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**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)**

## **CHANGE IN USE OF PROCEEDS**

References are made to the announcements issued by Coolpad Group Limited (the “**Company**”) dated 4 October 2021, 9 December 2021, 24 December 2021, 14 January 2022 and 28 January 2022 (the “**Announcements**”) and the circular of the Company dated 23 November 2021 (the “**Circular**”) in relation to, among other things, the Share Subscriptions and the Warrant Subscription. Unless otherwise defined, terms used in this announcement shall have the same meaning as defined in the Circular.

As disclosed in the Circular, the Company intended to use the net proceeds from the Share Subscriptions and the Warrant Subscription of approximately HK\$876.6 million after deduction of all estimated expenses as follows:

- (i) 90% (equivalent to approximately HK\$788.9 million) 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: 70% (equivalent to approximately HK\$613.6 million) for the establishment of new business channels and expansion of both online and offline business channels in the PRC (the “**Establishment of Business Channels**”), and 20% (equivalent to approximately HK\$175.3 million) for sales and marketing of the mobile phone business (the “**Sales and Marketing**”); and
- (ii) approximately 10% for the general working capital of the Group (the “**General Working Capital**”).

It was further disclosed in the Circular that, in respect of the use of 70% of the net proceeds in paragraph (i) above:

- (a) 60% (equivalent to approximately HK\$526.0 million) 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 authorised service stations. The Group is looking for partners across Mainland China to jointly create authorised 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) 10% (equivalent to approximately HK\$87.7 million) is expected to be applied to, among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels.

As at 31 August 2022, the Group has utilised approximately HK\$410.5 million, representing approximately 46.8% of the net proceeds, as follows:

<b>Intended use of net proceeds</b>	<b>Net proceeds</b>	<b>Actual use of net proceeds</b>	<b>Unutilised Net Proceeds as at 31 August 2022</b>
		<i>In HK\$ million</i>	
Establishment of Business Channels	613.6	148.4	465.2
Sales and Marketing	175.3	174.4	0.9
General Working Capital	87.7	87.7	–
<b>Total</b>	<b>876.6</b>	<b>410.5</b>	<b>466.1</b>

#### **CHANGE IN USE OF THE UNUTILISED NET PROCEEDS**

As at 31 August 2022, the unutilised net proceeds amounted to approximately HK\$466.1 million (the “**Unutilised Net Proceeds**”).

The Board considered that the Group’s business and financial performance have been and will continuously be adversely impacted by the COVID-19 pandemic in the domestic market and the fierce competition in the PRC’s mobile phone market. For instance, the ongoing adverse impact of COVID-19 on global supply chains have resulted in the continuous increase in prices of raw materials. The Group needs to consider the implementation of its business plan and adopt a more effective strategy to maintain its business operations and expansion as well as cash flow liquidity. The Board also considers that it may not be effective to expand offline business channels in the PRC at a fast pace under the prolonged COVID-19 pandemic. In light of the foregoing, the Group plans to improve the efficiency of the Unutilised Net

Proceeds. The Board has decided to change the use of the part of the Unutilised Net Proceeds that was originally intended to be used for Establishment of Business Channels to product manufacturing and development of operating system in respect of the Group’s mobile phone business (the “**Product Manufacturing and Development of Operating System**”) and Sales and Marketing. The scale-up of the amount for Product Manufacturing and Development of Operating System and Sales and Marketing will meet the needs of the Group in foreseeable future.

Set out below is the proposed change of use of the Unutilised Net Proceeds:

<b>Intended use of net proceeds</b>	<b>Original allocation of the Unutilised Net Proceeds</b>	<b>Reallocation of the Unutilised Net Proceeds</b>	<b>Revised allocation of the Unutilised Net Proceeds</b>
	<i>In HK\$ million</i>		
Establishment of Business Channels	465.2	(300.0)	165.2
Product Manufacturing and Development of Operating System	–	200.0	200.0
Sales and Marketing	0.9	100.0	100.9
General Working Capital	–	–	–
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>466.1</b>	<b>–</b>	<b>466.1</b>
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#### **REASONS FOR THE CHANGE IN USE OF THE UNUTILISED NET PROCEEDS**

The Board considers that the reallocation of the Unutilised Net Proceeds will facilitate an effective use of the financial resources of the Group and the business expansion of the Group and is in the best interest of the Company and its shareholders as a whole. Save as disclosed in this announcement, the Board confirms that there are no other changes to the use of the Unutilised Net Proceeds.

The Board will continuously assess the plans for the use of Unutilised Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions in order to strive for a better business performance of the Group.

**Shareholders of the Company and the public are advised to exercise caution when trading in the shares of the Company.**

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

Hong Kong, 7 September 2022

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