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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)

**ANNOUNCEMENT
ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

ISSUE OF CONVERTIBLE BONDS

On 17 October 2017, the Company entered into the Subscription Agreement with the Subscriber in respect of the issue of the Convertible Bonds with the nominal value of HK\$581,947,585.44.

The Convertible Bonds will bear interest at the rate of 5% per annum, which will be adjusted to 2.5% upon exercise in full of the conversion rights by the Subscriber. The Convertible Bonds may be converted into approximately 1,001,630,956 new shares of the Company at the Conversion Price of HK\$0.581 per share.

LISTING RULES IMPLICATION

According to the ordinary resolution passed at the annual general meeting of the Company held on 23 June 2016, the Company granted to the Directors the General Mandate to allot and issue new shares up to 20% of the aggregate number of Shares of the Company as at 23 June 2016, being 1,001,630,956 Ordinary Shares. Therefore, the Subscription does not require approval by the Shareholders. As at the date of this announcement, the Directors have not exercised the rights to allot and issue any new shares under the General Mandate. The Company is entitled to issue up to 1,001,630,956 new shares under the General Mandate. It is intended that the new shares will be allotted and issued under the General Mandate.

The Convertible Bonds will be issued under the rights conferred by the General Mandate granted to the Directors on 23 June 2016.

Since the completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 17 October 2017, the Company entered into the Subscription Agreement with the Subscriber in respect of the issue of the Convertible Bonds with the nominal value of HK\$581,947,585.44.

The Convertible Bonds will bear interest at the rate of 5% per annum, which will be adjusted to 2.5% upon exercise in full of the conversion rights by the Subscriber. The Convertible Bonds may be converted into approximately 1,001,630,956 new shares at the Conversion Price of HK\$0.581 per share.

Details regarding the terms of the Subscription Agreement and the Convertible Bonds are set out as follows.

SUBSCRIPTION AGREEMENT

Date: 17 October 2017

Parties: (i) the Company; and

(ii) the Subscriber, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and their ultimate beneficial owner(s) is an independent third party.

Conditions Precedent

The issue of Convertible Bonds under the Subscription Agreement is subject to the satisfaction of the following conditions:

- (i) the issue of Convertible Bonds have been approved by the Board of the Company;
- (ii) the General Mandate of the Company remains valid and has not been revoked;
- (iii) the grant of the listing of, and permission to deal in, the Ordinary Shares issued by way of Convertible Bonds have been obtained from the listing committee of the Stock Exchange and have not been withdrawn or revoked;
- (iv) other approvals and permits (if any) in respect of the Convertible Bonds have been obtained by the Subscriber;
- (v) the representations and warranties set out in the Subscription Agreement remain true, accurate and complete in all respects;
- (vi) the resumption of the listing and trading of the Ordinary Shares of the Company have been approved by the Stock Exchange and the terms have been accepted by the Subscriber; and
- (vii) the Subscriber has completed due diligence on the Company and the subsidiaries and connected companies of the Company and is satisfied with the results.

If the above condition precedent (iii) is not satisfied as at 30 December 2017, the Subscriber may terminate or renew, subject to the upper limit of one year, the Subscription Agreement.

During the due diligence conducted on the Company by the Subscriber, the Subscriber may also elect to prematurely terminate the Subscription Agreement if the financial position of the Company fails to meet the requirement of the Subscriber, upon which the Company shall return the 10% premium to the Subscriber within five business days following the termination of the Subscription Agreement.

Subscription Completion

Subject to the satisfaction of the conditions precedent, the Subscription Completion refers to the day that all the subscribed Convertible Bonds were registered under the name of the Subscriber.

Payment of Consideration and Closing

Subject to the conditions precedent under the Subscription Agreement, the Company will issue the Convertible Bonds to the Subscriber for the Subscription Money, and the Subscriber has agreed to subscribe to such Convertible Bonds wholly in cash.

In cases of any ex-rights, ex-dividend or further issue of the Ordinary Shares during the period from the Price Determination Date to the date of issue, the Conversion Price will be adjusted accordingly.

Within 5 business days (or such other time as otherwise agreed between the Company and the Subscriber in writing) following the reception of the Subscription Money paid by the Subscriber to the designated account of the Company and the satisfaction of all conditions precedent under the Subscription Agreement, the Company will issue the Convertible Bonds to the Subscriber and proceed with the closing in accordance with the closing process designated by the Subscriber.

Other Arrangements

Within the 5 business days following the execution of the Subscription Agreement, the Subscriber shall pay a premium as to 10% of the Subscription Money in the amount of HK\$58,194,758.54 as a premium for the fulfilment of the Subscription Agreement. Such premium shall be paid to the designated account of the Company and may also form part of the Subscription Money payable by the Subscriber to the Company.

The Subscriber is entitled to immediately nominate one person as a Director of the Company. If, for any reason, such nomination of a Director was not completed, the Subscription Agreement will be immediately terminated.

Under the same conditions, the Subscriber is entitled to priority to the construction and operation of the real estate projects of the Company.

The Company shall provide collateral and/or guarantee as required by the Subscriber as warranty over the performance of all obligations under the Convertible Bonds.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Total nominal value

HK\$581,947,585.44

Interest rate

Annual interest rate is 5% and will be adjusted to 2.5% if the Subscriber exercises the conversion right in full.

Conversion Price

The Conversion Price is HK\$0.581 per share and the net price of the Conversion Price is HK\$0.58. Such Conversion Price was arrived at after arm's length negotiation among the Company and the Subscriber with reference to the prevailing market price of the shares and the business performance of the Group under the prevailing market condition.

The Conversion Price represents a discount of approximately 19.97% to the average closing price of HK\$0.726 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement.

The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole

Conversion

Subject to, and upon compliance with, the provisions of the conditions, assuming full conversion of the Convertible Bonds at the Conversion Price, the Bondholders shall have the right to convert the Convertible Bonds into approximately 1,001,630,956 new shares, representing 19.9% of the total issued share capital of the Company as at the signing date of the Subscription Agreement and approximately 16.6% of the total issued share capital of the Company as enlarged by the full conversion of the Convertible Bonds.

Application for listing and dealing

Application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and the permission to deal in, the Ordinary Shares issued according to the terms of the Convertible Bonds on the Stock Exchange.

SHAREHOLDING STRUCTURE OF THE COMPANY

To the best knowledge of the Directors, the shareholding structure as at the date of this announcement and immediately after the full conversion of the convertible bonds (assuming that no other shares will be issued) is set out below:

	Shareholding as at the date of this announcement		Shareholding following the full conversion of the convertible bonds	
	<i>Number of shares</i>	<i>%</i>	<i>Number of shares</i>	<i>%</i>
Leview Mobile HK Limited	1,448,804,386	28.83	1,448,804,386	24.04
Subscriber	0	0	1,001,630,956	16.62
Data Dreamland (<i>note 1</i>)	462,889,484	9.21	462,889,484	7.68
Wintech Consultants Limited (<i>note 2</i>)	483,000	0.01	483,000	0.01
Other shareholders	<u>3,113,610,610</u>	<u>61.95</u>	<u>3,113,610,610</u>	<u>51.66</u>
Total	<u>5,025,787,480</u>	<u>100</u>	<u>6,027,418,436</u>	<u>100</u>

Notes:

- (1) The entire issued share capital of Data Dreamland is held by Barrie Bay (PTC) Limited, which is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust held by HSBC International Trustee Limited acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a discretionary trust set up by Mr. GUO Deying and his spouse, Ms. YANG Xiao, the beneficiary objects of which include the children of Mr. GUO Deying and Ms. YANG Xiao.
- (2) 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.

LISTING RULES IMPLICATION

The Convertible Bonds are issued under the General Mandate granted to the Directors by ordinary resolution passed at the annual general meeting of the Company held on 23 June 2016. The Company granted to the Directors the General Mandate to allot and issue new shares up to 20% of the aggregate nominal value of the share capital of the Company as at 23 June 2016, being 1,001,630,956 Ordinary Shares. Therefore, the Subscription does not require approval by the Shareholders. As at the date of this announcement, the Directors have not exercised the rights to allot and issue any new shares under the General Mandate. The Company is entitled to issue up to 1,001,630,956 new shares under the General Mandate. It is intended that the new shares will be allotted and issued under the General Mandate.

The Convertible Bonds will be issued under the rights conferred by the General Mandate granted to the Directors on 23 June 2016.

INFORMATION ON THE SUBSCRIBER

The Subscriber is Centralcon Enterprises Company Limited, a company established and validly subsisting in accordance with the laws of the British Virgin Islands with limited liability and is mainly engaged in investment holding, with Mr. Wong Kwong Miu as a shareholder and a director. Mr. Wong is the founder and the chairman of the board of directors of Centralcon Group. Centralcon Group was established in 1993 with a business scope encompassing real estate development and operation, industry park construction and enterprise incubation, infrastructure investment, financial services and equity investment.

REASONS FOR AND BENEFITS OF THE ISSUE OF CONVERTIBLE BONDS AND THE USE OF PROCEEDS

The Group is a leading developer and provider of integrated solutions for smartphone sets, mobile data platform system, and value-added business operations in the PRC. The Directors believed that the issue of the Convertible Bonds represent an opportunity to enhance the financial position of the Company, thereby provides working capital for the business development of the Group. The Directors also believed that the issue of the Convertible Bonds will provide funds for the Company without causing immediate dilution effect on the shareholdings of existing Shareholders, and the capital base of the Company will be enlarged if the conversion right was exercised.

The total proceeds raised by the subscription of the Convertible Bonds will be HK\$581,947,585.44 and is currently intended by the Company to replenish general working capital of the Company.

The Directors consider that the terms of the Subscription Agreement, including the conditions, are fair and reasonable, in the interests of the Company and its Shareholders as a whole and the Subscription Agreement was entered into on normal commercial terms after arm's length negotiations by the parties thereto.

EQUITY FUND RAISING ACTIVITIES FOR THE PAST 12 MONTHS

The Company did not conduct any equity fund raising activities or issue any equity securities in the past 12 months immediately before the date of this announcement.

DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“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
“Group”	the Company and its subsidiaries
“Subscriber”	the subscriber who entered into the Subscription Agreement with the Company, i.e. Centralcon Enterprises Company Limited

“Bondholders”	holders of the Convertible Bonds
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Director(s)”	director(s) of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“business day”	a day (other than Saturday or a day on which a tropical cyclone warning no.8 or above or black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Subscription Agreement”	the Convertible Bonds subscription agreement dated 17 October 2017 entered into by the Company and the Subscriber
“General Mandate”	the general mandate granted to the Directors by an ordinary resolution of the Shareholders passed at the annual general meeting of the Company dated 23 June 2016 to allot, issue and deal with up to 1,001,630,956 additional Ordinary Shares, being 20% of the issued share capital of the Company as at the date of passing the said resolution
“Ordinary Share(s)”	ordinary shares of HK\$0.01 each issued by the Company

“Convertible Bond(s)”	the convertible bonds proposed to be issued by the Company to the Subscriber according to the Subscription Agreement with the nominal value of HK\$581,947,585.44, and could be converted into approximately 1,001,630,956 new shares based on the Conversion Price of HK\$0.581 each, representing approximately 19.9% of the total issued share capital of the Company as at the signing date of the Subscription Agreement and approximately 16.6% of the total issued share capital of the Company as enlarged by the full conversion of the convertible bonds. The Convertible Bonds will bear interest at the rate of 5% per annum, which will be adjusted to 2.5% upon exercise in full of the conversion rights by the Subscriber. The deed of the convertible bonds will be provided as soon as possible after the signing of the Subscription Agreement and the term of which is one year
“Subscription”	the subscription of the Convertible Bonds by the Subscriber according to the Subscription Agreement
“Subscription Completion”	the day that all the subscribed Convertible Bonds were registered under the name of the Subscriber
“Conversion Price”	HK\$0.581 per share and the discount of such conversion price over the benchmark price determined according to the Rules 13.36(5) of the Listing Rules shall be less than 20% (excluding 20%)
“Subscription Money”	the total amount payable by the Subscriber to the Company for the subscription of the Convertible Bonds, i.e. HK\$581,947,585.44
“Price Determination Date”	the day on which the Subscription Agreement was signed
“%”	per cent

Since the completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By order of the Board
Coolpad Group Limited
JIA YUETING
Chairman

Hong Kong, 17 October 2017

As at the date of this announcement, the executive directors of the Company are Mr. Jia Yueting, Mr. Jiang Chao, Mr. Liu Hong, and Mr. Zhang Wei; the non-executive directors of the Company are Mr. Liu Jiangfeng and Mr. Abulikemu Abulimiti; the independent non-executive directors are Dr. Huang Dazhan, Mr. Xie Weixin, and Mr. Chan King Chung.