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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)**

## **SUPPLEMENTAL ANNOUNCEMENT**

Reference is made to the announcement of Coolpad Group Limited (the “**Company**”) dated 25 March 2020 (the “**Announcement**”) in respect of the continuing connected transactions contemplated under the Property Management Services Agreement. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company makes this announcement to supplement and/or clarify certain information as disclosed in the Announcement.

### **Management Fees**

The fees to be charged by Shenzhen Kingkey include property management service fees, private property repair and maintenance service fees and pre-delivery 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 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 property management fees for vacant properties shall be separately 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.

In assessing and comparing the terms offered by Shenzhen Kingkey, the Group has considered, among others, a comparison of the prevailing market rates charged by three independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity (“**Prevailing Market Rates**”). Details on the basis of determination of the Management Fees are set out as follows:

- (a) Property management service fees: The property management service fee, which is fixed at the rate of RMB25 per square metre per month was determined with reference to a number of factors including:
  - (i) The Prevailing Market Rates, which range from RMB24 to 32 per square metre per month.
  - (ii) The monthly cost of property management service which is estimated to be approximately RMB2,200,000 (“**Projected Fee**”) after taking into account the total capacity area of the Property (assuming full occupancy) and the estimated use of utilities and other property management services (which covers, without limitation, repairs and maintenance of common areas and facilities, cleaning, traffic safety management, security and greening services as well as air-conditioning charges incurred during normal office hours). The RMB25 per square metre per month flat-rate is calculated by dividing the Projected Fee by the total capacity area of the Property (assuming full occupancy).
  - (iii) Arm’s length negotiations on normal commercial terms between the Company and Shenzhen Kingkey during a public tender process (“**Public Tender**”), during which a number of considerations, including service fees quotation, service quality and industrial reputation, were taken into account when assessing the eligibility of the five service providers who participated. The Group considers that the price and terms of services (including the standard and qualities of services) offered by Shenzhen Kingkey are no less favourable to the Group than those offered by other Public Tender participants.
- (b) Private property repair and maintenance service fees and pre-delivery management fees: Each of private property repair and maintenance service fees and pre-delivery management fees is customarily subject to negotiations between the landlord and the occupant based on actual needs on an “at-cost” basis. The Company assessed that the aggregate annual amount of such fees will not exceed RMB3,800,000.

Having identified the Prevailing Market Rates in the Group’s internal assessment, coupled with the Public Tender process, the Directors believe that its assessment of the terms offered by Shenzhen Kingkey and the comparison with other market players is sufficient and appropriate, and that the price and terms of services (including the standard and qualities of services) offered by Shenzhen Kingkey are no less favourable to the Group than those offered by independent third party service providers.

## Annual Cap

The annual cap (the “**Annual Cap**”) for the transactions contemplated under the Property Management Services Agreement shall be RMB30,000,000 for each year from the commencement date of the Term and ending on the third year thereafter, which was determined with reference to the Management Fees plus other related charges on the following basis:

- (i) *Management Fees* : Assuming full occupancy of the Property, the annualised Management Fees are expected to be less than RMB26,210,868.
- (ii) *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. Taking into account of the total capacity area of the Property, it is estimated that the maximum amount of these other service fees will not exceed RMB3,800,000 on an annual basis.

The Company wishes to further clarify that the first paragraph under the section headed “Internal Control Procedures” in the Announcement should read as follows (with the amendments underlined for ease of reference): “As a general principle, the price and terms of the individual service agreements in respect of the transactions contemplated under the Property Management Services Agreement will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm’s length basis, on similar basis as Yulong Shenzhen’s transactions with other independent third parties and shall be on terms which are no less favourable *to the Company* than those offered to independent third parties.”

In addition, the Company also wishes to set forth below further details of its regular review and checks which forms part of the Group’s internal control procedures and external supervision measures as disclosed in the Announcement:

- 1) The Group will monitor the transaction amount incurred for the transactions contemplated under the Property Management Services Agreement on a monthly basis to ensure that the accumulated transaction amount does not exceed the Annual Cap.
- 2) 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 Property Management Services Agreement within the relevant reporting period; and (ii) the status of compliance with the Annual Cap and utilization of the Annual Cap.
- 3) 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 Property Management Services Agreement).

- 4) As disclosed in the Announcement, the external auditors of the Group will conduct an audit of the consolidated financial statements of the Group for each financial year. The external auditors of the Group will also issue a letter to the Board in relation to the continuing connected transactions of the Group for each financial year in accordance with Rule 14A.56 of the Listing Rules.
- 5) In addition, according to the Listing Rules and as disclosed in the Announcement, 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 Property Management Services Agreement) throughout the preceding financial year and give confirmation on the transaction amounts and terms of the transactions in each annual report of the Group.

By order of the Board  
**Coolpad Group Limited**  
**Ma Fei**  
*Executive Director*  
*Joint Company Secretary*

Hong Kong, 6 May 2020

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