THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of the Company.

This circular is not for distribution, directly or indirectly, in or into the United States. This circular does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The shares of the Company mentioned in this circular have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States except pursuant to registration or an exemption from the registration requirements of the Securities Act. No public offering of the Company's shares will be made in the United States.

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)

(1) PROPOSED ISSUE OF NEW SHARES AND UNLISTED WARRANTS UNDER SPECIFIC MANDATES; (2) CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES TO SUBSTANTIAL SHAREHOLDER; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

SOMERLEY CAPITAL LIMITED

A notice convening the extraordinary general meeting ("**EGM**") of the Company to be held at Meeting Room, 20th Floor, Block A, Coolpad Building, No. 8 of Gaoxin North 1st Road, North of Hi-tech Park, Nanshan District, Shenzhen, PRC on Thursday, 9 December 2021 at 2:00 p.m. is set out on pages EGM-1 to EGM-7 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 and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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, and in such event, the instrument appointing a proxy shall be deemed to be revoked. Capitalized terms used in this cover shall have the same meanings as defined in this circular.

23 November 2021

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

"Allove Group"	Allove Group Limited
"Announcement"	the announcement of the Company dated 4 October 2021, in relation to, inter alia, the Share Subscriptions and the Warrant Subscription
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Company"	Coolpad Group Limited (酷派集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock Code: 2369)
"Condition(s) Precedent"	the conditions precedent set out under the paragraphs headed "Conditions Precedent Under the Share Subscription Agreements" and "Conditions Precedent under the Warrant Subscription Agreements", as the case may be
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Connected Transaction"	has the meaning ascribed thereto under the section headed "IMPLICATIONS UNDER THE LISTING RULES" in the Letter from the Board of this circular, and refers to the connected transaction of the Company constituted by the proposed issue and allotment of the relevant Subscription Shares to Great Shine subject to the terms and conditions of the Share Subscription Agreement between the Company and Great Shine
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Covenantors"	collectively, Mr. Chen and Mr. Qin
"Current Market Price"	in respect of a Share, the average of the volume-weighted average price per Share (being a Share carrying full entitlement to dividend) for the 20 consecutive trading days ending on the trading day immediately preceding such date of the relevant event as mentioned below

"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held on Thursday, 9 December 2021 at 2:00 p.m. for the purposes of approving, among others, the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares; (b) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (c) each of the Specific Mandates)
"EGM Notice"	the notice of the EGM which is set out on pages EGM-1 to EGM-7 of this circular
"Exchange Rate"	the exchange rate between US$ and HK$ published on Bloomberg at 5:00 p.m., Eastern time, on the day before the relevant date, or in The Wall Street Journal on such date if not so published on Bloomberg
"Exercise Rights"	in respect of a Warrant, the rights of the holder of that Warrant to subscribe for Shares at the relevant Warrant Exercise Price up to an aggregate Warrant Exercise Price equal to the amount in HK$ equal to the aggregate value of Shares represented by the relevant Warrant (as stated in the Register of Warrantholders)
"Existing Shareholders"	Great Shine, Allove Group (and Mr. Qin) and YH Fund
"Four-year Warrants"	the fully detachable and transferable warrants, exercisable for a period of four (4) years from the date of issue, as constituted by the relevant warrant instrument and issued with the benefit of, and subject to, the terms and conditions set out therein entitling the holder to subscribe for up to 266,680,000 Shares at the Warrant Exercise Price
"Great Fortune"	Great Fortune Global Investment Limited (寶豐環球投資有限公司)
"Great Shine"	Great Shine Investment Limited (宏暉投資有限公司)
"Group"	collectively, the Company and its subsidiaries

"Guarantors"	collectively, Mr. Lee, Mr. Chen, Mr. Qin, Mr. Yao and Mr. Liu
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Independent Board Committee"	the independent Board committee, comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Connected Transaction
"Independent Financial Adviser"	Somerley Capital Limited, a licensed corporation permitted under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription Agreement entered into between the Company and Great Shine
"Independent Shareholders"	Shareholders other than those required under the Listing Rules to abstain from voting on the relevant resolution(s) to be proposed at the EGM
"Issue Date"	the date of issue of the Warrants
"Last Trading Day"	30 September 2021, being the last trading day prior to the signing of both of the Share Subscription Agreements and the Warrant Subscription Agreement, which took place after trading hours
"Latest Practicable Date"	18 November 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 of Hong Kong Limited
"Long Stop Date"	31 December 2021 or such later date as the Company and the relevant Subscribers may mutually agree in writing from time to time

"Mr. Chen"	Mr. Chen Jiajun, an executive Director, the chairman of the Board and a substantial shareholder of the Company
"Mr. Lee"	Mr. Lee Kar Lung
"Mr. Qin"	Mr. Qin Tao
"Mr. Yao"	Mr. Yao Yucheng
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Relevant Cash Dividend"	has the meaning as ascribed to it in the section headed "PROPOSED ISSUE OF UNLISTED WARRANTS UNDER WARRANT SPECIFIC MANDATE" in this circular
"Rights Issue"	the offer for subscription of 3,600,799,740 new Shares on the basis of one (1) rights shares for every two (2) existing Shares held by the Shareholders on the relevant record date, which was completed on 28 June 2021
"RMB"	Renminbi, the lawful currency of the PRC
"SAI"	SAI Growth Fund I, LLLP, a limited liability limited partnership formed in the State of Delaware, the United States of America as a subscriber of the relevant Subscription Shares and the Warrants
"Scrip Dividend"	has the meaning as ascribed to it in the section headed "PROPOSED ISSUE OF UNLISTED WARRANTS UNDER WARRANT SPECIFIC MANDATE" in this circular
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 23 May 2014

"Share Subscription(s)"	the subscription and issue of the Subscription Shares pursuant to each of the Share Subscription Agreements
"Share Subscription Agreement(s)"	the share subscription agreements dated 4 October 2021 entered into between the Company and each of the Subscribers and Guarantors in relation to, among other things, the respective Share Subscriptions
"Shareholder(s)"	holder(s) of share(s)
"Sharp Ally"	Sharp Ally International Limited (群穎國際有限公司)
"Specific Mandates"	collectively, the Subscriptions Specific Mandates and the Warrants Specific Mandate
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	collectively, SAI, Great Fortune, Great Shine, Allove Group, Sharp Ally and YH Fund
"Subscriptions Completion"	the completion of the Share Subscriptions
"Subscription Price"	HK$0.28 per Subscription Share
"Subscription Shares"	a total of 3,000,000,000 new Shares to be issued and allotted by the Company to the Subscribers pursuant to the terms and conditions of the Share Subscription Agreements
"Subscriptions Specific Mandates"	the specific mandates to be sought from the Shareholders (or Independent Shareholders, as appropriate, in connection with the Connected Transaction) at the EGM for the allotment and issuance of the Subscription Shares under the Share Subscription Agreements
"Three-year Warrants"	the fully detachable and transferable warrants, exercisable for a period of three (3) years from the date of issue, as constituted by the relevant warrant instrument and issued with the benefit of, and subject to, the terms and conditions set out therein entitling the holder to subscribe for up to 266,660,000 Shares at the Warrant Exercise Price

"Two-year Warrants"	the fully detachable and transferable warrants, exercisable for a period of two (2) years from the date of issue, as constituted by the relevant warrant instrument and issued with the benefit of, and subject to, the terms and conditions set out therein entitling the holder to subscribe for up to 266,660,000 Shares at the Warrant Exercise Price
"Warrants"	collectively, the Two-year Warrants, the Three-year Warrants and the Four-year Warrants
"Warrant Completion"	the completion of the Warrant Subscription
"Warrant Documents"	collectively, the Warrant Subscription Agreement, the deed polls creating and constituting the Warrants and the certificates issued to the Warrantholders in respect of its registered holding(s) of the Warrants
"Warrant Exercise Period"	the period during which the rights attaching to any Warrant may be exercised, at the option of the Warrantholder, at any time on or after the Issue Date up to the close of business on the Warrant Expiration Date (but in no event thereafter)
"Warrant Exercise Price"	the price per Share payable in HK$ (or in US$ at the then prevailing Exchange Rate at the election of the Warrantholder) on exercise of the Exercise Rights, which shall initially be HK$0.60 per Share for the Two-year Warrants, HK$0.70 per Share for the Three-year Warrants and HK$0.80 per Share for the Four-year Warrants, and shall be subject to adjustment from time to time in accordance with the terms and conditions for the Warrants
"Warrant Expiration Date"	the second anniversary of the issue date of the Two-year Warrants, the third anniversary of the issue date of the Three-year Warrants and the fourth anniversary of the issue date of the Four-year Warrants
"Warrant Share(s)"	Share(s) issuable upon exercise of Warrant(s)
"Warrant Specific Mandate"	the specific mandate to be sought from the Shareholders at the EGM for the allotment and issuance of the Warrant Shares under the Warrant Subscription Agreement

"Warrant Subscriber"	SAI
"Warrant Subscription"	the issue of the Warrants pursuant to the Warrant Subscription Agreement
"Warrant Subscription Agreement"	the warrant subscription agreement dated 4 October 2021 entered into between the Company and SAI in relation to, among other things, the Warrant Subscription
"Warrant Subscription Price"	the respective subscription price per Warrant
"Warrantholder(s)"	holder(s) of the Warrants
"YH Fund"	YH Fund SPC – YH01 SP I
"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.

* *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 the official English translation of such Chinese names, entities and addresses.*

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 (*Chairman and Chief Executive Officer*)
Mr. Ma Fei
Mr. Lam Ting Fung Freeman

Non-executive Directors:
Mr. Liang Rui
Mr. Ng Wai Hung
Mr. Xu Yibo

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 2681
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

23 November 2021

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF NEW SHARES AND UNLISTED WARRANTS UNDER SPECIFIC MANDATES;
(2) CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES TO SUBSTANTIAL SHAREHOLDER; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder.

On 4 October 2021 (after trading hours):

(a) the Company entered into the Share Subscription Agreements with each of the Subscribers and each of the Guarantors, under which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$0.28 per Subscription Share; and

(b) the Company has also entered into the Warrant Subscription Agreement with SAI, under which the Company has conditionally agreed to issue, and SAI has conditionally agreed to subscribe for the Warrants conferring the rights to subscribe for a maximum number of 800,000,000 Warrant Shares based on the Warrant Exercise Price.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares; (b) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (c) each of the Specific Mandates); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in connection with the Connected Transaction; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Connected Transaction; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules.

(I) PROPOSED ISSUE OF NEW SHARES UNDER THE SUBSCRIPTIONS SPECIFIC MANDATES

The Company has entered into a Share Subscription Agreement with each of the Subscribers and each of the Guarantors. The principal terms of the Share Subscription Agreements are as follows:

Date

4 October 2021 (after trading hours)

Parties

Issuer:	The Company as the issuer of the Subscription Shares; and
Subscribers and/or Guarantors:	(a) SAI (as one of the Subscribers) (b) Great Fortune (as one of the Subscribers) and Mr. Lee (as one of the Guarantors)

(c) Great Shine (as one of the Subscribers) and Mr. Chen (as one of the Guarantors)

(d) Allove Group (as one of the Subscribers) and Mr. Qin (as one of the Guarantors)

(e) Sharp Ally (as one of the Subscribers) and Mr. Yao (as one of the Guarantors)

(f) YH Fund (as one of the Subscribers) and Mr. Liu (as one of the Guarantors)

Subscription Shares

The Company has conditionally agreed to issue, and each of the Subscribers has conditionally agreed to subscribe for, the number of Subscription Shares as set out in the table below at the Subscription Price of HK$0.28 per Subscription Share. Such number of Subscription Shares shall be allotted and issued by the Company at the Subscriptions Completion.

Subscribers	**Number of the Subscription Shares**	**Nominal value of the Subscription Shares**
	million	*HK$ million*
(a) SAI	800	8
(b) Great Fortune	600	6
(c) Great Shine	800	8
(d) Allove Group	150	1.5
(e) Sharp Ally	300	3
(f) YH Fund	350	3.5
Total	3,000	30

Assuming there will be no change in the issued share capital of the Company from the date of the Share Subscription Agreements to the date of Subscriptions Completion save for the allotment and issue of the Subscription Shares, the Subscription Shares represent:

(a) approximately 27.77% of the issued share capital of the Company as at the date of the Announcement; and

(b) approximately 21.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares is HK$30 million.

Subscription Price

The Subscription Price of HK$0.28 per Subscription Share represents:

(a) a discount of approximately 17.65% to the closing price of HK$0.340 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreements;

(b) a discount of approximately 18.60% to the average closing price of approximately HK$0.344 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;

(c) a discount of approximately 18.60% to the average closing price of approximately HK$0.344 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;

(d) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 4.04% represented by the theoretical diluted price of HK$0.3301 to the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK$0.344 per Share, taking into account the closing price on the date of the Share Subscription Agreements of HK$0.340 per Share and the average closing price of approximately HK$0.344 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Share Subscription Agreements, the date on which the Subscription Price of HK$0.28 per Share was fixed);

(e) a premium of approximately 33.33% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2021 of approximately HK$0.21 per Share calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK$2,275,615,000 as at 30 June 2021 as set out in the interim report of the Company for the six months ended 30 June 2021 and 10,803,259,308 Shares in issue as at the date of the Announcement; and

(f) a discount of approximately 27.27% to the closing price of approximately HK$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net proceeds from the Share Subscriptions, after deduction of relevant costs and expenses, is estimated to be approximately HK$833,000,000. The net Subscription Price per Subscription Share, after deduction of relevant costs and expenses, is estimated to be approximately HK$0.278 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Subscribers after taking into account the prevailing market price of the Shares and the trading volume of the Shares. The Board noticed that the average closing price of the Shares had been in a downward trend since February 2021. The average daily closing price of the Shares over the period between the trading day after completion of Rights Issue (i.e. 28 June 2021) and the date of the Share Subscription Agreements was approximately HK$0.303 per Share, with the highest daily closing price of HK$0.365 on 21 September 2021 and the lowest daily closing price of HK$0.250 on 28 July 2021. The Subscription Price is within the range of the daily closing prices per Share over that period and represents an approximately 7.59% discount to the average daily closing price of the Shares over that period. It is also noted that the daily trading volume over that period was relatively low as the average daily trading volume was only approximately 0.21% of the total number of issued Shares as at the end of the period. Having regard to the above, the Directors are of the view that the Subscription Price is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Guarantee

Each Guarantor under the relevant Share Subscription Agreement has agreed to irrevocably and unconditionally guarantee the obligations of the relevant Subscriber under the relevant Share Subscription Agreement.

Conditions Precedent under the Share Subscription Agreements

Completion of each of the Share Subscription Agreements is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions precedent:

(a) the Company having obtained approval by way of ordinary resolution(s) at the EGM by the relevant Shareholders (other than those who are required to abstain from voting) in respect of the issue and allotment of the relevant Subscription Shares and the granting of authority to the Board to deal with all related matters and such approval remaining valid and effective;

(b) the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the relevant Subscription Shares, and such approval remains valid and effective;

(c) the Company having complied with all of its obligations under the Share Subscription Agreement;

(d) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to completion of the Share Subscription Agreement and no legal or regulatory requirements remaining to be satisfied which has the effect of making unlawful or otherwise prohibiting the relevant Share Subscription or any transactions contemplated by the Share Subscription Agreement;

(e) no litigation, action, suit, investigation, claim or proceeding challenging the legality of, or seeking to restrain, prohibit or materially modify, the relevant Share Subscription or any transactions provided for by the Share Subscription Agreement having been instituted and not settled or otherwise terminated;

(f) there has been no occurrence of a material adverse change on or prior to completion of the Share Subscription Agreement; and

(g) the warranties included in the Share Subscription Agreement remaining true and accurate in all respects and not misleading in any respect on the date of completion of the Share Subscription Agreement, and no event has occurred and no matter has arisen which would render any of the warranties untrue, inaccurate or misleading.

In the case of the Share Subscription Agreement entered into between the Company and SAI, the completion of the Share Subscription thereunder is conditional upon the satisfaction of the following additional Condition Precedent:

(h) the conditions precedent under the Warrant Subscription Agreement entered into between the Company and SAI having been fulfilled or, as applicable, waived.

The Subscribers may waive (in whole or in part, whether conditionally or unconditionally) any of the Conditions Precedent (except for those set out in paragraphs (a) to (b)). The Company may not waive any of the Conditions Precedent. As at the Latest Practicable Date, none of the Conditions Precedent under the Share Subscription Agreements had been fulfilled.

If the Conditions Precedent under any of the Share Subscription Agreements have not been fulfilled (or, as the case may be, waived) by the Long Stop Date, the relevant Subscriber may terminate the relevant Share Subscription Agreement to which it is a party whereupon such agreement (save and except the customary surviving provisions, which shall survive termination of the relevant Share Subscription Agreement) shall lapse immediately thereafter and be of no further effect, but (for the avoidance of doubt) all rights and liabilities of the parties which have accrued before termination shall continue to exist.

Subscriptions Completion

Subject to the Conditions Precedent under the Share Subscription Agreements being fulfilled (or, as the case may be, waived by the relevant party(ies)), Subscriptions Completion shall take place on the 10th business day after the last Condition Precedent is satisfied or waived in accordance with the Share Subscription Agreements (or on such other date as the parties may agree).

Completion of the Share Subscriptions are not inter-conditional on each other.

Lock-up Undertaking

Each Subscriber undertakes not to, within three months from the date of Subscriptions Completion, transfer its Subscription Shares to any person without the prior written consent of the Company, provided that the foregoing shall not restrict any transfer to any affiliate(s) of the Subscriber or any transfer made pursuant to or in connection with any security interest granted in favour of one or more banks or other institutions (including any nominee, agent or trustee of or on behalf of such banks or other institutions) to whom such Subscription Shares have been charged or pledged by way of security.

Most Favourable Terms

Under the Share Subscription Agreement entered into between the Company and SAI, in the event that during the period from the date of the relevant Share Subscription Agreement and up to the first anniversary of the date of completion thereof, the Company grants any investor any rights, powers, privileges and preferences favourable than those granted to SAI under the Share Subscription Agreement entered into between the Company and SAI and the Warrant Documents, SAI shall be entitled to and the Company shall as soon as reasonably practicable notify SAI of such more favourable terms and take all necessary actions to ensure that SAI is entitled to such more favourable terms. The Company has no intention to conduct further equity fundraising activities at terms that are more favourable than those agreed with SAI during such one-year period.

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

Specific Mandates

The Subscription Shares will be allotted and issued under the Subscriptions Specific Mandates to be sought from the Shareholders (or, as applicable, the Independent Shareholders in respect of the allotment and issue of Subscription Shares to Great Shine, a connected person of the Company) at the EGM.

Listing Application

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

(II) PROPOSED ISSUE OF UNLISTED WARRANTS UNDER WARRANT SPECIFIC MANDATE

The principal terms of the Warrant Subscription Agreement are set forth below.

Date

4 October 2021 (after trading hours)

Parties

Issuer:	The Company as the issuer of the Warrants; and
Subscriber:	SAI as the Warrant Subscriber.

Issue of the Warrants

The Company has conditionally agreed to issue the Warrant conferring the rights to subscribe for a maximum number of 800,000,000 Warrant Shares at the Warrant Exercise Price.

Conditions Precedent under the Warrant Subscription Agreement

Completion of the Warrant Subscription Agreement is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions precedent:

(a) the Company having obtained approval by way of ordinary resolution(s) at the EGM by the relevant Shareholders (other than those who are required to abstain from voting) in respect of the issue and allotment of the Warrants and the Warrant Shares and the granting of authority to the Board to deal with all related matters and such approval remaining valid and effective;

(b) the Stock Exchange having approved the Warrants prior to its issue or grant and the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Warrant Shares, and such approval remains valid and effective;

(c) the Company having complied with all of its obligations under the Warrant Subscription Agreement;

(d) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to completion of the Warrant Subscription Agreement (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting Warrant Subscription or any transactions contemplated by the Warrant Documents;

(e) no litigation, action, suit, investigation, claim or proceeding challenging the legality of, or seeking to restrain, prohibit or materially modify, the Warrant Subscription or any transactions provided for by the Warrant Documents having been instituted and not settled or otherwise terminated;

(f) there has been no occurrence of a material adverse change on or prior to completion of the Warrant Subscription Agreement;

(g) the warranties included in the Warrant Subscription Agreement remaining true and accurate in all respects and not misleading in any respect on the date of completion of the Warrant Subscription Agreement, and no event has occurred and no matter has arisen which would render any of the warranties untrue, inaccurate or misleading; and

(h) the conditions precedent under the Share Subscription Agreement entered into between the Company and SAI having been fulfilled or, as applicable, waived.

SAI may waive (in whole or in part, whether conditionally or unconditionally) any of the Conditions Precedent (except for those set out in paragraphs (a) to (b)). The Company may not waive any of the Conditions Precedent. As at the Latest Practicable Date, none of the Conditions Precedent under the Warrant Subscription Agreement had been fulfilled.

If the Conditions Precedent under the Warrant Subscription Agreement have not been fulfilled (or, as the case may be, waived) by the Long Stop Date, SAI may terminate the Warrant Subscription Agreement whereupon such agreement (save and except the customary surviving provisions, which shall survive termination of the Warrant Subscription Agreement) shall lapse immediately thereafter and be of no further effect, but (for the avoidance of doubt) all rights and liabilities of the parties which have accrued before termination shall continue to exist.

Warrant Completion

Subject to the Conditions Precedent under the Warrant Subscription Agreement being fulfilled (or, as the case may be, waived by the relevant party(ies)), Warrant Completion shall take place on the 10th business day after the last Condition Precedent is satisfied or waived in accordance with the Warrant Subscription Agreement.

Ranking

The Warrant Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Warrant Shares.

Most Favourable Terms

Under the Warrant Subscription Agreement, in the event that during the period from the date of the relevant Warrant Subscription Agreement and up to the first anniversary of the date of completion thereof, the Company grants any investor any rights, powers, privileges and preferences favourable than those granted to SAI under the Share Subscription Agreement entered into between the Company and SAI and the Warrant Documents, SAI shall be entitled to and the Company shall as soon as reasonably practicable notify SAI of such more favourable terms and take all necessary actions to ensure that SAI is entitled to such more favourable terms. The Company has no intention to conduct further equity fundraising activities at terms that are more favourable than those agreed with SAI during such one-year period.

Specific Mandate

The Warrant Shares will be allotted and issued under the Warrant Specific Mandate to be sought from the Shareholders at the EGM.

Listing Application

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares on the Stock Exchange.

Principal terms of the Warrants

Issuer:	The Company
Warrant Total Price:	The Warrants will be issued to SAI at the aggregate consideration of approximately HK$45.1 million. The average net issue price, after deduction of the relevant expenses, is approximately HK$0.055 per Warrant.
Warrant Subscriber:	SAI
Number of Warrant:	The Warrants are exercisable into a maximum number of 800,000,000 Warrant Shares at the Warrant Exercise Price in the manner set out in the Warrant Documents. The number of Warrant Shares was arrived at after arm's length negotiation between the Company and SAI primarily based on (i) the equal number of Subscription Shares subscribed by SAI; and (ii) the proceeds from the Warrant Subscription of approximately HK$45.1 million and the possible maximum proceeds from the exercise of the subscription rights attaching to the Warrants of approximately HK$558 million.

The Directors consider that it is fair and reasonable as it serves the purpose of attracting SAI to participate in the Share Subscription and on the basis that the Warrant Subscription will be at a consideration (i.e. the Warrant Subscription Price) and the Warrant Exercise Price represents a premium over the recent market prices of the Shares.

Warrant Exercise Period: Warrantholders are entitled to the right to exercise their Warrants and subscribe for Warrant Shares at the Warrant Exercise Price any time during the Warrant Exercise Period. After the close of business on the Warrant Expiration Date, the rights attaching to the Warrants shall lapse and each Warrant shall cease to be valid for any purpose.

Exercisability: The Warrants may be exercised from time to time and in whole and in part on any day during the Warrant Exercise Period.

Warrant Subscription Price: The Warrant Subscription Price in respect of the Warrants is as follows:

(a) Two-year Warrants: HK$0.045 per Warrant Share;

(b) Three-year Warrants: HK$0.057 per Warrant Share; and

(c) Four-year Warrants: HK$0.067 per Warrant Share.

Warrant Exercise Price: The Warrant Exercise Price in respect of the Warrants is as follows:

(a) Two-year Warrants: HK$0.60 per Warrant Share;

(b) Three-year Warrants: HK$0.70 per Warrant Share; and

(c) Four-year Warrants: HK$0.80 per Warrant Share,

each subject to adjustment(s) upon the occurrence of certain events as summarised in the paragraph headed "Adjustments to the Warrant Exercise Price" below and shall not be less than the par value of a Share.

The Warrant Exercise Price of HK$0.60, HK$0.70 and HK$0.80 represent:

(a) a premium of approximately 76.47%, 105.88% and 135.29% to the closing price of HK$0.340 per Share as quoted on the Stock Exchange on the date of the Warrant Subscription Agreement;

(b) a premium of approximately 74.42%, 103.49% and 132.56% to the average closing price of HK$0.344 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Warrant Subscription Agreement up to and including the Last Trading Day, respectively; and

(c) a premium of approximately 74.42%, 103.49% and 132.56% to the average closing price of HK$0.344 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day, respectively.

The aggregate of the Warrant Subscription Price and the Warrant Exercise Price of HK$0.645, HK$0.757 and HK$0.867 represent:

(a) a premium of approximately 89.71%, 122.65% and 155.00% (in respect of each tranche of the Warrants) to the closing price of HK$0.340 per Share as quoted on the Stock Exchange on the Last Trading Day, respectively;

(b) a premium of approximately 87.50%, 120.06% and 152.03% (in respect of each tranche of the Warrants) to the average closing price of HK$0.344 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Warrant Subscription Agreement up to and including the Last Trading Day, respectively; and

(c) a premium of approximately 87.50%, 120.06% and 152.03% (in respect of each tranche of the Warrants) to the average closing price of HK$0.344 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day, respectively.

The Warrant Exercise Price of HK$0.60, HK$0.70 and HK$0.80 (subject to adjustments) per Warrant Share and the aggregation of it with the Warrant Subscription Price of HK$0.645, HK$0.757 and HK$0.867 were arrived at after arm's length negotiations between the Company and SAI with reference to (i) the recent trading prices of the Shares; (ii) the valuation on the market value of the Two-year Warrants, Three-year Warrants and Four-year Warrants of HK$0.075, HK$0.094 and HK$0.1104 respectively, based on the Warrant Exercise Price, as conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Valuer**"), an Independent Third Party and a professional valuer engaged by the Company, by using the Binomial option pricing model up to 30 September 2021, being the latest trading day prior to the date of the Warrant Subscription Agreement, details of which are set out below; and (iii) reasons for and benefits of the issue of the Warrants set out in the section headed "REASONS FOR AND BENEFITS OF THE ISSUE OF SUBSCRIPTION SHARES AND THE WARRANTS AND USE OF PROCEEDS" in this circular.

The key assumptions and parameters applied by the Independent Valuer in the binomial model for the assessment of the market value of the Warrants are set out as follows:

<u>Major Assumptions:</u>

1. The risk-free rate is the interpolated annualized yield of "HKD Hong Kong Govt BVAL Curve" with maturity matching the contractual life of the Warrants obtained from Bloomberg as at 30 September 2021. As defined by Bloomberg, the curve is populated with HKD denominated senior unsecured fixed rate bonds issued by Hong Kong. The yield curve is built daily with bonds that have BVAL prices at the market close;

2. The dividend yield of the Company is deemed as 0.00% as no dividends were declared by the Company for the previous 2 years and it is assumed that no dividends will be paid in the near future; and

3. The expected volatility is the historical volatility of the Shares over the past two-year period (i.e. after the resumption of trading in the Shares on 19 July 2019 from a prolonged suspension since 31 March 2017) and reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Key Parameters

Two-year Warrants

Warrant life and exercise period (years)	2
Share price (HK$)	0.34
Exercise price(HK$)	0.60
Risk free rate	0.33%
Expected volatility	74.86%
Expected dividend	0.00%

Three-year Warrants

Warrant life and exercise period (years)	3
Share price (HK$)	0.34
Exercise price(HK$)	0.70
Risk free rate	0.49%
Expected volatility	74.86%
Expected dividend	0.00%

Four-year Warrants

Warrant life and exercise period (years)	4
Share price (HK$)	0.34
Exercise price(HK$)	0.80
Risk free rate	0.66%
Expected volatility	74.86%
Expected dividend	0.00%

The Warrant Subscription Price was determined primarily based on the market value of the respective Warrant as valued by the Independent Valuer. The approximately 40% discount to the market value was arrived at after arm's length negotiation between the Company and SAI. As mentioned in the section headed "REASONS FOR AND BENEFITS OF THE ISSUE OF SUBSCRIPTION SHARES AND THE WARRANTS AND USE OF PROCEEDS", the Warrant Subscription serves as an incentive for SAI's further support to the Group. Furthermore, the Directors are of the view that Warrant Subscription and Warrant Subscription Price agreed at an approximately 40% discount to market value serve the purpose of attracting SAI to participate in the Share Subscription.

The Directors are also aware of the recent comparable warrant issuances (other than bonus issue) at which warrants were issued at a higher discount or at nominal or nil consideration. Each of the identified comparables took place within one year preceding the date of the Warrant Subscription Agreement, and therefore, such identified transactions are considered to be comparable to the Warrant Subscription and together they represent exhaustive and appropriate references for a comparison against market practice for the purpose of determining the subscription consideration of warrant issuances. Further details of the identified comparables have been set forth below.

Date of the relevant announcement/ transaction	**Company (Stock Code)**	**Issue consideration**
14 July 2021	Ascentage Pharma Group International (Stock Code: 6855)	Nil
14 April 2021	Ocumension Therapeutics (Stock Code: 1477)	HK$1 (*Note*)

Date of the relevant announcement/ transaction	**Company (Stock Code)**	**Issue consideration**
3 March 2021	China Ruifeng Renewable Energy Holdings Limited (Stock Code: 527)	HK$0.015 for each warrant, which represents approximately 41.6% discount to the warrant value of approximately HK$0.0257 for each warrant.
29 January 2021	Graphex Group Limited (Stock Code: 6128)	US$1 *(Note)*
19 November 2020	Union Medical Healthcare Limited (Stock Code: 2138)	Nil

Note: As no market value in respect of the warrant was made available, it is not practicable to calculate or compute the discount to market value for those transactions with share issuance at nil consideration or nominal consideration (e.g. US$1 or HK$1).

The Directors are also of the view that the Warrant Subscription Price and the Warrant Exercise Price should be considered as a whole for the purpose of the Warrant Subscription. The aggregate of the Warrant Subscription Price and the Warrant Exercise Price represent significant premium to the recent closing prices of the Shares. As mentioned above, the average daily closing price of the Shares was approximately HK$0.303 per share over the period between the trading day after completion of Rights Issue (i.e. 28 June 2021) and the Warrant Subscription Agreement with the highest daily closing price of HK$0.365 on 21 September 2021 and the lowest daily closing price of HK$0.250 on 28 July 2021. Furthermore, the difference between the Warrant Subscription Price and market value of the Shares of HK$0.03, HK$0.037 and HK$0.0434 only represent approximately 4.7%, 4.9% and 5.0% of the aggregate of the Warrant Subscription Price and the Warrant Exercise Price, respectively, and the Directors consider that such discount to market value of the Shares represents an insignificant portion of the aggregate of the Warrant Subscription Price and the Warrant Exercise Price.

In addition to the above reasons and benefits, it is noted that the Warrant Exercise Price is higher than any daily closing price over the period after the resumption of trading in the Shares on 19 July 2019 from a prolonged suspension since 31 March 2017 up to the Last Trading Day. Save for the rebound in the Share price in October 2021 which the Company considers was primarily due to the publication of the Announcement, the closing price of the Shares had been in an overall downward trend since February 2021.

The Share Subscription and Warrant Subscription by SAI is a packaged deal, hence the Warrant Subscription Price and the Warrant Exercise Price cannot be considered on a standalone basis. The monetary value of the Warrants was not the sole factor considered by the Directors. In light of the foregoing, the Directors consider that the Warrant Exercise Price and the Warrant Subscription Price are fair and reasonable and are in the interests of the Shareholders as a whole.

The aggregate nominal value of the Warrant Shares is HK$8.0 million, comprised of:

(a) approximately HK$2.67 million for the Two-year Warrants;

(b) approximately HK$2.67 million for the Three-year Warrants; and

(c) approximately HK$2.67 million for the Four-year Warrants.

Adjustment: As agreed between the Company and SAI, the Warrant Exercise Price shall be adjusted in each of the following cases:

(a) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration

Such adjustment shall become effective on the date the alteration takes effect.

(b) an issue by the Company of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the "**Relevant Cash Dividend**"), being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a capital distribution (the "**Scrip Dividend**"), the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares on the date of announcement of the terms of such issue of Shares multiplied by the number of Shares issued exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a capital distribution, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue;

B = the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which: (i) the numerator is the amount of the whole (or the relevant part) of the Relevant Cash Dividend; and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole (or the relevant part) of the relevant cash dividend; and

C = the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, the day immediately after such record date.

(c) capital distribution being made by the Company to the Shareholders, (except where the Warrant Exercise Price falls to be adjusted under condition (b) above), the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the last trading day preceding the date on which the capital distribution is publicly announced; and

B = the fair market value on the date of such announcement of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is made.

(d) dividend being paid or made by the Company to the Shareholders, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such dividend by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the last trading day preceding the date on which the dividend is publicly announced; and

B = the fair market value on the date of such announcement of the portion of the cash distribution attributable to one Share.

Such adjustment shall become effective on the date that such Dividend is paid.

(e) an issue of Shares by the Company to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80% of the Current Market Price per Share, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before such announcement;

B = the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C = the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

(f) an issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) by the Company to all or substantially all Shareholders as a class, by way of rights, or the issue or grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

(g) an issue (otherwise than as mentioned in condition (d) above) any Shares (other than Shares issued on the exercise of Exercise Rights or the options granted by the Company pursuant to its employee share option schemes, or any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise than as mentioned in condition (e) above and other than the options granted by the Company pursuant to its employee share option schemes) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 80% of the Current Market Price on the last trading day preceding the date of announcement of the terms of such issue, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B = the number of Shares which the aggregate consideration (if any) receivable by the Company for such additional Shares to be issued or otherwise made available or, as the case may be, upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and

C = the maximum number of additional Shares issued or the maximum number of Shares that may be issued upon exercise of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the Warrant Exercise Price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

(h) save in the case of an issue of securities arising from a conversion or exchange of other existing securities in accordance with the terms applicable to such existing securities themselves falling within the provisions of this condition (h), if and whenever the Company or any of its subsidiaries (otherwise than as mentioned in conditions (d), (f) or (g) above) or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity (otherwise than as mentioned in conditions (d), (f) or (g) above) shall issue any securities (other than the Warrants and the options granted by the Company pursuant to its employee share option schemes) which by their terms of issue carry (directly or indirectly) rights of exercise into, or exchange or subscription for or purchase of, or to otherwise acquire, Shares issued or to be issued by the Company or securities which by their terms may be re-designated Shares receivable upon conversion, exchange, subscription or redesignation at a consideration per Share which is less than 80% of the Current Market Price on the last trading day preceding the date of announcement of the terms of issue of such securities, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Company for the purposes of, or in connection with, such issue, less the number of Shares so issued);

B = the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued or otherwise made available upon exercise or exchange or on exercise of the right of subscription or purchase or acquisition attached to such securities or, as the case may be, the Shares would purchase at such Current Market Price per Share; and

C = the maximum number of Shares to be issued or otherwise made available upon exercise or exchange of such securities or on the exercise of such rights of subscription or purchase or acquisition attached thereto at the initial exercise, exchange or subscription price or rate or, as the case may be, the maximum number of Shares to be issued or to arise or to be made available from any such re-designation.

Such adjustment shall become effective on the date of issue of such securities.

(i) if and whenever there is any modification of the rights of exercise, exchange, subscription, purchase or acquisition attaching to any such securities as are mentioned in condition (h) above (other than in accordance with the existing terms applicable to such securities) so that the consideration per Share (for the number of Shares available on exercise, exchange or subscription following the modification) is less than 80% of the Current Market Price on the last trading day preceding the date of announcement of the proposals for such modification, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Company for the purposes of, or in connection with, such issue, less the number of Shares so issued);

B = the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on exercise or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing exercise, exchange, subscription or purchase price of such securities; and

C = the maximum number of Shares to be issued, or otherwise made available, on exercise or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified exercise, exchange, subscription or purchase price or rate but giving credit in such manner as a leading investment bank of international repute (acting as expert), selected by the Company and approved by an ordinary resolution of the Warrantholders, consider appropriate (if at all) for any previous adjustment under this condition (h) or condition (i) above.

Such adjustment shall become effective on the date of modification of the rights of exercise, exchange, subscription, purchase or acquisition attaching to such securities.

(j) if and whenever there is an issue, sale or distribution by or on behalf of the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any of its subsidiaries or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 50 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Warrant Exercise Price falls to be adjusted under condition (d), (f), (g) or (h) above), the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the last trading day preceding the date on which such issue is publicly announced; and

B = the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities.

(k) If either: (i) the rights of conversion, exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for Shares or the rights carried by such securities to subscribe for or purchase Shares are modified (other than pursuant to, and as provided in, the existing terms and conditions of such options, rights, warrants or securities); or (ii) the Company determines that an adjustment should be made to the Warrant Exercise Price as a result of one or more events or circumstances not referred to in any other provisions of the condition in relation to liquidation events refers to which in either case have or would have an effect on the position of the Warrantholders as a class compared with the position of the holders of all the securities (and options, rights and warrants relating thereto) of the Company, taken as a class, which is analogous to any of the events referred to in conditions (a) to (j)) (including any demerger, spin-off or similar arrangement in respect of any business of the Company and its subsidiaries), then, in any such case, the Company shall at its own expense request a leading investment bank of international repute (acting as expert), selected by the Company and approved by an ordinary resolution of the Warrantholders, to determine as soon as practicable what adjustment (if any) to the Warrant Exercise Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the

Warrant Exercise Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination provided that where the circumstances giving rise to any adjustment pursuant to the condition in relation to liquidation events have already resulted or will result in an adjustment to the Warrant Exercise Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Warrant Exercise Price, such modification (if any) shall be made to the operation of the provisions of the condition in relation to liquidation events as may be advised by a leading investment bank of international repute (acting as expert), selected by the Company and approved by an ordinary resolution of the Warrantholders, to be in its opinion appropriate to give the intended result.

Warrant Shares: The maximum number of 800,000,000 Warrant Shares represents:

(a) approximately 7.41% of the existing issued share capital of the Company as at the date of the Announcement;

(b) approximately 5.48% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Subscription Shares and the Warrant Shares (assuming that there is no other change to the total number of issued Shares from the date of the Announcement to the date of Warrant Completion).

Rights on liquidation: If the Company is wound up before the Warrant Expiration Date, all Exercise Rights which have not been exercised prior to the commencement of the winding-up shall lapse and the Warrants will cease to be valid for the purpose of exercising any Exercise Rights.

Transferability:	A Warrant may be transferred or exchanged, in whole or in part, at any time. No transfer of title to a Warrant, in whole or in part, will be valid unless and until entered on the Register of Warrantholders. No Warrantholder may require the transfer of a Warrant to be registered after an exercise notice has been delivered with respect to such Warrant.
Voting:	The Warrantholders will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holders of a Warrants. The Warrantholders will not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holders of the Warrants.
Listing:	No application will be made for the listing of the Warrant on the Stock Exchange or any other stock or securities exchange.

Key post-completion undertakings in favour of SAI

Pursuant to the relevant Share Subscription Agreement and the Warrant Subscription Agreement entered into between the Company and SAI, for so long as SAI (and/or any of its affiliates) remains as a Shareholder or a Warrantholder, the Company undertakes to SAI that (unless with the prior written consent of SAI) it shall procure that the relevant members of the Group use reasonable endeavours to respond to all of the civil, criminal, arbitration, investigation, administrative, disciplinary or other actions, suits or proceedings against the Company, its subsidiaries, their respective current directors and/or senior management to avoid material adverse change on the Group.

Each of the Covenantors has irrevocably undertaken to each of the Company and SAI that he/it shall procure the exercise of the voting rights (whether on a show of hands, a poll or otherwise) attaching to all Shares legally or beneficially owned by him/it now or at any time up to the conclusion of the EGM (or any adjournment thereof) and other rights as Shareholders to vote in favour of any resolution(s) to approve each of the Share Subscription Agreements and the Warrant Documents and the transactions contemplated thereunder.

REASONS FOR AND BENEFITS OF THE ISSUE OF SUBSCRIPTION SHARES AND THE WARRANTS AND USE OF PROCEEDS

Under the proposed fundraising, the Share Subscriptions will provide the Group with a definite amount of capital, the shareholders base will be enlarged and the financial position of the Group will be strengthened, whereas the issuance of the Warrants provide the Group a definite amount of proceeds upon completion of the issuance and flexibility in raising additional funds with pre-determined terms, with premium to prevailing market prices of the Shares. In addition, the issuance of Warrants also serves as an incentive for SAI's (as an institutional investor) further support to the Group while it will not result in any immediate dilution effect on the shareholding of the existing Shareholders.

Based on the information provided by SAI, it focuses on long-term value creation rather than short-term goals, which enables it to become a differentiated strategic partner with management teams and portfolio companies over the long-term. SAI is intended to be a long-term strategic partner to the Company with continued capital support to fund the business plan of the Group, bringing strategic value to the Company. For instance, as a global investment firm, SAI's platform and network would help facilitate the international expansion for the smartphone business of the Group. In addition, SAI and its affiliates have track record in investing in technology and technology enabled companies, which could bring synergies to the Company after Subscriptions Completion by, among other things, introducing its portfolio companies to the Company to explore potential cooperation opportunities and business synergies in content marketing, product sales, e-commerce channel and operating system development.

Upon the Subscriptions Completion and the Warrant Completion, and assuming full exercising of the subscription rights attaching to the Warrants, the estimated gross proceeds and net proceeds (after deducting other related expenses and professional fees) from the Share Subscriptions and the Warrant Subscription will amount to approximately HK$1,445.1 million and approximately HK$1,436.6 million respectively. The net Subscription Price will be approximately HK$0.278, and the net Warrant Subscription Price and the net Warrant Exercise Price will be as follows, respectively:

(a) Two-year Warrants: approximately HK$0.043 and HK$0.60;

(b) Three-year Warrants: approximately HK$0.055 and HK$0.70; and

(c) Four-year Warrants: approximately HK$0.065 and HK$0.80.

The estimated net proceeds from the Subscriptions Completion and the Warrant Completion will be approximately HK$876.6 million after deduction of all estimated expenses. The Company intends to use the net proceeds in the following manner:

(i) approximately 90% for the expansion of the Group's mobile business in the PRC during the two years ending 31 December 2022 and six months ending 30 June 2023: approximately 70% for the establishment of new business channels and expansion of both online and offline business channels in the PRC, and approximately 20% for sales and marketing of the mobile phone business; and

(ii) approximately 10% for the general working capital of the Group.

In respect of the use of 70% of the net proceeds in paragraph (i) above:

(a) approximately 60% is expected to be applied to the establishment of new business channels for the mobile phone business in the Mainland China, i.e. the establishment of channels of authorized service stations. The Group is looking for partners across Mainland China to jointly create authorized outlets serving the region for the marketing, service and sales of the Group's branded mobile phones, and maintaining the activity of the Group's branded mobile phones in the region; and

(b) approximately 10% is expected to be applied to, among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels.

The Board would also like to take this opportunity to provide an update on the utilisation of the proceeds from the Rights Issue completed on 28 June 2021 which raised a total of approximately HK$981 million. Approximately 50% of the proceeds from the Rights Issue is expected to be used to expand the business of the Group, especially the mobile business in the Mainland China, during the two years ending 31 December 2022. Amongst such 50%, approximately 25% and 15% are expected to be applied to the production of new series of mobile phone products in the Mainland China market and the research and development of self-developed mobile phone system respectively, and approximately 10% is expected to be applied to the sales and marketing of the new mobile phone business and the expansion of new business channels in the Mainland China.

As at the Latest Practicable Date, the remaining unused portion for the expansion of the Group's business was estimated to be approximately HK$301.3 million: approximately HK$241.3 million are expected to continue to be applied on the production of new series of mobile phone products for the Mainland China market and the research and development of self-developed mobile phone systems, and approximately HK$60.0 million are expected to continue to be applied on sales and marketing of the new mobile phone business and the expansion of new business channels in the Mainland China.

The detailed information of the intended use of 50% of the net proceeds raised from Rights Issue for the expansion of the Group's business, especially the mobile business in the Mainland China, during the two years ending 31 December 2022 are as follows:

Intended use of 50% of the net proceeds for the expansion of the Group's business	**Intended amount of funds used**	**Amount of funds actually used**	**Amount of unused funds**
approximately 25% of the net proceeds for the production of new series of mobile phone products for the PRC market, and	245.3 million	94.1 million	151.2 million
approximately 10% of the net proceeds for sales and marketing of the new mobile phone business and the expansion of new business channels in the PRC	98.1 million	38.1 million	60.0 million
approximately 15% for the research and development of its own mobile phone systems);	147.1 million	57.0 million	90.1 million
Total	490.5 million	189.2 million	301.3 million

Although the net proceeds from the Rights Issue had not been fully utilised for the expansion of the Group's business up to the Latest Practicable Date, in view of the recent development of the new mobile phone business in China, especially the rapid expansion of sales channels kick-starting in the second half of 2021, the Group believes it requires additional fund to serve the expansion needs of the businesses of the Group in the future, and hopes to utilize a new round of equity financing to improve the fund flow of the Group for the establishment and expansion of business channels and sales and marketing of the mobile phone business, and to accelerate the expansion of the Group's mobile phone business through deeper market penetration by rolling out market penetration strategies. Details of the Company's expansion plan in relation to the establishment and expansion of business channels and sales and marketing of the mobile phone business are as follows:

(a) To establish a chain of authorized sale service stations. The Group is looking for cooperative partners in districts and counties or/and villages and towns in the mainland of the PRC, and aims to jointly establish approximately 30,000 authorized sale service stations, and the authorized outlets serving these stations in such regions, which are responsible for brand marketing publicity, branding and marketing and after-sales services of the Group, maintain the vitality of the mobile phone brand in the authorized regions and conduct the assessment and settlement based on the vitality index on the authorized service stations. Due to the weak brand empowerment at the early stage, the Group needs a high incentive sale and promotion mechanisms to incentivize the regional partners.

(b) To improve the self-operated e-commerce channels, including the mobile internet channels. The Group improves its self-operated e-commerce sales and enhances the market influence of the brand through paying the platform advertising fees, product promotion and other activities. The Group will also enhance its cooperation with traditional distributor channels such as online distributors and offline core clients, and attracts them to purchase products in bulk and promotes the sales by formulating different product policies, purchase rebates and others.

(c) To enhance brand publicity and marketing and branding, such as inviting popular celebrities as the Group's product spokespersons, selling products by celebrities on live stream platforms, making publicity videos, convening media conference and placing publicity advertisement on various mainstream platforms and other ways.

Although the proceeds will be used for the expansion of the Company's mobile business up to 30 June 2023, funding requirements are usually at its greatest during the beginning phase of business development. Based on the current information available to the Board, it is expected that approximately 80% of the net proceeds for the expansion of the Group's mobile business in the PRC will be utilized by 31 December 2022. Therefore, the Company considers that it is appropriate at this point of time to proceed with the Share Subscriptions and Warrants Subscription in order to secure funds for such purpose.

The Group plans to achieve a wider regional coverage of the China sales market by increasing the number of offline retail stores; developing online sales channels and deepening the cooperation among numerous e-commerce platforms; and boosting sales by enhancing the brand reputation and product awareness through various sales and marketing activities.

Based on the information currently available to the Company, it is anticipated that the expected use of proceeds for the PRC mobile business of the Group in accordance with its business plan up to 30 June 2023 shall be as follows:

Nature of funding needs	**Total estimated investment**	**Remaining net proceeds from the Rights Issue**	**Net proceeds from the Share Subscriptions and Warrant Subscription**	**Other internal resources of the Group and proceeds from exercise of share options**
Product manufacturing and development of operating system	250.0 million	241.3 million	–	8.7 million
Brand promotion and marketing distribution	250.0 million	60.0 million	175.3 million	14.7 million
Establishment of sales channel	700.0 million	–	613.6 million	86.4 million
Total	1,200 million	301.3 million	788.9 million	109.8 million

The net proceeds from the exercise of the subscription rights attaching to the Warrants (if any) and expected to be used (a) for the Group's general working capital purposes, and (b) for the growth and expansion of the business of the Group, including product manufacturing and development of operating system, brand promotion and marketing distribution and establishment of sales channel (the proceeds from the exercise of the subscription rights attaching to the Warrants (if any) is expected to substitute the internal resources to be used).

Dilutive Effect

The Directors also considered the dilution effect from the Share Subscriptions and Warrant Subscription. Immediately after the completion of Share Subscription, shareholdings of the other existing public Shareholders will be diluted to approximately 51.68%. While the Warrant Subscription will not result in any immediate dilution effect on the shareholding of the existing Shareholders, on the basis that full exercise of the subscription rights attaching to the Warrants, shareholdings of the other existing public Shareholders will be diluted to approximately 48.85%. In this regard, taking into account (i) the reasons for and benefits of the Share Subscriptions and Warrant Subscription; (ii) the Share Subscriptions and the Warrant Subscription are currently the most favourable financing method to the Company to raise additional funds as compared to other fundraising methods as demonstrated in the sub-section headed "Other means of financing" below; and (iii) the terms of the Share Subscription Agreements and the Warrant Subscription Agreement are fair and reasonable, the Directors are of the view that the said level of dilution to the shareholding interests of the existing public Shareholders as a result of the Share Subscriptions and Warrant Subscription is acceptable.

Other means of financing

Save for the Share Subscriptions and Warrant Subscription, the Directors have also considered other financing alternatives including (i) debt financing; and (ii) other equity fundraising such as rights issue, open offer and placing of new shares.

As for debt financing, the Directors are of the view that debt financing will incur interest burden to the Group which may in turn adversely affect the profitability of the Company, and will increase the Group's gearing ratio. The estimated net proceeds from the Share Subscriptions and the Warrant Subscription will be approximately HK$876.6 million after deduction of all estimated expenses. If the Group finances the same amount with debt, assuming at an annualised interest rate of 7% (being the lowest effective interest rate of the Group as disclosed in the Company's 2020 annual report), then the interest burden for one year would be approximately HK$61.36 million, and the gearing ratio would be approximately 47% (assuming that all other unrelated financial accounts in the 2021 interim financial statements remain unchanged and the amount from the debt financing has been fully used as intended), which would be an increase of approximately 13%, compared with the gearing ratio of approximately 34% as at 30 June 2021.

As for rights issue and open offer, it would require the Company to undergo a comparatively lengthy process in order to (i) identify suitable underwriter(s) and to negotiate terms agreeable to the parties; and (ii) prepare the requisite compliance and legal documentation, including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es). The Directors estimate that a rights issue or open offer will require a minimum of additional one month. Rights issue or open offer would also incur additional costs, including but not limited to underwriting commission and professional fees. As a reference, the estimated costs to gross proceeds of the Share Subscriptions and the Warrant Subscription is less than 1.0% whereas the costs to gross proceeds of the Rights Issue was approximately 2.7%.

As for placing of new shares, the Directors consider that there would be placing commission expenses incurred, resulting in a less cost-effective fundraising exercise as compared to the Share Subscriptions and the Warrant Subscription. Based on the understanding on the market practice by the Company, placing commission generally would be in the range of 0.5% to 5.0% of the placing price. In contrast, no commission is incurred with respect to the Share Subscriptions and the Warrant Subscription. Although there is no guarantee that SAI will exercise the subscription rights attaching to Warrants (i.e. the actual proceeds from the exercising of the subscription rights attaching to the Warrants is uncertain), a definite amount of capital can be raised by the Share Subscriptions and the Warrant Subscription without incurring any commission expenses. The Directors consider that the aggregate definite amount of proceeds from the Share Subscriptions and the Warrant Subscription (i.e. without taking into account any proceeds from the exercise of the subscription rights attaching to the Warrants) and the internal resources of the Group will be adequate to satisfy the existing business plan of the Group up to 30 June 2023 as disclosed above in this section. In addition, the Warrant Exercise Price is set at significant premium over the closing price as quoted on the Stock Exchange on the date of the Warrant Subscription Agreement whereas placing of new shares would normally require placing price with discount to prevailing share price. If the Warrants are exercised, it is expected to benefit the long term business development of the Group by raising additional funds and broadening the capital base of the Company.

In view of the above, the Directors consider that the Share Subscriptions and the Warrant Subscription are currently the most favourable financing method to the Company to raise additional funds as compared to other fundraising methods. As at the Latest Practicable Date, the Company had no intention to conduct any other equity fundraising activities by the end of 2022.

Having considered the reasons and benefits set out above, the Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser but excluding Mr. Chen (only in relation to the Share Subscription by Great Shine)) are of the view that the terms and conditions of each of the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

References are made to (i) the announcements of the Company dated 4 November 2020 and dated 3 February 2021 in relation to, among other things, the subscription of 500,000,000 new Shares and 666,000,000 new Shares by Allove Group Limited and Mr. Zhuo Kun, respectively; and (ii) the announcements of the Company dated 26 May 2021 and 25 June 2021 and the prospectus of the Company dated 3 June 2021 in relation to the Rights Issue. Save for the aforesaid respective subscription of new Shares by Allove Group Limited and Mr. Zhuo Kun, and the Rights Issue, the Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the date of the Announcement and the Latest Practicable Date.

Event and Date	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds up to the Latest Practicable Date
Issue and allotment of 500,000,000 Shares on 13 November 2020	HK$89,500,000	Business expansion, capital expenditures and general working capital of research, development, manufacturing and sale of smart phones	The net proceeds of HK$89,500,000 had been fully applied as intended and as disclosed in the announcement of the Company dated 4 November 2020, amongst which approximately HK$4.1 million was utilized for daily operating expenses and approximately HK$85.4 million was applied as general working capital of manufacturing and sale of smart phones.
Issue and allotment of 666,000,000 Shares on 8 March 2021	HK$186,000,000	Business expansion, capital expenditures and general working capital of research, development, manufacturing and sale of smart phones	The net proceeds of HK$186,000,000 have been fully applied as intended and as disclosed in the announcement of the Company dated 3 February 2021, amongst which approximately HK$11.1 million was utilized for capital expenditures and approximately HK$174.9 million was applied as general working capital of research, development, manufacturing and sale of smart phones.

Event and Date	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds up to the Latest Practicable Date
Rights issue on the basis of one (1) rights share for every two (2) existing shares held on the record date at HK$0.28 per rights share which completed on 28 June 2021	HK$981 million	(i) Approximately 30% (HK$294,300,000) for the repayment of existing indebtedness of the Group during the year ending 31 December 2021. (ii) Approximately 50% (HK$490,500,000) for the expansion of the Group's business during the two years ending 31 December 2022, in particular the mobile business in the PRC. (iii) Approximately 10% (HK$98,100,000) for the acquisition of and/or the investment in businesses that can take advantage of the Group's competitive edge when suitable opportunities arise, which is expected to be utilised in the two years ending 31 December 2022. (iv) Approximately 10% for the general working capital of the Group, of which 5% is expected to be utilised for each of the years ending 31 December 2021 and 2022, respectively.	Approximately HK$301.5 million of the total net proceeds of HK$981.0 million has been utilized as intended and as disclosed in the prospectus of the Company dated 3 June 2021, amongst which (i) approximately HK$106.0 million was utilized for the repayment of existing indebtedness of the Group during the year ending 31 December 2021, (ii) approximately HK$189.2 million was utilized for the expansion of the Group's business during the two years ending 31 December 2022, in particular the mobile business in the PRC, (iii) none has been utilized for the acquisition of and/or the investment in businesses, (iv) approximately HK$6.2 million was utilized for general working capital of the Group for the year ending 31 December 2021.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY: THE SHARE SUBSCRIPTIONS AND THE WARRANT SUBSCRIPTION

As at the Latest Practicable Date, the Company had a total of 10,804,315,955 Shares in issue. For illustration purposes only and assuming that there will be no further changes in the issued share capital of the Company prior to the allotment and issue of the Subscription Shares or exercising of Warrants and no adjustment to the Warrant Exercise Price, set out below are the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon allotment and issue of the Subscription Shares; and (iii) immediately upon exercising of the subscription rights attaching to the Warrants in full:

Shareholder	**(i) As at the Latest Practicable Date**		**(ii) Immediately upon issue and allotment of the Subscription Shares**		**(iii) Immediately upon exercise of the subscription rights attaching to the Warrants in full**	
	No. of Shares	*Approximate per cent. (%)*	*No. of Shares*	*Approximate per cent.*	*No. of Shares*	*Approximate per cent.*
Great Shine *(Note 1)*	2,316,155,500	21.44	3,116,155,500	22.57	3,116,155,500	21.34
Directors *(Note 2)*	5,834,400	0.05	5,834,400	0.04	5,834,400	0.04
Sub-total	2,321,989,900	21.49	3,121,989,900	22.62	3,121,989,900	21.38
SAI *(Note 5)*	–	–	–	–	1,600,000,000	10.96
Sub-total of non-public Shareholders	**2,321,989,900**	**21.49**	**3,121,989,900**	**22.62**	**4,721,989,900**	**32.34**
Public Shareholders						
SAI *(Note 5)*	–	–	800,000,000	5.80	–	–
Great Fortune	–	–	600,000,000	4.35	600,000,000	4.11
Mr. Qin *(Note 3 & 4)*	827,952,000	7.66	977,952,000	7.08	977,952,000	6.70
Sharp Ally	–	–	300,000,000	2.17	300,000,000	2.05
YH Fund *(Note 3)*	520,000,000	4.81	870,000,000	6.30	870,000,000	5.96
Other public Shareholders	7,134,374,055	66.03	7,134,374,055	51.68	7,134,374,055	48.85
Sub-total	**8,482,326,055**	**78.51**	**10,682,326,055**	**77.38**	**9,882,326,055**	**67.67**
Total	**10,804,315,955**	**100.00**	**13,804,315,955**	**100.00**	**14,604,315,955**	**100.00**

Notes:

1. The 2,316,155,500 shares were directly held by Great Shine, which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen is the director of Great Splendid Holdings Limited and hold 100% shares thereof. Therefore, Mr. Chen is indirectly interested in the 2,316,155,500 Shares.

2. To the best knowledge of the Company, the Directors (save for Mr. Chen) held approximately 0.05% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date.

3. Each of the Existing Shareholders (save for Great Shine) is regarded as public shareholder of the Company as at the Latest Practicable Date.

4. The 772,500,000 Shares were directly held by Allove Group which was ultimately wholly-owned by Mr. Qin. The 55,452,000 Shares were directly held by Mr. Qin. In addition to the 772,500,000 Shares indirectly held via Allove Group and the 55,452,000 Shares directly held by Mr. Qin (which together amount to 827,952,000 Shares), as at the Latest Practicable Date, Mr. Qin also held 76,176,472 share options under the Share Option Scheme. Accordingly, as at the Latest Practicable Date, Mr. Qin was indirectly interested in an aggregate of 904,128,472 Shares (which included the aforesaid share options held by him).

5. Immediately upon the issue and allotment of 800,000,000 Subscription Shares to SAI, SAI becomes directly interested in 800,000,000 Shares and remain as a public Shareholder. Immediately upon the exercise of the subscription rights attaching to the Warrants in full, SAI becomes directly interested in the additional 800,000,000 Warrant Shares, and together with the 800,000,000 Subscription Shares previously issued, SAI shall become directly interested in an aggregate of 1,600,000,000 Shares, which render it a non-public Shareholder.

6. Certain figures included in the table above have been rounded to the nearest integer or to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

INFORMATION OF THE GROUP

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

INFORMATION ON THE SUBSCRIBERS AND THE GUARANTORS

SAI

SAI is a limited liability limited partnership formed in the State of Delaware, the United States of America and is ultimately controlled by Mr. Jeffrey Steven Yass.

Great Fortune and Mr. Lee

Great Fortune is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Lee. Mr. Lee is an experienced investor.

Great Shine and Mr. Chen

Great Shine is an investment holding company incorporated in the British Virgin Islands and formerly known as Kingkey Financial Holdings (Asia) Limited. It is indirectly wholly-owned by Mr. Chen, an executive Director and the chairman of the Board, and thus is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

Allove Group and Mr. Qin

Allove Group is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Qin. Mr. Qin is an experienced investor and entrepreneur who has been deeply involved in the business of mobile Internet for many years and has a profound insight for the mobile phone industry, Mr. Qin is also a full time employee of the Group and holds the position as the President for the Group’s PRC business.

Sharp Ally and Mr. Yao

Sharp Ally is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Yao. Based on information provided to the Company, Mr. Yao is an experienced investor.

YH Fund

YH Fund is a segregated portfolio of YH Fund SPC, an open-ended segregated portfolio company incorporated with limited liability in the Cayman Islands. According to YH Fund, it is a tech fund dedicated to investment in companies that bring a paradigm shift from electronic power to computing power. Based on information provided to the Company, the ultimate beneficial owner of YH Fund is Mr. Liu.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Subscribers or its respective ultimate beneficial owner(s) (save for Great Shine and Mr. Chen) was a connected person of the Company as at the Latest Practicable Date; and each of the Subscribers and its respective ultimate beneficial owner(s) (save for the Existing Shareholders) was a third party independent of the Company and its connected persons as at the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Great Shine was interested in 2,316,155,500 Shares, representing approximately 21.44% of the entire issued share capital of the Company. Since Mr. Chen, a substantial Shareholder, the chairman of the Board and an executive Director of the Company, indirectly wholly-owns Great Shine, Great Shine is a connected person of the Company. Accordingly, the Share Subscription Agreement entered into between the Company and Great Shine (and the Share Subscriptions to Great Shine contemplated thereunder) constituted a connected transaction for the Company ("**Connected Transaction**"), and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Subscription Shares (including those to be issued and allotted to Great Shine) will be allotted and issued under the Subscriptions Specific Mandates to be obtained at the EGM; and the Warrant Shares will be allotted and issued under the Warrant Specific Mandate to be obtained at the EGM, the Share Subscriptions by the Subscribers and the Warrant Subscription by the Warrant Subscriber, as the case may be, are also subject to the Shareholders' approval.

As disclosed in the section headed "*Key post-completion Undertakings in favour of SAI*" in the Letter from the Board in this Circular, each of the Covenantors has irrevocably undertaken to each of the Company and SAI that he/it shall procure the exercise of the voting rights (whether on a show of hands, a poll or otherwise) attaching to all Shares legally or beneficially owned by him/it now or at any time up to the conclusion of the EGM (or any adjournment thereof) and other rights as Shareholders to vote in favour of any resolution(s) to approve each of the Share Subscription Agreements and the Warrant Documents and the transactions contemplated thereunder.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Guo Jinghui, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Share Subscription to Great Shine.

Somerley Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Connected Transaction.

EGM

The EGM will be convened and held on Thursday, 9 December 2021 at 2:00 p.m. for the purpose of considering and, if thought fit, approving, among other things, the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares; (b) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (c) each of the Specific Mandates).

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.

Pursuant to the Listing Rules, the following Shareholders will abstain from voting on the relevant proposed resolution(s) to approve the relevant ordinary resolution(s) at the EGM: (1) Mr. Chen and his associate(s) (including Great Shine) holding a total of 2,316,155,500 Shares, representing approximately 21.44% of the total issued share capital of the Company as at the Latest Practicable Date), will abstain from voting on ordinary resolution numbered 3 (and correspondingly, sub-paragraphs 3(a), 3(b) and 3(c)) of the EGM Notice; (2) Mr. Qin and his associate(s) (including Allove Group) holding a total of 827,952,000 Shares, representing approximately 7.66% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on ordinary resolution numbered 5 (and correspondingly, sub-paragraphs 5(a), 5(b) and 5(c)) of the EGM Notice; and (3) YH Fund and its associate(s) holding a total of 520,000,000 Shares, representing approximately 4.81% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on ordinary resolution numbered 7 (and correspondingly, sub-paragraphs 7(a), 7(b) and 7(c)) of the EGM Notice. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares;

(b) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (c) each of the Specific Mandates), and is required to abstain from voting on the resolution(s) to approve the aforesaid matters at the EGM.

Mr. Chen has abstained from voting on the relevant Board resolution(s) regarding the Share Subscription by Great Shine, the transactions contemplated thereunder and the allotment and issue of the Subscription Shares thereunder. Save as disclosed above in relation to Mr. Chen, no other Director was required to abstain from voting on the Board resolution(s) regarding the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder.

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, Wanchai, 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 and in such event, the instrument appointing a proxy shall be deemed to be revoked.

In the interest of all shareholders' health and safety and in order to prevent and control the spread of COVID-19, 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(s) at the EGM instead of attending the EGM in person, by completing and returning the proxy form.

RECOMMENDATIONS

The Board (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) considers that the Share Subscription Agreements, and the Warrant Subscription Agreement were entered into on normal commercial terms after arm's length negotiation and the terms of the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) recommends the Shareholders to vote in favour of the proposed ordinary resolution(s) to approve the Share Subscription Agreements, the Warrant Subscription Agreement and the transactions contemplated thereunder 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

COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

23 November 2021

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES TO SUBSTANTIAL SHAREHOLDER

We refer to the circular of the Company to the Shareholders dated 23 November 2021 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

The Independent Board Committee has been established to advise the Independent Shareholders on whether the terms and conditions of the Share Subscription Agreement entered into between the Company and Great Shine (and the Share Subscription to Great Shine contemplated thereunder) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 8 to 51 of the Circular and the letter of advice from Somerley Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders as set out on pages 54 to 79 of the Circular in relation to the Share Subscription Agreement entered into between the Company and Great Shine (and the Share Subscription to Great Shine contemplated thereunder).

Having taken into consideration the factors and reasons as stated in the letter from the Board, and the opinion as stated in the letter of advice from the Independent Financial Adviser, we consider that (i) the terms of the Share Subscription Agreement entered into between the Company and Great Shine (and the Share Subscription to Great Shine contemplated thereunder) contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the entering of the Share Subscription Agreement between the Company and Great Shine (and the Share Subscription to Great Shine contemplated thereunder), while not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. We recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in relation to the Share Subscription to Great Shine to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

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

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor, China Building
29 Queen's Road Central
Hong Kong

23 November 2021

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES TO SUBSTANTIAL SHAREHOLDER

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Share Subscription Agreement entered into between the Company and Great Shine (the "**Great Shine Subscription Agreement**") (and the Share Subscriptions to Great Shine contemplated thereunder) (the "**Great Shine Subscription**"). Details of the Great Shine Subscription are set out in the letter from the Board contained in the circular of the Company (the "**Circular**") to its Shareholders dated 23 November 2021, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 4 October 2021, the Company entered into the Share Subscription Agreements with each of the Subscribers and each of the Guarantors, under which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$0.28 per Subscription Share. Among the Subscribers, Great Shine is interested in 2,316,155,500 Shares, representing approximately 21.44% of the entire issued share capital of the Company as at the Latest Practicable Date. Since Mr. Chen, a substantial Shareholder, the chairman of the Board and an executive Director of the Company, indirectly wholly-owns Great Shine, Great Shine is a connected person of the Company. Accordingly, the Great Shine Subscription Agreement entered into between the Company and Great Shine constituted a connected transaction for the Company, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Chen and his associates (including Great Shine), which holding a total of 2,316,155,500 Shares, representing approximately 21.44% of the total issued share capital of the Company as at the Latest

Practicable Date, will abstain from voting on the proposed resolution(s) to approve the relevant ordinary resolution(s) at the EGM approving the Great Shine Subscription. On the same date, the Company has also entered into the Warrant Subscription Agreement with SAI (being one of the Subscribers), under which the Company has conditionally agreed to issue, and SAI has conditionally agreed to subscribe for the Warrants conferring the rights to subscribe for a maximum number of 800,000,000 Warrant Shares based on the Warrant Exercise Price.

The Independent Board Committee comprising all four independent non-executive Directors, namely Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Guo Jinghui, has been established to advise the Independent Shareholders in respect of the Great Shine Subscription. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and Great Shine, or their respective substantial shareholder(s) or connected person(s) that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Great Shine Subscription as detailed in the Circular.

In formulating our advice, we have reviewed, among other things, the Share Subscription Agreements, the Warrant Subscription Agreement, the annual report of the Company for the financial year ended 31 December 2020 ("**FY2020**") (the "**2020 Annual Report**"), the interim report of the Company for the six months ended 30 June 2021 ("**1H2021**") (the "**2021 Interim Report**"), and the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company (the "**Management**") and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain so up to the date of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and the Subscribers, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background of the Group and Great Shine

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

Great Shine is an investment holding company incorporated in the BVI and formerly known as Kingkey Financial Holdings (Asia) Limited. It is indirectly wholly-owned by Mr. Chen, an executive Director and the chairman of the Board, and thus is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As at the Latest Practicable Date, Great Shine was interested in 2,316,155,500 Shares, representing approximately 21.44% of the entire issued share capital of the Company.

Details on the background of the other Subscribers are set out in the section headed "Information on the Subscribers and the Guarantors" in the letter from the Board contained in the Circular.

2. Financial information of the Group

Financial results

Set out below are the consolidated financial highlights of the Group for each of the year ended 31 December 2019 ("**FY2019**") and 2020 (as extracted from the 2020 Annual Report), and for the six months ended 30 June 2020 ("**1H2020**") and 2021 (as extracted from the 2021 Interim Report) (collectively, the "**Period**").

	For the six months ended 30 June		**For the year ended 31 December**	
	2021	**2020**	**2020**	**2019**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
By business segment				
Sales of mobile phones and related accessories	318,596	385,413	795,147	1,854,148
Wireless application service income	1,523	507	16,610	3,942
	320,119	385,920	811,757	1,858,090

	For the six months ended 30 June		For the year ended 31 December	
	2021	**2020**	**2020**	**2019**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
By geographical segment				
Mainland China	45,321	30,246	109,490	128,372
Overseas	274,798	355,674	702,267	1,729,718
	320,119	385,920	811,757	1,858,090
Gross (loss)/profit	(14,471)	84,079	122,054	431,885
(Loss)/profit for the period/year attributable to owners of the Company	(238,134)	(65,927)	(393,986)	112,321
(Loss)/earnings per share attributable to ordinary equity holders of the parent (HK$)	(3.11)	(1.04)	(6.56)	2.22

As shown in the table above, revenue from sales of mobile phones and related accessories has been the main source of revenue of the Group, contributing over 95% of the Group's total revenue during the Period.

In view of the substantial impact of the COVID-19 pandemic in 2020, the Group postponed the launch of some new models of mobile phones, resulting in a significant decrease in sales volume. At the same time, the Group increased sales rebates to boost sales in the United States market, the Group's main sales market for its products where the sales were dampened, resulting in a significant decrease in revenue. Accordingly, the Group reported revenue of approximately HK$811.76 million for FY2020, representing a decrease of approximately 56.31% from approximately HK$1,858.09 million for FY2019. The Group's sales to overseas market dropped by approximately 59.40% in FY2020 as compared to that in FY2019, while the domestic sales decreased by around 14.71% in FY2020 when compared with that in FY2019.

The Group reported revenue of approximately HK$320.12 million for 1H2021, representing a decrease of approximately 17.05% from approximately HK$385.92 million for 1H2020. The Group's revenue from overseas market decreased by around 22.74% from approximately HK$355.67 million for 1H2020 to approximately HK$274.80 million for 1H2021, while domestic sales increased by around 49.82% from approximately HK$30.25 million for 1H2020 to approximately HK$45.32 million for 1H2021. As stated in the 2020 Annual Report, the Group restarted domestic phone business and rebuilt operation team in 2020 to gradually restore the production layout and sales channel in Chinese market. However, the Group was mainly in the time-consuming stages of resource integration, design and R&D and production of new products the first half of 2021. Despite Coolpad COOL 20, the first product of the Group in 2021, was officially launched in May 2021, the overall sales volume improvement was not substantial in the first half 2021 due to a relatively weak brand strength and an insufficient front-end retail delivery capacity. Therefore, the launch of a new product has yet to make a significant contribution to the Group's overall financial performance in 1H2021.

Gross profit of the Group decreased from approximately HK$431.89 million for FY2019 to approximately HK$122.05 million for FY2020. Gross profit margin of the Group decreased from 23.24% for FY2019 to 15.04% for FY2020. As mentioned in the 2020 Annual report, the decrease of gross profit was primarily attributable to the price promotions on mobile phones and further discounts to major customers following the COVID-19 pandemic. The Group recorded gross loss of around HK$14.47 million in 1H2021, compared to gross profit of around HK$84.08 million in 1H2020. The decrease in gross profit was mainly due to tight upstream supply, resulting in overall increase in cost of sales, while the sales price of mobile phone orders in the major markets was fixed.

In view of the above, profit for the year attributable to owners of the Company decreased from profit of approximately HK$112.32 million for FY2019 to loss of approximately HK$393.98 million for FY2020. For 1H2021, the Group reported loss for the period attributable to owners of the Company of approximately HK$238.13 million, representing an increase of approximately 261.19% from loss of approximately HK$65.93 million for 1H2020. The basic earnings per Share attributable to ordinary equity holders of the Company were approximately HK$2.22 for FY2019; and losses of HK$6.56, HK$1.04 and HK$3.11 for FY2020, 1H2020 and 1H2021 respectively.

Financial position

The following is a summary of the consolidated financial position of the Group as at 31 December 2020 and 30 June 2021 respectively as extracted from the 2021 Interim Report.

	As at 30 June 2021 *(unaudited)* *HK$'000*	**As at 31 December 2020** *(audited)* *HK$'000*
Total assets		
Property, plant and equipment	354,163	305,048
Investment properties	2,327,774	2,287,583
Prepayments, deposits and other receivables	374,465	299,889
Cash and cash equivalents	1,174,687	208,773
Other assets	897,250	1,220,223
	5,128,339	4,321,516

	As at 30 June 2021 *(unaudited)* *HK$'000*	As at 31 December 2020 *(audited)* *HK$'000*
Total liabilities		
Interest-bearing bank and other borrowings	540,813	543,670
Other payables and accruals	1,190,372	1,500,899
Other liabilities	1,121,539	958,094
	2,852,724	3,002,663
Net assets	2,275,615	1,318,853
Net asset value ("NAV") attributable to owners of the Company	2,275,212	1,318,454
NAV per Share (HK$)[(Note)]	0.21	0.20

Note: NAV per Share of the Company is calculated based on NAV attributable to owners of the Company divided by the number of issued Share as at the respective year/period end.

Total assets of the Group as at 30 June 2021 and 31 December 2020 mainly comprised property, plant and equipment, investment properties, prepayments, deposits and receivables, and cash and cash equivalent. On 4 May 2021, the Company proposed to raise additional capital by way of rights issue on the basis of one rights share for every two existing Shares held on the record date at a subscription price of HK$0.28 per rights share (the "**Rights Issue**"). Following completion of the Rights Issue on 28 June 2021, the Company had issued 3,600,799,740 new Shares and raised net proceeds of approximately HK$981 million. The net proceeds raised from the Rights Issue largely contributed to the increase in the Group's total assets of the Group by approximately 18.67% from approximately HK$4,321.52 million as at 31 December 2020 to approximately HK$5,128.34 million as at 30 June 2021.

As at 30 June 2021, the total liabilities of the Group were approximately HK$2,852.72 million, representing an decrease of approximately 4.99% from approximately HK$3,002.66 million as at 31 December 2020. The fluctuation was primarily due to the decrease in other payables and accruals of the Group. The gearing ratio of the Group, which was measured by net debt divided by the sum of capital and net debt, decreased from approximately 64% as at 31 December 2020 to approximately 34% as at 30 June 2021. Such improvement in the Group's gearing ratio was mainly attributable to the increase in cash and cash equivalent and the increase in equity, which resulting from the net proceeds raised and the issue of new Shares upon completion of the Rights Issue.

The issue of rights shares under the Rights Issue also contributed to the increase in NAV attributable to owners of the Company from approximately HK$1,318.45 million as at 31 December 2020 to approximately HK$2,275.21 million as at 30 June 2021. NAV per Share based on the total Shares in issue as at the respective year/period end date, was approximately HK$0.21 as at 30 June 2021 and approximately HK$0.20 as at 31 December 2020.

3. Reasons for and benefits of the issue of Subscription Shares

During the FY2020 and 1H2021, the Group's business operation has been deteriorating as demonstrated from the net losses recorded by the Group for FY2020 and 1H2021, which was primarily attributable to the impact on the weak overseas consumption affected by the COVID-19 pandemic, the delay of new product launch and a rise in the cost of certain core raw materials. Against this backdrop, the Group has restarted its domestic phone business and rebuilt operation team in 2020 to gradually restore the production layout and sales channel in market in China. Based on statistics released by the National Bureau of Statistics of the PRC, despite the impacts of the COVID-19 pandemic in 2020, the nominal GDP in the PRC has shown recovery in the first half of year 2021, with a growth rate of approximately 17.0% as compared to the first half of year 2020. As advised by the Management, the Group considers a hybrid approach of developing both the China market and the overseas market would reduce the operational risks owing to the adverse impact on the overseas market under the COVID-19 pandemic. While the business of the Group has been focusing on the United States market in the past, the Group would shift its business development direction to the China market.

The Group has been committed to the long-term business strategy in developing the mobile operation in China to turn around their business under such a challenging business environment. On 28 June 2021, the Group has completed the Rights Issue, from which 50% of the net proceeds or around HK$490.5 million has been allocated for the expansion of the Group's business, in particular the mobile business in China. As discussed under the sub-section headed "2. Financial information of the Group – Financial results" above, due to a relatively weak brand strength and an insufficient front-end retail delivery capacity in China, there has been no obvious improvement in the sales volume of mobile phone in the first half of 2021 even with a new product launched in May 2021. Notwithstanding the above, the pace of improvement in terms of domestic sales volume has been accelerated in the third quarter which, in the Management's view, was mainly attributable to the Group's investments in the sales and marketing of the new mobile phone business and the expansion of new business channels in the PRC. As such, the Company considers that the strategies to increase its retail market penetration and presence in China proved to be a right business direction. Accordingly, we concur with the Company that it is crucial for the Group to raise the investments within a short time for the purposes of accelerating the expansion of online and offline sales channels, deepening the cooperation among numerous e-commerce platforms, and further enhancing the brand reputation and product awareness through various sales and marketing activities.

Set out below is the expected use of proceeds for the PRC mobile business of the Group in accordance with its business plan up to 30 June 2023, which extracted from the letter from the Board contained in the Circular.

Nature of funding needs	Total estimated investment	Remaining net proceeds from the Rights Issue	Net proceeds from the Share Subscriptions and Warrant Subscription	Other internal resources of the Group and proceeds from exercise of share options
Product manufacturing and development of operating system	250.0 million	241.3 million	–	8.7 million
Brand promotion and marketing distribution	250.0 million	60.0 million	175.3 million	14.7 million
Establishment of sales channel	700.0 million	–	613.6 million	86.4 million
Total	1,200 million	301.3 million	788.9 million	109.8 million

As exhibited in the table above, the total investment required for the Group's PRC mobile business is estimated to be around HK$1,200 million, of which HK$250 million and HK$700 million are required for (i) the brand promotion and marketing distribution, and (ii) the establishment of sales channel, respectively. After taking into the unutilised proceeds from the Rights Issue and other internal resources of the Group that are earmarked for the sales and marketing of the mobile phone business and the expansion of business channels in the PRC, there is still a significant shortfall in funding for the Group to implement its market penetration plans in the PRC. As disclosed in the letter from the Board, although the net proceeds from the Share Subscriptions and Warrants Subscription will be used for the expansion of the Company's mobile business up to 30 June 2023, funding requirements are usually at its greatest during the beginning phase of business development. Based on the current information available to the Board, it is expected that approximately 80% of the net proceeds for the expansion of the Group's mobile business in the PRC will be utilised by 31 December 2022. Therefore, the Company considers that it is appropriate at this point of time to proceed with the Share Subscriptions and Warrants Subscription in order to secure funds for such purpose. Having considered the above and the challenging business environment facing by the Group as discussed above, we concur with the Company that there exists a genuine and timely funding need to meet the funding requirement in accelerating the expansion of the Group's mobile phone business through deeper market penetration.

As disclosed in the letter from the Board, the estimated net proceeds from the Share Subscriptions and the Warrant Subscription will be approximately HK$876.6 million after deduction of all estimated expenses. The Company intends to use 90% of the net proceeds for the expansion of the Group's mobile business in the PRC during the two years ending 31 December 2022, with approximately 70% (i.e. around HK$613.6 million) for the establishment of new business channels and expansion of both online and offline business channels in the PRC, and 20% (i.e. around HK$175.3 million) for sales and marketing of the mobile phone business, which would be beneficial to the Group to achieve a wider coverage of the PRC sales market and to boost sales in a more efficient way through enhancing the brand reputation and product awareness. The remaining 10% of the net proceeds will be applied for the general working capital of the Group. In view of the above, the Great Shine Subscription, together with the other Independent Share Subscriptions (as defined below) and the Warrant Subscription, are expected to generate net proceeds to alleviate the Group's timely funding need to implement the market penetration plans for the PRC mobile business. Details of the Company's expansion plan in relation to the establishment and expansion of business channels and sales and marketing of the mobile phone business are set out in the section headed "Reasons for and benefits of the issue of the Subscription Share and the Warrants and use of proceeds" in the letter from the Board.

As at the Latest Practicable Date, Great Shine was interested in 2,316,155,500 Shares, representing approximately 21.44% of the entire issued share capital of the Company. In terms of the number of issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Warrant Shares (assuming that there will be no further changes in the issued share capital of the Company prior to the allotment and issue of the Subscription Shares or exercising of Warrants and no adjustment to the Warrant Exercise Price), it is noted that Great Shine (i) will increase its shareholding interests in the Company to approximately 22.58% immediately upon issue and allotment of the Subscription Shares; and (ii) will maintain its shareholding interests in the Company at approximately 21% immediately upon exercise of the subscription rights attaching to the Warrants in full. The increase or maintaining in shareholding interests by Great Shine through the Great Shine Subscription when the Company is in need of funding, serves as a vote of confidence in the Company by Great Shine and reflect its support and commitment towards the long-term and sustainable development of the Company notwithstanding the current challenging business environment facing by the Group.

As discussed in the letter from the Board, the Directors consider equity financing would provide an efficient means of raising sufficient capital for the Group's long-term needs under the challenging business environment without incurring additional interest burden to the Group, which may in turn adversely affect the profitability of the Company, and will increase the Group's gearing ratio. The estimated net proceeds from the Share Subscriptions and the Warrant Subscription will be approximately HK$876.6 million after deduction of all estimated expenses. As set out in the letter from the Board, if the Group finances the same amount with debt, assuming at an annualised interest rate of 7% (being the lowest effective interest rate of the Group as disclosed in the 2020 Annual Report), then the interest burden for one year would be HK$61.36 million, and the gearing ratio would be around 47% (assuming that all other unrelated financial accounts in the 2021 interim financial statements remain unchanged and the amount from the debt financing has been fully used as intended), which would be an increase of around 13%, compared with the gearing ratio of around 34% as at 30 June 2021.

Based on the aggregate gross proceeds from the Share Subscriptions and Warrant Subscription of approximately HK$885.1 million (being the sum of HK$840.0 million and HK$45.1 million) and the estimated net proceeds of approximately HK$876.6 million, the total expenses for the Share Subscriptions and Warrant Subscription accounted for approximately 0.96% of the total gross proceeds. As discussed with the Management, in view of the recent experience from the Rights Issue which the costs (being the difference between the gross and net proceeds as disclosed in the relevant announcements) to gross proceeds rate was approximately 2.70% and that the Company has undergone a lengthy process (i) identify the suitable underwriter. (ii) negotiate of the terms of underwriting, and (iii) prepare the requisite compliance and legal documentations, which we have reviewed the relevant correspondence documents to ascertain the time spent by the Company, it is expected that if the current fund raising exercise was conducted by way of rights issue or open offer, the estimated total costs would be higher, and will require a minimum of additional one month as compared to the Share Subscriptions and Warrant Subscription. Having considered that (i) the fund-raising size of the Share Subscriptions and Warrant Subscription is similar to that of the Rights Issue; and (ii) the Rights Issue was conducted within six months before the Share Subscriptions and Warrant Subscription, we are of the view that the costs to gross proceeds rate of the Rights Issue of approximately 2.70% serves as a reasonable and representative benchmark on estimating the total costs of a rights issue or an open offer. Since the Company had completed the Rights Issue on the basis of one rights share for two existing Shares on 28 June 2021 and the dealing in the fully-paid rights shares commenced on 29 June 2021, any subsequent rights issue proposed in the period of 12 months from 29 June 2021 must be made conditional on minority shareholders' approval pursuant to Rule 7.19A(1) of the Listing Rules. Pursuant to Rule 7.24A(1) of the Listing Rules, a proposed open offer must also be made conditional on minority shareholders' approval given that the general mandate granted to the Board at the Company's last annual general meeting is insufficient to raise the same amount of fund as the Share Subscriptions and the Warrant Subscription. Despite any proposed rights issue or open offer will take a similar amount of time for convening a shareholders' meeting as the Share Subscriptions and the Warrant Subscription, the offer period of rights issue or open offer can commence only after the relevant resolution has been approved at a shareholders' meeting. Based on the Rights Issue, it took around one month to complete the Rights Issue from the commencement date of the offer period. An open offer will take a similar amount of time as a rights issue to complete following the offer commencement. Thus, we consider that it is a reasonable estimation by the Company that a minimum of additional one month is required for a rights issue or an open offer as compared to the Share Subscriptions and the Warrant Subscription.

As for placing of new Shares, the Management anticipated that the rate of placing commission to be incurred would be in the range of 0.5% to 5.0% of the placing price based on the understanding on the market practice. As the Company is able to raise a definite amount of capital and avoid placing commission by conducting the subscriptions directly with the Subscribers, it is considered less efficient to engage a placing agent(s) who will normally procure placees on a best effort basis with no guarantee that sufficient funds can be raised. As part of our analysis, we have reviewed the recent precedents of placing of new shares announced by companies listed on the Main Board of the Stock Exchange on a best effort basis during the period commencing from 1 July 2021 until the Last Trading Day. We have identified 18 precedents (the "**Comparable Placings**") during the selected period which is considered to be a sufficient and representative sample size. The costs to gross proceeds rate for the Comparable Placings ranged from approximately 0.75% to 12.55%, with an average and median of 3.22% and 2.03% respectively, which are higher than the estimated costs to gross proceeds rate of around 0.96% for the Share Subscriptions and Warrant Subscription. Given that (i) the estimated total costs rate for placing new shares is expected to be higher than that for the Share Subscriptions and Warrant Subscription; (ii) there would be no guarantee that sufficient funds can be raised as needed by way of placing; and (iii) the Company has identified a group of Subscribers, we concur with the Company that placing of new shares is a less cost-effective and efficient financing method when compared to the Share Subscriptions and Warrant Subscription.

Having considered the above, we concur with the Directors that a rights issue or an open offer would incur additional costs and time, and placing of new shares would be a less cost-effective and efficient financing method when compared to the Share Subscriptions and the Warrant Subscription. Therefore, the Share Subscriptions and the Warrant Subscription are the most favourable financial method among the other financing methods and in the interests of the Company and the Shareholders as a whole.

Apart from contributing a notable portion to the Share Subscriptions, the Directors are of the view that the Great Shine Subscription will reinforce the Group's strategic alliance with the substantial Shareholder who is familiar with the business operation of the Group which is crucial to the business stability and long-term development of the Group. Through the Share Subscriptions, the Company has also attracted several new strategic investors with financial background and track record in investing in technology enabled companies, which can further broaden the capital base of the Company and bring business synergies to the Group, that cannot readily be achieved through debt financing. Having considered the other fund-raising alternatives, the Directors consider that the Share Subscriptions by a combination of an existing substantial Shareholder (i.e. Great Shine) and other strategic investors to be the most appropriate fund-raising option available to the Group to raise further capital for its long-term development.

Taking into account (i) that the Share Subscriptions by a combination of an existing substantial Shareholder and other strategic investors allow the Company to reinforce the strategic alliance with the substantial Shareholders and broaden the capital base of the Company in one go; (ii) that there exists a genuine and timely funding need to meet the funding requirement in accelerating the expansion of the Group's mobile phone business through deeper market penetration as discussed above; and (iii) the Share Subscriptions are the appropriate means for the Group to raise funds among other alternatives as discussed above, we concur with the Directors that the Share Subscriptions are in line with the Group's development strategy and beneficial to the Group in the long-term.

4. Principal terms of the Share Subscription Agreements

The principal terms of the Share Subscription Agreements are set out below:

Parties

Issuer:	The Company as the issuer of the Subscription Shares; and
Subscribers and/or Guarantors:	(a) SAI (as one of the Subscribers) (b) Great Fortune (as one of the Subscribers) and Mr. Lee (as one of the Guarantors) (c) Great Shine (as one of the Subscribers) and Mr. Chen (as one of the Guarantors) (d) Allove Group (as one of the Subscribers) and Mr. Qin (as one of the Guarantors) (e) Sharp Ally (as one of the Subscribers) and Mr. Yao (as one of the Guarantors) (f) YH Fund (as one of the Subscribers) and Mr. Liu (as one of the Guarantors) As disclosed in the letter from the Board, save for Great Shine and Mr. Chen, none of the Subscribers or its respective ultimate beneficial owner(s) was a connected person of the Company as at the Latest Practicable Date. SAI, Great Fortune, Allove Group, Sharp Ally, and YH Fund, being the "**Independent Subscriber(s)**". The Share Subscription Agreements entered into between the Company and each Independent Subscriber, and the transactions contemplated thereunder, being the "**Independent Share Subscription(s)**".

Subscription Shares

The Company has conditionally agreed to issue, and each of the Subscribers has conditionally agreed to subscribe for, the number of Subscription Shares as set out in the table below at the Subscription Price of HK$0.28 per Subscription Share. Such number of Subscription Shares shall be allotted and issued by the Company at the Subscriptions Completion.

Subscribers	**Number of the Subscription Shares** *million*	**Nominal value of the Subscription Shares** *HK$ million*
(a) SAI	800	8.0
(b) Great Fortune	600	6.0
(c) Great Shine	800	8.0
(d) Allove Group	150	1.5
(e) Sharp Ally	300	3.0
(f) YH Fund	350	3.5
Total	3,000	30.0

Assuming there will be no change in the issued share capital of the Company from the date of the Share Subscription Agreements to the date of Subscriptions Completion save for the allotment and issue of the Subscription Shares, the Subscription Shares represent:

(a) approximately 27.77% of the issued share capital of the Company as at the date of the Announcement; and

(b) approximately 21.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK$0.28 per Subscription Share. As disclosed in the letter from the Board, the Subscription Price was arrived at after arm's length negotiation between the Company and the Subscribers after taking into account the prevailing market price of the Shares and the trading volume of the Shares. The Board noticed that the average closing price of the Shares had been in a downward trend since February 2021. The average daily closing price of the Shares over the period between the trading day after completion of the Rights Issue (i.e. 28 June 2021) and the date of the Share Subscription Agreements was approximately HK$0.303 per Share, with the highest daily closing price of HK$0.365 on 21 September 2021 and the lowest daily closing price of HK$0.250 on 28 July 2021. The Subscription Price is within the range of the daily closing prices per Share over that period and represents an approximately 7.59% discount to the average daily closing price of the Shares over that period. It is also noted that the daily trading volume over that period was relatively low as the average daily trading volume was only approximately 0.21% of the total number of issued Shares as at the end of the period.

Conditions Precedent under the Share Subscription Agreements

Completion of each of the Share Subscription Agreements is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions precedent:

(a) the Company having obtained approval by way of ordinary resolution(s) at the EGM by the relevant Shareholders (other than those who are required to abstain from voting) in respect of the issue and allotment of the relevant Subscription Shares and the granting of authority to the Board to deal with all related matters and such approval remaining valid and effective;

(b) the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the relevant Subscription Shares, and such approval remains valid and effective;

(c) the Company having complied with all of its obligations under the Share Subscription Agreement;

(d) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to completion of the Share Subscription Agreement and no legal or regulatory requirements remaining to be satisfied which has the effect of making unlawful or otherwise prohibiting the relevant Share Subscription or any transactions contemplated by the Share Subscription Agreement;

(e) no litigation, action, suit, investigation, claim or proceeding challenging the legality of, or seeking to restrain, prohibit or materially modify, the relevant Share Subscription or any transactions provided for by the Share Subscription Agreement having been instituted and not settled or otherwise terminated;

(f) there has been no occurrence of a material adverse change on or prior to completion of the Share Subscription Agreement; and

(g) the warranties included in the Share Subscription Agreement remaining true and accurate in all respects and not misleading in any respect on the date of completion of the Share Subscription Agreement, and no event has occurred and no matter has arisen which would render any of the warranties untrue, inaccurate or misleading.

The Subscribers may waive (in whole or in part, whether conditionally or unconditionally) any of the Conditions Precedent (except for those set out in paragraphs (a) to (b)). The Company may not waive any of the Conditions Precedent. As at the Latest Practicable Date, none of the Conditions Precedent under the Share Subscription Agreements had been fulfilled.

If the Conditions Precedent under any of the Share Subscription Agreements have not been fulfilled (or, as the case may be, waived) by the Long Stop Date, the relevant Subscriber may terminate the relevant Share Subscription Agreement to which it is a party whereupon such agreement (save and except the customary surviving provisions, which shall survive termination of the relevant Share Subscription Agreement) shall lapse immediately thereafter and be of no further effect, but (for the avoidance of doubt) all rights and liabilities of the parties which have accrued before termination shall continue to exist.

Subscriptions Completion

Subject to the Conditions Precedent under the Share Subscription Agreements being fulfilled (or, as the case may be, waived by the relevant party(ies)), Subscriptions Completion shall take place on the 10th business day after the last Condition Precedent is satisfied or waived in accordance with the Share Subscription Agreements (or on such other date as the parties may agree). As disclosed in letter from the Board, completion of the Share Subscriptions are not inter-conditional on each other.

Lock-up Undertaking

Each Subscriber undertakes not to, within three months from the date of Subscriptions Completion, transfer its Subscription Shares to any person without the prior written consent of the Company, provided that the foregoing shall not restrict any transfer to any affiliate(s) of the Subscriber or any transfer made pursuant to or in connection with any security interest granted in favour of one or more banks or other institutions (including any nominee, agent or trustee of or on behalf of such banks or other institutions) to whom such Subscription Shares have been charged or pledged by way of security (the "**Lock-up Undertaking**").

Most Favourable Terms

Under the Share Subscription Agreement entered into between the Company and SAI, in the event that during the period from the date of the relevant Share Subscription Agreement and up to the first anniversary of the date of completion thereof, the Company grants any investor any rights, powers, privileges and preferences favourable than those granted to SAI under the Share Subscription Agreement entered into between the Company and SAI and the Warrant Documents, SAI shall be entitled to and the Company shall as soon as reasonably practicable notify SAI of such more favourable terms and take all necessary actions to ensure that SAI is entitled to such more favourable terms. As disclosed in the letter from the Board, the Company has no intention to conduct further equity fundraising activities at terms that are more favourable than those agreed with SAI during such one-year period.

On 4 October 2021, the Company has also entered into the Warrant Subscription Agreement with SAI, under which the Company has conditionally agreed to issue, and SAI has conditionally agreed to subscribe for the Warrants conferring the rights to subscribe for a maximum number of 800,000,000 Warrant Shares based on the Warrant Exercise Price. Details of the Warrant Subscription Agreement are set out in the section headed "(II) Proposed issue of unlisted Warrants under Warrant Specific Mandate" in the letter from the Board contained in the Circular.

5. Evaluation of the Subscription Price

Comparison of the Subscription Price to recent Share prices

The Subscription Price of HK$0.28 per Subscription Share represents:

(a) a discount of approximately 27.27% to the closing price of the Shares of HK$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 17.65% to the closing price of HK$0.340 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 18.60% to the average closing price of approximately HK$0.344 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

(d) a discount of approximately 18.60% to the average closing price of approximately HK$0.344 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(e) a discount of approximately 10.92% to the average closing price of approximately HK$0.314 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(f) a discount of approximately 6.82% to the average closing price of approximately HK$0.301 per Share as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day;

(g) a discount of approximately 9.42% to the average closing price of approximately HK$0.309 per Share as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day;

(h) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 4.04% represented by the theoretical diluted price of HK$0.3301 to the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK$0.344 per Share, taking into account the closing price on the date of the Share Subscription Agreements of HK$0.340 per Share and the average closing price of approximately HK$0.344 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Share Subscription Agreements, the date on which the Subscription Price of HK$0.28 per Share was fixed); and

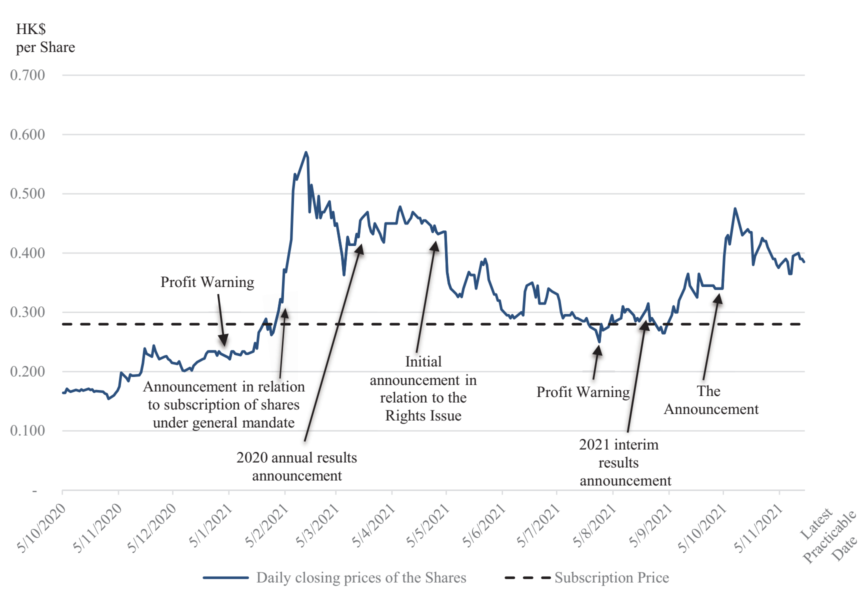
(i) a premium of approximately 33.33% over the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2021 of approximately HK$0.21 per Share calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK$2,275,615,000 as at 30 June 2021 as set out in the 2021 Interim Report and 10,804,315,955 Shares in issue on the Latest Practicable Date.

The Subscription Price of HK$0.28 per Subscription Share is the same for the Great Shine Subscription and the Independent Share Subscriptions. As stated in the letter from the Board, the Subscription Price was negotiated on an arm's length basis between the Company and the Subscribers. On this basis, we consider that (i) the Subscription Price represents an arm's length subscription price that Independent Subscribers are willing to accept and pay under the prevailing market conditions; and (ii) the Subscription Price under the Great Shine Subscription Agreement is not more favourable to Great Shine than that to the Independent Subscribers.

Historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 5 October 2020 (being the first trading day in October 2020) up to and including the Latest Practicable Date (the "**Review Period**"), being a period of around 13 months up to and including the Latest Practicable Date. We consider that the Review Period which covers more than a full year prior to the Latest Practicable Date is sufficient and representative as it represents a reasonable timeframe that covers the recent trend of the Share price that reflects the Company's fundamental financial and business performance in response to the then prevailing market and operation conditions.

Share price chart



As illustrated in the chart above, the Share price closed in a range between HK$0.154 and HK$0.570 per Share during the Review Period with an average of approximately HK$0.323 per Share. The Subscription Price of HK$0.28 per Shares falls within the range of the closing price per Share during the Review Period and represents a discount of around 13.31% to the average closing price per Share during the Review Period.

From 5 October 2020 to 16 February 2021, the Share price closed between HK$0.154 and HK$0.570. During such period, the closing price of the Shares showed a general uptrend. On 19 January 2021 (after trading hour), the Company published the profit warning announcement and the price of the Shares dropped approximately 3.63% on the following trading day and closed at HK$0.239 on 20 January 2020. On 3 February 2021 (after trading hour), the Company published the announcement in relation to the subscription of new shares under general mandate and the price of the Shares gained approximately 17.35% to close at HK$0.372 on 4 February 2021. Since then and until 16 February 2021, the Share price continued to show an uptrend and closed at HK$0.570 on 16 February 2021.

From 17 February 2021 to 30 July 2021, the closing price of the Shares demonstrated a decreasing trend in general, with a high on 17 February 2021 of HK$0.561 and a low on 28 July 2021 of HK$0.250. On 28 March 2021 (after trading hour), the Company published the 2020 annual results and the price of the Shares dropped approximately 4.00% on the following trading day and closed at HK$0.432 on 29 March 2021. On 4 May 2021 (after trading hour), the Company published announcement in relation to the Rights Issue. The Shares price fell by approximately 15.60% from HK$0.436 on 4 May 2021 to HK$0.368 on 5 May 2021. The closing prices of the Shares continued to show a decreasing trend in general until July.

From 1 August 2021 to 3 October 2021, the Share price regained an upward momentum and closed in a range of HK$0.265 per Share to HK$0.365 per Share. Following the publication of 2021 interim results on 24 August 2021, the closing prices of the Shares fell by 9.52% on the following trading day and closed at HK$0.285 on 25 August 2021. Since then the Share price resumed an upward trend in September 2021. On 4 October 2021, the Company published the Announcement and the closing price of the Shares gained approximately 16.18% on the following trading day and closed at HK$0.395 on 5 October 2021, suggesting a positive market reaction to the Share Subscriptions. Since then the Share price has fluctuated in a range between HK$0.365 and HK$0.475, and the closing price of the Shares as at the Latest Practicable Date was HK$0.385.

Historical trading liquidity of the Shares

Set out in the table below is the average daily trading volume of the Shares for the period from 5 October 2020 (being the first trading day in October 2020) up to and including the Last Trading Day (the "**Pre-Announcement Period**"):

	Total trading volume of the Shares for the month *(Number of Shares)*	**Number of trading days for the month**	**Average daily trading volume of the Shares for the month** *(Number of Shares)*	**Percentage of the average daily trading volume to total number of issued Shares as at the end of the month** *(Note 1)*
2020				
October	164,268,400	18	9,126,022	0.15%
November	658,725,000	21	31,367,857	0.48%
December	255,070,900	22	11,594,132	0.18%
2021				
January	566,610,700	20	28,330,535	0.43%
February	1,341,372,400	18	74,520,689	1.14%
March	409,488,500	23	17,803,848	0.25%
April	258,634,900	19	13,612,363	0.19%
May	470,451,800	20	23,522,590	0.33%
June	612,194,800	21	29,152,133	0.27%
July	338,771,200	21	16,131,962	0.15%
August	383,993,500	22	17,454,250	0.16%
September (up to and including the Last Trading Day, i.e. 30 September 2021)	708,163,500	21	33,722,071	0.31%
Average *(Note 2)*			**25,072,137**	**0.23%**

Source: Website of the Stock Exchange

Note 1: The percentage of average daily trading volume to number of Shares in issue as at the end of relevant month is calculated based on (i) total trading volume divided by the corresponding number of trading days for the relevant month; divided by (ii) total number of Shares in issue as at the corresponding month end.

Note 2: The average daily trading volume for the Pre-Announcement Period is calculated based on (i) total trading volume for the Shares in the Pre-Announcement Period divided by the total number of trading days during the Pre-Announcement Period; divided by (ii) total number of issued Shares as at the end of the Pre-Announcement Period, i.e. 30 September 2021.

For the table above, in general, we note that the average daily trading volume of the Shares has been thin during the Pre-Announcement Period with an average daily trading volume of around 0.23%. Given the low liquidity of the Shares as illustrated above may hinder the attractiveness of any equity fund-raising activities to be conducted by the Company to investors (irrespective of whether such investors are connected person of the Company). In light of the above, we concur with the Company that it is reasonable to set the Subscription Price at a discount to the then prevailing Share price with a view to provide more incentive for the Subscribers to participate in the Share Subscriptions after taking into account the low liquidity of the Shares.

Comparable Issues and peer comparison

As part of our analysis, we have reviewed the recent issues of news shares for cash by companies listed on the Main Board of the Stock Exchange on a best effort basis for all share issues announced since 1 October 2020 and up to the Last Trading Day, which involve placing/subscription/issue of new shares to connected person(s), without involving acquisitions, restructuring, loan capitalization, share award scheme, public offering, mandatory cash offer, whitewash waiver, and issuance of convertible securities or A shares. Share issues which have been terminated or lapsed subsequently are excluded in this analysis. We consider that a review period from 1 October 2020 to the Last Trading Day, being an one-year period, is appropriate and adequate since the comparable issues are considered as a general reference for market practice of determining subscription price under recent market conditions. Based on the above criteria, a total of 8 comparable issues (the "**Comparable Issues**") have been identified, which, so far as we are aware of, are exhaustive and are fair and representative samples.

It should be noted that the subject companies involved in the Comparable Issues may have different principal activities, market capitalisations, profitability or financial positions as compared to those of the Company. However, as the Comparable Issues can provide a general understanding of this type of transaction in the Stock Exchange in the recent market environment, we consider them an appropriate reference for assessing the Subscription Price.

For each of the Comparable Issues identified, we compared the premium or discount of its placing/issue/subscription price over/to (a) the closing share price on the last trading day or date of announcement; (b) the average of the closing share price as quoted on the Stock Exchange for the last 5 consecutive trading days prior to and including the last trading day; and (c) the average of the closing share price as quoted on the Stock Exchange for the last 10 consecutive trading days prior to and including the last trading day, as summarised in the following table. The comparisons with net asset per share are presented in the table for illustrative purpose only.

			Premium/(discount) of placing/subscription/issue price over/(to)			
Date of announcement	**Company name**	**Stock code**	**closing share price on the last trading day** *(Note 1)* **or date of announcement** *(approximate)*	**average closing share price as quoted on the Stock Exchange for the last 5 consecutive trading days prior to and including the last trading day** *(approximate)*	**average closing share price as quoted on the Stock Exchange for the last 10 consecutive trading days prior to and including the last trading day** *(approximate)*	**net asset value per share as disclosed in the announcement/ circular** *(Note 3)* *(approximate)*
15 December 2020	Kinergy Corporation Ltd.	3302	(17.81)%	(20.00)%	(18.92)%	0.00%
20 January 2021	China Finance Investment Holdings Limited	875	(18.37)%	(20.00)%	(19.19)%	(20.79)%
20 January 2021	Pak Tak International Limited	2668	(1.96)%	(9.09)%	(4.76)%	19.76%
20 April 2021	Meituan	3690	(5.30)%	(4.00)%	(8.80)%	1,286.86% *(Note 4)*
31 May 2021	Hong Kong Resources Holdings Company Limited	2882	(15.25)%	(15.25)%	(16.39%)	N/A *(Note 5)*
19 July 2021	Elife Holdings Limited	223	5.77%	3.00%	(1.08)%	149.39%
17 August 2021	Man Sang International Limited	938	5.26%	1.91%	(2.44)%	272.09%
27 September 2021	China Aoyuan Group Limited	3883	(4.43)%	0.00%	(7.14%)	(54.67)% *(Note 4)*
	Mean (simple average)		(6.51)%	(7.93)%	(9.84)%	
	Median		(4.87)%	(6.55)%	(7.97)%	
	Maximum		5.77%	3.00%	(1.08)%	
	Minimum		(18.37)%	(20.00)%	(19.19)%	
	Great Shine Subscription		(17.65)%	(18.60)%	(18.60)%	

Source: the website of the Stock Exchange

Note 1: It refers to the last trading day as disclosed in the respective announcement.

*Note 2: We have excluded the share subscriptions of Persta Resources Inc. (3395.hk) ("**Persta**") conducted on 8 June 2021 when arriving to these figures as we are of the view that it is outlier. The subscription prices of shares of Persta in the subscriptions represent an exceptional high premium over the closing price per share on last trading day and over the average closing price for the last five and ten consecutive trading days prior to the last trading day as compared with those of the Comparable Issues (i.e. premium of 120% over the closing price per share on the corresponding last trading day, premium of 90% over the average closing price for the last 5 consecutive trading days prior to the corresponding last trading day and a premium of 109% over the closing price for the last 10 consecutive trading days prior to the corresponding last trading day). The subscription price was determined based on the positive correlation between the prevailing trading volume and the share price which is an uncommon market practice of determining subscription price which we consider inapplicable to our analysis to provide a general reference for market practice of determining subscription price and therefore we exclude Persta from the list of Comparable Issues.*

Note 3: The placing/subscription/issue price to net asset value comparison of the Comparable Issues is solely for illustrative purpose only. Since the subject companies involved in the Comparable Issues are in different industries and their net asset value as compared with their valuation may differ significantly due to, amongst others, differences in business model and market speculation/expectation, we are of the view that it is not meaningful to compare the premium/discount represented by the Subscription Price with that of the Comparable Issues in terms of net asset value per share.

Note 4: Calculated based on the then latest published equity attributable to owners of the company as disclosed the interim report or annual report when the announcement was published.

Note 5: It is not applicable as Hong Kong Resources Holdings Company Limited recorded net liabilities as at 31 December 2020.

Among the Comparable Issues, we noted from the above table that the subscription prices of the Comparable Issues:

(i) ranged from a discount of approximately 18.37% to a premium of approximately 5.77% to/over the respective closing share prices on the corresponding last trading day or the date of the corresponding announcement the Comparable Issues (the "**Discount/Premium Market Range**"), with an average of a discount of approximately 6.51% (the "**Market Average**") and a median of a discount of approximately 4.87% (the "**Market Median**");

(ii) ranged from a discount of approximately 20.00% to a premium of approximately 3.00% to/over the respective closing prices of their shares for the last 5 consecutive trading days prior to and including the corresponding last trading day of the Comparable Issues (the "**5 Days Discount/Premium Market Range**"), with an average of a discount of approximately 7.93% (the "**5 Days Market Average**") and a median of a discount of approximately 6.55% (the "**5 Days Market Median**"); and

(iii) ranged from a discount of approximately 19.19% to a discount of approximately 1.08% to the respective closing prices of their shares on the date for the last 10 consecutive trading days prior to and including the corresponding last trading day of the Comparable Issues (the "**10 Days**

Discount Market Range"), with an average of a discount of approximately 9.84% (the "**10 Days Market Average**") and a median of a discount of approximately 7.97% (the "**10 Days Market Median**").

The Subscription Price represents (a) a discount of approximately 17.65% to the closing Share price on the Last Trading Day; (b) a discount of approximately 18.60% to the average closing price for the last 5 trading days up to and including the Last Trading Day; and (c) a discount of approximately 18.60% to the average closing price for the last 10 trading days up to and including the Last Trading Day, which are below the Market Average, 5 Days Market Average, 5 Days Market Median, 10 Days Market Average and 10 Days Market Median, but still within the Discount/Premium Market Range, 5 Days Discount/Premium Market Range and 10 Days Discount Market Range.

We note that the Discount/Premium Market Range, the 5 Days Discount/Premium Market Range and the 10 Days Discount Market Range are wide. This might be due to specific circumstances facing each of the Comparable Issues. Despite such wide ranges, having considered that the Subscription Price is within the Discount/Premium Market Range, the 5 Days Discount/Premium Market Range and the 10 Days Discount Market Range, we are of the view that the Subscription Price is in line with the prevailing market sentiment.

Although the above analysis relating to Comparable Issues may not be useful as a direct reference to the fairness and reasonableness of the terms of the Great Shine Subscription Agreement due to the wide ranges of discount/premium of the Comparable Issues, given that (i) the Comparable Issues are considered for the purpose of taking a general reference for the recent market practice in relation to subscriptions of new shares exercises under the recent market conditions and sentiment, and (ii) the Comparable Issues were objectively selected with new shares subscriptions issued to connected person(s) during the period under review, which in our opinion, represent a comprehensive assessment of the recent market trends for similar transactions conducted by other issuers listed on the Stock Exchange, we consider it is fair and reasonable to compare the respective discount/premium between each of the Comparable Issues and that of the Great Shine Subscription as part of our assessment of the principal terms of the Great Shine Subscription Agreement. It should be noted that, in forming our opinion, we have considered the results of the above analysis together with all other factors stated in this letter as a whole.

Notwithstanding that the Subscription Price of HK$0.28 per Subscription Share represents a discount to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and the discount of the Great Shine Subscription is below the average of discount/premium of the Comparable Issues as illustrated above, having considered that (i) the Subscription Price of the Great Shine Subscription is equal to that of the Independent Share Subscriptions, the other terms of the Great Shine Subscription are not more favourable to those of the Independent Share Subscriptions; (ii) the reasons for and benefits of the Share Subscriptions as described under the section 3 above, in particular, the genuine and timely funding need to meet the funding requirement in accelerating the expansion of the Group's mobile phone business through deeper market penetration; (iii) the Subscription Price represents a premium of approximately 33.33% over the NAV per Share as at 30 June 2021; (iv) the Subscription Price falls within the range of the closing prices per Share during the Review Period as well as the ranges of the Discount/Premium Market Range, the 5 Days Discount/Premium Market Range and the 10 Days Discount Market Range of the Comparable Issues; (v) the Lock-up Undertaking would restrain the Subscribers from realising an immediate financial gain through the discount represented by the Subscription Price; and (vi) the Group recorded generally deteriorated financial performance in the recent financial year/period, overall speaking, we consider the Subscription Price is fair and reasonable.

6. Financial effects of the Share Subscriptions

The net proceeds from the Share Subscriptions, after the deduction of the estimated related expenses to be incurred in the Share Subscriptions, are estimated to be approximately HK$833.0 million.

As at 30 June 2021, the cash and cash equivalents and net assets of the Group amounted to approximately HK$1,174.69 million and HK$2,275.62 million respectively. Immediately upon the Subscriptions Completion, the amount of cash and cash equivalents and net asset value are expected to increase by an approximate amount of the net proceeds to be received by the Company. On the basis that the Subscription Price of HK$0.28 represents a premium of approximately 33.33% over the NAV per Share of approximately HK$0.21 as at 30 June 2021, it is expected that the NAV per Share will increase upon the Subscriptions Completion. As such, it is expected that the working capital and financial position of the Group is expected to be enhanced after the Subscriptions Completion.

It should be noted that the aforementioned possible financial effects are for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon Subscriptions Completion.

7. Dilution effects of the Share Subscriptions

The following table illustrates the shareholding structure of the Company: (i) as at the Latest Practicable Date; and (ii) immediately upon allotment and issue of the Subscription Shares to the Independent Subscribers; and (iii) immediately upon allotment and issue of all Subscription Shares (assuming that there is no change in the total number of issued Shares other than the issue of the Subscription Shares between the date of the Share Subscription Agreements and the date of the Subscriptions Completion).

Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately upon allotment and issue of the Subscription Shares to the Independent Subscribers		(iii) Immediately upon allotment and issue of all Subscription Shares	
	No. of Shares	*Approx. per cent.*	*No. of Shares*	*Approx. per cent.*	*No. of Shares*	*Approx. per cent.*
Great Shine *(Note 1)*	2,316,155,500	21.44	2,316,155,500	17.81	3,116,155,500	22.58
Directors *(Note 2)*	5,834,400	0.05	5,834,400	0.05	5,834,400	0.04
Sub-total of non-public Shareholders	**2,321,989,900**	**21.49**	**2,321,989,900**	**17.86**	**3,121,989,900**	**22.62**
Public Shareholders						
SAI	–	–	800,000,000	6.15	800,000,000	5.80
Great Fortune	–	–	600,000,000	4.61	600,000,000	4.35
Mr. Qin *(Note 3 & 4)*	827,952,000	7.66	977,952,000	7.52	977,952,000	7.08
Sharp Ally	–	–	300,000,000	2.31	300,000,000	2.17
YH Fund *(Note 3)*	520,000,000	4.81	870,000,000	6.69	870,000,000	6.30
Other public Shareholders	7,134,374,055	66.04	7,134,374,055	54.86	7,134,374,055	51.68
Sub-total of public Shareholders	**8,482,326,055**	**78.51**	**10,682,326,055**	**82.14**	**10,682,326,055**	**77.38**
Total	**10,804,315,955**	**100.00**	**13,004,315,955**	**100.00**	**13,804,315,955**	**100.00**

Notes:

1. The 2,316,155,500 shares were directly held by Great Shine, which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen is the director of Great Splendid Holdings Limited and hold 100% shares thereof. Therefore, Mr. Chen is indirectly interested in the 2,316,155,500 Shares.

2. To the best knowledge of the Company, the Directors (save for Mr. Chen) held approximately 0.05% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date.

3. Each of the Existing Shareholders (save for Great Shine) is regarded as public shareholder of the Company as at the Latest Practicable Date.

4. The 772,500,000 Shares were directly held by Allove Group which was ultimately wholly-owned by Mr. Qin. The 55,452,000 Shares were directly held by Mr. Qin. In addition to the 772,500,000 Shares indirectly held via Allove Group and the 55,452,000 Shares directly held by Mr. Qin (which together amount to 827,952,000 Shares), as at the Latest Practicable Date, Mr. Qin also held 76,176,472 share options under the Share Option Scheme. Accordingly, as at the Latest Practicable Date, Mr. Qin was indirectly interested in an aggregate of 904,128,472 Shares (which included the aforesaid share options held by him).

5. Certain figures included in the table above have been rounded to the nearest integer or to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

As demonstrated in the table above, the other existing public Shareholders' shareholdings will be diluted from approximately 54.86% immediately after the completion of Independent Share Subscriptions to approximately 51.68% immediately after the completion of all Share Subscriptions.

Although the shareholding interest of the other existing public Shareholders will be diluted immediately upon the Subscriptions Completion as illustrated above, considering (i) the benefits of the Share Subscriptions to the Group as discussed under section under "3. Reasons for and benefits of the issue of Subscription Shares" above; (ii) the Subscription Price is considered to be fair and reasonable as discussed under sections "5. Evaluation of the Subscription Price" above; and (iii) the enhancement in the working capital and financial position of the Group immediately after the Subscriptions Completion as set out in the section headed "6. Financial effects of the Share Subscriptions" of this letter above, we are of the view that the dilution effect of the Great Shine Subscription on the shareholding interests of the other existing public Shareholders is not excessive.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that the terms of the Great Shine Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Great Shine Subscription, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Felix Chau
Director

Mr. Felix Chau is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

Based on the register kept by the Company, as at the Latest Practicable Date, the interests or short positions of each Director or chief executive of the Company in 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	*1*	–	–	3,116,155,500	–	–	–	3,116,155,500	28.84
Mr. CHAN King Chung	*2*	662,400	–	–	–	–	1,958,824	2,621,224	0.02
Mr. HUANG Dazhan	*2*	288,000	–	–	–	–	1,958,824	2,246,824	0.02
Mr. XIE Weixin	*2*	384,000	–	–	–	–	1,958,824	2,342,824	0.02
Mr. MA Fe	*2*	–	–	–	–	–	13,058,819	13,058,819	0.12
Mr. XU Yibo	*2*	4,500,000	–	–	–	–	19,588,326	24,088,236	0.22
Mr. LIANG Rui	*2*	–	–	–	–	–	32,647,060	32,647,060	0.30
Mr. NG Wai Hung	*2*	–	–	–	–	–	3,047,060	3,047,060	0.03
Mr. LAM Ting Fung Freeman	*2*	–	–	–	–	–	2,285,295	2,285,295	0.02
Mr. GUO Jinghui	*2*	–	–	–	–	–	1,958,824	1,958,824	0.02

Notes:

1. The 3,116,155,500 Shares, were directly held by Great Shine (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen is the director of Great Splendid Holdings Limited and holds 100% shares of Great Splendid Holdings Limited.

2. The interests of these Directors represent the underlying shares upon conversion of the shares options granted to the relevant Directors by the Company under the share option scheme adopted by the Company on 23 May 2014. Due to the completion of the Rights Issue on 28 June 2021, the number of underlying shares of options held by the relevant Directors were adjusted.

As at the Latest Practicable Date: (i) save as disclosed above in relation to Mr. Chen, 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 in the table 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	*1*	3,116,155,500	Interest in a controlled corporation	3,116,155,500	28.84
Great Shine	*1*	3,116,155,500	Beneficial owner	3,116,155,500	28.84
SAI	*7*	1,600,000,000	Beneficial owner	1,600,000,000	14.81
SIG Growth Holdco GP, LLC	*7*	1,600,000,000	Interest of corporation controlled by you	1,600,000,000	14.81
SIG Pacific Holdings, LLLP	*7*	1,600,000,000	Interest of corporation controlled by you	1,600,000,000	14.81
Yass Jeffrey Steven	*7*	1,600,000,000	Interest of corporation controlled by you	1,600,000,000	14.81
Mr. QIN	*2*	922,500,000	Interest in a controlled corporation	977,952,000	9.05
		76,176,472	Derivative interest of share option		
		55,452,000	Beneficial owner		
ALLOVE Group	*2*	922,500,000	Beneficial owner	922,500,000	8.54
YH Fund SPC	*6*	870,000,000	Beneficial owner	870,000,000	8.05
Mr. TU Erfan	*3*	903,696,000	Interest in a controlled corporation	903,696,000	8.36
Mr. ZHUO Kun	*4*	666,000,000	Beneficial owner	666,000,000	6.16
New Prestige Developments Limited	*3*	903,696,000	Beneficial owner	903,696,000	8.36
Zeal Limited	*5*	551,367,386	Beneficial owner	551,367,386	5.10

Notes:

1. The 3,116,155,500 shares were directly held by Great Shine (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen is the director of Great Splendid Holdings Limited and holds 100% shares thereof. Therefore, Mr. Chen is indirectly interested in the 3,116,155,500 Shares.

2. The 922,500,000 Shares were directly held by Allove Group which was ultimately wholly-owned by Mr. Qin. The 55,452,000 shares were directly held by Mr. Qin. Due to the completion of the rights issue on 28 June 2021, the number of underlying shares of options held by Mr. Qin under the share option scheme adopted by the Company on 23 May 2014 were adjusted from 70,000,000 to 76,176,472.

3. The 903,696,000 Shares were directly held by New Prestige Developments Limited which was ultimately wholly-owned by Mr. Tu Erfan. Therefore, Mr. Tu Erfan is indirectly interested in the 903,696,000 Shares.

4. The 666,000,000 Shares were directly held by Mr. Zhuo Kun.

5. 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)).

6. YH Fund SPC is indirectly controlled by Mr. Liu Feng. Accordingly, Mr. Liu Feng is also interested in 870,000,000 Shares.

7. SAI Growth Fund I, LLLP is ultimately controlled by Jeffrey Steven Yass.

Save as disclosed above in the table, 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 Latest Practicable Date:

1. a subsidiary of the Group was a plaintiff in a lawsuit with certain customers in the U.S., 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;

2. 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; and

3. the Company and two of its independent non-executive Directors, namely Mr. Chan King Chung and Mr. Xie Weixin, have (amongst others) each been named as one of the respondents in a petition dated 29 July 2021 filed in the Court of First Instance of the High Court of Hong Kong by the Securities and Futures Commission pursuant to section 214 of the SFO requiring, among other things, the respondents to compensate the Company and/or the Group for the loss suffered in the sum of RMB83,924,309.70, together with interest thereon.

Save as the litigation or claim or proceedings concerning the Group as disclosed above, as at the Latest Practicable Date, 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. MATERIAL ADVERSE CHANGE

Reference is made to the announcement of the Company dated 30 July 2021 which stated that, based on the preliminary assessment of the Group's unaudited consolidated management accounts, the loss attributable to the owners of the Company for the six months ended 30 June 2021 was expected to be approximately HK$240 million, as compared to the loss attributable to the owners of the Company of approximately HK$65.9 million for the six months ended 30 June 2020.

The increased loss was primarily attributable to: (i) smaller impact attributable by the change in fair value of investment properties on the profit or loss of the Group during the six months ended 30 June 2021; and (ii) a decrease in gross profit due to tight upstream supply and the resulting increased cost of certain core raw materials and overall cost of sales.

The Directors confirm that, as at the Latest Practicable Date, save as disclosed above in the profit warning announcement of the Company dated 30 July 2021, there had been no material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group have been made up).

9. QUALIFICATION AND CONSENT OF EXPERT

(a) The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Somerley Capital Limited	a licensed corporation permitted under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee in respect of the Connected Transaction

(b) As at the Latest Practicable Date, the Independent Financial Adviser 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) the Independent Financial Adviser 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, the Independent Financial Adviser 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.

10. 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 Share Subscription Agreements and the Warrant Documents;

(b) the cooperation agreement dated 12 January 2021 entered into between Yulong Shenzhen and Shenzhen Xinghuaan Real Estate Development Co., Ltd.* (深圳市星華安房地產開發有限公司) in relation to joint development of the Coolpad Information Harbor Project, details of which are set out in the Company's announcement dated 12 January 2021 and circular dated 27 April 2021;

(c) the equity transfer agreement dated 17 April 2020, pursuant to which Yulong Shenzhen 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, details of which are set out in the Company's announcement dated 17 April 2020 and circular dated 4 June 2020; and

(d) the property management services agreement entered into between Yulong Shenzhen and Shenzhen Kingkey Property Management Company Limited* (深圳市京基物業管理有限公司) dated 25 March 2020, pursuant to which Shenzhen Kingkey Property Management Company Limited* agreed to provide to Yulong Shenzhen certain property management services at an annual cap of RMB30,000,000 each year, details of which are set out in the Company's announcements dated 25 March 2020 and 6 May 2020.

11. 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.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.coolpad.com.hk) from the date of this circular up to and including the date of the EGM:

(a) the letter from the Independent Financial Adviser, the text of which is set out on pages 54 to 79 of this circular;

(b) the written consent of the expert as referred to in the section headed "QUALIFICATION AND CONSENT OF EXPERT" in this appendix;

(c) the material contracts referred to in the paragraph under the heading "MATERIAL CONTRACTS" in this appendix; and

(d) this circular.

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**") will be held at Meeting Room, 20th Floor, Block A, Coolpad Building, No. 8 of Gaoxin North 1st Road, North of Hi-tech Park, Nanshan District, Shenzhen, PRC on Thursday, 9 December 2021 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as ascribed to them in the circular dated 23 November 2021 issued by the Company (the "**Circular**").

ORDINARY RESOLUTIONS

1. PROPOSED ISSUE OF NEW SHARES UNDER SUBSCRIPTIONS SPECIFIC MANDATES TO SAI

"**THAT**

(a) the Share Subscription Agreement dated 4 October 2021 (a copy of which is tabled at the EGM and marked "**A**" and signed by the chairman of the EGM for identification purpose) entered into between the Company and SAI and the transactions contemplated thereunder, including but not limited to, the allotment and issue of 800,000,000 Subscription Shares to SAI, be and is hereby approved, confirmed and ratified;

(b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Share Subscription Agreement entered into between the Company and SAI and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and

(c) subject to and conditional upon the Listing Committee of Stock Exchange having granted the listing of, and permission to deal in the 800,000,000 Subscription Shares, the Directors be and are hereby granted the Subscriptions Specific Mandates which shall entitle the Directors to exercise all the powers of the Company to issue and allot, among others, 800,000,000 Subscription Shares to SAI, on and subject to the terms and conditions of the Share Subscription Agreement entered into between the Company and SAI, provided that the Subscriptions Specific Mandates shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

2. PROPOSED ISSUE OF UNLISTED WARRANTS UNDER WARRANT SPECIFIC MANDATE TO SAI

"**THAT**

subject to the passing of ordinary resolution numbered 1 above,

(a) the Warrant Subscription Agreement dated 4 October 2021 (a copy of which is tabled at the EGM and marked "**B**" and signed by the chairman of the EGM for identification purpose) entered into between the Company and SAI as Warrant Subscriber and the transactions contemplated thereunder, including but not limited to, (i) the issuance of the Warrants to SAI; and (ii) the issuance and allotment of the Warrant Shares to SAI under the Warrant Specific Mandate, be and are hereby approved, confirmed and ratified;

(b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Warrant Subscription Agreement and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and

(c) subject to and conditional upon the Listing Committee of Stock Exchange having granted the listing of, and permission to deal in the Warrant Shares, the Directors be and are hereby granted the Warrant Specific Mandate which shall entitle the Directors to exercise all the powers of the Company to issue, allot and credit as fully paid, the Warrant Shares to SAI, on and subject to the terms and conditions of the Warrant Subscription Agreement, provided that the Warrant Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

3. PROPOSED ISSUE OF NEW SHARES UNDER SUBSCRIPTIONS SPECIFIC MANDATES TO GREAT SHINE

"**THAT**

(a) the Share Subscription Agreement dated 4 October 2021 (a copy of which is tabled at the EGM and marked "**C**" and signed by the chairman of the EGM for identification purpose) entered into between the Company, Great Shine and Mr. Chen and the transactions contemplated thereunder, including but not limited to, the allotment and issue of 800,000,000 Subscription Shares to Great Shine, be and is hereby approved, confirmed and ratified;

(b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Share Subscription Agreement entered into by, among others, the Company and Great Shine and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and

(c) subject to and conditional upon the Listing Committee of Stock Exchange having granted the listing of, and permission to deal in 800,000,000 Subscription Shares, the Directors be and are hereby granted the Subscriptions Specific Mandates which shall entitle the Directors to exercise all the powers of the Company to issue and allot, among others, 800,000,000 Subscription Shares to Great Shine, on and subject to the terms and conditions of the Share Subscription Agreement entered into by, among others, the Company and Great Shine, provided that the Subscriptions Specific Mandates shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

4. PROPOSED ISSUE OF NEW SHARES UNDER SUBSCRIPTIONS SPECIFIC MANDATES TO GREAT FORTUNE

"**THAT**

(a) the Share Subscription Agreement dated 4 October 2021 (a copy of which is tabled at the EGM and marked "**D**" and signed by the chairman of the EGM for identification purpose) entered into between the Company, Great Fortune and Mr. Lee and the transactions contemplated thereunder, including but not limited to, the allotment and issue of 600,000,000 Subscription Shares to Great Fortune, be and is hereby approved, confirmed and ratified;

(b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Share Subscription Agreement entered into by, among others, the Company and Great Fortune and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and

(c) subject to and conditional upon the Listing Committee of Stock Exchange having granted the listing of, and permission to deal in 600,000,000 Subscription Shares, the Directors be and are hereby granted the Subscriptions Specific Mandates which shall entitle the Directors to exercise all the powers of the Company to issue and allot, among others, 600,000,000 Subscription Shares, on and subject to the terms and conditions of the Share Subscription Agreement entered into by, among others, the Company and Great Fortune, provided that the Subscriptions Specific Mandates shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

5. PROPOSED ISSUE OF NEW SHARES UNDER SUBSCRIPTIONS SPECIFIC MANDATES TO ALLOVE GROUP

"**THAT**

(a) the Share Subscription Agreement dated 4 October 2021 (a copy of which is tabled at the EGM and marked "**E**" and signed by the chairman of the EGM for identification purpose) entered into between the Company, Allove Group and Mr. Qin and the transactions contemplated thereunder, including but not limited to, the allotment and issue of 150,000,000 Subscription Shares to Allove Group, be and is hereby approved, confirmed and ratified;

(b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Share Subscription Agreement entered into by, among others, the Company and Allove Group and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and

(c) subject to and conditional upon the Listing Committee of Stock Exchange having granted the listing of, and permission to deal in 150,000,000 Subscription Shares, the Directors be and are hereby granted the Subscriptions Specific Mandates which shall entitle the Directors to exercise all the powers of the Company to issue and allot, among others, 150,000,000 Subscription Shares, on and subject to the terms and conditions of the Share Subscription Agreement entered into by, among others, the Company and Allove Group, provided that the Subscriptions Specific Mandates shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

6. PROPOSED ISSUE OF NEW SHARES UNDER SUBSCRIPTIONS SPECIFIC MANDATES TO SHARP ALLY

"**THAT**

(a) the Share Subscription Agreement dated 4 October 2021 (a copy of which is tabled at the EGM and marked "**F**" and signed by the chairman of the EGM for identification purpose) entered into between the Company, Sharp Ally and Mr. Yao and the transactions contemplated thereunder, including but not limited to, the allotment and issue of 300,000,000 Subscription Shares to Sharp Ally, be and is hereby approved, confirmed and ratified;

(b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Share Subscription Agreement entered into by, among others, the Company and Sharp Ally and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and

(c) subject to and conditional upon the Listing Committee of Stock Exchange having granted the listing of, and permission to deal in 300,000,000 Subscription Shares, the Directors be and are hereby granted the Subscriptions Specific Mandates which shall entitle the Directors to exercise all the powers of the Company to issue and allot, among others, 300,000,000 Subscription Shares, on and subject to the terms and conditions of the Share Subscription Agreement entered into by, among others, the Company and Sharp Ally, provided that the Subscriptions Specific Mandates shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

7. PROPOSED ISSUE OF NEW SHARES UNDER SUBSCRIPTIONS SPECIFIC MANDATES TO YH FUND

"**THAT**

(a) the Share Subscription Agreement dated 4 October 2021 (a copy of which is tabled at the EGM and marked "**G**" and signed by the chairman of the EGM for identification purpose) entered into between the Company, YH Fund and Mr. Liu and the transactions contemplated thereunder, including but not limited to, the allotment and issue of 350,000,000 Subscription Shares to YH Fund, be and is hereby approved, confirmed and ratified;

(b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Share Subscription Agreement entered into by, among others, the Company and YH Fund and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and

(c) subject to and conditional upon the Listing Committee of Stock Exchange having granted the listing of, and permission to deal in 350,000,000 Subscription Shares, the Directors be and are hereby granted the Subscriptions Specific Mandates which shall entitle the Directors to exercise all the powers of the Company to issue and allot 350,000,000 Subscription Shares, on and subject to the terms and conditions of the Share Subscription Agreement entered into by, among others, the Company and YH Fund, provided that the Subscriptions Specific Mandates shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

By Order of the Board of
COOLPAD GROUP LIMITED
Chen Jiajun
Executive Director
Chief Executive Officer
Chairman

Hong Kong, 23 November 2021

Notes:

1. The register of members of the Company will be closed from 6 December 2021 to 9 December 2021 (both days inclusive) during which period no transfer of share(s) will be effected. Members whose names appear on the register of members of the Company at the close of business on 9 December 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 3 December 2021 at the branch share registrar and transfer registrar office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 the 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 of members 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, Wanchai, 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(s) at the EGM instead of attending the EGM in person, by completing and returning the proxy form.

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 Board comprises (i) three executive Directors, namely Mr. Chen Jiajun, Mr. Ma Fei and Mr. Lam Ting Fung Freeman; (ii) three non-executive Directors, namely Mr. Liang Rui, Mr. Ng Wai Hung and Mr. Xu Yibo; and (iii) four independent non-executive Directors, namely Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Guo Jinghui.