Floor, Block A, Coolpad Building, No. 8 of Gaoxin North 1st Road, North of Hi-tech Park, Nanshan District, Shenzhen, PRC on Friday, 14 May 2021 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed.

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. Capitalized terms used in this cover shall have the same meanings as defined in this circular.

27 April 2021

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Accompanying: Form of proxy for EGM

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings.

“Announcement”	the announcement of the Company dated 12 January 2021
“Board”	the board of Directors
“Company”	Coolpad Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2369)
“connected persons”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 12 January 2021 entered into between Yulong and Xinghuaan
“Original Cooperation Agreement”	the cooperative development agreement dated 17 October 2017 entered into between Yulong and Xinghuaan
“Development Project”	the Coolpad Information Harbor Project, being a multi-purpose property development project utilizing Parcel-1 and the Project Land
“Director(s)”	director(s) of the Company
“Distributable Interest”	the distributable interest of the Development Project which Xinghuaan or Yulong is entitled to: <ul style="list-style-type: none">(a) in respect of Xinghuaan: corresponds to the planned total GFA of the Entrusted Properties in proportion to the planned total GFA of Phase Two and Phase Three (after deducting the planned total GFA designated for public and government use and basement (inclusive of car parking spaces));(b) in respect of Yulong: corresponds to the planned total GFA of Phase Two and Phase Three (excluding the Entrusted Properties and after deducting the planned total GFA designated for public and government use and basement (inclusive of car parking spaces)) in proportion to the planned total GFA of for Phase Two and Phase Three (after deducting the planned total GFA designated for public and government use and basement (inclusive of car parking spaces))

DEFINITIONS

“EGM”	the extraordinary general meeting to be convened by the Company on Friday, 14 May 2021 at 3:00 p.m. for the purpose of considering and if thought fit, passing the ordinary resolution(s) to approve the Cooperation Agreement and the transactions contemplated thereunder
“Entrusted Properties”	collectively, the Phase Two Entrusted Properties and the Phase Three Entrusted Properties
“Entrustment Arrangement”	the arrangement under the Cooperation Agreement whereby Yulong agreed to entrust the operations and/or sales (as applicable) of the Entrusted Properties to Xinghuaan
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Property Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent property valuer of the Company
“Initial Land Investment”	the aggregate consideration of approximately RMB40.00 million in accordance with the Parcel-2 Land Use Rights Grant Contract and the Parcel-3 Land Use Rights Grant Contract which has been paid by Yulong as at the Latest Practicable Date
“Latest Practicable Date”	22 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parcel Acquisitions”	collectively, Parcel-1 Acquisition, Parcel-2 Acquisition and Parcel-3 Acquisition
“Parcel-1”	a parcel of land for industrial use with the total site area of approximately 12,554.29 sq.m. to be developed into the Development Project, the State-owned Land Use Rights of which is owned by Yulong
“Parcel-1 Acquisition”	the acquisition of the State-owned Land Use Rights of Parcel-1 by the Group

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“Parcel-1 Land Use Rights Grant Contract”	the Land Use Rights Grant Contract of Shenzhen City – Shen Di He Zi (2014) No. 8028 entered into by Yulong and The Second District Administration Bureau of Shenzhen Municipal Commission of Planning, Land and Resources* (深圳市規劃和國土資源委員會第二直屬管理局) in respect of the acquisition of the State-owned Land Use Rights of Parcel-1 by Yulong
“Parcel-2”	a parcel of land for innovative industrial and non-commercial use with the total site area of approximately 15,313.55 sq.m. to be developed into the Development Project, the State-owned Land Use Rights of which is owned by Yulong as at the Latest Practicable Date and a part of the Project Land
“Parcel-2 Acquisition”	the acquisition of the State-owned Land Use Rights of Parcel-2 by the Group
“Parcel-2 Land Use Rights Grant Contract”	the Land Use Rights Grant Contract of Shenzhen City – Shen Di He Zi (2020) No. 002 entered into by Yulong and Shenzhen City Commission of Planning and Natural Resources* (深圳市規劃和自然資源局) in respect of the acquisition of the State-owned Land Use Rights of Parcel-2 by Yulong
“Parcel-3”	a parcel of land for innovative industrial use with the total site area of approximately 4,333.02 sq.m. to be developed into the Development Project, the State-owned Land Use Rights of which is owned by Yulong as at the Latest Practicable Date and a part of the Project Land
“Parcel-3 Acquisition”	the acquisition of the state-owned land use rights of Parcel-3 by the Group
“Parcel-3 Land Use Rights Grant Contract”	the Land Use Rights Grant Contract of Shenzhen City – Shen Di He Zi (2015) No. 8006 entered into by Yulong and The Second District Administration Bureau of Shenzhen Municipal Commission of Planning, Land and Resources* (深圳市規劃和國土資源委員會第二直屬管理局) in respect of the acquisition of the state-owned land use rights of Parcel-3 by Yulong
“Provision”	shall have the meaning as ascribed to it in the section headed “ <i>Further Details on the Development Project – Arrangement in relation to the Entrusted Properties</i> ” of this circular
“Phase One”	shall have the meaning as ascribed to it in the section headed “ <i>Cooperation Agreement – The Development Project</i> ” of this circular

DEFINITIONS

“Phase Three”	shall have the meaning as ascribed to it in the section headed “ <i>The Cooperation Agreement – Phase Three</i> ” of this circular
“Phase Three Entrusted Properties”	shall have the meaning as ascribed to it in the section headed “ <i>Information on Phase One, the Development Project and the Project Land – The Entrusted Properties</i> ” of this circular
“Phase Two”	shall have the meaning as ascribed to it in the section headed “ <i>The Cooperation Agreement – Phase Two</i> ” of this circular
“Phase Two Entrusted Properties”	shall have the meaning as ascribed to it in the section headed “ <i>Information on Phase One, the Development Project and the Project Land – The Entrusted Properties</i> ” of this circular
“Possible Transfer”	the possible transfer of the State-owned Land Use Rights in respect of Phase Three
“PRC”	The People’s Republic of China, for the purpose of this circular, excludes Hong Kong, Taiwan and Macau S.A.R.
“PRC Legal Advisors”	Guangdong Sun Law Firm (廣東國暉律師事務所), the PRC legal advisors to the Company
“Previous Land and Development Agreement”	collectively, the Parcel-1 Land Use Rights Grant Contract, the Parcel-2 Land Use Rights Grant Contract, and the Parcel-3 Land Use Rights Grant Contract
“Project Land”	a piece of land consisting of Parcel-2 and Parcel-3, located at No. 2 Flat Gaoxin North 1st Road, Northern Part of Science & Technology Park, Shenzhen City, Guangdong Province, the PRC
“Research Buildings”	buildings the purpose of which is to support the research and development works undertaken by universities, research institutes, enterprises and social organizations
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Small Businesses”	small-scale commercial areas situated at the bottom of buildings which are designated for operating small convenience stores and coffee shops
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Cooperation Agreement
“Xinghuaan”	Shenzhen Xinghuaan Real Estate Development Co., Ltd.* (深圳市星華安房地產開發有限公司), a limited liability company established in the PRC
“Yulong”	Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (宇龍計算機通信科技(深圳)有限公司), an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

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

LETTER FROM THE BOARD

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COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

Executive Directors:

Mr. Chen Jiajun
Mr. Ma Fei
Mr. Xu Yibo
Mr. Lam Ting Fung Freeman

Non-executive Directors:

Mr. Liang Rui
Mr. Ng Wai Hung

Independent non-executive Directors:

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

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 268
1 Grand Cayman, KY1-1111
Cayman Islands

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

Coolpad Information Harbor
No. 8 of Gaoxin North 1st Road
Hi-Tech Industry Park (Northern)
Nanshan District
Shenzhen

*Principal place of business
in Hong Kong:*

44/F, Office Tower
Convention Plaza
1 Harbour Road
Wan Chai
Hong Kong

27 April 2021

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO
COOPERATIVE DEVELOPMENT OF THE SECOND AND THIRD PHASES OF
URBAN RENOVATION PROJECT OF COOLPAD INFORMATION HARBOR
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 17 October 2017, 11 June 2020, and the Announcement in relation to, among others, the Cooperation Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Cooperation Agreement; (ii) the property valuation report of Parcel-2 and Parcel-3; and (iii) other information as required under the Listing Rules.

COOPERATION AGREEMENT

The Original Cooperation Agreement

Prior to the entering into of the Cooperation Agreement, as disclosed in the announcements of the Company dated 17 October 2017 and 11 June 2020 respectively, Yulong, an indirect wholly-owned subsidiary of the Company, had previously entered into the Original Cooperation Agreement with Xinghuan pursuant to which the parties agreed to jointly develop the Development Project.

While Phase One of the Development Project was completed by third quarter of 2020, construction works in respect of Phase Two had not yet commenced whereas construction works in respect of Phase Three had remained suspended. In light of the change in circumstances primarily attributed to the promulgation of a series of updated local policies and regulations on urban renewal and land development by the regulatory authorities in Nanshan, Shenzhen, Yulong agreed to terminate the Original Cooperation Agreement and the transactions contemplated thereunder, while at the same time continued to consider and explore other possible avenues in developing Phase Two and Phase Three of the Development Project. Due to the relatively large capital investment required for the Development Project, the Directors considered that other possible avenues, such as obtaining bank loans and fund raising, were not the most optimal means of financing for the Group as a whole.

Key Local Policies and Regulations

Pursuant to the “*Interim Measures for Urban Renewal in Nanshan District, Shenzhen*” 《深圳市南山區城市更新暫行辦法》 promulgated by the Urban Renewal and Land Development Bureau of Nanshan District, Shenzhen (深圳市南山區城市更新和土地整備局) (“**Interim Measures**”) on 24 September 2019, prior to entering into the Parcel-2 Land Use Rights Grant Contract, Yulong shall enter into a separate supervision agreement with the relevant industrial supervisory department of the Nanshan District to agree on, among others things, (i) the transfer of certain Phase Two buildings to the relevant government authority for public use upon completion of constructions; (ii) public leasing of Phase Two to qualified lessees provided that (x) no sub-leasing by such lessees is allowed; (y) the public leasing ratio shall not exceed 50% of the office space of Phase Two; and (z) the rental shall not exceed the rental of other government-owned innovative industrial space; and (iii) transfer restriction on the State-owned Land Use Right over the buildings, structures and ancillary facilities attached to Parcel-2. Given that the GFA available for the Entrustment Arrangement between Yulong and Xinghuan has decreased as a result of the implementation of the aforesaid Interim Measures and additional restrictions, Yulong and Xinghuan re-negotiated and agreed to terminate the Original Cooperation Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Cooperation Agreement

As disclosed in the Announcement, on 12 January 2021, Yulong and Xinghuaan have entered into the Cooperation Agreement, pursuant to which, Yulong and Xinghuaan have conditionally agreed to jointly cooperate and develop Phase Two and Phase Three of the Development Project in accordance with the terms thereof.

When exploring other possible avenues in developing Phase Two and Phase Three of the Development Project, the Group has conducted public tender in selecting the most suitable property developer and the mode of cooperation. Xinghuaan, after being evaluated by Yulong with reference to the terms offered, was chosen as the designated developer to carry out the cooperation under the Cooperation Agreement amongst the shortlisted candidates.

The principal terms of the Cooperation Agreement are summarized as follows:

Date

12 January 2021

Parties

(a) Yulong; and (b) Xinghuaan

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

The Development Project

Phase One

Parcel-1, which has been developed into Phase One of the Development Project, has a total site area of approximately 12,554.29 sq.m. of land which is designated for industrial use ("**Phase One**"). The land use period for Parcel-1 is 50 years commencing from 31 December 2014 to 30 December 2064.

Phase One has a planned total GFA of approximately 120,819.75 sq.m., of which 83,508.34 sq.m. shall be applied for office and innovation use; 8,566.36 sq.m. shall be applied for retail use; 22,988.21 sq.m. shall be applied as basement (inclusive of car parking spaces); and the remaining 5,756.84 sq.m. shall be applied for ancillary purposes.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the construction work in respect of the Phase One of the Development Project has been completed. Phase One was fully developed by the Company without any cooperation with Xinghuaan under the Original Cooperation Agreement. Although the Original Cooperation Agreement referred to the arrangement between Yulong and Xinghuaan on the development of Phase One, such cooperation did not materialize.

Phase Two

Parcel-2, which will be developed into Phase Two of the Development Project, has a total site area of approximately 15,313.55 sq.m. of land which shall be designated for innovation industrial and non-commercial use (“**Phase Two**”). It is currently anticipated that Phase Two shall have a planned total GFA of approximately 144,918.20 sq.m., of which 81,022 sq.m. shall be applied for office use; 11,137 sq.m. shall be applied for retail use; 8,750 sq.m. shall be applied for innovation use; 39,598 sq.m. shall be applied as basement (inclusive of car parking spaces); and the remaining 4,411 sq.m. shall be applied for ancillary purposes.

The land use period for Parcel-2 is 50 years commencing from 13 April 2020 to 12 April 2070. Yulong has obtained the necessary certificates and permits required for construction works in respect of the development of Phase Two of the Development Project in April 2021.

As at the Latest Practicable Date, the construction work in respect of Phase Two of the Development Project has not yet commenced.

Phase Three

Parcel-3, which will be developed into the third phase of the Development Project, has a total site area of approximately 4,333.02 sq.m. of land which shall be designated for innovative industrial use (“**Phase Three**”). It is currently anticipated that Phase Three shall have a planned total GFA of approximately 42,126.54 sq.m., of which 32,390 sq.m. shall be applied for office use; 9,636.54 sq.m. shall be applied as basement (inclusive of car parking spaces); and the remaining 100 sq.m. shall be applied for ancillary purposes.

The land use period for Parcel-3 is 30 years commencing from 27 May 2015 to 26 May 2045. Yulong has obtained the necessary certificates and permits required for construction works in respect of the development of Phase Three of the Development Project in March 2018 and December 2018.

As at the Latest Practicable Date, the construction works in respect of Phase Three of the Development Project had been suspended.

LETTER FROM THE BOARD

Contributions by Yulong and Xinghuaan

Pursuant to the Cooperation Agreement, the total contribution by Yulong in the Development Project is estimated to be an aggregate amount of RMB51.0 million (equivalent to approximately HK\$61.2 million) (“**Yulong Aggregate Contribution**”).

The Yulong Aggregate Contribution comprises, as at the Latest Practicable Date:

- (a) the Initial Land Investment, being an amount of RMB40.0 million (equivalent to approximately HK\$48.0 million), which had been paid by Yulong; and
- (b) an amount of RMB11.0 million (equivalent to approximately HK\$13.2 million) which is expected to be paid by Yulong in respect of other related fees including land leveling fees and applicable taxes.

As the construction works for Phase Two and Phase Three of the Development Project remain suspended as at the Latest Practicable Date, they have yet to generate any income or revenue to the Group.

As illustrated in Appendix II of this circular, based on the property valuation conducted by the Independent Property Valuer, the appraised value of the Project Land was RMB344.1 million (equivalent to approximately HK\$412.9 million) as at 31 January 2021, whereas the net book value of the Project Land as at 31 January 2021 amounted to RMB51.0 million (equivalent to approximately HK\$61.2 million).

The appraised value of the Project Land is determined on a market value basis. The market value of the Project Land (which is to be developed to Phase Two and Phase Three of the Development Project) is arrived by adopting a direct comparison methodology with reference to comparable sales transactions. For further details, please refer to the property valuation report set out in Appendix II of this circular.

The marked difference between the appraised value and the net book value of the Project Land is due to the fact that the net book value of the Project Land was measured by historical cost method in the financial statements of the Company in accordance with the Hong Kong Financial Reporting Standard 16 Leases, and no re-valuation was carried out given that the Project Land has yet to generate any income or revenue to the Group.

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

LETTER FROM THE BOARD

The terms of the Cooperation Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Cooperation Agreement and the transactions contemplated thereunder on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

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

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

After the completion of the Development Project, Yulong shall be entitled to approximately 20% Distributable Interest in the Development Project, while Xinghuaan shall be entitled to the remaining 80% Distributable Interest. For further details regarding the Distributable Interest, please refer to the section headed "*Information on Phase One, the Development Project and the Project Land – the Development Project*" of this circular.

Subject to the Shareholders passing resolution(s) to approve the Cooperation Agreement and the transactions contemplated thereunder, Yulong shall entrust Xinghuaan the operation and/or sales (as applicable) of the Entrusted Properties. For further details regarding the Entrusted Properties, please refer to the section headed "*Information on Phase One, the Development Project and the Project Land – the Entrusted Properties*" of this circular.

Termination

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

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

Each of Yulong or Xinghuaan is entitled to unilaterally terminate the Cooperation Agreement in the event that the other party does not perform its obligations or does not comply with the requirements under the Cooperation Agreement causing the purpose of the Cooperation Agreement to fail.

LETTER FROM THE BOARD

Further Details regarding the Original Cooperation Agreement

The key differences between the terms and conditions under the Original Cooperation Agreement and the Cooperation Agreement are set forth below.

Original Cooperation Agreement

Xinghuaan shall provide all funds, taxes and fees originated from (i) the construction and operation (or entrustment to operate) of Phase One and Phase Two of the Development Project; and (ii) the construction, operation and sales of Phase Three of the Development Project.

After the completion of the construction works, Yulong shall be entitled to approximately 40% of the distributable interest in the Development Project, while Xinghuaan shall be entitled to the remaining 60% distributable interest.

Cooperation Agreement

Xinghuaan shall provide all funds, taxes and fees originated from (i) the construction and operation (or entrustment to operate) of Phase Two of the Development Project; and (ii) the construction, operation and sales of Phase Three of the Development Project.

As disclosed in the section headed “*The Development Project – Phase One*” in this circular, Phase One has been developed by the Group at its own costs.

After the completion of the construction works, Yulong shall be entitled to approximately 20% of the Distributable Interest in the Development Project, while Xinghuaan shall be entitled to the remaining 80% Distributable Interest.

For further details regarding the Distributable Interest, please refer to the section headed “*Further Details on the Development Project*” of this circular

Given the changes in the circumstances as mentioned above and on the following basis, the Company considers that the key difference between the terms and conditions under the Original Cooperation Agreement and the Cooperation Agreement, and the terms and conditions under the Cooperation Agreement are fair and reasonable and in the best interests of the Company and its shareholders as a whole:

- (a) As a leading enterprise in the telecommunication industry, Yulong has successfully obtained the State-owned Land Use Rights from government authorities. While the Group had successfully developed Phase One itself, due to its lack of real estate development experience in order to diversify the risks that it may encounter in developing properties, the Company considers that it is in the best interests of the Group to introduce a real estate developer for the development and construction of the Development Project. As disclosed in the section headed “*The Cooperation*

LETTER FROM THE BOARD

Agreement” in this circular, Xinghuaan, after being evaluated by Yulong with reference to the terms offered, was chosen as the designated developer to carry out the cooperation under the Cooperation Agreement amongst the shortlisted candidates;

- (b) as stated in the section headed “*Reasons for and Benefits of Entering into the Cooperation Agreement and the Entrustment Arrangement contemplated thereunder*”, with only Phase One completed, the only way for the Group to realize any value or income out of Parcel-2 and Parcel-3 is to continue the development of each of Parcel-2 and Parcel-3 into Phase Two and Phase Three of the Development Project. The Group considers it would be in the best interest of the Company and its shareholders to re-ignite the development of the Development Project through its proposed cooperation with Xinghuaan in light of the substantial capital requirement; and
- (c) the Distributable Interest ratio under the Cooperation Agreement of 20:80 is the best offer among the shortlisted candidates under the Group’s public tender which is proportionate to the appraised value of the Project Land and Xinghuaan’s contribution.

INFORMATION ON PHASE ONE, THE DEVELOPMENT PROJECT AND THE PROJECT LAND

History Surrounding the Development Project and the Project Land

Notwithstanding that the Group is principally engaged in the wireless telecommunications development related business, for the reasons set forth below, the Company initiated the Parcel Acquisitions with an aim to construct a technology park which can serve multiple purposes:

- (a) The Development Project is located in the High-technology Park of Nanshan District in Shenzhen, which is one of the earliest technology parks in Mainland China. A number of well-known information technology companies operate offices within the park. The High-technology Park sought to bring together different enterprises, talents and related technologies which form part of a full ecological chain to the Greater Bay Area. Upon completion of the development and construction, Yulong believes it will have the opportunity to introduce a large number of tenants which are primarily focused at developing smart terminals, telecommunication technologies and other mobile internet-related technologies. With close proximity to other industry players, the Group anticipates to be able to obtain and share resources and seek synergies in a more efficient manner, lower costs on business travelling and communications, and continue to expand brand influence among enterprises within the same upstream and downstream industrial chain.

LETTER FROM THE BOARD

- (b) The Shenzhen Municipal Government encourages enterprises, universities and scientific research institutions to establish technological innovation enterprises and institutions in the high-technology zone. It also provides financial support for technological innovation activities. In addition, the high-technology zone also enjoys various preferential policies promulgated by government authorities in the Guangdong Province and Shenzhen in support of the development of technology industries. On the above basis, the Company considers that the Group is well-placed to take full advantage of the current government policies catered for technology enterprises in Mainland China. Therefore, the Board considers that the Development Project, upon completion, can positively contribute to the development of the principal businesses of the Group in the future.

Against the above backdrop, on 30 December 2014, Yulong entered into the Parcel-1 Land Use Rights Grant Contract pursuant to which Yulong agreed to acquire the land use rights of Parcel-1 for the development of Phase One of the Development Project for an aggregate consideration of approximately RMB97.12 million (equivalent to approximately HK\$116.54 million). As at the Latest Practicable Date, Yulong has obtained the State-owned Land Use Rights Certificate in respect of Parcel-1 and the State-owned Land Use Rights to Parcel-1 has been vested in Yulong.

On 27 May 2015, Yulong entered into the Parcel-3 Land Use Rights Grant Contract pursuant to which Yulong agreed to acquire the land use rights of Parcel-3 for the development of Phase Three of the Development Project for an aggregate consideration of approximately RMB18.80 million (equivalent to approximately HK\$22.56 million). As at the Latest Practicable Date, Yulong has obtained the State-owned Land Use Rights Certificate in respect of Parcel-3 and the State-owned Land Use Rights to Parcel-3 has been vested in Yulong.

On 2 July 2020, Yulong entered into the Parcel-2 Land Use Rights Grant Contract pursuant to which Yulong agreed to acquire the land use rights of Parcel-2 for the development of Phase Two of the Development Project for an aggregate consideration of approximately RMB21.10 million (equivalent to approximately HK\$25.32 million). As at the Latest Practicable Date, Yulong has obtained the State-owned Land Use Rights Certificate in respect of Parcel-2 and the State-owned Land Use Rights to Parcel-2 has been vested in Yulong.

As at the Latest Practicable Date, Yulong has paid the aggregate consideration of approximately RMB40.00 million (equivalent to approximately HK\$48.00 million) in accordance with the Parcel-2 Land Use Rights Grant Contract and the Parcel-3 Land Use Rights Grant Contract. The aforesaid amount, being the Initial Land Investment contributed by Yulong, had been utilized on payments for land use rights transfer fees, land development fees and municipal supporting facilities fees in connection with the Parcel-2 Acquisition and the Parcel-3 Acquisition.

As advised by the PRC legal advisors of the Company, the provision of the Parcel-1 and the Project Land by Yulong for development under the Cooperation Agreement will not result in a disposal of assets of the Company, and the entitlement of Yulong of the State-owned Land Use Rights of the Parcel-1 and the Project Land will not change before or following completion of Phase One, Phase Two and Phase Three of the Development Project.

LETTER FROM THE BOARD

As the highest applicable percentage ratio in respect of each of the Parcel Acquisitions did not exceed 5%, the entering into of the Previous Land and Development Agreements and the transactions contemplated thereunder did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Reconciliation statement of the Project Land

The following table presents the reconciliation of the net book value of the Project Land as at 31 December 2020 to their market value as at 31 January 2021 attributed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as stated in the property valuation report as set forth in Appendix II to this circular:

	<i>RMB' million</i>
Construction in process included in property, plant and equipment as at 31 December 2020	10.5
Right-of-use assets as at 31 December 2020	40.8
Add: Cost adjustment for valuation	8.0
Less: Amortization for the one month ended 31 January 2021	0.1
Valuation surplus	284.9
Valuation as at 31 January 2021	344.1

Further Details on the Development Project

Further details of the Development Project are set forth as follows:

	Phase One/Parcel-1	Phase Two/Parcel-2	Phase Three/Parcel-3
<i>Purpose of the State-owned Land</i>	Industrial use	Innovative industrial use. The land designated for “innovative industrial use” shall be applied for buildings catered for innovative research; whereas such requirement does not apply to land designated for mere “industrial use” and such lands are commonly catered for manufacturing and general industrial use.	Industrial use (Innovative industrial use)
<i>Function</i>	The buildings erected (or to be erected) on the three parcels are mainly catered for Research Buildings. A limited area in Phase One and Phase Two have been designated for Small Businesses and public use.		
<i>Relationship Amongst Phase One, Phase Two and Phase Three</i>	Phase One, Phase Two and Phase Three are adjacent to each other; together they form the Coolpad Information Harbor.		
<i>Current owner</i>	All land in the PRC is state-owned and no individual land ownership right exists. Yulong acquired the rights to use Parcel-1, Parcel-2 and Parcel-3, and the premiums paid for such rights are recorded as State-owned Land Use Rights.		

LETTER FROM THE BOARD

	Phase One/Parcel-1	Phase Two/Parcel-2	Phase Three/Parcel-3
<i>Title or ownership of the State-owned Land Use Rights</i>	<p>As advised by the PRC legal advisors of the Company, the State-owned Land Use Rights in respect of Parcel-1 are owned by Yulong before completion of construction works of Phase One.</p> <p>Following completion of construction works of Phase One, the State-owned Land Use Rights in respect of Phase One are owned by Yulong as well.</p>	<p>As advised by the PRC legal advisors of the Company, the State-owned Land Use Rights in respect of Parcel-2 are owned by Yulong before completion of construction works of Phase Two.</p> <p>Following completion of construction works of Phase Two, the State-owned Land Use Rights in respect of Phase Two are owned by Yulong as well.</p>	<p>As advised by the PRC legal advisors of the Company, the State-owned Land Use Rights in respect of Parcel-3 are owned by Yulong before completion of the construction works of Phase Three.</p> <p>Upon completion of the registration of the transfer of the State-owned Land Use Rights in respect of Phase Three (the “Possible Transfer”), Yulong shall no longer be entitled to any State-owned Land Use Rights over Phase Three.</p>
<i>Possible Transfer</i>	Nil	Nil	<p>After completion of the construction works for Phase Three, as part of the Entrustment Arrangement, Xinghuan shall identify a qualified transferee who satisfies all relevant pre-requisites, including that the transferee shall be:</p> <ul style="list-style-type: none"> • principally engaged in telecommunication equipment manufacturing for not less than 10 years; • a legal entity registered in Shenzhen, PRC; and • either a PRC national or an enterprise recognized by the municipal of Nanshan, Shenzhen. <p>A Possible Transfer (which does not form part of the transactions contemplated under the Cooperation Agreement) to the selected qualified transferee shall take place in accordance with a separate agreement at a consideration to be agreed between Xinghuan and the qualified transferee, and upon completion of the registration of the Possible Transfer of the State-owned Land Use Rights in respect of Phase Three. Xinghuan shall bear all the applicable taxes in relation to the aforesaid Possible Transfer.</p>

LETTER FROM THE BOARD

	Phase One/Parcel-1	Phase Two/Parcel-2	Phase Three/Parcel-3
			The Phase Three Entrusted Properties had already been de-recognized from the accounts of the financial statements of the Group since the delivery of the Entrusted Properties under the Entrustment Arrangement. In addition, the terms in relation to the Possible Transfer shall have been agreed between Xinghuaan and the qualified transferee separately, therefore, the Possible Transfer is not expected to constitute a disposal of assets of the Company. The Company anticipates that the occurrence of the Possible Transfer is of lower probability given the stringent transfer restrictions.
<i>Obligations of Yulong to develop Parcel-1, Parcel-2 and Parcel-3 in accordance with the Previous Land and Development Agreements</i>	In accordance with the Parcel-1 Land Use Rights Grant Contract and the Parcel-2 Land Use Rights Grant Contract, Yulong is entitled to lease, mortgage the State-owned Land Use Rights over Parcel-1 and Parcel 2, or engage in other economic activities with the State-owned Land Use Rights over Parcel-1 and Parcel 2 in accordance with the applicable laws and regulations.		In accordance with the Parcel-3 Land Use Rights Grant Contract, Yulong is entitled to transfer, lease, mortgage the State-owned Land Use Rights over Parcel-3, or engage in other economic activities with the State-owned Land Use Rights over Parcel-3 in accordance with the applicable laws and regulations.
		<p>In addition, the Company shall develop Parcel-2 and Parcel-3 in accordance with the Previous Land and Development Agreements and adhere to the respective construction schedules and commencement dates as follows:</p> <ul style="list-style-type: none"> • <i>Parcel-2</i>: Construction works to commence on or before 12 October 2021, and to complete prior to 12 April 2024; and • <i>Parcel-3</i>: Construction works to commence on or before 27 May 2016, and to complete prior to 24 December 2023. <p>In the event that the Company fails to commence construction works prior to the respective commencement date(s), the Company can be subject to administrative penalty including withdrawal of the land by the relevant government authority or a government fine for reason of land idle in accordance with the applicable laws and regulations.</p> <p>In addition, as at the Latest Practicable Date, Yulong has paid one-off land idle fees in the amount of RMB3.76 million in respect of the delay in commencement of construction works for Parcel-3. The Company does not consider the aforesaid one-off land idle fees paid by Yulong as material or have resulted in any material adverse change in the business and operations of the Group.</p> <p>In addition, given that Yulong wishes to resume or commence the construction works in respect of Parcel-2 and Parcel-3 by way of the Cooperation Agreement as soon as practicable, the Company does not anticipate to incur any further land idle fee in the future in respect of the Development Project, and endeavours to adhere to the respective construction schedules and commencement dates in respect of Parcel-2 and Parcel-3 as set out in this circular.</p>	

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	Phase One/Parcel-1		Phase Two/Parcel-2		Phase Three/Parcel-3	
<i>Current Use</i>	Serving as the headquarter of Yulong; and for leasing to other high-technology enterprises		Remain to be constructed		Remain to be constructed	
<i>Intended Use</i>	Serving as the headquarter of Yulong or leasing to any other member(s) of the Group; and for leasing to other high-technology enterprises				For Possible Transfer, details of which are set out in the section headed “Further Details on the Development Project – Possible Transfer” in this circular; or otherwise, serving as the headquarter of Yulong or leasing to any other member(s) of the Group; and for leasing to other high-technology enterprises.	
<i>Targeted Users</i>	Yulong and any other member(s) of the Group; and other high-technology enterprises				For qualified transferee of the Possible Transfer, details of which are set out in the section headed “Further Details on the Development Project – Possible Transfer” in this circular; or otherwise, Yulong and any other member(s) of the Group; and other high-technology enterprises.	
<i>Property management area and the public area</i>	<i>Property management area</i>	<i>Public area</i>	<i>Property management area</i>	<i>Public area</i>	<i>Property management area</i>	<i>Public area</i>
	Approximately 121 sq.m. of the planned total GFA of Phase One shall be designated as the public area at which facilities for governmental and property management use shall be erected thereon. Approximately 156 sq.m. of the planned total GFA of Phase One shall be designated as the public area at which post office shall be erected thereon. Approximately 52 sq.m. of the planned total GFA of Phase One shall be designated as the public area at which community police office shall be erected thereon. The title to the State-owned Land Use Rights over Parcel-1 and Phase One (save for the GFA designated for governmental property management use and public use) are vested in Yulong.	Approximately 8,961 sq.m. (representing approximately 6.2% of the planned total GFA of Phase Two) shall be designated for governmental property management use, at which facilities for governmental use shall be erected thereon for the benefit of the relevant government authorities.	Approximately 4,200 sq.m. (representing approximately 2.9 % of the planned total GFA of Phase Two) shall be designated as the public area at which local health service center, public toilets, bus depots, and electric vehicle charging stations shall be erected thereon.	Approximately 4,200 sq.m. (representing approximately 2.9 % of the planned total GFA of Phase Two) shall be designated as the public area at which local health service center, public toilets, bus depots, and electric vehicle charging stations shall be erected thereon.	100 sq.m of the planned total GFA of Phase Three shall be designated as the public area at which facilities for governmental and property management use shall be erected thereon. The title to the State-owned Land Use Rights over Parcel-3 and Phase Three (save for the GFA designated for governmental property management use and public use) remains vested in Yulong prior to the Possible Transfer.	

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	Phase One/Parcel-1	Phase Two/Parcel-2	Phase Three/Parcel-3
<i>Percentage Size of Public Area and/or Property Management Area in proportion to the Total GFA</i>	The aforesaid area designated for public use and property management use take up approximately 0.27% of the planned total GFA of Phase One.	The aforesaid area designated for public use and property management use take up approximately 9.08% of the planned total GFA of Phase Two.	The aforesaid area designated for public use and property management use take up approximately 0.24% of the planned total GFA of Phase Three.
<i>Distributable Interest and the benefit expected to accrue therefrom</i>	N/A	Xinghuaan shall be entitled to the remaining distributable interest, i.e. 80% of the Distributable Interest in the Development Project (which represents the planned total GFA of the Entrusted Properties in proportion to the planned total GFA of 124,549 sq.m. for Phase Two and Phase Three (after deducting the planned total GFA designated for public and government use, and basement (inclusive of car parking spaces))), whereas Yulong shall be entitled to approximately 20% of the Distributable Interest in the Development Project (which represents the remaining portion of the planned total GFA of Phase Two and Phase Three (which do not form part of the Entrusted Properties) in proportion to the planned total GFA of 124,549 sq.m. for Phase Two and Phase Three (after deducting the planned total GFA designated for public and government use, and basement (inclusive of car parking spaces))).	
<i>Entrusted Properties</i>	N/A	<p>Research Buildings (which account for 56,070 sq.m. of the total area of Phase Two, representing approximately 38.70% of the planned total GFA of Phase Two) and Small Businesses (which account for 11,137 sq.m. of Phase Two representing approximately 7.69% of the planned total GFA of Phase Two) (“Phase Two Entrusted Properties”).</p> <p>The properties other than the Entrusted Properties, the property management and public area and the basement area (inclusive of car parking spaces), i.e. approximately 17.22% of the total GFA of Phase Two, are designated for innovative industrial use by the Group (currently contemplated to cover areas of research and development for its principal businesses or to be leased out by the Group to other high-technology enterprises)</p>	<p>Research Buildings (which account for 32,390 sq.m. of the total area of Phase Three, representing approximately 100% of the planned total GFA of Phase Three (after deducting the planned total gross floor area designated for public and government use, and the basement area (inclusive of car parking spaces))) (“Phase Three Entrusted Properties”).</p> <p>Upon completion of the construction works, the State-owned Land Use Rights in respect of the Phase Three Entrusted Properties shall be owned by Yulong; and such land use rights over Phase Three Entrusted Properties shall only be transferred to the designated qualified transferee after Xinghuaan has successfully identified the qualified transferee(s).</p>
<i>Basis of determination of the Distributable Interest</i>	<p>The 80% Distributable Interest to which Xinghuaan is entitled to is determined by reference to Xinghuaan’s contribution of not less than RMB1,371,800,000 (equivalent to approximately HK\$1,646,160,000) in proportion to the overall aggregate contribution of Yulong and Xinghuaan in respect of the construction and development of Phase Two and Phase Three.</p> <p>Such amount of contribution by Xinghuaan under the Cooperation Agreement is determined with reference to the projected costs and expenses, being RMB1,371,800,000 (equivalent to approximately HK\$1,646,160,000), required for the construction and development works to be carried out in relation to Parcel-2 and Parcel-3 assessed by an independent construction consultant in the PRC who was engaged by Yulong.</p>		

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	Phase One/Parcel-1	Phase Two/Parcel-2	Phase Three/Parcel-3
<i>Arrangement in relation to the Entrusted Properties</i>		<p>Pursuant to the Cooperation Agreement, subject to the Shareholders passing resolution(s) to approve the Cooperation Agreement and the transactions contemplated thereunder, Yulong shall entrust Xinghuan the operation of the aforesaid Phase Two Entrusted Properties.</p> <p>Upon the Cooperation Agreement becoming effective, Xinghuan shall bear all taxes, fees and risks arising from all operations of the Phase Two Entrusted Properties, and shall be entitled to all income generated from the operations (including, inter alia, rental income from leasing of properties) of the Phase Two Entrusted Properties (which corresponds to the 80% of the Distributable Interest in the Development Project).</p> <p>Delivery to Xinghuan shall occur within 7 days upon the completion of construction and acceptance of the Phase Two Entrusted Properties.</p> <p>Upon delivery, the entrustment period commences and ends on 12 April 2070 in respect of the Phase Two Entrusted Properties.</p>	<p>Pursuant to the Cooperation Agreement, subject to the Shareholders passing resolution(s) to approve the Cooperation Agreement and the transactions contemplated thereunder, Yulong shall entrust Xinghuan the operation and sales of the aforesaid Phase Three Entrusted Properties.</p> <p>Upon the Cooperation Agreement becoming effective, Xinghuan shall bear all taxes, fees and risks arising from all operations and sales of the Phase Three Entrusted Properties, and shall be entitled to all income generated from the operations (including, inter alia, rental income from leasing of properties) and sales (including sale proceeds) of the Phase Three Entrusted Properties (which corresponds to the 80% of the Distributable Interest in the Development Project).</p> <p>Delivery to Xinghuan shall occur within 7 days upon the completion of construction and acceptance of the Phase Three Entrusted Properties.</p> <p>Upon delivery, the entrustment period commences and ends on 26 May 2045 in respect of the Phase Three Entrusted Properties.</p>

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	Phase One/Parcel-1	Phase Two/Parcel-2	Phase Three/Parcel-3
		<p>In the event that the aforesaid arrangement does not materialize as a result of the applicable laws, regulations and the terms and conditions to the Previous Land and Development Agreements, Yulong agreed to, at the discretion of Xinghuan, substitute the Phase Two Entrusted Properties with other properties (or rights and interests) owned by it of equivalent fair value (with the fair value of the relevant property(ies) to be evaluated by the Group after taking into account independent valuations) for the benefit of Xinghuan. In such cases, the Phase Two Entrusted Properties will be reserved for the Group's own use (the "Provision").</p> <p>Given that the leasing restrictions as set out in sub-paragraph (ii) under the section headed "<i>Key Local Policies and Regulations</i>" in this circular are only applicable to Phase Two; and the Phase Three Entrusted Properties account for approximately 100% of the planned total gross floor area of Phase Three, Yulong and Xinghuan have agreed that the Provision stipulated in the Cooperation Agreement shall only apply to the Phase Two Entrusted Properties (and not to the Phase Three Entrusted Properties).</p> <p>Xinghuan agreed that the substitution of the other properties under the Provision, which will result in the disposal of the asset(s) of the Company, shall be conditional upon the full compliance of the Listing Rules by the Company (including shareholders' approval, if applicable)</p>	

LETTER FROM THE BOARD

	Phase One/Parcel-1	Phase Two/Parcel-2	Phase Three/Parcel-3
<i>Accounting Treatment</i>	Given that Phase One had been developed by the Group itself, Phase One was accounted for as assets of the Group.	<p>Phase Two under development would be accounted for as construction-in-progress at the stage of construction and converted to the Group's fixed assets upon the completion and at the ready-for-use stage.</p> <p>In the view of the Directors and as communicated with the auditors of the Company, subject to the detailed arrangements to be formulated with Xinghuaan and on the basis that substantially all the risks and rewards incidental to ownership of the Phase Two Entrusted Properties will be transferred to Xinghuaan, it is expected that the entrustment of the operation of Phase Two to Xinghuaan would be regarded as a finance lease arrangement. As such, the Group would expect to derecognize the respective portion of the Phase Two Entrusted Properties then to be reported as the fixed assets of Phase Two of the Development Project, and the associated right-of-use asset representing the Parcel-2 land that corresponds to the 80% of the Distributable Interest in the Development Project entitled by Xinghuaan upon delivery of Phase Two for the Entrustment Arrangement.</p>	<p>Phase Three under development would be accounted for as construction-in-progress at the stage of construction and converted to the Group's fixed assets upon the completion and at the ready-for-use stage.</p> <p>In the view of the Directors and as communicated with the auditors of the Company, subject to the detailed arrangements to be formulated with Xinghuaan and on the basis that substantially all the risks and rewards incidental to ownership of the Phase Three Entrusted Properties will be transferred to Xinghuaan, it is expected that the entrustment of the operation of Phase Three to Xinghuaan would be regarded as a finance lease arrangement. As such, the Group would expect to derecognize the respective portion of the Phase Three Entrusted Properties then to be reported as the fixed assets of Phase Three of the Development Project, and the associated right-of-use asset representing the Parcel-3 land upon delivery of Phase Three for the Entrustment Arrangement.</p>

THE ENTRUSTMENT ARRANGEMENT

As a non-real estate development enterprise, the Group does not possess extended expertise in the area of real estate development, construction, operation and sales. In order to ensure that the development and construction of Parcel-2 and Parcel-3, as well as the operations and sales, as appropriate, of Phase Two and Phase Three comply with the applicable laws and regulations in the PRC and the terms and conditions to the Previous Land and Development Agreements, Yulong is required to entrust a qualified real estate developer to provide real estate related services in relation to the development and construction of Parcel-2 and Parcel-3, as well as the operations and sales, as appropriate, of Phase Two and Phase Three.

As advised by the PRC legal advisors of the Company, the Cooperation Agreement and the Entrustment Arrangement contemplated thereunder comply with all applicable laws, regulations, rules in the PRC and the terms and conditions of the Previous Land Development Agreements. As at the Latest Practicable Date, the Company did not anticipate or foresee any legal or regulatory impediment to the materialization of the Entrustment Arrangement.

LETTER FROM THE BOARD

INFORMATION ON YULONG AND THE GROUP

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

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

INFORMATION ON XINGHUAAN

Xinghuaan is a limited liability company established in the PRC and it is principally engaged in real estate development and operation in the PRC. It is wholly-owned by Shenzhen Galaxy Real Estate Development Co., Ltd.* (深圳市星河房地產開發有限公司) under Galaxy Holding Group* (星河控股集團).

Galaxy Holding Group has been awarded the “China 100 Real Estate Developers” by the China Real Estate Top 10 Research Team for nine consecutive years. Galaxy Holding Group, founded in 1988, is a large-scale comprehensive investment group engaging in various businesses including real estate development, urban renewal, hotel management, property services, finance and investment, and industrial operations. The ultimate beneficial owner of Xinghuaan and Galaxy Holding Group is Chulong Huang* (黃楚龍).

FINANCIAL EFFECT OF THE COOPERATION AGREEMENT

As the construction works for the Project Land are currently under suspension, the Project Land did not generate any income or revenue to the Group. The preliminary valuation of Phase Two and Phase Three amounted to RMB344.1 million (equivalent to approximately HK\$412.9 million), whereas the net book value of the Project Land as at 31 January 2021 amounted to RMB51.0 million (equivalent to approximately HK\$61.2 million).

Upon delivery of the Entrusted Properties to Xinghuaan, it is expected that the Group would record a gain ranging from approximately RMB300 million to RMB350 million from the transactions contemplated under the Cooperation Agreement. The aforesaid gain is estimated based on the contribution of Xinghuaan for the Development Project, which is currently estimated to be RMB1,371,800,000 (equivalent to approximately HK\$1,646,160,000), minus the expected cost associated with the Entrusted Properties, which is currently estimated to be RMB1,259,000,000 (equivalent to approximately HK\$1,510,800,000), including the respective portion of the Entrusted Properties then to be reported as the fixed assets of Phase Two and Three of the Development Project and the associating right-of-use asset representing the Parcel-2 and Parcel-3 land upon delivery, and related indirect taxes.

Upon delivery of the Entrusted Properties to Xinghuaan, the total assets of the Group are expected to increase by a range of approximately RMB289 million to RMB337 million, and the Group's total liabilities are expected to increase by a range of approximately RMB64 million to RMB74 million. The aforesaid increase in assets was estimated based on the contribution of Xinghuaan for the Development Project, which is currently estimated to be RMB1,371,800,000 (equivalent to approximately HK\$1,646,160,000) and the associated input value-added-tax, minus the expected cost associated with the Entrusted Properties, which is currently estimated to be RMB1,259,000,000 (equivalent to approximately HK\$1,510,800,000), including the respective portion of the Entrusted Properties then to be reported as the fixed assets of Phase Two and Three of the Development Project and the associating right-of-use asset representing the Parcel-2 and Parcel-3 land upon delivery. The aforesaid increased liabilities were the

LETTER FROM THE BOARD

estimated indirect tax payable and corporate income tax payable arising from the transaction. Due to the stringent regulatory requirements imposed on the qualified transferee for the Possible Transfer, the Company expects the occurrence of such Possible Transfer(s) to be unlikely. On this basis, the accounting treatment set forth in this section of the circular seeks to illustrate the impact of the Entrustment Arrangement only, assuming that no Possible Transfer will take place.

The above financial impact is shown for illustrative purposes only and Shareholders shall note that the actual gain or loss as a result of the Cooperation Agreement to be recognised in the consolidated financial statements of the Group is subject to review and audit by the auditors of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT AND THE ENTRUSTMENT ARRANGEMENT CONTEMPLATED THEREUNDER

As disclosed in the Company's announcement dated 11 June 2020, the Group decided to terminate the Original Cooperation Agreement in light of change in the circumstances and completion of Phase One of the Development Project by the Group. Since terminating the aforesaid Original Cooperation Agreement, the Group had been exploring other possible avenues in continuing to develop Phase Two and Phase Three of the Development Project.

As stated in the section headed "*The Cooperation Agreement*" of this circular, the appraised value of the Project Land represents a premium to the initial capital outlay contributed by the Group (being RMB40 million or the Initial Land Investment) when Yulong was granted the relevant State-owned Land Use Rights. With only Phase One of the Development Project completed, the Group is unable to realize any value or income out of Parcel-2 and Parcel-3 unless they are respectively developed into Phase Two and Phase Three of the Development Project. Given substantial capital requirement for the development of Phase Two and Phase Three of the Development Project, taking into account of the Group's financial position and various possible fund raising methods such as debt and equity financing, the Group considers it would be in the best interest of the Company and its shareholders to re-ignite the development of the Development Project through its proposed cooperation with Xinghuaan.

Amidst the current market conditions and other relevant factors, the Group believes that the Cooperation Agreement, the entrustment arrangement in respect of the Entrusted Properties and the transactions contemplated thereunder can serve to facilitate the construction works of the Development Project without exhausting the financial resources of the Group. Furthermore, upon completion of construction works, the Transactions are expected to bring in 20% Distributable Interest in the Development Project to the Group. On the other hand, the distribution interest to which Xinghuaan is entitled is determined by reference to its contribution of not less than RMB1,371,800,000 to the construction and development of Phase Two and Phase Three (which in turn is determined with reference to (i) the projected costs and expenses required for the construction and development works to be carried out in relation to Parcel-2 and Parcel-3 prepared by an independent construction consultant in the PRC and (ii) the appraised value of the Project Land (i.e. Parcel-2 and Parcel-3)). In addition, the Group is also of the view that the background, knowledge and experience of Xinghuaan will positively contribute to the successful development of the Development Project. It is also envisaged that the completion of the Development Project will contribute positively to the financial performance of the Group in the future.

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

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Cooperation Agreement exceeds 25% but is less than 100%, the Cooperation Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Cooperation Agreement and the transactions contemplated thereunder is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened and held by the Company for the Shareholders to consider and if thought fit, passing the ordinary resolution(s) to approve the Cooperation Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at 2nd Floor, Block A, Coolpad Building, No. 8 of Gaoxin North 1st Road, North of Hi-tech Park, Nanshan District, Shenzhen, PRC on Friday, 14 May 2021 at 3:00 p.m., is set out on pages EGM-1 to EGM-2 of this circular.

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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or any of its close associates has a material interest in the Cooperation Agreement and the transactions contemplated thereunder, therefore no Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

ACTIONS TO BE TAKEN

A form of proxy for use by the Shareholders at the EGM is enclosed in 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 and return it to the Company's branch share registrar and transfer office 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, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Such form of proxy for use at the EGM is also published on the website of the Stock Exchange at www.hkexnews.hk. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting should you so wish.

In the interest of all shareholders' health and safety and in order to prevent and control the spread of COVID-19 (the "**Epidemic**"), the Company reminds all shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution at the EGM instead of attending the EGM in person, by completing and returning the proxy form. If you have any questions about the resolution to be considered at the EGM, you may send them to the Company's investor relations email address, ir@yulong.com, and the Company will answer the questions on a timely basis.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Board considers that the Cooperation Agreement was entered into on normal commercial terms after arm's length negotiation and the terms of the Cooperation Agreement and the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favor of the proposed ordinary resolution to approve the Cooperation Agreement and the Transactions at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Coolpad Group Limited
Chen Jiajun
Executive Director
Chief Executive Officer
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended December 2018, December 2019 and December 2020 were disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (<http://www.coolpad.com.hk/gb/global/home.php>):

- Annual results of the Company for the period ended 31 December 2020 published on 28 March 2021 (pages 1 to 20) available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0328/2021032800145.pdf>;
- Annual report of the Company for the year ended December 2019 published on 24 April 2020 (pages 69 to 192) available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042400179.pdf>; and
- Annual report of the Company for the year ended December 2018 published on 17 April 2019 (pages 67 to 186) available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn20190417015.pdf>.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK\$794.69 million, comprising secured bank loan of approximately HK\$296.45 million, aggregate secured other borrowings of approximately HK\$245.58 million, unsecured other borrowings included in an amount due to a related party of approximately HK\$246.65, and aggregate lease liability of approximately HK\$6.01 million.

	<i>HK\$'000</i>
<i>Current</i>	
Bank loan – secured, guaranteed	296,446
Other borrowings – secured, unguaranteed	127,265
An amount due to a related party – unsecured, unguaranteed	246,646
Lease liability	2,971
<i>Non-current</i>	
Other borrowings – secured, unguaranteed	118,318
Lease liability	3,040
	<hr/>
Total	<u>794,686</u>

As at 31 March 2021, bank loan of HK\$296.45 million was guaranteed by Chairman of the Group and other borrowings of HK\$245.58 million was pledged by several properties and right-of-use assets located in Dongguan, the PRC.

As at 31 March 2021, the Group's time deposits of approximately (i) HK\$59.16 million were used as a pledge for issuance of letters of credit, and (ii) HK\$18.18 million were used as a security for the banks to provide performance guarantees.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 March 2021, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 March 2021.

3. RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECT OF THE GROUP

Looking forward, the Group will continue with its existing principal business in telecommunications.

As disclosed in the annual results announcement of the Company for the financial year ended 31 December 2020 published on 28 March 2021, in the future, the Group will adhere to the long-term strategy of developing business simultaneously in China and overseas markets. In the overseas market, the Group endeavours to actively consolidate and maintain the relationship with overseas customers, to improve the operating efficiency in the overseas market and to strictly control the operating expenses, so as to continuously reduce the operating costs. At the same time, the Group continues to develop emerging markets to achieve synergies with existing markets and expand our brand influence. In terms of products, the Group will focus more on the mobile phone market and concentrate its strengths to provide more competitive products. In the Chinese market, the Group continues to increase its research and development efforts in 5G, mobile operating systems and Internet operation services, and strives to develop popular products. Particularly in the Internet business, the Group strives to catch up with first-tier brands, comprehensively enrich the Internet content and mobile operating system ("OS") functions, build a complete ecological closed-loop between OS system and Internet services, realise rapid iteration of core applications, improve consumer experience, and attain the level of leading brands in the industry with overall efforts. In terms of channels, the Group will strengthen the construction and management of sales channels, steadily develop e-commerce online channels and traditional channels of operators, and at the same time focus on developing markets in lower-tier cities by offline channels. By relying on

the dividends of China's domestic economic development, the Group will vigorously advocate the "striver" culture and carry out brand upgrade, so that the Coolpad brand can mark its return to the Chinese market with a new image.

4. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's business prospects, internal resources, available credit facilities and the Completion, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2021 of Phases Two and Three of Coolpad Information Harbor held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

27 April 2021

The Board of Directors
Coolpad Group Limited
44/F, Office Tower
Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions of Coolpad Group Limited (the “**Company**”) to value Phases Two and Three of Coolpad Information Harbor held by the Company and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 January 2021 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have adopted the comparison approach in our valuation of the properties by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including Land Use Rights Grant Contracts of Shenzhen City, Construction Land Planning Permits, Construction Work Planning Permit, Construction Work Commencement Permit, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisors – Guangdong Sun Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Property inspection was carried out in January 2021 by Mr. Samuel Feng. Mr. Samuel Feng has more than 3 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of values as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of these properties under frequent review.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MRICS MHKIS RPS (GP)

Senior Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Properties held for future development by the Group in the PRC

No.	Property	Market value in existing state as at 31 January 2021 <i>RMB</i>
1	Phase Two of Coolpad Information Harbor No. 2 Flat Gaoxin North 1st Road Northern Part of Science & Technology Park Nanshan District Shenzhen City Guangdong Province The PRC (酷派信息港二期)	251,000,000
2	Phase Three of Coolpad Information Harbor No. 2 Flat Gaoxin North 1st Road Northern Part of Science & Technology Park Nanshan District Shenzhen City Guangdong Province The PRC (酷派信息港三期)	93,100,000
	Total:	<hr/> 344,100,000 <hr/>

VALUATION CERTIFICATE

Properties held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2021 RMB
1	Phase Two of Coolpad Information Harbor No. 2 Flat Gaoxin North 1st Road Northern Part of Science & Technology Park Nanshan District Shenzhen City Guangdong Province The PRC (酷派信息港二期)	<p>The property comprises a parcel of land with a site area of approximately 15,313.55 sq.m., which will be developed into part of a technology park (known as Phase Two of Coolpad Information Harbor).</p> <p>The property has a total planned gross floor area of approximately 144,918.20 sq.m. The details are set out as below:</p>	As at the valuation date, the property was bare land.	251,000,000
		Planned Gross Floor Area (sq.m.)		
		Usage		
		Office	81,022.00	
		Retail	11,137.00	
		Innovation	8,750.00	
		Industry Office		
		Basement (inclusive of 632 car parking spaces)	39,598.20	
		Ancillary	4,411.00	
		Total:	<u>144,918.20</u>	
		<p>The land use rights of the property have been granted for a term of 50 years expiring on 12 April 2070 for innovation industrial use.</p> <p>As advised by the Group, approximately RMB6,500,000 of the construction cost of the property had been incurred up to the valuation date.</p>		

Notes:

1. According to the Notice in relation to Approval of Renewal Unit Planning of Coolpad Information Harbor in Xili Sub-district, Nanshan District (關於批准《南山區西麗街道酷派信息港更新單元規劃》的通知) issued by The Second Administration Bureau directly under Shenzhen Planning and Land Resources Committee (深圳市規劃和國土資源委員會第二直屬管理局), the planning of urban renewal unit of Coolpad Information Harbor has been approved.

2. Pursuant to a Land Use Rights Grant Contract of Shenzhen City – Shen Di He Zi (2020) No. N002 dated 2 July 2020, the land use rights of a parcel of land with a site area of approximately 15,313.55 sq.m. were contracted to be re-granted to Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (宇龍計算機通信科技(深圳)有限公司, “**Yulong Computer**”, a wholly-owned subsidiary of the Company) for a term of 50 years for industrial use commencing from 13 April 2020 and expiring on 12 April 2070. The plot ratio of the aforesaid land parcel is 6.88. The total premium was RMB21,100,907. As advised by the Company, the land premium had been fully paid as at the valuation date.
3. Pursuant to a Construction Land Planning Permit of Shenzhen City – Shen Gui Tu Xu No. ZG-2013-0047, permission towards the planning of a parcel of land with a total site area of approximately 15,313.55 sq.m. has been granted to Yulong Computer.
4. Pursuant to a Real Estate Title Certificate – Yue (2021) Shen Zhen Shi Bu Dong Chan Quan No. 0007827, the land use rights of a parcel of land with a site area of approximately 15,313.55 sq.m. have been granted to Yulong Computer for a term expiring on 12 April 2070 for innovation industrial use.
5. Our valuation has been made on the following basis and analysis:

In undertaking our valuation of the property, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB2,500 to RMB3,500 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characters between the comparable properties and the property to arrive at the assumed accommodation value.

6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC Legal Advisors, which contains, *inter alia*, the following:

Yulong Computer has obtained the real estate title certificate of the property and is the land user of the property. According to the relevant clauses in laws, policies and regulatory documents, and the terms in the Land Use Rights Grant Contract of Shenzhen City – Shen Di He Zi (2020) No. N002, the Supervision Agreement of Shenzhen City Nanshan District Coolpad Information Harbor Renewal Unit and the Industrial Development Supervision Agreement of Nanshan District High-tech Industrial Development Zone “Industrial to Industrial” Project (For Trial Implementation), in compliance with the land use rights term and stipulated usage of the land parcel, Yulong Computer can occupy, use, lease, and mortgage the land use rights. According to the Computer Search Result Table of Real Estate Title Information, the property is not subject to any mortgages, seizing or any other rights.

7. A summary of major certificates/approvals is shown as follows:

a.	Land Use Rights Grant Contract of Shenzhen City	Yes
b.	Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2021 RMB
2	Phase Three of Coolpad Information Harbor No. 2 Flat Gaoxin North 1st Road Northern Part of Science & Technology Park Nanshan District Shenzhen City Guangdong Province The PRC (酷派信息港三期)	<p>The property comprises a parcel of land with a site area of approximately 4,333.02 sq.m., which will be developed into part of a technology park (known as Phase Three of Coolpad Information Harbor).</p> <p>The property has a total planned gross floor area of approximately 42,126.54 sq.m. The details are set out as below:</p>	As at the valuation date, the property was at its preliminary preparation stage for foundation works.	93,100,000
		Planned Gross Floor Area (sq.m.)		
		Usage		
		Office	32,390.00	
		Basement (inclusive of 163 car parking spaces)	9,636.54	
		Ancillary	100.00	
		Total:	42,126.54	
		<p>The land use rights of the property have been granted for innovation industrial use for a term of 30 years expiring on 26 May 2045 for innovation industrial use.</p> <p>As advised by the Group, approximately RMB12,000,000 of the construction cost of the property had been incurred up to the valuation date.</p>		

Notes:

- According to the Notice in relation to Approval of Renewal Unit Planning of Coolpad Information Harbor in Xili Sub-district, Nanshan District (關於批准《南山區西麗街道酷派信息港更新單元規劃》的通知) issued by The Second Administration Bureau directly under Shenzhen Planning and Land Resources Committee (深圳市規劃和國土資源委員會第二直屬管理局), the planning of urban renewal unit of Coolpad Information Harbor has been approved.
- Pursuant to a Land Use Rights Grant Contract of Shenzhen City – Shen Di He Zi (2015) No. 8006 dated 27 May 2015, the land use rights of a parcel of land with a site area of approximately 4,333.02 sq.m. were contracted to be granted to Yulong Computer for a term of 30 years for industrial use commencing from the land delivery date. The plot ratio of the aforesaid land parcel is 7.5. The total premium was RMB14,567,892. As advised by the Company, the land premium had been fully paid as at the valuation date.

3. Pursuant to a Construction Land Planning Permit of Shenzhen City – Shen Gui Tu Xu No. NS-2018-0014, permission towards the planning of a parcel of land with a site area of approximately 4,333.02 sq.m. has been granted to Yulong Computer.
4. Pursuant to a Real Estate Title Certificate – Yue (2016) Shen Zhen Shi Bu Dong Chan Quan No. 0146971, the land use rights of a parcel of land with a site area of approximately 4,333.02 sq.m. have been granted to Yulong Computer for a term expiring on 26 May 2045 for innovation industrial use.
5. Pursuant to a Construction Work Planning Permit – Shen Gui Tu Jian Xu Zi No. NS-2018-0090 in favour of Yulong Computer, the property with a total gross floor area of approximately 42,126.54 sq.m. has been approved for construction.
6. Pursuant to a Construction Work Commencement Permit – No. 2018-440300-51-02-50026501 in favour of Yulong Computer, permission by the relevant local authority was given to commence the construction of the property with a gross floor area of approximately 42,126.54 sq.m.
7. Our valuation has been made on the following basis and analysis:

In undertaking our valuation of the property, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB2,500 to RMB3,500 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characters between the comparable properties and the property to arrive at the assumed accommodation value.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

Yulong Computer has obtained the real estate title certificate of the property and is the land user of the property. According to the relevant clauses in laws, policies and regulatory documents, and the terms in the Land Use Rights Grant Contract of Shenzhen City – Shen Di He Zi (2015) No. 8006, in compliance with the land use rights term and stipulated usage of the land parcel, Yulong Computer can occupy, use, lease, transfer and mortgage the land use rights. According to the Computer Search Result Table of Real Estate Title Information provided by the Company, the property is not subject to any mortgages, seizing or any other rights.

9. A summary of major certificates/approvals is shown as follows:

a.	Land Use Rights Grant Contract of Shenzhen City	Yes
b.	Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Table	N/A

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 any 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 set out in Appendix 10 of the Listing Rules, were as follows:

Long Positions in the Shares

Name	Notes	Directly beneficially owned	Through spouse or minor	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share option	Total	Approximate percentage of the Company's issued share capital as at the Latest Practicable Date
Mr. CHEN Jiajun	1	-	-	897,437,000	-	-	-	897,437,000	12.46
Mr. CHAN King Chung	2	441,600	-	-	-	-	1,800,000	2,241,600	0.03
Mr. HUANG Dazhan	2	288,000	-	-	-	-	1,800,000	2,088,000	0.03

Name	Notes	Directly beneficially owned	Through spouse or minor	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share option	Total	Approximate percentage of the Company's issued share capital as at the Latest Practicable Date
Mr. XIE Weixin	2	384,000	-	-	-	-	1,800,000	2,184,000	0.03
Mr. MA Fei	2	-	-	-	-	-	12,000,000	12,000,000	0.17
Mr. XU Yibo	2	3,000,000	-	-	-	-	28,000,000	31,000,000	0.43
Mr. LIANG Rui	2	-	-	-	-	-	30,000,000	30,000,000	0.42
Mr. NG Wai Hung	2	-	-	-	-	-	2,800,000	2,800,000	0.04
Mr. LAM Ting Fung Freeman	2	-	-	-	-	-	2,100,000	2,100,000	0.03
Mr. GUO Jinghui	2	-	-	-	-	-	1,800,000	1,800,000	0.02

Notes:

1. The 897,437,000 Shares were directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which was 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun was the director of Great Splendid Holdings Limited and hold 100% shares of Great Splendid Holdings Limited., Therefore, Mr. Chen Jiajun was deemed indirectly interested in the 897,437,000 Shares.
2. The interests of these Directors were in the underlying Shares of the options granted to the relevant Directors by the Company under the share option scheme adopted by the Company on 23 May 2014.

As at the Latest Practicable Date: (i) save as disclosed above in relation to Mr. CHEN Jiajun, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and 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; (ii) save as disclosed above, 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, had 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 5% 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 the Shares

Name	Notes	Number of shares interested	Nature of interest	Total number of shares interested	Approximate % of issued share capital as at the Latest Practicable Date
Mr. CHEN Jiajun	1	897,437,000	Interest in a controlled corporation	897,437,000	12.46
Mr. ZHUO Kun	2	666,000,000	Beneficial owner	666,000,000	9.25
Mr. TU Erfan	3	689,412,000	Interest in a controlled corporation	689,412,000	9.57
Mr. QIN Tao	4	500,000,000	Interest in a controlled corporation	570,000,000	7.91
		70,000,000	Interest of share option		
Mr. GUO Deying	5	447,889,484	Founder of a discretionary trust	448,372,484	6.23
		483,000	Interest in a controlled corporation	–	–
Great Shine Investment Limited	1	897,437,000	Beneficial owner	897,437,000	12.46
New Prestige Developments Limited	3	689,412,000	Beneficial owner	689,412,000	9.57
Allove Group Limited	4	500,000,000	Beneficial owner	500,000,000	6.94
Data Dreamland Holding Limited (“Data Dreamland”)	5	447,889,484	Beneficial owner	447,889,484	6.22
HSBC International Trustee Limited (“HSBC Trustee”)	6	448,889,484	Trustee	448,889,484	6.23
Zeal Limited	7	551,367,386	Beneficial owner	551,367,386	7.66

Notes:

1. The 897,437,000 Shares were directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and hold 100% shares thereof. Therefore, Mr. Chen Jiajun is indirectly interested in the 897,437,000 Shares.
2. The 666,000,000 Shares were directly held by Mr. Zhuo Kun.
3. As disclosed in the announcement of the Company dated 19 December 2019, 800,000,000 Shares were allotted and issued to New Prestige Developments Limited (“New Prestige”), which was ultimately owned by Mr. TU Erfan. As at the Latest Practicable Date, New Prestige held 689,412,000 Shares.
4. The 500,000,000 Shares were directly held by Allove Group Limited which was ultimately wholly-owned by Mr. Qin Tao. The 70,000,000 underlying shares of options were granted to Mr. Qin Tao by the Company under the share options scheme adopted by the Company on 23 May 2014.
5. The entire issued share capital of Data Dreamland was held by Barrie Bay (PTC) Limited. Barrie Bay (PTC) Limited was acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust was a unit trust held by HSBC Trustee, which was acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust was 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 included the children of Mr. Guo Deying and Ms. Yang Xiao. Mr. Guo Deying was taken to be interested in the 483,000 shares held by Wintech Consultants Limited as he was one out of the three directors of Wintech Consultants Limited and the other two directors were accustomed to act in accordance with Mr. Guo Deying’s direction.
6. The 462,889,484 Shares were held by Data Dreamland, the entire share capital of which is held by Barrie Bay (PTC) Limited, which was 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.
7. The 551,367,386 Shares were directly held by Zeal Limited, and Zeal limited was wholly owned by Shenzhen LETV Bridge Merger Acquisition Fund Investment Management Enterprise (Limited Partnership) (深圳市樂視鑫根併購基金投資管理企業(有限合夥)).

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 Directors 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% 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. COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group, excluding contracts expiring or which may be terminated by the employer within one year without payment of any compensation, other than statutory compensation.

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACT

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Group.

7. LITIGATION

As at 31 December 2020, a subsidiary of the Group was a plaintiff in a lawsuit with certain customers in the US, who refused to settle trade receivables of approximately US\$25,000,000 (equivalent to HK\$194,696,000) (2018: US\$25,000,000). As at the Latest Practicable Date, the aforesaid lawsuit was still in progress.

As at 31 December 2020, the Group received several civil complaints in 2020 from suppliers demanding the Group to immediately repay the overdue accounts payable balance of RMB52 million (equivalent to HK\$62 million) (2019: RMB41 million). As at the Latest Practicable Date, the arbitration procedures of the civil complaints were still in progress.

As at the Latest Practicable Date and save as disclosed above, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

8. QUALIFICATION AND CONSENTS OF EXPERTS

- (a) The following is the qualification of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Guangdong Sun Law Firm (廣東國暉律師事務所)	PRC legal advisors to the Company
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Property Valuer

- (b) As at the Latest Practicable Date, each of the PRC Legal Advisors and the Independent Property Valuer did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Each of the PRC Legal Advisors and the Independent Property Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.
- (d) As at the Latest Practicable Date, each of the PRC Legal Advisors and the Independent Property Valuer did not have any interest, direct or indirect, in any assets which have been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the Cooperation Agreement;
- (b) the subscription agreement entered into between the Company and New Prestige Developments Limited on 7 October 2019 in relation to the subscription of 800,000,000 Shares by New Prestige Developments Limited, details of which are set out in the Company's announcements dated 7 October 2019, 8 October 2019, 29 November 2019, 13 December 2019 and 19 December 2019;

- (c) the sale and purchase agreement entered into between Xi'an Coolpad Telecommunications Equipment Co., Ltd. (a wholly-owned subsidiary of the Company) and Xi'an High-tech Industrial Development Zone Land Reserve Center (西安高新技術產業開發區土地儲備中心) on 25 April 2019 in relation to the disposal of the land use rights and construction in progress at a consideration of RMB236,292,626 by Xi'an Coolpad Telecommunications Equipment Co., Ltd. to Xi'an High-tech Industrial Development Zone Land Reserve Center (西安高新技術產業開發區土地儲備中心), details of which are set out in the Company's announcement dated 25 April 2019;
- (d) the property management services agreement entered into between the Vendor and Shenzhen Kingkey Property Management Company Limited* (深圳市京基物業管理有限公司) on 25 March 2020, pursuant to which Shenzhen Kingkey Property Management Company Limited* agreed to provide to the Vendor certain property management services at an annual cap of RMB30,000,000 each year, details of which are set out in the Company's announcement dated 25 March 2020; and
- (e) the equity transfer agreement entered into between on 17 April 2020, pursuant to which Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd.* (宇龍計算機通信科技(深圳)有限公司) has agreed to dispose of, and Shenzhen Foresee Capital Group Limited* (深圳市四海恒通投資控股集團有限公司) has agreed to acquire, the entire equity interest in Shenzhen Huiying Finance Co., Ltd.* (深圳市匯盈小額貸款有限責任公司) for an aggregate consideration of RMB328,000,000.

10. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in the PRC is Coolpad Information Harbor, No. 8 of Gaoxin North 1st Road, Hi-Tech Industry Park (Northern), Nanshan District, Shenzhen, the PRC. The principal place of business of the Company in Hong Kong is 44/F, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.
- (c) The joint secretaries of the Company are Mr. Ma Fei, who is an executive Director and chief financial officer of the Group, and Mr. Tsang Hing Bun, who is a member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

- (d) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 44/F, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong on weekdays (Saturdays and public holidays excepted) from the date of this circular up to and including 14 May 2021:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (c) the valuation report from Independent Property Valuer, the text of which is set out on Appendix II to this circular;
- (d) the written consents of the experts as referred to in the section headed "*Qualification and consents of experts*" in this appendix;
- (e) the material contracts referred to in the paragraph under the heading "*Material Contracts*" in this appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 an extraordinary general meeting (the “EGM”) of Coolpad Group Limited (the “Company”) to be held at 2nd Floor, Block A, Coolpad Building, No. 8 of Gaoxin North 1st Road, North of Hi-tech Park, Nanshan District, Shenzhen, PRC on Friday, 14 May 2021 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the conditional cooperation agreement dated 12 January 2021 (the “Cooperation Agreement”) 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 Shenzhen Xinghuan Real Estate Development Co., Ltd.* (深圳市星華安房地產開發有限公司) in relation to the second and third phases of urban renovation project of Coolpad Information Harbor (a copy of which has been tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose) be and is hereby confirmed, approved and ratified; and
- (b) any one of the directors (“Directors”) of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Cooperation Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto as such Director deems appropriate.”

* *for identification purposes only*

Yours faithfully,
By Order of the Board
Coolpad Group Limited
Chen Jiajun
Executive Director
Chief Executive Officer
Chairman

Hong Kong, 27 April 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The register of members of the Company will be closed from 11 May 2021 to 14 May 2021 (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 14 May 2021 will be entitled to attend and vote at the EGM. In order to ensure that the Shareholders are entitled to attend and vote at the EGM, all transfer documents, together with the relevant share certificates, should be lodged no later than 4:30 p.m. on 10 May 2021 at the branch share registrar and transfer registrar office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
2. Any shareholder entitled to attend and vote at the EGM 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 EGM, 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 the EGM 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 EGM or adjournment thereof.
5. In the interest of all shareholders' health and safety and in order to prevent and control the spread of COVID-19 (the "**Epidemic**"), the Company reminds all shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM instead of attending the EGM in person, by completing and returning the proxy form. If you have any questions about the resolution to be considered at the EGM, you may send them to the Company's investor relations email address, ir@yulong.com, and the Company will answer the questions on a timely basis.
6. Shareholders attending the EGM shall pay attention to and comply with the relevant regulations and requirements regarding health declaration, quarantine and observation during the Epidemic prevention and control period. The Company will strictly comply with the requirements regarding the Epidemic prevention and control stipulated by government departments, and take relevant prevention and control measures including monitoring the temperatures of shareholders attending the EGM under the guidance and supervision of relevant government departments. Shareholders having a fever or other symptoms, not wearing a surgical mask as required, or failing to comply with the relevant regulations and requirements regarding the Epidemic prevention and control will not be able to enter the venue of the EGM.

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