

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

KEY FINDINGS OF INDEPENDENT INTERNAL CONTROL REVIEW AND FOLLOW-UP REVIEW

References are made to the announcement of the Company dated 7 June 2024 regarding the Resumption Guidance (the “**Announcement on Resumption Guidance**”) and the announcement dated 11 February 2025 regarding the key findings of the Independent Investigation (the “**Independent Investigation Findings Announcement**”, collectively, the “**Announcements**”). Terms used herein shall have the same meanings as defined in the Announcements unless otherwise stated.

BACKGROUND AND SCOPE OF THE INTERNAL CONTROL REVIEW

As disclosed in the Announcement on Resumption Guidance, the Stock Exchange sets out the Resumption Guidance for the Company to, among others, conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules.

To comply with the Resumption Guidance, the Company has engaged GRC Chamber Limited as the independent internal control consultant (the “**Internal Control Consultant**”) to conduct an independent internal control review (the “**Internal Control Review**”) and a follow-up review on the remedial measures adopted by the Company (the “**Follow-up Review**”) to assist the management of the Company to improve the internal control systems of the Group. The Internal Control Review covers the Group’s internal control systems at entity level and operational level for the period from 1 January 2023 to 30 June 2024. It also covers the relevant areas of concerns pertaining to the Allegations and their potential implications on the Group’s internal control systems. The purpose of the Internal Control Review is to evaluate the effectiveness and efficiency of the internal control environment of the Group in accordance with the principles set out by an international internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”), namely the 2013 COSO model, identify internal control weaknesses, including those internal control related issues identified in the Independent Investigation, and recommend improvements and/or remedial measures to the Company, if any.

The Company wishes to update the shareholders of the Company (the “**Shareholders**”) that the Internal Control Consultant has completed the Internal Control Review in October 2024. The Company has then designed and implemented remedial measures suggested by the Internal Control Consultant. During mid-December 2024 and January 2025, the Internal Control Consultant conducted the Follow-up Review to assess the effective implementation of remedial measures by the Company, and has issued a report of its finding related to both the Internal Control Review and Follow-up Review (the “**Internal Control Review Report**”).

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

The Internal Control Consultant identified a number of internal control deficiencies in the Internal Control Review Report. The management of the Company has provided their responses and outlined remediation plans for all identified deficiencies aimed at enhancing the Company’s internal control system. The Independent Committee has reviewed the report and discussed these plans with the Internal Control Consultant. Certain identified deficiencies that were considered material are summarized as follows:

No.	Deficiencies	Rectification recommendations	Remediation status
1.	<p>Update and circulate corporate governance policies regularly</p> <p>The Company has established and adopted certain corporate governance policies including policies with respect to the compliance with Chapters 14 and 14A of the Listing Rules. However, such policies are not formally circulated within the Group, and regularly reviewed and updated to reflect changes to the Listing Rules.</p>	<p>The Company should revise and update the Company’s corporate governance policies to meet the latest regulatory requirements and implement good market practices. The key areas of revision include the following (the “Key Areas”):</p> <p>(i) governance structure: to specify the roles and responsibilities within the governance framework;</p>	<p>The management proposed and the Audit Committee agreed that the Company should revise and update its corporate governance policies with reference to the latest Listing Rules and market practice, submit the updated policies for the Board’s approval and disseminate the policies to all relevant operational management personnel.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
		<ul style="list-style-type: none"> (ii) delegation of authority: to define the delegation of authority between key management and departments; (iii) compliance with the Listing Rules: to ensure compliance with Chapters 13, 14 and 14A of the Listing Rules; (iv) disclosure of inside information: to ensure compliance with Chapters 13, 14 and 14A of the Listing Rules; (v) conflicts of interest: to establish clear policies to manage conflicts effectively; (vi) anti-corruption policy: to strengthen measures to prevent corruption; and (vii) whistle-blowing policy: to promote a transparent and secure environment for reporting concerns. 	<p>In the Follow-up Review, the Internal Control Consultant noted that the Company has updated its “Corporate Governance and Compliance Handbook” (the “Handbook”), which reflected the updated Listing Rules as at 31 December 2024.</p> <p>The Internal Control Consultant considered that the Handbook is a fundamental control which regulates the expected actions of the Board and management. As the Board has confirmed and agreed to act in accordance with the Handbook, the Internal Control Consultant concluded that the relevant control has been formally established.</p>
		<p>After revision, the revised policies should be approved by the Board, circulated to the management and all staff members should have access to the policies.</p>	

No.	Deficiencies	Rectification recommendations	Remediation status
2. Formal monthly management reporting system	Although there are existing communication channels between the management and the Board, monthly reports to executives and regular Board and Board committee meetings, the Company has not formally established a system for the management to submit management reports to the Board on a monthly basis.	<p>The Company should establish a formal reporting system that requires the management to provide the Board with monthly updates to ensure compliance with corporate governance standards and to enhance the Board's ability to discharge their duties effectively.</p> <p>The monthly updates should include the background or explanatory information relating to matters to be brought before the Board.</p>	<p>The management proposed and the Audit Committee agreed that the Company should implement the formal monthly management reporting system.</p> <p>Pursuant to the monthly management reporting system, the management should submit formal monthly management reports to the Board with key information including monthly management accounts, summary of key events, inside information checklist, size tests threshold and Directors' response system.</p> <p>In the Follow-up Review, as the monthly management reporting system has been established since June 2024 and has been included in the Handbook since January 2025, the Internal Control Consultant concluded that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
3.	<p>Enhance management of conflict of interests</p> <p>The Company has established a process to identify potential conflicts of interest. Where connected transactions are identified, the management is required to assess the impact of the transaction using the thresholds under Chapters 14 and 14A of the Listing Rules, and transactions that are considered to be minor in nature will not be escalated to the Board.</p> <p>However, good market practices suggest that (i) conflicts of interest should be escalated to the Board for evaluation before carrying out the transactions; and (ii) potential conflicts must be managed even if there is no actual conflict or the transaction benefits all parties.</p>	<p>The Company should establish a formal and documented escalation process to ensure that all potential conflicts of interest, regardless of their scale or perceived importance, are reviewed by the Board or a designated committee before such transactions are conducted.</p> <p>This can be done by (i) developing internal guidelines that specifies when and how conflicts of interest should be reported to the Board or the designated committee; (ii) introducing specific quantitative and qualitative thresholds that automatically trigger a review by the Board or the designated committee; and (iii) providing specific training to ensure that the management and the relevant employees fully understand the importance of reporting potential conflicts of interest accurately and in a timely manner.</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The Company had set out key measures to manage conflict of interests in the Handbook, including declaration of interests to the Board by the Directors at the commencement of Board meetings, and record of nature and scope of conflict of interests and the relevant decisions and measures (such as restricting disclosure of information) etc.</p> <p>In the Follow-up Review, the Internal Control Consultant considered that the conflict of interests provisions in the Handbook is a fundamental control which regulates the expected actions of the Board and management.</p> <p>As the Board has confirmed and agreed to act in accordance with such provisions, the Internal Control Consultant concluded that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
4. Evaluate Board performance	It is essential for the Company to implement a formal Board performance evaluation process to measure the effectiveness of the Board in discharging its duties and responsibilities.	The Company should consider the established frameworks and establish its own Board performance evaluation process and key performance indicators with reference to established frameworks to set clear expectations and lay the foundation for the next Board evaluation.	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The Board approved the “Guideline on Evaluation of the Performance of the Board” (“Board Evaluation Guideline”) which applies to all Directors and sets out the scope of evaluation, relevant guidelines and key performance indicators.</p> <p>In the Follow-up Review, the Chief Financial Officer of the Company (“CFO”) confirmed that the Board Evaluation Guideline has been considered a directive of the Board, and the first evaluation will be completed prior to 2027.</p> <p>As the Board has confirmed and agreed to act in accordance with the Board Evaluation Guideline, the Internal Control Consultant concluded the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
5.	<p>Establish stricter reporting process for transactions that fall within the ambit of Chapters 13, 14 and 14A of the Listing Rules</p> <p>The Company lacks a strict process for identifying transactions that fall within the ambit of the Listing Rules, particularly Chapters 13, 14, and 14A.</p> <p>Currently, the responsibility for identifying larger or more sensitive transactions is delegated to the finance department of the Company. However, this process is not robust, leading to delays in disclosing some connected transactions and notifiable transactions.</p>	<p>The Company should set up a management team responsible for identifying transactions falling within the ambit of the Listing Rules. Such management team should include representatives from the finance and compliance departments of the Company.</p> <p>In addition, the Company should develop detailed guidelines specifying when and how the Company should seek professional advice (for instance, from compliance consultants or lawyers).</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>In January 2025, the Board approved the “Guideline for Reporting Transactions under Chapters 13, 14, and 14A (including inside information) of the Listing Rules” (“Guideline on Listing Rules Reporting”).</p> <p>A management reporting committee comprising the CFO, the head of legal department of the Company and an executive Director was formed to supervise and execute transactions and information disclosure falling within the ambit of the Listing Rules.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
			<p>The Internal Control Consultant considered that the Guideline on Listing Rules Reporting is a fundamental control which regulates the expected actions of the Board and management.</p>
			<p>As the Board has confirmed and agreed to act in accordance with Guideline on Listing Rules Reporting, which is complementary to other key control measures that are already fully implemented, the Internal Control Consultant concluded that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
6.	<p>Develop due diligence guidelines</p> <p>The Company currently adopts an informal due diligence process which lacks formal guidance.</p> <p>As such, due diligence records are not properly maintained, and it is unclear whether such results were reviewed and concluded by senior management of the Company.</p>	<p>The Company should develop a set of due diligence guidelines, following the following principles:</p> <ul style="list-style-type: none"> (i) standardize the due diligence process for specific transactions; (ii) ensure that due diligence is performed before carrying out the transaction; (iii) due diligence should be conducted independently by external professionals; and (iv) the scope of due diligence should be commensurate with the risks involved. The results should be reviewed and concluded by senior management of the Company, with at least one Director involved. 	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>In January 2025, the Board approved the “Due Diligence Guideline” (“DD Guideline”), which applies to transactions falling within the ambit of the Listing Rules, as well as transactions in relation to joint ventures and shares etc.</p> <p>The DD Guideline stipulates that due diligence will be conducted by a designated department of the Company and external independent experts, and a framework that prioritizes due diligence work according to the level of risk and importance of the transactions has been established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
			<p>The Internal Control Consultant considered that the DD Guideline is as a fundamental control which regulates the expected actions of the Board and management.</p>
			<p>As the Board has confirmed and agreed to act in accordance with the DD Guidelines, which is complementary to other key control measures that are already fully implemented, the Internal Control Consultant concluded that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
7.	<p>Optimize the selection of qualified suppliers for tender management</p> <p>The Company has established policies for managing tender processes.</p> <p>However, the Company failed to adhere to the policies in certain occasions, especially when it involved construction and other minor projects. Also, it is noted that the Company lacks a formalized process to pre-screen management company candidates.</p>	<p>The Company should strictly enforce its established tendering policy, especially for high-value projects with an amount exceeding a certain threshold. Where deviations from the policy are necessary, formal documentation should be prepared to justify such deviations, and such deviations should be formally approved by senior management of the Company.</p> <p>For projects involving connected persons, the bidding process should be more tightly controlled and the Company should introduce additional layers of review.</p> <p>The Company should formalize a management company pre-qualification process, by (i) screening and assessing candidate firms well in advance of the start of the bidding process; and (ii) maintaining and regularly updating a list of qualified management companies.</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>Since January 2025, the Company has revised the “Comprehensive Bidding and Procurement Management Policy” (“Procurement Policy”), including the procurement criteria for sizable transactions, supplier screening and invitation process and record-retention period.</p> <p>In the Follow-up Review, the Internal Control Consultant considered that the Procurement Policy is a fundamental control which regulates the expected actions of the Board and management. It was also observed that the tender documents dated January 2025 demonstrated that corresponding management action had been taken. Accordingly, the Internal Control Consultant concluded that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
8. Optimize retention of tender management documents	After selecting a supplier, the Company only retains the tender documents related to the selected supplier, but not the documents related to the unselected suppliers.	<p>The Company should develop a comprehensive document retention policy requiring the retention of tender documents for all participating suppliers. The policy should specify the duration and format for document retention and ensure that all relevant personnel are aware of and adhere to the policy.</p> <p>Additionally, the Company should adopt a digital management system to store and manage all tender documents.</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>Since January 2025, the Company has revised the Procurement Policy, such that (i) the record-retention period has been set as five years, and (ii) new policies has been introduced for the retention of tender documents.</p> <p>All physical tender documents are stored in a designated file room, maintained by specialized personnel and protected with physical security measures. For electronic copies, two management personnel will jointly maintain these copies to ensure their security and completeness.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
			<p>In the Follow-up Review, the Internal Control Consultant considered that Procurement Policy is a fundamental control which regulates the expected actions of the Board and management. Having visited the designated file room in November 2024 and considering that the Board has committed to continue to implement the Procurement Policy, the Internal Control Consultant concluded the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
9. Establish an Investment Committee	<p>The Company has not established an investment committee to make decisions in relation to the investment of the Company (including fund and equity investment) under a more structured investment decision-making framework. Such decisions have been made by the management whose expertise mainly lies in mobile phone and leasing business.</p>	<p>The Company should establish an investment committee (the “Investment Committee”) to provide the necessary governance and oversight to enhance the Company’s investment activities.</p> <p>The Investment Committee shall be authorized by the Board through the terms of reference. Members of the Investment Committee shall be composed of management and Directors with investment competence and knowledge of the Company.</p> <p>The Investment Committee should be independent, and it should not make independent investment decisions when the investment amounts exceed the Board’s risk tolerance. The Investment Committee should cover existing and future investments of the Company.</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The Investment Committee was established, comprising the three independent non-executive Directors and Ms. Liu Juan, an executive Director. The Investment Committee is responsible for providing advice on investment strategy, approving issues related to investment and monitoring investments and their performance.</p> <p>In the Follow-up Review, the Internal Control Consultant recognized that the Investment Committee is of an authoritative nature, and the appointments to the Investment Committee demonstrates the balance between experience, qualification and independence.</p> <p>The Internal Control Consultant concluded that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
10. Establish an investment guide	The management is authorised to make equity and debt investment decisions which are submitted to the Board for its review. However, no detailed written investment strategy is established with respect to certain key considerations.	<p>The Company should establish a comprehensive investment guide or investment mechanism to ensure that investment decisions are made within a systematic management framework. The investment guide should include the following key information:</p> <ul style="list-style-type: none"> (i) investment strategy; (ii) investment baseline; (iii) investment risk assessment; and (iv) investment target and risk appetite. 	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The Investment Committee made three key decisions: (i) established the Group's investment principles, (ii) decided to halt any new capital markets investments at this stage, and (iii) enhanced investment monitoring. The Investment Committee has also set a stop-loss threshold for investments.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
			<p>In the Follow-up Review, the Internal Control Consultant noted that the above demonstrated the Company's commitment to a collective decision-making process for investment activities. This process sets a benchmark for decision-making and oversight in investment strategy, objectives, risk preferences, liquidity management, investment strategy evaluation, and the establishment of an investment loss management framework and disclosure mechanism.</p>
			<p>Together with other control measures that have been implemented (such as the monthly management reporting system), the Internal Control Consultant concluded the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
11. Evaluate the liquidity and investment strategy of the Company	The Company's liquidity has been declining in recent years. This indicates potential difficulties in meeting short-term debts with its current assets.	The Company should: <ul style="list-style-type: none"> (i) set short-term investment limits based on the current liquidity levels; 	The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.
	Given the current situation, the Company must reassess its investment strategy to address liquidity constraints. Current investment practices do not appear to take liquidity levels into account.	<ul style="list-style-type: none"> (ii) develop stringent investment evaluation criteria to ensure alignment with liquidity targets; and (iii) review investment performance frequently to ensure that the investment meets established financial and liquidity objectives. 	<p>As detailed above, the Internal Control Consultant noted that the Investment Committee demonstrated the Company's commitment to a collective decision-making process for investment activities. This process sets a benchmark for decision-making and oversight in investment strategy, objectives, risk preferences, liquidity management, investment strategy evaluation, and the establishment of an investment loss management framework and disclosure mechanism.</p> <p>Together with other control measures that have been implemented (such as the monthly management reporting system), the Internal Control Consultant considered that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
12. Establish an investment loss management framework and disclosure mechanism	<p>The Company suffered from substantial losses in fund and stock investments in recent years. This is mainly because of (i) the insufficient monitoring of market value; (ii) the lack of a structured reporting procedure; (iii) the absence of a dedicated investment committee; and (iv) the lack of a clear risk tolerance framework.</p> <p>The current monitoring and reporting systems of the Company are inadequate, resulting in a lack of mechanisms to respond in a timely manner in the event of a sudden and significant decline in the value of investments.</p>	<p>The Company should implement a formal reporting system and regularly update the Board on investment performance and risk exposure. The performance of the investment portfolio should be assessed regularly, and indicators such as VaR (Value at Risk) and stress testing should be used to evaluate whether the risk exposure aligns with Company's risk tolerance.</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The Investment Committee resolved to set a stop-loss threshold to reduce loss or realize modest gains.</p> <p>As detailed above, the Internal Control Consultant noted that the Investment Committee demonstrated the Company's commitment to a collective decision-making process for investment activities. This process sets a benchmark for decision-making and oversight in investment strategy, objectives, risk preferences, liquidity management, investment strategy evaluation, and the establishment of an investment loss management framework and disclosure mechanism.</p> <p>Together with other control measures that have been implemented (such as the monthly management reporting system), the Internal Control Consultant concluded that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
13. Strengthen the management of proceeds raised from the market	<p>The Company has implemented measures for managing the use of proceeds raised from the market.</p> <p>However, it is noted that (i) the records tracking the use of proceeds are not formally reported to the Board; (ii) clear benchmarks or thresholds have not been established as reference standards for monitoring the use of proceeds; and (iii) the Company's monitoring of its overall liquidity is insufficient.</p>	<p>It is recommended that quarterly reports on the use of proceeds should be submitted to the Board to ensure that the Board is involved in the oversight of the use of proceeds and is aligned with corporate governance objectives.</p> <p>Additionally, a threshold should be set for the use of proceeds, at which point management should reassess its plans for allocation and use of the remaining proceeds to ensure that they are utilized in a prudent and reasonable manner.</p> <p>Furthermore, the Company should establish a formal liquidity monitoring process to regularly assess unutilized proceeds against the minimum operating cost buffer to ensure that the Company has sufficient funds to support its daily operations and avoid excessive depletion of funds.</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The Board adopted the new "Guideline for Managing Proceeds raised from Fundraising" ("Fundraising Guideline") in order to regulate the use of proceeds raised from fundraising activities. The Guideline sets out three core principles of capital management, namely, (i) advanced budgeting, (ii) actual utilization tracking and (iii) integrated management over budget and actual tracking.</p> <p>The Company has also set rules such that the Board has to be notified if a certain threshold for the use of proceeds is met. Additionally, the Company shall disclose to the Board the actual use of such proceeds in monthly management reports.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
			<p>In the Follow-up Review, the Internal Control Consultant considered that the Fundraising Guideline is a fundamental control which regulates the expected actions of the Board and management.</p> <p>As the Board has confirmed and agreed to act in accordance the Fundraising Guideline, the Internal Control Consultant concluded that the relevant control has been formally established.</p>
14. Prohibit offline approval of new employee recruitment	<p>The standard recruitment process of the Company requires approval from multiple layers of management, and is operated through the company's office automation ("OA") system.</p> <p>However, there have been instances where some employees have been hired through an offline process (i.e., not through the OA system) with paper-based approvals.</p>	<p>The Company should issue and implement a formal direction to prohibit offline recruitment processes. This helps to ensure that all recruitment processes are unified through the online OA system.</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The Company revised the "Recruitment Management Policy" to prohibit employees from being hired through an offline process. Issuing an offer to a candidate is only permitted if the OA approval process is completed.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
			In the Follow-up Review, the Internal Control Consultant's examination of samples of newly hired employees showed that the "Recruitment Management Policy" has been implemented.
			The Internal Control Consultant concluded that the relevant control has been formally established.
15. Reference, approval, and structural framework for salary determination	<p>Market benchmarks are usually referenced when determining salary levels for new employees. However, it was observed that these references were not formally or consistently documented.</p> <p>A clear framework should also be established to ensure that employee salaries across different departments, functions and grades are aligned with the company's internal cap standards.</p>	<p>Market benchmarking should be formally documented when determining new hire salaries. The Company should also conduct regular comprehensive pay reviews, and formally present the results to the executive Directors for consideration</p> <p>In the long run, the Company should consider establishing a framework for setting pay ceilings for each department and grade.</p>	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The human resources department of the Company conducted a comprehensive salary review and implemented the 2024 salary bandwidth system.</p> <p>In the Follow-up Review, having considered the review conducted by the human resources department and the CFO's commitment to continue to implement the relevant policy, the Internal Control Consultant concluded that the relevant control has been formally established.</p>

No.	Deficiencies	Rectification recommendations	Remediation status
16. Demonstrate measures to address the going concern issues (liquidity management)	<p>The Company's current ratio has been consistently declining over the years and is well below 1.</p> <p>This indicates that the Company is having difficulty meeting its short-term debts. This has resulted in the Company being exposed to going concern risk over the last few years and the liquidity issues have not improved significantly.</p>	<p>The Company should adopt the following measures:</p> <ul style="list-style-type: none"> (i) debt financing analysis: review existing debt tied to collateralized assets and assess current collateral and capacity for additional borrowing; (ii) debt analysis: prioritize liabilities by flexibility and seek longer repayment terms while complying with contractual obligations; (iii) liquidity contingency planning: prepare for potential funding shortfalls and explore the possibility of emergency financing or asset sales; and (iv) Board reporting: management should report regularly to the Board on the liquidity position, debt covenant compliance, and any additional necessary measures. 	<p>The management proposed and the Audit Committee agreed that the rectification recommendations shall be implemented.</p> <p>The CFO submitted a memorandum on solving liquidity issues to the Audit Committee, setting out the current liquidity and cashflow prediction, short-, medium- and long-term strategies (such as improving account receivables collection efficiency, optimizing inventory levels and advancing debt restructuring) and contingency plans (such as disposal of non-core assets, additional financing and temporary cost-reduction measures).</p> <p>In the Follow-up Review, having considered the memorandum which is under continuous supervision of the Audit Committee and the CFO's commitment to continue to implement the relevant policy, the Internal Control Consultant concluded that the relevant control has been formally established.</p>

FOLLOW-UP REVIEW

The Internal Control Consultant has completed the Follow-up Review. The Internal Control Consultant has confirmed that remedial measures have been implemented to address internal control deficiencies identified in a way that is commensurate with the level of risks associated with such deficiencies. The Internal Control Review Report also stated that implementation of remedial measures has reduced the risks associated with the internal control deficiencies identified.

As at the date of this announcement, the Independent Committee confirmed that all internal control deficiencies that are considered material by the Internal Control Consultant have been fully addressed with remedial measures summarized above.

VIEWS OF THE INDEPENDENT COMMITTEE AND THE BOARD

The Board (including the Independent Committee) has reviewed the content and findings in the Internal Control Review Report in relation to both the Internal Control Review and the Follow-up Review.

It was noted that the management of the Company acknowledged and agreed with the review results of the Internal Control Consultant. The Company has taken all of the advices and rectification recommendations from the Internal Control Consultant, and adopted, revised and/or enhanced, as the case may be, the relevant policies and procedures of the Company. The Internal Control Consultant has performed a Follow-up Review after the Group had taken the relevant remedial actions.

Having considered the Internal Control Review Report and the remedial measures taken by the Company, the Board is of the view, which the Independent Committee concurred, that (a) all the internal control deficiencies identified in the Internal Control Review have been fully addressed with appropriate rectification recommendations, (b) the remedial measures implemented by the Company are adequate and sufficient and (c) the Company has in place adequate and reliable governance, internal control and financial reporting systems and procedures to fulfill its obligations under the Listing Rules.

The Board (including the Independent Committee) will continue to monitor the effectiveness of the Company's internal control systems and procedures so as to meet its obligations under the Listing Rules and ensure reasonable and adequate internal control policies and procedures are in place and commensurate with its business operations.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, the trading of the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 2 April 2024 pending the release of the audited 2023 Annual Results and will continue to be suspended until further notice.

Shareholders and potential investors of the Company are advised to 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, 11 February 2025

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Chen Jiajun, Mr. Ma Fei and Ms. Liu Juan; (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.