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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 25 March 2020 and 6 May 2020 in relation to the continuing connected transactions under the Existing Property Management Services Agreement between Yulong Shenzhen, an indirect wholly-owned subsidiary of the Company, and Shenzhen Kingkey.

THE 2022 PROPERTY MANAGEMENT SERVICES AGREEMENT

The Existing Property Management Services Agreement will expire on 31 December 2022. The Company intends to continue to engage Shenzhen Kingkey for the provision of property management services in respect of the Property. In this connection, on 23 December 2022, Yulong Shenzhen and Shenzhen Kingkey entered into the 2022 Property Management Services Agreement for a term of three years commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive), subject to the New Annual Caps.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yulong Shenzhen is an indirect wholly-owned subsidiary of the Company. Shenzhen Kingkey is ultimately controlled by Mr. Chen Hua, who is an immediate family member of Mr. Chen Jiajun, a substantial Shareholder, an executive Director, the chief executive officer and chairman of the Company. Accordingly, Shenzhen Kingkey is an associate of Mr. Chen Jiajun and a connected person of the Company, and the transactions contemplated under the 2022 Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio calculated with reference to the New Annual Caps for the 2022 Property Management Services Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Shenzhen Kingkey is an associate of Mr. Chen Jiajun, Mr. Chen Jiajun has a material interest in the 2022 Property Management Services Agreement and the transactions contemplated thereunder and has abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the Directors has a material interest in the 2022 Property Management Services Agreement and the transactions contemplated thereunder.

INTRODUCTION

Reference is made to the announcements of the Company dated 25 March 2020 and 6 May 2020 in relation to the continuing connected transactions under the Existing Property Management Services Agreement between Yulong Shenzhen, an indirect wholly-owned subsidiary of the Company, and Shenzhen Kingkey.

The Existing Property Management Services Agreement will expire on 31 December 2022. The Company intends to continue to engage Shenzhen Kingkey for the provision of property management services in respect of the Property. In this connection, on 23 December 2022, Yulong Shenzhen and Shenzhen Kingkey entered into the 2022 Property Management Services Agreement for a term of three years commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive), subject to the New Annual Caps.

THE 2022 PROPERTY MANAGEMENT SERVICES AGREEMENT

The principal terms of the 2022 Property Management Services Agreement are summarized as follows:

Date	:	23 December 2022
Parties	:	(i) Yulong Shenzhen (ii) Shenzhen Kingkey
Subject Matter	:	Shenzhen Kingkey agreed to provide property management services in respect of the Property, including repairs and maintenance of communal areas and facilities, cleaning, traffic safety management, security and greening services.
Term	:	Three years commencing from 1 January 2023 and ending on 31 December 2025.

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

In relation to the property management service fees, Shenzhen Kingkey is entitled to retain the full amount of property management fees received from property owners and residents of the Property (determined with reference to the rate of RMB25 per square metre per month (inclusive of tax and central air-conditioning charges over a specified time period)) but it shall bear specified costs of managing the Property, including costs associated with staff salary, maintenance and repair of communal areas, cleaning, greening and public safety management. The means and method of payment of management fees for carparking spaces and vacant properties shall be negotiated between the Parties. The designated personnel and expenses incurred prior to the date of delivery of the Property shall be confirmed and approved in advance by the Group.

Pricing Basis

The Management Fees are determined after arm’s length negotiations and taking into account the following factors:

1. Property management service fees: The property management service fee is fixed at the rate of RMB25 per square metre per month with reference to a number of factors including:
 - (a) the comparison of prevailing market rates charged by 10 independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity, which range from RMB18.5 to 30.3 per square metre per month; (the “**Prevailing Market Rates**”);

- (b) price guidance (if any) promulgated by the Price Control Department (物價管理部門) where the relevant property is located; and
 - (c) the anticipated operational costs (including salary and staff costs).
2. Private property repair and maintenance service fees and carparking spaces and vacant properties management fees: Each of private property repair and maintenance service fees and carparking spaces and vacant properties management fees is customarily subject to negotiations between the landlord and the occupant based on actual needs on an “at-cost” basis.

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

Historical annual caps and transaction amounts

The annual caps under the Existing Property Management Services Agreement for each of the three years ending 31 December 2022 is RMB30,000,000. The historical transactional amount between Yulong Shenzhen and Shenzhen Kingkey under the continuing connected transactions entered into pursuant to the Existing Property Management Services Agreement for the two years ended 31 December 2021 and the six months ended 30 June 2022 is as follows:

	Year ended 31 December		Six months ended 30 June
	2020	2021	2022
	(Audited)	(Audited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)
Historical transaction amount	8,737	16,745	4,898

The Directors have been monitoring the transaction amounts of the continuing connected transactions under the Existing Property Management Services Agreement. As at the date of this announcement, the annual cap for the continuing connected transactions thereunder for the year ending 31 December 2022 has not been exceeded.

New Annual Caps

The New Annual Caps for the transactions contemplated under the 2022 Property Management Services Agreement shall be RMB18,000,000 for each of the three years ending 31 December 2025, which is determined with reference to the Management Fees plus other related charges on the following basis:

- 1. the historical transaction figures under the Existing Property Management Services Agreement as set out above;

2. the annualised Management Fees which is estimated to be less than RMB15,000,000, calculated based on the rate of up to RMB25 per square metre per month (inclusive of tax) multiplied by the estimated capacity area of the Property of 50,000 square metres;
3. the annualised maximum amount payable for other related charges which is estimated to be less than RMB3,000,000 taking into account the total capacity area of the Property and the historical average occupancy rate. Such other related charges represent fees for “add-on services” which are calculated on an “at-cost” basis. These “add-on services” include (without limitation) overtime or extended air-conditioning services after normal office hours; additional cleaning services, formaldehyde removal, office maintenance and property repair service, greenery and plant renting service, pest control, tailor-made security system, and planning and coordination of large-scale events.

INTERNAL CONTROL PROCEDURES

The Company has established various internal control measures to monitor the transactions under the Existing Property Management Services Agreement. The Company will continue to implement such internal control measures in respect of the transactions contemplated under the 2022 Property Management Services Agreement, including:

1. the pricing policy for the continuing connected transactions contemplated under the 2022 Property Management Services Agreement will be supervised and monitored by the relevant personnel and management of the Group to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole;
2. the Group’s relevant personnel and management will conduct regular checks and assess whether individual transactions contemplated under the 2022 Property Management Services Agreement are conducted in accordance with the terms of the agreement and will also regularly review whether the price charged for the relevant property management services thereunder is fair and reasonable and in accordance with the aforesaid pricing policy. In particular, the Group will monitor the transaction amount incurred for the transactions contemplated under the 2022 Property Management Services Agreement on a monthly basis to ensure that the accumulated transaction amount does not exceed the New Annual Caps;
3. the Group will prepare a continuing connected transaction report (“**CCT Report**”) once every six months on the continuing connected transactions with Shenzhen Kingkey, which will be submitted to the Company’s audit committee for consideration. The content of the CCT Report will include, amongst others: (i) the transaction amount incurred for the transactions contemplated under the 2022 Property Management Services Agreement within the relevant reporting period; and (ii) the status of compliance with the New Annual Caps and utilization of the New Annual Caps;

4. the Company's audit committee will convene meetings at least twice a year to discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the transactions contemplated under the 2022 Property Management Services Agreement);
5. the independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Group (which include, among others, the transactions contemplated under the 2022 Property Management Services Agreement) throughout the preceding financial year and give confirmation on the transaction amount and terms of the transactions in each annual report of the Group; and
6. the external auditors of the Company will also conduct an annual review on the pricing terms and annual cap in relation to the continuing connected transactions of the Group in accordance with Rule 14A.56 of the Listing Rules.

In view of the above, the Company considers that there are adequate internal control procedures and external supervision measures to ensure that the transactions contemplated under the 2022 Property Management Services Agreement will comply with the terms of the 2022 Property Management Services Agreement and will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE GROUP AND THE PARTIES

The Group

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

Yulong Shenzhen

Yulong Shenzhen is committed to be a leading developer and provider of integrated solutions for Coolpad smartphone sets, mobile data platform system, and value-added business operations in the PRC.

Shenzhen Kingkey

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 PROPERTY MANAGEMENT SERVICES AGREEMENT

The Company has been engaging Shenzhen Kingkey since 2020 for the provision of sound property management services and maintenance of good building conditions and environment to enhance satisfaction of property owners and tenants and enhance property value. Taking into account (i) Kingkey Group, the holding company of Shenzhen Kingkey, is a reputable property management services provider in the PRC; (ii) the level of satisfaction of the services provided by Shenzhen Kingkey pursuant to the Existing Property Management Services Agreement; and (iii) Shenzhen Kingkey is familiar with the Group's property projects and services requirements, the Directors consider that it is in the interest of the Group to continue with the purchase of property management services from Shenzhen Kingkey under the 2022 Property Management Services Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the 2022 Property Management Services Agreement (including the New Annual Caps) and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yulong Shenzhen is an indirect wholly-owned subsidiary of the Company. Shenzhen Kingkey is ultimately controlled by Mr. Chen Hua, who is an immediate family member of Mr. Chen Jiajun, a substantial Shareholder, an executive Director, the chief executive officer and chairman of the Company. Accordingly, Shenzhen Kingkey is an associate of Mr. Chen Jiajun and a connected person of the Company and the transactions contemplated under the 2022 Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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As Shenzhen Kingkey is an associate of Mr. Chen Jiajun, Mr. Chen Jiajun has a material interest in the 2022 Property Management Services Agreement and the transactions contemplated thereunder and has abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the Directors has a material interest in the 2022 Property Management Services Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“2022 Property Management Services Agreement”	the new property management services agreement dated 23 December 2022 entered into between Yulong Shenzhen and Shenzhen Kingkey in relation to the provision of property management services in respect of the Property by Shenzhen Kingkey
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Coolpad Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2369)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company (including independent non-executive director(s))
“Existing Property Management Services Agreement”	the property management services agreement dated 25 March 2020 entered into between Yulong Shenzhen and Shenzhen Kingkey in relation to the provision of property management services in respect of the Property by Shenzhen Kingkey
“Group”	the Company and its subsidiaries
“Kingkey Group”	Kingkey Group Company Limited and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fees”	has the meaning ascribed to it under the section headed “The 2022 Property Management Services Agreement – Management Fees and Pricing Policy” of this announcement
“New Annual Caps”	the annual caps in respect of the purchase of property management services by Yulong Shenzhen from Shenzhen Kingkey as set out in the section headed “The 2022 Property Management Services Agreement – New Annual Caps” of this announcement

“Parties” and each a “Party”	the parties to the 2022 Property Management Services Agreement namely, Yulong Shenzhen and Shenzhen Kingkey
“PRC”	the People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Taiwan and Macau S.A.R
“Property”	the building under the name of Coolpad Building (酷派大廈) (former name: Coolpad Information Harbor No. 1 Building (酷派信息港一期大廈)) situated at No. 18 Gaoxinbeiyi Boulevard, Hi-Tech Industry Park (Northern), Nanshan District, Shenzhen, PRC (深圳南山高新產業園北區高新一道18號)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Shenzhen Kingkey”	Shenzhen Kingkey Property Management Company Limited (深圳市京基物業管理有限公司), a company incorporated under the laws of the PRC. It is a wholly-owned subsidiary of Kingkey Group Co. Ltd., which is ultimately controlled by Mr. Chen Hua, who is an immediate family member of Mr. Chen Jiajun, a substantial Shareholder, an executive Director, the chief executive officer and the chairman of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yulong Shenzhen”	Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (宇龍計算機通信科技(深圳)有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 23 December 2022

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