COOLPAD GROUP LIMITED
酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	change
	(HK$'000)	*(HK$'000)*	*(%)*
	(Unaudited)	(Unaudited)	
Revenue	**2,390,165**	5,277,394	-54.7
Loss before tax	**(1,057,420)**	(2,071,178)	-48.9
Net loss attributable to owners of the Company	**(1,049,097)**	(2,053,124)	-48.9
Basic loss per share	**(HK20.84 cents)**	(HK40.90 cents)	-49.0
Diluted loss per share	**(HK20.84 cents)**	(HK40.90 cents)	-49.0

The board (the "Board") of directors (the "Directors") of Coolpad Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 together with comparative figures for the corresponding period of 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
REVENUE	4	**2,390,165**	5,277,394
Cost of sales		**(2,296,561)**	(4,571,945)
Gross profit		**93,604**	705,449
Other income and gains	4	**162,638**	130,307
Selling and distribution expenses		**(477,407)**	(379,035)
Administrative expenses		**(506,788)**	(402,807)
Other expenses		**(265,584)**	(1,932,079)
Finance costs	6	**(10,447)**	(26,682)
Share of losses of:			
Associates		**(52,851)**	(46,753)
A joint venture		**(585)**	(119,578)
LOSS BEFORE TAX	5	**(1,057,420)**	(2,071,178)
Income tax expense	7	**(1,398)**	(1,248)
LOSS FOR THE PERIOD		**(1,058,818)**	(2,072,426)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**18,923**	(41,202)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**18,923**	(41,202)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(1,039,895)**	(2,113,628)
LOSS FOR THE PERIOD			
Attributable to:			
Owners of the Company		**(1,049,097)**	(2,053,124)
Non-controlling interests		**(9,721)**	(19,302)
		(1,058,818)	(2,072,426)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD			
Attributable to:			
Owners of the Company		**(1,034,174)**	(2,094,326)
Non-controlling interests		**(9,721)**	(19,302)
		(1,039,895)	(2,113,628)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**(HK20.84 cents)**	(HK40.90 cents)
Diluted		**(HK20.84 cents)**	(HK40.90 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017** *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**995,022**	997,534
Investment properties		**101,688**	106,427
Prepaid land lease payments		**304,917**	348,646
Intangible assets		**20,020**	26,451
Investments in joint ventures		**107,702**	108,288
Investments in associates		**988,271**	1,050,857
Available-for-sale investments		**33,215**	31,068
Long-term loan receivables		**–**	25,001
Other non-current assets		**11,104**	41,062
Deferred tax assets		**2,173**	5,698
Total non-current assets		**2,564,112**	2,741,032
CURRENT ASSETS			
Inventories		**849,883**	1,395,870
Trade receivables	*10*	**900,222**	860,599
Bills receivable	*11*	**–**	82,491
Short–term loans receivable		**219,240**	369,545
Prepayments, deposits and other receivables		**1,397,059**	2,540,530
Due from directors		**–**	500
Due from associates		**20,937**	11,261
Due from other related parties		**–**	182,683
Pledged time deposits		**175,769**	361,811
Cash and cash equivalents		**719,607**	1,308,082
Total current assets		**4,282,717**	7,113,372
CURRENT LIABILITIES			
Trade payables		**1,239,976**	1,784,925
Bills payable		**621,818**	1,321,077
Other payables and accruals		**1,886,677**	1,605,686
Interest-bearing bank borrowings		**258,423**	1,123,095
Due to associates		**172,827**	268,420
Due to joint ventures		**4,406**	4,406
Due to other related parties		**265**	50,538
Tax payable		**90,772**	90,734
Total current liabilities		**4,275,164**	6,248,881

	Notes	**30 June 2017** ***HK$'000*** **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
NET CURRENT ASSETS		**7,553**	864,491
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,571,665**	3,605,523
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**59,003**	57,493
Other non-current liabilities		**8,345**	9,720
Total non-current liabilities		**67,348**	67,213
Net assets		**2,504,317**	3,538,310
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**50,334**	50,326
Reserves		**2,468,302**	3,492,582
Non-controlling interests		**(14,319)**	(4,598)
Total equity		**2,504,317**	3,538,310

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Coolpad Group Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The Company is an investment holding company.

The Group is a wireless solution and equipment provider in Mainland China. During the period, the Group continued to focus on the production and sale of smartphones, the provision of wireless application service and finance service.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and other relevant standards and interpretations and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Group's interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except for the first time adoption of the following new and revised standards and interpretations:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	*Disclosure of interests in Other Entities: Clarification of the scope of HKFRS 12*

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements.

2.3 The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
HK(IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Mandatory effective date not yet determined

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the mobile phone segment engages in the research, development, production and sale of mobile phones and related accessories and provision of wireless application service;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation; and

(c) the finance service segment engages in the provision of a range of financing services in Mainland China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, share of profits and losses of associates and a joint venture and finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude an investment in a joint venture, investments in associates, available-for-sale investments, deferred tax assets, an amount due from directors, an amount due from a joint venture, an amount due from an associate, pledged deposits and cash and cash equivalents other than those used for finance service purpose as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, an amount due to an associate, an amount due to a joint venture, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Mobile phone *HK$'000*	Property investment *HK$'000*	Finance service *HK$'000*	Total *HK$'000*
Six months ended 30 June 2017 (Unaudited)				
Segment revenue:				
Sales to external customers	**2,372,930**	**–**	**17,235**	**2,390,165**
Other revenue and gains	**123,891**	**7,405**	**–**	**131,296**
Total	**2,496,821**	**7,405**	**17,235**	**2,521,461**
Segment results	**(994,236)**	**5,960**	**2,890**	**(985,386)**
Reconciliation:				
Interest income				**31,342**
Finance costs				**(10,447)**
Share of losses of a joint venture				**(585)**
Share of losses of associates				**(53,440)**
Corporate and other unallocated expenses				**(38,904)**
Loss before tax				**(1,057,420)**
Six months ended 30 June 2016 (Unaudited)				
Segment revenue:				
Sales to external customers	5,256,105	–	21,289	5,277,394
Other revenue and gains	75,702	5,203	–	80,905
Total	5,331,807	5,203	21,289	5,358,299
Segment results	(10,426)	4,586	10,352	4,512
Reconciliation:				
Interest income				49,402
Finance costs				(26,682)
Share of losses of a joint venture				(119,578)
Share of profits of associates				(46,753)
Gain on the loss of control of a subsidiary				(1,890,272)
Corporate and other unallocated expenses				(41,807)
Loss before tax				(2,071,178)
Segment assets				
At 30 June 2017 (Unaudited)	**4,638,905**	**110,358**	**490,395**	**5,239,658**
At 31 December 2016 (Audited)	6,194,969	109,054	490,133	6,794,156
Segment liabilities				
At 30 June 2017 (Unaudited)	**3,910,845**	**895**	**1,035**	**3,912,775**
At 31 December 2016 (Audited)	4,719,120	1,619	500	4,721,239

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland China	**1,008,260**	4,113,573
Overseas	**1,381,905**	1,163,821
	2,390,165	5,277,394

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China	**2,521,201**	4,013,028
Overseas	**7,523**	8,103
	2,528,724	4,021,131

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns, sales incentives and trade discounts, service income received and receivable from the provision of wireless application service, and the finance service income from the provision of finance services.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of mobile phones	**2,320,625**	5,174,214
Wireless application service income	**52,305**	81,891
Finance service income	**17,235**	21,289
	2,390,165	5,277,394
Other income		
Bank interest income	**31,342**	49,402
Gross rental income	**7,405**	5,203
Government grants and subsidies*	**75,843**	66,409
Others	**48,048**	9,293
	162,638	130,307

* Government grants and subsidies represented refunds of VAT received from a tax bureau and government grants received from a finance bureau to support certain of the Group's research and development activities. There are no unfulfilled conditions or contingencies relating to these grants.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,108,920**	4,270,213
Depreciation	**38,230**	39,403
Amortisation of patents and licences*	**952**	20,142
Amortisation of prepaid land lease payments	**3,904**	23,062
Research and development costs:		
Product development costs amortised*	**7,023**	38,403
Expenditure for the period*	**243,065**	203,412
	250,088	241,815
Operating lease rental	**18,452**	10,301
Loss on disposal of items of property, plant and equipment	**280**	356
Net impairment of trade receivables	**16,520**	3,425
Provision for inventories	**10,892**	33,252
Loss from disposal of certain interests in a joint venture	**–**	1,890,272
Loss from disposal of associates	**589**	–

* The amortisation of patents and licences, amortisation of product development costs and the research and development expenditure for the period are included in "Administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**10,447**	26,682

7. INCOME TAX EXPENSE

The Company is a tax exempted company registered in the Cayman Islands and conducts substantially all of its business through its subsidiaries established in Mainland China.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Group:		
Current	**1,534**	1,368
Deferred	**(136)**	(120)
Total tax charge for the period	**1,398**	1,248

8. DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2017 and 2016.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$1,049,097,000 (six months ended 30 June 2016: a loss of HK$2,053,124,000), and the weighted average number of ordinary shares of 5,033,080,403 in issue during the six months ended 30 June 2017 (six months ended 30 June 2016: 5,019,886,253).

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for six months ended 30 June 2017 in respect of a dilution as the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

10. TRADE RECEIVABLES

Sales of the Group's products are normally settled on a cash-on-delivery basis. However, in the cases of long-standing customers and those with a good repayment history, the Group may offer these customers with a credit period of 30 to 90 days, extending up to 120 days for some overseas customers. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the transaction date, is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**761,131**	778,273
4 to 6 months	**128,795**	38,942
7 to 12 months	**89,430**	153,962
Over 1 year	**219,538**	157,019
	1,198,894	1,128,196
Less: Impairment	**(298,672)**	(267,597)
	900,222	860,559

11. BILLS RECEIVABLE

An aging analysis of the bills receivable as at the end of the reporting period, based on the issue date, is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**–**	82,491

Bills receivable are non-interest-bearing.

At 30 June 2017, the Group did not have any past due or impaired bills receivable.

12. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**769,988**	1,181,752
4 to 6 months	**135,095**	405,151
7 to 12 months	**195,043**	118,855
Over 1 year	**139,850**	79,167
	1,239,976	1,784,925

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

13. BILLS PAYABLE

An aging analysis of the bills payable as at the end of the reporting period, based on the issue date, is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**471,003**	862,726
Over 3 months	**150,815**	458,351
	621,818	1,321,077

As at 30 June 2017, certain bills payable of the Group were secured by the Group's time deposits of approximately HK$106,318,000 (31 December 2016: HK$296,842,000).

MANAGEMENT DISCUSSION & ANALYSIS

REVENUE ANALYSED BY PRODUCT TYPE

A comparative breakdown of the consolidated revenue streams into the product type are set forth in the following table for the periods indicated:

	Six months ended 30 June			
	2017		2016	
Revenues	**Revenue** ***HK$ million*** (Unaudited)	**% of total revenue**	Revenue *HK$ million* (Unaudited)	% of total revenue
Sale of mobile phones and related accessories	**2,320.6**	**97.1**	5,174.2	98.0
Wireless application service income	**52.3**	**2.2**	81.9	1.6
Finance Service	**17.3**	**0.7**	21.3	0.4
Total	**2,390.2**	**100**	5,277.4	100

The Group's unaudited revenue for the six months ended 30 June 2017 amounted to HK$2,390.2 million, representing a decline of 54.7% as compared with HK$5,277.4 million for the six months ended 30 June 2016. The decline in revenue during the reporting period was mostly because of the restructuring of the Group's business units and the intensifying competition of the smartphone market in Mainland China and the decrease in market share and sales volume in China region during the first half of 2017.

GROSS PROFIT

	Six months ended 30 June			
	2017		2016	
Gross profit	**Gross profit** ***HK$ million*** **(Unaudited)**	**Gross profit margin**	Gross profit *HK$ million* (Unaudited)	Gross profit margin
Total	**93.6**	**3.9%**	705.4	13.4%

The Group's overall gross profit for the six months ended 30 June 2017 decreased by HK$611.8 million, representing a decrease of 86.7% as compared with HK$705.4 million for the corresponding period in 2016. Its overall gross profit margin decreased by 9.5% to 3.9% in the reporting period as compared with 13.4% in the corresponding period of 2016. The decline in total gross profit was primarily attributable to the fierce competition of the 4G smartphone market in Mainland China, the decline of the shipments volume of the Group, and the Group strengthened the stock management and accelerated the disposal of slow-moving inventories in the first half of 2017.

OTHER INCOME AND GAINS

Other income and gains of the Group increased by HK$32 million, or 24.6%, to HK$162.3 million for the six months ended 30 June 2017 as compared with HK$130.3 million for the corresponding period in 2016. The increase was because of the net change in foreign exchange difference.

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Selling and distribution expenses *(HK$ million)*	**477.4**	379.0
As a percentage of total revenue	**20.0%**	7.2%

Selling and distribution expenses of the Group for the six months ended 30 June 2017 increased by HK$98.4 million to HK$477.4 million from HK$379.0 million for the corresponding period in 2016. The net increase of HK$98.4 million was primarily attributable to increased expenditures for marketing, advertising and promotion expenses to support new product launches. The net increase of 12.8% as a percentage of total revenue was because of the decline of sales volume and excessive expenditure on marketing, advertising and promotion activities to improve the brand image in the domestic market during the reporting period.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Administrative expenses *(HK$ million)*	**506.8**	402.8
As a percentage of total revenue	**21.2%**	7.7%

Administrative expenses increased by HK$104 million to HK$506.8 million for the six months ended 30 June 2017 from HK$402.8 million for the corresponding period in 2016. The net increase of HK$104 million was primarily attributable to the excessive operating and R&D expenses in the first half of 2017. As a percentage of total revenue, administrative expenses increased by 13.6% to 21.2% in the first half of 2017 as compared with 7.7% in the corresponding period of 2016. The net increase of 13.6% as a percentage of total revenue was primarily because of the decrease of overall revenue and the increase of R&D expenditures on new technologies during the reporting period.

INCOME TAX EXPENSE

For the six months ended 30 June 2017, the Group's income tax expenses decreased to HK$1.4 million. The decrease in the current income tax expense was primarily due to the decrease of the Group's assessable profit in the corresponding period in 2017.

NET LOSS

For the six months ended 30 June 2017, the Group recorded a net loss of HK$1,058.8 million, representing a decline of HK$1,013.6 million, or 48.9%, as compared with the net profit of HK$2,072.4 million for the six months ended 30 June 2016. The loss was mainly because of the decrease of sales volume of the Group.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2017, the Group's operating capital was mainly generated from its daily operation and bank borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other unforeseeable cash requirements. The Group had a gearing ratio of 67.5% as at 30 June 2017 (31 December 2016: 58.0%). The gearing ratio is equal to net debt divided by the sum of capital and net debt.

Cash and cash equivalents of the Group as at 30 June 2017 amounted to HK$719.6 million, while it was HK$1,308.1 million as at 31 December 2016.

As at 30 June 2017, the Group had total debts (i.e. total borrowings) of approximately HK$258.4 million, which was all denominated in RMB. The Group's borrowings are subject to floating rates ranging from 3.92% to 6.96% per annum with maturity periods ranging from within one year to two years.

As at 30 June 2017, the Company had 5,033,407,480 ordinary shares of par value HK$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

INVENTORY

For the reporting period, the Group's inventory turnover period was 135.2 days (year ended 31 December 2016: 54.5 days).

TRADE RECEIVABLES

Credit period was one to three months on average, extending up to 120 days for some overseas customers, and the trade receivable turnover period was 121.7 days for the reporting period (year ended 31 December 2016: 51.7 days).

TRADE PAYABLES

The trade payable turnover period was 182.5 days for the reporting period (year ended 31 December 2016: 57.9 days).

PLEDGED OF ASSETS

As at 30 June 2017, assets of the Group were pledged for certain bank borrowings: (i) Certain properties and plants of the Group located in Mainland China, the total book value of which were approximately HK$198.6 million (31 December 2016: HK$200.8 million). As at 30 June 2017, the Group's time deposits of approximately HK$106.3 million were also used to secure bills payable (31 December 2016: HK$296.8 million); (ii) HK$69.5 million were used as a security for the banks to provide a performance guarantee (31 December 2016: HK$23.0 million).

BUSINESS REVIEW

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9 a.m. on 31 March 2017 due to certain outstanding audit issues. The Group has been providing the Auditor necessary information and documents to perform and complete the audit procedures in the first half of 2017. Meanwhile, the Group takes various ways to control expenses and minimise losses.

The Group saw a large decline in both shipments and revenue in the first half of 2017, due to the fierce competition of the smartphone market and the restructuring of its businesses, strategies and organization structure. The Group's unaudited revenue for the six months ended 30 June 2017 amounted to HK$2,390.2 million, representing a decline of 54.7% as compared with HK$5,277.4 million for the six months ended 30 June 2016. The Group recorded a net loss of HK$1,058.8 million for the six months ended 30 June 2017. Accordingly, both of the basic and diluted loss per share of the Group was HK20.84 cents for the six months ended 30 June 2017.

Development and sales of smartphones still remain as the main business of the Company for the first half of 2017. During the mentioned period, the Group recorded a significant decrease in the revenue from the sales of smartphones as compared to the corresponding period. The decrease in revenue was mainly attributable to the fierce competition arising from smartphones markets in China and sales in China's regional and Southeast Asian markets continued to decline, as a result of which, the Company gave up part of its products that generate revenue but may cause losses so as to minimize losses.

Whereas regional sales in the United States continue to maintain its growth momentum, but sales contribution and growth rate were limited for the first half of 2017. At the same time, the contribution of revenue from United States region continued to enlarge aggressively. The sales channel in United States became more diversified as compared to the corresponding year, despite of the fact that the major clients are concentrated in telecommunications carriers.

Meanwhile, side by side with carrier field team, the Group developed strong relationship inside national retail channels and dealer channels progressively so as to build a healthy retailing networks in the retail open channel. The Group also attached great importance to branding, as a result of which, the Group had been in hundreds of events with local carrier partners to promote new product and brand.

The Group deeply realized the importance of R&D ability for the Company and recognized itself as a tech-driven company, The Group owned a high-ranking design team, deeply differentiated and optimized the functions and features of the Android operation system and continued to strengthen its R&D capability to bring users the best smartphone experience.

On 29 June 2017, the Board of the Company received a from the Stock Exchange, in which the Stock Exchange stated the following conditions for the resumption of trading in the shares of the Company. (a) publish all outstanding financial results required under the Listing Rules and address any audit qualifications; (b) conduct appropriate investigation(s) to address the Audit Issues; and (c) inform the market of all material information for shareholders and the investors to appraise the Company's position.

The Stock Exchange noted that it may modify the above and/or impose further conditions if the situation changes. The Company is now taking appropriate steps to fulfill the Resumption Conditions and will keep its shareholders and potential investors informed of the progress as and when appropriate.

In face of going concern issues raised by the Auditor, the Group continues to take various measures to enhance its liquidity and financial position, including but not limited to the consideration of the disposal of certain investment properties of the Group and the equity of individual subsidiaries of the Company, and communicate and negotiate proactively with banks, organizations and interested parties to acquire banking borrowings or financing.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue, cost of sales and certain portion of the bank loans are denominated in USD. Exchange rate fluctuations between RMB and USD may affect the Group's performance and asset value. The depreciation of RMB will increase the purchasing cost of certain raw materials of the Group in the future. The Group had not entered into any derivative contracts to hedge against the risk for the six months ended 30 June 2017.

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily related to its short-term and long-term bank loans and other borrowings. The interests are calculated at fixed and floating rates. Any rise in the current interest rate will increase the interest cost. As at the end of the reporting period, the Group had not executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

EMPLOYEES AND REMUNERATION POLICY

The total staff costs for the six months ended 30 June 2017 amounted to approximately HK$308.5 million (six months ended 30 June 2016: HK$312.6 million). The remunerations of the Group's employees commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis. The Group also provides on-the-job training to its employees from time to time. As at 30 June 2017, the Group had 2,821 employees (31 December 2016: 4,497 employees).

ISSUE, PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had issued, purchased, redeemed or sold any of the Company's listed securities during the reporting period.

INTERIM DIVIDEND

Considering that the needs of the ordinary operation after the restructuring of the Group, the Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company with all the directors, that they have fully complied with the required standard as set out in the Model Code for the period under review.

AUDIT COMMITTEE

The audit committee ("Audit Committee") of the Company, which currently comprises three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Company, and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's interim results for the six months ended 30 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Code Provision A.2.1 of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period from 1 January 2017 to 30 June 2017, Mr. Jia Yueting was the chairman of the Board and Mr. Liu Jiangfeng was the chief executive officer of the Company. Such arrangement separates the roles of the chairman of the Board and the chief executive officer of the Company, which indicates the Company was complied with the requirements of the Code Provision A.2.1 of the Code.

The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial year ended 31 December 2017; and (ii) publishing the annual report for the year ended 31 December 2017. Such delay has constituted non-compliance with Rules 13.46(2) and 13.49 of the Listing Rules.

The Company failed to hold its annual general meeting for the year ended 31 December 2017 within the times stipulated under the Listing Rules and the articles of association of the Company (the "Articles"). An annual general meeting will be convened as soon as reasonably practicable.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the six months ended 30 June 2017, in compliance with the Code.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9 a.m. on 31 March 2017 and will continue to suspended until further notice.

For and on behalf of
Coolpad Group Limited
JIANG CHAO
Vice Chairman
Chief Executive Officer

Hong Kong, 4 December 2018

As at the date of this announcement, the executive Directors are Mr. Jiang Chao, Mr. Leung Siu Kee, Mr. Lam Ting Fung Freeman and Mr. Liang Rui; the non-executive Director is Mr. Ng Wai Hung; the independent non-executive Directors are Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Chan King Chung.