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COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

**RESIGNATION OF AUDITOR
AND
SUSPENSION OF TRADING**

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Coolpad Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) and Rule 13.50 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

RESIGNATION OF AUDITOR

The Board announces that, upon the recommendation of the Company, Ernst & Young (“**EY**”) has resigned as the auditor of the Company with effect from 28 March 2024.

In its resignation letter to the audit committee (the “**Audit Committee**”) and the Board dated 28 March 2024 (the “**EY Resignation Letter**”), EY set out the matters that need to be brought to the attention of the shareholders (the “**Shareholders**”) or creditors of the Company which are summarised below.

- (1) In January 2024, EY received anonymous allegations (the “**Allegations**”) of the Company’s misappropriate use of funds in transactions with parties that are suspected to be connected persons of one of the Directors who is also the substantial shareholder of the Company (the “**Relevant Director**”). EY reported the Allegations to the Audit Committee and requested the Company to conduct an independent investigation (the “**Independent Investigation**”). Since then, EY has been closely following-up and communicating with the Company and the Audit Committee in connection with the Allegations and the Independent Investigation.

In February 2024, the Audit Committee formed an independent committee (the “**Independent Committee**”) and engaged an independent forensic specialist (the “**Independent Investigator**”) to conduct the Independent Investigation. On 29 February 2024, EY understood from the Independent Investigator that the Independent Investigation could not be completed by early March 2024.

According to EY, as the Independent Investigation was still ongoing and no updated completion timetable has been communicated by the Independent Investigator, EY was unable to plan nor determine the nature, timing and the extent of additional audit procedures that are further required, nor to commit a definitive timetable for completion of the audit of the Company’s financial statements for the year ended 31 December 2023 (the “**2023 Audit**”).

- (2) During the course of EY’s audit of an unlisted investment fund recorded by the Company as at 31 December 2023 (the “**Unlisted Fund**”), EY noted that the Company had subscribed 100% of its participating shares, and a loan was made by the Unlisted Fund to an entity (“**Entity A**”). Based on public information, Entity A has the same name as an associate company of a listed company of which the Relevant Director was a substantial shareholder and director. As the Unlisted Fund is also one of the subject matters in the Allegations, EY’s audit work in this regard has not been completed pending the outcome of the Independent Investigation.
- (3) During the year ended 31 December 2023, the Company commenced a new business related to mining of crypto assets, and has made significant amounts of capital expenditure related to properties, plant and equipment as at 31 December 2023. EY has not yet completed all of its planned procedures over the said new business, including the capital expenditures made.

EY stated in the EY Resignation Letter that, the above matters are disclosed based on the best of its knowledge as of the date of the EY Resignation Letter as it had not completed the 2023 Audit and had not been provided further information related to the Independent Investigation. Accordingly, there may be other matters that it is not aware of which may need to be brought to the attention of the Shareholders or creditors of the Company in relation to the change of the auditor of the Company.

ACTIONS TAKEN BY THE COMPANY

As aforementioned, the Independent Committee was formed to conduct an independent inquiry on the Allegations. The Independent Committee has engaged the Independent Investigator to assist with the independent inquiry. The Company, the Audit Committee and the Independent Committee have been working closely with EY and the Independent Investigator to provide the information and documents in relation to the Allegation and discussed with EY on various occasions on solutions to the outstanding matters.

The Board is of the view that completion of the 2023 Audit as soon as possible is of utmost importance to the Group. Given EY was unable to estimate an audit timetable for the completion of 2023 Audit and the additional fees incurred due to significant outstanding matters, the Board considered that it would be appropriate to recommend EY to resign as the auditor of the Company. The Company is in the process of engaging another auditor and will publish further announcement(s) as soon as possible.

Save as disclosed above, the Board is not aware of any other matters in respect of the resignation of EY that needs to be brought to the attention of the Shareholders.

SUSPENSION OF TRADING

Reference is made to the announcement of the Company dated 22 March 2024 regarding, among other things, delay in publication of its annual results for the year ended 31 December 2023 (the “**2023 Annual Results**”).

At the request of the Company, trading in the shares of the Company on the Stock Exchange will be suspended with effect from 9:00 a.m. on Tuesday, 2 April 2024, pending the release of the 2023 Annual Results.

The Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises (i) two executive Directors, namely Mr. Chen Jiajun and Mr. Ma Fei; (ii) three non-executive Directors, namely Mr. Liang Rui, Mr. Ng Wai Hung and Mr. Xu Yibo; and (iii) three independent non-executive Directors, namely Mr. Guo Jinghui, Ms. Wang Guan and Mr. Cheuk Ho Kan.