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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)

2020 ANNOUNCEMENT OF FINAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Coolpad Group Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the Year (the “Year”), together with the comparative figures for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Changes (%)
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)	
Revenue from continuing operations	811,757	1,858,090	(56.31)
(Loss)/profit before tax from continuing operations	(299,063)	118,111	N/A
Loss for the year from a discontinued operation	(48,800)	(2,718)	1,695.44
(Loss)/profit for the year attributable to owners of the Company	(393,828)	112,094	N/A
	<i>HK cents</i>	<i>HK cents</i>	
Basic and diluted			
– For (loss)/profit for the year	<u>(6.56)</u>	<u>2.22</u>	N/A
– For (loss)/profit from continuing operations	<u>(5.75)</u>	<u>2.27</u>	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
CONTINUING OPERATIONS			
REVENUE	4	811,757	1,858,090
Cost of sales		<u>(689,703)</u>	<u>(1,426,205)</u>
Gross profit		122,054	431,885
Other income and gains	4	287,259	198,631
Impairment of investments in associates		–	(3,196)
Selling and distribution expenses		(200,243)	(269,105)
Administrative expenses		(296,430)	(247,143)
Other expenses		(121,397)	(58,575)
Finance costs	6	(37,000)	(44,197)
Share of profits and losses of:			
Joint ventures		(5,774)	129,049
Associates		<u>(47,532)</u>	<u>(19,238)</u>
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	(299,063)	118,111
Income tax expense	7	<u>(45,965)</u>	<u>(3,299)</u>
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u>(345,028)</u>	<u>114,812</u>
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	(48,800)	(2,718)
(LOSS)/PROFIT FOR THE YEAR		<u>(393,828)</u>	<u>112,094</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000 (Restated)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		13,233	8,484
Reclassification adjustment for foreign operations disposed of during the year		51,743	(29)
Share of other comprehensive profit/(loss)of:			
Joint ventures		12,382	(3,090)
Associates		10,830	(5,060)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>88,188</u>	<u>305</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		1,053,018	7,631
Income tax effect		(263,255)	(1,908)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>789,763</u>	<u>5,723</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>877,951</u>	<u>6,028</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>484,123</u>	<u>118,122</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(393,986)	112,321
Non-controlling interests		158	(227)
		<u>(393,828)</u>	<u>112,094</u>
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		483,946	118,354
Non-controlling interests		177	(232)
		<u>484,123</u>	<u>118,122</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	10	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted			
– For (loss)/profit for the year		<u>(6.56)</u>	<u>2.22</u>
– For (loss)/profit from continuing operations		<u>(5.75)</u>	<u>2.27</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		305,048	547,334
Investment properties		2,287,583	389,118
Right-of-use assets		89,951	164,054
Intangible assets		6,867	3,644
Investments in joint ventures		188,321	180,083
Investments in associates		265,717	304,341
Financial assets at fair value through profit or loss		86,935	94,369
Loans receivable		–	1,098
Other non-current assets		2,804	35,791
Deferred tax assets		470	543
		<hr/>	<hr/>
Total non-current assets		3,233,696	1,720,375
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		181,568	254,255
Trade receivables	11	104,906	422,580
Bills receivable	12	3,373	–
Short-term loans receivable		–	2,272
Prepayments, deposits and other receivables	13	299,889	402,807
Amounts due from associates		3,170	7,080
An amount due from a joint venture		7,937	–
Pledged deposits	14	79,427	66,866
Cash and cash equivalents	14	208,773	297,420
		<hr/>	<hr/>
		889,043	1,453,280
		<hr/>	<hr/>
Assets classified as held for sale		198,777	186,323
		<hr/>	<hr/>
Total current assets		1,087,820	1,639,603
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables	15	252,755	505,961
Other payables and accruals		1,500,899	1,402,490
Interest-bearing bank and other borrowings		534,670	240,439
Lease liabilities		3,562	9,587
Amounts due to associates		43,578	52,811
An amount due to a joint venture		1,764	–
Amounts due to related parties		167,225	–
Tax payable		114,731	112,409
		<hr/>	<hr/>
Total current liabilities		2,619,184	2,323,697
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(1,531,364)	(684,094)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,702,332	1,036,281
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		3,518	7,733
An amount due to a related party		–	269,432
Deferred tax liabilities		375,514	47,424
Other non-current liabilities		4,447	3,468
		<hr/>	<hr/>
Total non-current liabilities		383,479	328,057
		<hr/>	<hr/>
Net assets		1,318,853	708,224
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		65,334	58,334
Reserves		1,253,120	649,668
		<hr/>	<hr/>
		1,318,454	708,002
Non-controlling interests		399	222
		<hr/>	<hr/>
Total equity		1,318,853	708,224
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries are wireless solution and equipment providers. During the year, the Group continued to focus on the production and sale of mobile phones and accessories, and the provision of wireless application services.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings included as property, plant and equipment and equity investments at fair value through profit or loss which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

On 17 April 2020, the Company announced the decision of its board of directors to dispose of Shenzhen Huiying Finance Co., Ltd. (“Huiying”), which engages in the provision of financing services. The disposal of Huiying was completed on 2 July 2020. The disposal of Huiying was reported as a discontinued operation in the accompanying consolidated statement of profit or loss and other comprehensive income and the comparative figures for the year ended 31 December 2019 have been restated accordingly.

Going concern basis

The Group reported a net current liability of HK\$1,531 million as at 31 December 2020. The unrestricted cash and cash equivalent balance amounted to HK\$209 million as at 31 December 2020. As at 31 December 2020, the Group’s capital commitment in respect of the capital expenditure for its construction in progress to be incurred in the coming twelve months was HK\$93 million. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

During the year, the Directors have taken various measures with the aim of improving the Group’s liquidity position, including but not limited to, i) the implementation of cost saving measures to control the daily operation costs; ii) the consent from Kingkey Group Company Limited (京基集團有限公司) (“Kingkey Group”) not to demand the repayment of the loans drawn down under the loan agreement with Kingkey Group with the original due date at 21 May 2021. Up to the date of this announcement, the cumulative loan amounts drawn down by the Group was approximately HK\$232 million. The remaining undrawn loan balance was approximately HK\$362 million; iii) completion of a placing of 700,000,000 shares with net proceeds of approximately HK\$116 million; and iv) a conditional bank facility of RMB1,350 million (equivalent to HK\$1,604 million) was successfully obtained by the Company. Up to the date of this announcement, the cumulative loan amounts drawn down by the Group was approximately HK\$297 million. The remaining undrawn loan balance was approximately HK\$1,307 million.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

Further measures have been taken by or in the deliberation of the Directors to improve the liquidity position of the Group, including but not limited to, i) On 5 February 2021, the Group entered into an agreement with an independent third party, pursuant to which, the Group successfully extended the due date of a loan included in other borrowings amounting to RMB100 million (equivalent to HK\$119 million) to 27 September 2022; and ii) On 8 March 2021, the Group successfully completed a placing of 666,000,000 shares with net proceeds of approximately HK\$186 million.

The Directors have prepared a cash flow forecast of the Group for the next twelve months based the existing situation, the future events and commitments of the Group. The Directors considered that the Group will have adequate working capital to meet its obligations, and therefore the financial statements of the Group have been prepared under a going concern basis.

Measures and estimations have been taken into consideration by the Directors, including but not limited to:

- (i) The Group has revisited its capital expenditure plan in the coming twelve months and has considered to postpone the current constructions in progress depending on the sufficiency of the working capital and the Group's capability in obtaining the finance resources. In the opinion of the Directors, the deferral of the capital expenditure would mitigate the pressure on the demand of operating fund in the coming twelve months.
- (ii) On 12 January 2021, Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("Yulong"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with an independent property developer, namely Shenzhen Xinghuaan Real Estate Development Co., Ltd. ("Xinghuaan"), pursuant to which, Yulong and Xinghuaan have conditionally agreed to jointly cooperate and develop the second and third phases of the urban renovation project of the Coolpad Information Harbor, whereby Yulong shall provide the lands owned by it and Xinghuaan shall provide funds and expertise in relation to the construction, operation and sales (where appropriate). The Group believes the cooperation can serve to facilitate the construction works of the urban renovation project without exhausting the financial resources of the Group and will contribute positively to the financial performance of the Group in the future. More details are set out in the announcement of the Company dated 12 January 2021.
- (iii) The Group has revisited its operating strategies in Mainland China taking into account the potential business opportunities arising from the 5th generation wireless system market and aimed to expand the cooperation with its business partners from various channels. The Group has continued to take measures to tighten cost controls over various production costs and expenses with the aim of attaining profitable and positive cash flow operations, including scaling down the operation, human resources optimisation and containment of capital expenditures.

Notwithstanding the above, in consideration of uncertainty and vulnerability of the new 5th generation mobile phone business in the Group's main operating markets including Mainland China and the United States, and the continuing spread of COVID-19 giving rise to increasing uncertainties and disruptions to the economy, material uncertainties exist as to whether the Group will be able to achieve its plans and measures as described above.

Should the Group fail to realise its plans to improve its financial position, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position as at 31 December 2020. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKAS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two 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 the provision of wireless application service;
- (b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation.

During the year ended 31 December 2020, the Group completed the disposal of its business in financing services. Accordingly, certain comparative segment information related to the financing service segment is classified as “loss for the year from a discontinued operation” in the consolidated statement of profit or loss and other comprehensive income. The impact of the abovementioned changes in the Group’s reportable operating segment for the year ended 31 December 2019 is considered retrospectively and the Group’s operating segment information is restated as if the Group had reallocated the resources in that year.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted (loss)/profit before tax from continuing operations is measured consistently with the Group’s (loss)/profit before tax from continuing operations except that interest income, impairment of investments in associates, non-lease-related finance costs, gain on disposal of investments in associates and share of losses of joint ventures and associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures, investments in associates, financial assets at fair value through profit or loss, deferred tax assets, amounts due from associates, an amount due from a joint venture, assets classified as held for sale, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020	Mobile phone <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (note 4)			
Sales to external customers	811,757	–	811,757
Other revenue and gains revenue from continuing operations	<u>89,706</u>	<u>194,123</u>	<u>283,829</u>
Total	<u><u>901,463</u></u>	<u><u>194,123</u></u>	<u><u>1,095,586</u></u>
Segment results	(393,958)	180,759	(213,199)
<i>Reconciliation</i>			
Interest income			2,807
Finance costs (other than interest on lease liabilities)			(35,988)
Gain on disposal of investments in associates			623
Share of losses of joint ventures			(5,774)
Share of losses of associates			<u>(47,532)</u>
Loss before tax from continuing operations			<u><u>(299,063)</u></u>
Segment assets	868,027	2,288,271	3,156,298
<i>Reconciliation</i>			
Investments in joint ventures			188,321
Investments in associates			265,717
Corporate and other unallocated assets			<u>711,180</u>
Total assets			<u><u>4,321,516</u></u>
Segment liabilities	1,743,717	7,162	1,750,879
<i>Reconciliation</i>			
Corporate and other unallocated liabilities			<u>1,251,784</u>
Total liabilities			<u><u>3,002,663</u></u>
Other segment information			
From continuing operations:			
Impairment of financial assets, net	4,227	–	4,227
Impairment of property, plant and equipment	22,611	–	22,611
Write-down of inventories to net realisable value	26,016	–	26,016
Fair value gain on investment properties	–	175,662	175,662
Reversal of product warranty	(2,493)	–	(2,493)
Depreciation and amortisation	37,758	–	37,758
Capital expenditure*			
– from continuing operations	<u><u>33,274</u></u>	<u><u>216,554</u></u>	<u><u>249,828</u></u>

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019 (Restated)	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue (note 4)			
Sales to external customers	1,858,090	–	1,858,090
Other revenue and gains	170,890	23,167	194,057
Revenue from continuing operations	<u>2,028,980</u>	<u>23,167</u>	<u>2,052,147</u>
Segment results	34,750	14,842	49,592
<i>Reconciliation</i>			
Interest income			1,949
Impairment of investments in associates			(3,196)
Finance costs (other than interest on lease liabilities)			(42,670)
Gain on disposal of investments in associates			2,625
Share of profit of a joint venture			129,049
Share of losses of associates			<u>(19,238)</u>
Profit before tax from continuing operations			<u>118,111</u>
Segment assets	1,827,483	391,504	2,218,987
<i>Reconciliation</i>			
Investment in a joint venture			180,083
Investments in associates			304,341
Corporate and other unallocated assets			652,601
Assets related to a discontinued operation			<u>3,966</u>
Total assets			<u>3,359,978</u>
Segment liabilities	1,913,452	3,597	1,917,049
<i>Reconciliation</i>			
Corporate and other unallocated liabilities			732,370
Liabilities related to a discontinued operation			<u>2,335</u>
Total liabilities			<u>2,651,754</u>
Other segment information			
From continuing operations:			
Reversal of impairment of financial assets, net	(16,112)	–	(16,112)
Write-down of inventories to net realisable value	49,594	–	49,594
Fair value gain on investment properties	–	4,554	4,554
Product warranty provision	10,373	–	10,373
Depreciation and amortisation	45,231	–	45,231
Capital expenditure*			
– from continuing operations	<u>126,327</u>	<u>–</u>	<u>126,327</u>

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Mainland China	109,490	128,372
Overseas	702,267	1,729,718
	811,757	1,858,090

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

(b) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Mainland China	3,133,731	1,607,010
Overseas	10,113	9,146
	3,143,844	1,616,156

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

Information about major customers

Revenue from major customers each individually amounting to 10% or more of the Group's revenue is as follows:

	Operating segment	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer B	Mobile phone	325,882	693,836
Customer C	Mobile phone	158,969	N/A
Customer A	Mobile phone	N/A	772,333

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	795,147	1,854,148
Wireless application service income	16,610	3,942
	811,757	1,858,090

Revenue from contracts with customers

(i) *Disaggregated revenue information*

Segment	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Timing of revenue recognition:		
Goods and services transferred at a point of time	811,757	1,858,090

The following table shows the amount of revenue recognised in the current year that was included in the contract liabilities at the beginning of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sale of mobile phones and related accessories	11,041	23,958

No revenue recognised during the year related to performance obligations that were satisfied in prior years (2019: Nil).

4. REVENUE, OTHER INCOME AND GAINS (continued)

(ii) *Performance obligation*

Information about the Group's performance obligations is summarised below:

Sale of mobile phones and related accessories

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Other income and gains	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Bank interest income	2,807	1,949
Government grants and subsidies*	24,184	114,368
Gross rental income from investment property operating leases:		
Fixed lease payments	18,461	18,613
Fair value gain on investment properties	175,662	4,554
Foreign exchange gains, net	47,020	9,649
Various services income	4,552	16,027
After-sales repair service	5,562	17,509
Gain on disposal of right-of-use assets	873	–
Gain on disposal of investments in associates	623	2,625
Others	7,515	13,337
	287,259	198,631

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

5. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's (loss)/profit before tax from continuing operations is arrived at after charging/(crediting):

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Cost of inventories sold	663,687	1,376,611
Depreciation of property, plant and equipment	25,722	28,830
Depreciation of right-of-use assets	10,394	14,960
Amortisation of intangible assets	1,642	1,441
Research and development costs*:		
Current year expenditure	210,033	114,396
Lease payments not included in the measurement of lease liabilities	2,558	739
Auditor's remuneration		
Annual audit	3,286	3,366
Agreed-upon procedures	760	455
	4,046	3,821
Employee benefit expense (including directors' remuneration):		
Wages and salaries	183,342	158,954
Staff welfare expenses	7,428	2,543
Pension scheme contributions (defined contribution scheme)	6,020	13,261
Equity-settled share option expense	10,789	4,016
	207,579	178,774
(Reversal of impairment)/impairment of trade receivables [#]	(2,423)	6,530
Impairment/(reversal) of impairment of other financial assets, net [#]	6,650	(22,642)
Impairment of right-of-use assets [#]	–	3,210
Impairment of property, plant and equipment [#]	22,611	–
Impairment of other non-current assets [#]	31,403	–
Impairment of investments in associates [#]	–	3,196
Loss on disposal of items of property, plant and equipment [#]	6,066	8,674
Write-down of inventories to net realisable value ^{&}	26,016	49,594
Direct operating expenses arising on rental-earning investment properties*	12,009	2,234
(Reversal)/provision of product warranty**	(2,493)	10,373
Fair value losses on financial assets at fair value through profit or loss, net [#]	8,754	36,657
Penalties [#]	8,425	2,952
Litigation claims [#]	17,970	–
Loss on transfer from construction in progress to an investment property [#]	–	6,091

* Included in "Administrative expenses" in profit or loss

** Included in "Selling and distribution expenses" in profit or loss

& Included in "Cost of sales" in profit or loss

Included in "Other expenses" in profit or loss

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings	19,882	23,349
An amount due to a related party	16,094	16,202
Interest on factoring of trade receivable	12	3,119
Interest on lease liabilities	1,012	1,527
	<u>37,000</u>	<u>44,197</u>

7. INCOME TAX EXPENSE

The Company is a tax exempted company registered in the Cayman Islands and conducts substantially all of its businesses through its subsidiaries established in Mainland China (the “PRC Subsidiaries”).

No provision for Hong Kong profits tax has been made (2019: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group’s subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Current – Charge for the year	2,697	3,414
Deferred	45,314	1,110
	<u>45,965</u>	<u>3,299</u>
Total tax charge for the year from continuing operations	45,965	3,299
Total tax charge for the year from a discontinued operation	2,046	1,225
	<u>48,011</u>	<u>4,524</u>

The Group’s PRC Subsidiaries are subject to corporate income tax (“CIT”) at a rate of 25%. Certain subsidiaries of the Group operating in Mainland China are eligible for certain tax concessions. Major tax concessions applicable to those entities are detailed as follows:

- (a) Shenzhen Coolpad Technologies Co., Ltd. (“SZ Coolpad Technologies”), the Company’s wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2019, and is subject to CIT at a rate of 15% for three years from 2019 to 2021. In this regard, SZ Coolpad Technologies was subject to CIT at a rate of 15% (2019: 15%) for the year ended 31 December 2020.
- (b) Nanjing Coolpad Software Tech Co., Ltd. (“Nanjing Coolpad”), the Company’s wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2018, and was subject to CIT at a rate of 15% for three years from 2018 to 2020. Therefore, Nanjing Coolpad was subject to CIT at a rate of 15% (2019: 15%) for the Year.
- (c) Dongguan Coolpad Software Tech Co., Ltd. (“Dongguan Coolpad”), the Company’s wholly-owned subsidiary, was established in 2014 and assessed as a software enterprise in 2017 and therefore is exempted from CIT for the first two years starting from the year when it begins to make profit and will be entitled to a 50% reduction in the applicable tax rate for CIT in the three years that follow. Dongguan Coolpad started its tax concession period from year 2017 as it made profit in that year. In this regard, Dongguan Coolpad was subject to CIT at a rate of 12.5% (2019: 12.5%) for the Year.

8. DISCONTINUED OPERATION

On 17 April 2020, the Company announced the decision of its board of directors to dispose of Huiying. The Group decided to cease its financing service business to focus its resources on its mobile phone business. The disposal of Huiying was completed on 2 July 2020. With Huiying being classified as a discontinued operation, the financing services business was no longer included in the note for operating segment information. Further details of the above were set out in the Company's announcement dated 4 June 2020.

The results of the discontinued operation for the period from 1 January 2020 to 2 July 2020 and the year ended 31 December 2019 are presented below:

	Period from 1 January 2020 to 2 July 2020 HK\$'000	2019 HK\$'000
Revenue	13,161	159
Expenses	(6,499)	(507)
Other income/(expense)	<u>2,307</u>	<u>(1,145)</u>
Profit/(loss) before tax	8,969	(1,493)
Income tax expense	<u>(2,046)</u>	<u>(1,225)</u>
Profit/(loss) for the period/year	6,923	(2,718)
Loss on disposal of a subsidiary	<u>(55,723)</u>	<u>–</u>
Loss for the year from the discontinued operation	<u>(48,800)</u>	<u>(2,718)</u>

The net cash flows incurred by the discontinued operation are as follows:

	2020 HK\$'000	2019 HK\$'000
Operating activities	<u>174,188</u>	<u>(5,061)</u>
Net cash inflow/(outflow)	<u>174,188</u>	<u>(5,061)</u>
	<i>HK cents</i>	<i>HK cents</i>
Loss per share:		
Basic and diluted from a discontinued operation	<u>(0.81)</u>	<u>(0.05)</u>

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2020	2019
Loss attributable to ordinary equity holders of the Company from the discontinued operation (HK\$)	(48,800,000)	(2,718,000)
Weighted average number of ordinary shares used in the basic and diluted loss per share calculation	<u>6,001,440,267</u>	<u>5,061,900,631</u>

9. DIVIDEND

The Directors did not recommend payment of any final dividend for the Year (2019: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/earnings for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 6,001,440,267 (2019: 5,061,900,631) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had no dilution effect on the basic (loss)/earnings per share amount presented.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
(Loss)/earnings attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation:		
From continuing operations	(345,186)	115,039
From a discontinued operation	(48,800)	(2,718)
	<u>(393,986)</u>	<u>112,321</u>
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(393,986)</u>	<u>112,321</u>

11. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	410,508	728,555
Impairment	(305,602)	(305,975)
	<u>104,906</u>	<u>422,580</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. In the case 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

11. TRADE RECEIVABLES (continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	100,229	365,773
4 to 6 months	2,777	23,549
7 to 12 months	5,192	37,907
Over 1 year	302,310	301,326
	<u>410,508</u>	<u>728,555</u>
Less: Impairment	<u>(305,602)</u>	<u>(305,975)</u>
	<u><u>104,906</u></u>	<u><u>422,580</u></u>

12. BILLS RECEIVABLE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	<u><u>3,373</u></u>	<u><u>–</u></u>

Bills receivable as at 31 December 2020 are non-interest-bearing.

At 31 December 2020, the Group did not have any past due or impaired bills receivable. An impairment analysis is performed at 31 December 2020 according to the expected credit loss model and the loss calculated for the remaining balance of bills receivable was not material and had no impact on the Group's consolidated financial statements.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments for other suppliers	16,680	19,574
Deposits and other receivables	77,813	119,943
Deductible input VAT	207,843	271,499
Prepaid expenses	357	27,582
	<u>302,693</u>	<u>438,598</u>
Non-current portion	<u>(2,804)</u>	<u>(35,791)</u>
	<u><u>299,889</u></u>	<u><u>402,807</u></u>

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash and bank balances	208,773	297,420
Time deposits	<u>79,427</u>	<u>66,866</u>
	288,200	364,286
Less: pledged deposits for:		
– A performance guarantee and a letter of credit	<u>(79,427)</u>	<u>(66,866)</u>
Cash and cash equivalents	<u><u>208,773</u></u>	<u><u>297,420</u></u>

15. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	159,905	332,458
4 to 6 months	15,677	46,957
7 to 12 months	8,564	34,629
Over 1 year	<u>68,609</u>	<u>91,917</u>
	<u><u>252,755</u></u>	<u><u>505,961</u></u>

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

16. EVENTS AFTER THE REPORTING PERIOD

On 12 January 2021, Yulong, a wholly-owned subsidiary of the Company, entered into a cooperation agreement with an independent property developer, namely Shenzhen Xinghuaan Real Estate Development Co., Ltd. (“Xinghuaan”), pursuant to which, Yulong and Xinghuaan have conditionally agreed to jointly cooperate and develop the second and third phases of the urban renovation project of the Coolpad Information Harbor, whereby Yulong shall provide the lands owned by it and Xinghuaan shall provide funds and expertise in relation to the construction, operation and sales (where appropriate). Further details of the aforesaid transaction are set out in the announcement of the Company dated 12 January 2021.

On 5 February 2021, the Group entered into an agreement with the borrower to extend the due day of a loan amounting to RMB100 million from 28 September 2020 to 27 September 2022.

On 8 March 2021, the Group successfully completed a placing of 666,000,000 shares at a price of HK\$0.28 per share with net proceeds of approximately HK\$186 million.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

Opinion

We have audited the consolidated financial statements of Coolpad Group Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31 December 2020, the Group’s current liabilities exceeded its current assets by approximately HK\$1,531 million. As stated in note 2.1, this event or condition, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSED BY PRODUCT SEGMENTS

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

Revenue	Year ended 31 December			
	2020		2019	
	Revenue	% of	Revenue	% of
	HK\$ million	revenue	HK\$ million	revenue
Sale of mobile phones and related accessories	795.15	97.95	1,854.15	99.79
Wireless application service income	16.61	2.05	3.94	0.21
Total	811.76	100.00	1,858.09	100.00

REVENUE ANALYSED BY PRODUCT SEGMENTS (continued)

The Group recorded consolidated revenue for the Year of HK\$811.76 million, representing a decrease of 56.31% as compared with HK\$1,858.09 million for the year ended 31 December 2019, which was mainly due to the impact of the COVID-19 pandemic during the Year. As a result of its impact, the Group postponed the launch of some new models, resulting in a significant decrease in sales volume.

GROSS PROFIT

	Year ended 31 December			
	2020		2019 (Restated)	
Gross profit	Gross profit <i>HK\$ million</i>	Gross profit margin (%)	Gross profit <i>HK\$ million</i>	Gross profit margin (%)
Total	<u>122.05</u>	<u>15.04</u>	<u>431.89</u>	<u>23.24</u>

The Group's overall gross profit for the Year was HK\$122.05 million, compared with HK\$431.89 million gross profit for the year ended 31 December 2019. The Group's overall gross profit margin for the Year was 15.04%, representing a decrease of 8.20 percentage points as compared with 23.24% for the year ended 31 December 2019. The decrease of gross profit was primarily attributable to Group's substantial price promotions and more discounts to major customers for a sustained cooperation with them as a result of the impact of the COVID-19 pandemic.

SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2020	2019
Selling and distribution expenses (<i>HK\$ million</i>)	200.24	269.11
Selling and distribution expenses/revenue (%)	<u>24.67</u>	<u>14.48</u>

Selling and distribution expenses of the Group for the Year decreased to HK\$200.24 million, representing a decrease of 25.59%, as compared with HK\$269.11 million for the year ended 31 December 2019. The decrease in selling and distribution expenses was primarily attributable to the reduction in marketing expenses, because the Group reduced its advertising and promotion activities in the US market in 2020 following the impact of the COVID-19 pandemic, resulting in the lower number of the corresponding exhibition machines and prototypes.

ADMINISTRATIVE EXPENSE

	Year ended 31 December	
	2020	2019 (Restated)
Administrative expenses (<i>HK\$ million</i>)	296.43	247.14
Administrative expenses/revenue (%)	36.52	13.30

Administrative expenses increased by 19.94% from HK\$247.14 million for the year ended 31 December 2019 to HK\$296.43 million for the Year. Administrative expenses as a percentage of total revenue increased to 36.52% in 2020 from 13.30% in 2019. The net increase of 23.22 percentage points was attributable to the increase demand for R&D.

INCOME TAX EXPENSE

For the Year, the Group has turned to loss before tax from continuing operations of HK\$299.06 million from profit before tax from continuing operations of HK\$118.11 million for the year ended 31 December 2019, and the Group's income tax expense increased to HK\$45.97 million from HK\$3.30 million for the year ended 31 December 2019. The net increase of HK\$42.67 million was attributable to the deferred tax expense relating to fair value gain on investment properties for the Year.

LIQUIDITY AND FINANCIAL RESOURCE

For the Year, the Group's operating capital was mainly generated from cash from its daily operation, equity funding, interest-bearing loan and other borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and other unforeseeable cash requirements. The Group had a gearing ratio of 64% as at 31 December 2020 (2019: 76%). 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 31 December 2020 amounting to HK\$208.77 million, while it was HK\$297.42 million as at 31 December 2019.

CONTINGENT LIABILITIES

(a) Litigation with customers

A subsidiary of the Group is currently a plaintiff in a lawsuit with certain customers in the United States of America, who refused to settle trade receivables of approximately US\$25,000,000 (equivalent to HK\$193,815,000) (2019: US\$25,000,000). When preparing these consolidated financial statements, the aforesaid lawsuit was still in progress.

(b) Litigations with suppliers

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). The arbitration procedures of the civil complaints were still in progress as at the date of approval of the announcement.

PLEDGE OF ASSETS

- (a) As at 31 December 2020, the Group's 20% share in the investment in an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK\$25.51 million (2019: HK\$25.61 million) was pledged as security for a shareholder loan of this associate.
- (b) As at 31 December 2020, none of the Group's listed equity investments were pledged as security for the Group's loan from third party (2019: HK\$71.99 million).
- (c) As at 31 December 2020, the Group's time deposits of approximately (i) HK\$59.41 million were used as a pledged for issuance of letters of credit (2019: HK\$55.82 million), and (ii) HK\$20.02 million were used as a security for the banks to provide performance guarantees (2019: HK\$11.05 million).

PLEDGE OF ASSETS (continued)

- (d) Certain of the Group's bank and other borrowings are required to be secured by:
- (i) mortgages over the Group's investment property situated in Mainland China, which had an carrying value at the end of the reporting period of HK\$1,698.35 million;
 - (ii) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately HK\$114.54 million;
 - (iii) mortgages over the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of approximately HK\$11.15 million.

At the date of approval of the announcement, the Group is in the process of applying for the abovementioned mortgage registration.

- (e) Subsequent to the end of the reporting period, on 5 February 2021, the Group entered into an agreement with the borrower to extend a loan included in other borrowings amounted to RMB100 million from September 2020 to September 2022. Pursuant to the agreement, certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK\$589 million, HK\$128 million and HK\$26 million as at 31 December 2020 respectively were pledged as security for the loan.

OVERVIEW

Looking back on 2020, with the ongoing outbreak of the COVID-19 pandemic, the world economy outside China has shown an overall slowdown. As a result, the global smartphone market also experienced a decline. According to the data from Gartner Group and Canalys, the overall sales for the Year declined by 12.5% year-on-year, and the sales in China also declined by 11% year-on-year. However, with the launch of the COVID-19 vaccine, the COVID-19 pandemic has been gradually brought under control, and the global economy is expected to recover rapidly in 2021. Coupled with the emerging popularity of 5G, it's expected to achieve a substantial increase in the sales of mobile phones worldwide in 2021. According to the estimation of Gartner, 1.5 billion smartphones will be sold worldwide in 2021, representing a year-on-year increase of 11.4%.

FINANCIAL REVIEW

For the Year, the Group recorded a turnover of HK\$811.76 million, representing a decrease of 56.31% from HK\$1,858.09 million for the year ended 31 December 2019, which was mainly attributed to the impact of the COVID-19 pandemic during the Year. As a result, the Group postponed the launch of some new models, resulting in a significant decrease in sales volume; 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. In terms of emerging businesses, industrial internet products, AR products and anti-pandemic related products had all been launched, but they were small in scale and continued to be invested during the Year, making very little contribution to the Group's turnover. During the Year, the Group's overall gross profit margin was 15.04%, representing a decrease of 8.2 percentage points from 23.24% for the year ended 31 December 2019. The decrease in gross profit margin was mainly due to the Group's substantial price promotions and more discounts to major customers for a sustained cooperation with them as a result of the impact of the COVID-19 pandemic. Total sales and distribution and administrative expenses of the Group accounted for 61.18% of the total revenue, representing an increase of 33.4 percentage points from 27.78% for the year ended 31 December 2019, which was mainly due to a significant decrease in turnover for the Year, but the sales and distribution and administrative expenses did not significantly decrease with the decrease in sales scale. The sales and distribution expenses of the Group amounted to HK\$200.24 million, representing a decrease of HK\$68.87 million as compared with 2019, which was mainly due to the reduction in marketing expenses, because the Group reduced its advertising and promotion activities in the US market in 2020 following the impact of the COVID-19 pandemic, resulting in the lower number of the corresponding exhibition machines and prototypes. The administrative expenses of the Group amounted to HK\$296.43 million, representing an increase of HK\$49.29 million from HK\$247.14 million in 2019, which was mainly due to the increase demand for research and development ("R&D").

For the Year, the Group recorded a net loss from continuing operations of HK\$345.03 million, representing a decrease of HK\$459.84 million, as compared with the net profit of HK\$114.81 million for the year ended 31 December 2019. The turnaround from profit to loss for 2020 is mainly attributable to the impact of the COVID-19 pandemic during the Year. As a result of its impact, the revenue significantly decreased.

CAPITAL SUPPORT

The Company completed an issue of 200,000,000 new ordinary shares at a subscription price of HK\$0.130 per share on 30 June 2020 and successfully raised net proceeds of HK\$25.5 million. Subsequently, the Company completed an issue of 500,000,000 new ordinary shares at a subscription price of HK\$0.180 per share on 13 November 2020 and successfully raised net proceeds of HK\$89.5 million. For the Year, a total of HK\$115 million was raised which was served to replenish the Group's working capital, thus alleviating its liquidity shortage.

Saved as disclosed in this section headed "Capital Support" in this announcement, the Company has not conducted any equity fund raising activities during the Year. The details of the proceeds raised from the various share subscription are as follows:

Event and date	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds up to the date of this announcement
Issue and allotment of 500,000,000 Shares on 13 November 2020	HK\$89.5 million	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 have 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\$85.62 million was applied as general working capital of manufacturing and sale of smart phones.
Issue and allotment of 200,000,000 Shares on 30 June 2020	HK\$25.5 million	Capital for the repayment of trade payables and purchase of raw materials of the Group	The net proceeds of HK\$25.5 million has been fully utilized as intended and as disclosed in the announcement of the Company dated 15 June 2020.

RESEARCH AND DEVELOPMENT

The Group attaches great importance to R&D capability. During the year, the Group continued to strengthen R&D capability, with R&D personnel accounting for more than 50%. The Group has applied for more than 10,000 patents in aggregate, obtained more than 900 5G-related patents in the 5G field, and also participated in the formulation of 5G-related standards. According to the Ranking List of Invention Patent Grants of PRC Companies in 2020 (Top 100) jointly released by the intellectual property right media IPRdaily and incoPat Innovation Index Research Centre, Yulong Telecommunication, a wholly-owned subsidiary of the Group, ranks 53rd among all Chinese companies with 329 patents.

Meantime, the Group has been investing in the research and development of smartphone operating systems and software, achieving good performance. In 2020, it submitted various high-quality kernel patches to the Linux community, which was highly recognized by Mr. Linus Torvalds, the community leader and the father of Linux. In addition, the Group has been successfully included in the top 100 contributors to the core code of the Linux kernel.

MARKET OVERVIEW

In 2020, the sales of smartphone decreased due to the weak overseas consumption affected by the COVID-19 pandemic. At the same time, the global resumption of work and production did not meet expectations and some of the devices continued to be out of stock, resulting in large price fluctuations. The Group's product gross margins continued to decline and the overseas market was under pressure. To proactively address this situation, the Group had continued to deepen cooperation with operators and adapted to the new market environment during the COVID-19 pandemic period, and the sales of some products increase since we successfully seized new opportunities arising from the COVID-19 pandemic. In addition, the Group successfully expanded its business to Japan and Latin America. In Japan, the Group gained the order for a 5G phone project supporting millimeter wave band at first time, which will be of great significance to enhance the Company's position in the Asia-Pacific communications market.

In China, the Group also restarted domestic phone business and rebuilt operation team in 2020 to gradually restore the production layout and sales channel in Chinese market. The Group has successfully reopened Jingdong online sales in June 2020; launched the cost-effective X10, 5G mobile phone in cooperation with China Telecom, which was equipped with the first 5G chip from domestic manufacturer UNISOC; successfully launched several mobile phone products and initially restored our domestic product line during the Year.

BRAND UPGRADE AND RECONSTRUCTION

Despite the impact of the COVID-19 pandemic, China's annual GDP grew by 2.3% (the highest growth rate among global major economies), which cannot be divorced from the efforts of all strivers. As a traditional mobile phone manufacturer and a member of "Zhong Hua Ku Lian", Coolpad has been striving for the brand renewal. Under this background, featured by strivers' culture, Coolpad promotes its brand upgrade scheme in an orderly manner and is committed to providing affordable 5G mobile phones with fine quality for strivers in China, making them enjoy convenience brought by 5G and mobile Internet.

COOLPAD BUILDING

Phase I of Coolpad Information Harbor of the Group completed construction works, and was put into operation in 2020. The Phase I building is located in a prime location, being the core location of North District of Science and Technology Park, Nanshan District, Shenzhen. By the end of 2020, the Group has officially moved in to the new site and use it as office space. In addition, the Group has set up a Science and Technology Park Merchant Operation Department at the beginning of the Year, which is responsible for overseeing building operations of the Coolpad Information Harbor.

OUTLOOK

In the future, the Group will adhere to the long-term strategy of developing business simultaneously in China and overseas markets. In the overseas market, the Group endeavours to actively consolidate and maintain the relationship with overseas customers, to improve the operating efficiency in the overseas market and to strictly control the operating expenses, so as to continuously reduce the operating costs. At the same time, the Group continues to develop emerging markets to achieve synergies with existing markets and expand our brand influence. In terms of products, the Group will focus more on the mobile phone market and concentrate its strengths to provide more competitive products.

In the Chinese market, the Group continues to increase its research and development efforts in 5G, mobile operating systems and Internet operation services, and strives to develop popular products. Particularly in the Internet business, the Group strives to catch up with first-tier brands, comprehensively enrich the Internet content and mobile operating system ("OS") functions, build a complete ecological closed-loop between OS system and Internet services, realise rapid iteration of core applications, improve consumer experience, and attain the level of leading brands in the industry with overall efforts. In terms of channels, the Group will strengthen the construction and management of sales channels, steadily develop e-commerce online channels and traditional channels of operators, and at the same time focus on developing markets in lower-tier cities by offline channels. By relying on the dividends of China's domestic economic development, the Group will vigorously advocate the "striver" culture and carry out brand upgrade, so that the Coolpad brand can mark its return to the Chinese market with a new image.

OPERATION RISK

On 11 March 2020, the World Health Organization officially described the novel Coronavirus outbreak as a COVID-19 pandemic. The COVID-19 pandemic had a significant adverse impact on the business performance of the Group for the Year. On the one hand, the COVID-19 pandemic in the Group's key sales regions (the US market) was still severe, which resulted in the delay in new product launch in the US and decrease in sales. On the other hand, affected by the COVID-19 pandemic, supply shortages and price increases of certain raw materials have caused the Company's costs to rise. In response to the continuing impact of the COVID-19 pandemic on the US market and in line with the Group's development direction, the Group has gradually adjusted its business development direction for the Year, and gradually shifted from the overseas market to the Chinese market to reduce operational risks.

FOREIGN EXCHANGE EXPOSURE

During the Year, the Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, where the receivables and payables are denominated in USD and EUR. The Group is exposed to foreign exchange risk with respect mainly to USD and EUR which may affect the Group's performance and asset value for the Year. The Group has not entered into any derivative contracts to hedge against the risk in the year 2020.

EMPLOYEES AND REMUNERATION POLICY

During the year ended 31 December 2020, the Group's staff costs (including directors' remuneration) amounted to approximately HK\$207.58 million (2019: HK\$178.77 million). The remuneration of the Group's employees was commensurate with their responsibilities and market rates, with discretionary bonuses and training given on a merit basis. As of 31 December 2020, the Group had 604 employees (2019: 668 employees).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

DIVIDEND

The Directors did not recommend the payment of any dividends for the Year (2019: Nil).

AUDIT COMMITTEE

The 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 annual results for the Year.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss and other comprehensive income for the Year and the related notes thereto as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

IMPORTANT EVENTS AFTER THE YEAR

Saved as disclosed in note 16 to the financial statements in this announcement, the Group does not have any important event after the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Under Code Provision A.2.1 of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. On 20 December 2020, Mr. Liang Rui resigned as chief executive officer and Mr. Chen Jiajun was appointed as chief executive officer. Currently, Mr. Chen Jiajun is the chairman of the Board and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company has not met the requirements under the Code during the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The date of annual general meeting of the Company will be stated in the notice of annual general meeting which will be dispatched in due course.

PUBLICATION OF INFORMATION ON THE WEBSITES

The annual report of the Company for the Year containing the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.coolpad.com.hk in due course.

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

Hong Kong, 26 March 2021

As at the date of this announcement, the executive Directors are Mr. Chen Jiajun, Mr. Ma Fei, Mr. Xu Yibo and Mr. Lam Ting Fung Freeman; the non-executive Director are Mr. Liang Rui and Mr. Ng Wai Hung; the independent non-executive Directors are Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Guo Jinghui.