

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



COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Variance (%)
	2021 (HK\$'000) (Unaudited)	2020 (HK\$'000) (Unaudited)	
Revenue from continuing operations	320,119	385,920	-17.1
Loss before tax from continuing operations	(210,698)	(28,767)	632.4
Net loss attributable to owners of the Company	(238,134)	(65,927)	261.2
Basic and diluted loss per share (2020 restated)	(HK3.11 cents)	(HK1.04 cents)	199.0

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 2021 together with comparative figures for the corresponding period of 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	320,119	385,920
Cost of sales		(334,590)	(301,841)
		<hr/>	<hr/>
Gross (loss)/profit		(14,471)	84,079
Other income and gains	4	123,074	202,229
Selling and distribution expenses		(80,344)	(99,444)
Administrative expenses		(124,535)	(98,175)
Other expenses		(84,893)	(69,602)
Finance costs		(27,149)	(18,102)
Share of (losses)/profits of:			
Joint ventures		(12,837)	(451)
Associates		10,457	(29,301)
		<hr/>	<hr/>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	(210,698)	(28,767)
Income tax expense	6	(27,436)	(40,103)
		<hr/>	<hr/>
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(238,134)	(68,870)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		–	2,943
		<hr/>	<hr/>
LOSS FOR THE PERIOD		(238,134)	(65,927)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Attributable to:			
Owners of the Company		(238,134)	(65,927)
Non-controlling interests		–	–
		<hr/>	<hr/>
		(238,134)	(65,927)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

For the six months ended 30 June 2021

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD		(238,134)	(65,927)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		2,111	9,355
Share of other comprehensive income/ (loss) of:			
Joint ventures		2,301	(3,774)
Associates		8,807	(264)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		13,219	5,317
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(224,915)	(60,610)
Attributable to:			
Owners of the Company		(224,919)	(60,607)
Non-controlling interests		4	(3)
		(224,915)	(60,610)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted for the period (2020 restated)		(3.11)	(1.04)
Basic and diluted for continuing operations (2020 restated)		(3.11)	(1.08)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		354,163	305,048
Investment properties		2,327,774	2,287,583
Right-of-use assets		88,459	89,951
Intangible assets		5,415	6,867
Investments in joint ventures		177,785	188,321
Investments in associates		286,948	265,717
Financial assets at fair value through profit or loss		44,121	86,935
Other non-current assets		2,123	2,804
Deferred tax assets		420	470
		3,287,208	3,233,696
CURRENT ASSETS			
Inventories		134,009	181,568
Trade receivables	9	71,944	104,906
Bills receivable		–	3,373
Prepayments, deposits and other receivables		374,465	299,889
Amounts due from associates		3,052	3,170
An amount due from a joint venture		–	7,937
Pledged deposits		82,974	79,427
Cash and cash equivalents		1,174,687	208,773
		1,841,131	889,043
Assets classified as held for sale		–	198,777
Total current assets		1,841,131	1,087,820

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

30 June 2021

	<i>Note</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	10	247,093	252,755
Bills payables		27,704	–
Other payables and accruals		1,190,372	1,500,899
Interest-bearing bank and other borrowings		540,813	534,670
Lease liabilities		1,967	3,562
Amounts due to associates		45,911	43,578
An amount due to a joint venture		1,785	1,764
Amounts due to related parties		272,631	167,225
Tax payable		116,410	114,731
		<hr/>	<hr/>
Total current liabilities		2,444,686	2,619,184
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(603,555)	(1,531,364)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,683,653	1,702,332
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		2,618	3,518
Deferred tax liabilities		383,816	375,514
Other non-current liabilities		21,604	4,447
		<hr/>	<hr/>
Total non-current liabilities		408,038	383,479
		<hr/>	<hr/>
Net assets		2,275,615	1,318,853
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		108,024	65,334
Reserves		2,167,188	1,253,120
		<hr/>	<hr/>
		2,275,212	1,318,454
Non-controlling interests		403	399
		<hr/>	<hr/>
Total equity		2,275,615	1,318,853
		<hr/> <hr/>	<hr/> <hr/>

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 address of the Company (the “Company”) is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) are wireless solution and equipment providers. During the period, the Group continued to focus on the production and sale of mobile phones and accessories, and the provision of wireless application services.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Going concern basis

For the six months ended 30 June 2021, the Group incurred a net loss of HK\$238 million and the Group recorded net current liabilities of HK\$604 million as at 30 June 2021. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Taking into account the successful completion of a placement and a rights issue as of 30 June 2021, the available unutilized loan facilities from a related party of the Group and the bank facilities provided by a reputable financial institution, the Directors are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had an interest-bearing bank borrowing denominated in RMB based on the Loan Prime Rate ("LPR") as at 30 June 2021. Since the interest rates of this borrowing were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rate of this borrowings is replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of this borrowing when the "economically equivalent" criterion is met.

- (b) Amendments to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any significant impact on the financial position and performance of the Group as no lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2021

	Mobile phone <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue (note 4)			
Sales to external customers	320,119	–	320,119
Other revenue and gains	90,781	31,616	122,397
	<u>410,900</u>	<u>31,616</u>	<u>442,516</u>
Total	410,900	31,616	442,516
Segment results	(201,241)	19,177	(182,064)
<i>Reconciliation:</i>			
Interest income			677
Finance costs (other than interest on lease liabilities)			(26,931)
Share of losses of joint ventures			(12,837)
Share of profits of associates			10,457
			<u>10,457</u>
Loss before tax from continuing operations			(210,698)
			<u><u>(210,698)</u></u>

Six months ended 30 June 2020

	Mobile phone <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue (note 4)			
Sales to external customers	385,920	–	385,920
Other revenue and gains	32,260	167,522	199,782
	<u>418,180</u>	<u>167,522</u>	<u>585,702</u>
Segment results	<u>(150,223)</u>	<u>166,289</u>	<u>16,066</u>
<i>Reconciliation:</i>			
Interest income			1,835
Finance costs (other than interest on lease liabilities)			(17,528)
Gain on disposal of investments in associates			612
Share of loss of a joint venture			(451)
Share of losses of associates			(29,301)
Loss before tax from continuing operations			<u>(28,767)</u>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively.

	Mobile phone <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets			
At 30 June 2021 (Unaudited)	<u>886,672</u>	<u>2,344,465</u>	<u>3,231,137</u>
At 31 December 2020 (Audited)	<u>868,027</u>	<u>2,288,271</u>	<u>3,156,298</u>
Segment liabilities			
At 30 June 2021 (Unaudited)	<u>1,459,459</u>	<u>22,280</u>	<u>1,481,739</u>
At 31 December 2020 (Audited)	<u>1,743,717</u>	<u>7,162</u>	<u>1,750,879</u>

Geographical information

Non-current assets

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Mainland China	3,238,546	3,133,731
Overseas	<u>2,339</u>	<u>10,113</u>
	<u>3,240,885</u>	<u>3,143,844</u>

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	318,596	385,413
Wireless application service income	<u>1,523</u>	<u>507</u>
	<u>320,119</u>	<u>385,920</u>

Disaggregated revenue information for revenue from contracts with customer

For the six months ended 30 June 2021

Segments	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China	45,321
Overseas	<u>274,798</u>
Total revenue from contracts with customers	<u>320,119</u>
Timing of revenue recognition	
Goods and services transferred at a point of time	<u>320,119</u>
Total revenue from contracts with customers	<u>320,119</u>

For the six months ended 30 June 2020

Segments	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China	30,246
Overseas	<u>355,674</u>
Total revenue from contracts with customers	<u><u>385,920</u></u>

Timing of revenue recognition	
Goods and services transferred at a point of time	<u>385,920</u>
Total revenue from contracts with customers	<u><u>385,920</u></u>

Other income

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	677	1,835
Gross rental income from investment property operating leases:		
Fixed lease payments	31,616	10,278
Government grants and subsidies*	10,147	20,316
Fair value gains on investment properties	–	157,244
Gain on disposal of a parcel of land and construction in progress	63,230	–
Foreign exchange gain	11,834	–
Others	<u>5,570</u>	<u>12,556</u>
	<u><u>123,074</u></u>	<u><u>202,229</u></u>

* 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 BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	315,844	273,644
Depreciation of property, plant and equipment	9,163	10,015
Amortisation of patents and licences*	1,528	700
Depreciation of right-of-use assets	2,636	5,926
Research and development costs:		
Expenditure for the period*	74,288	97,783
Minimum lease rental expense in respect of short-term leases	1,190	901
Interest expense recognised related to lease liabilities	218	574
Gain on disposal of a parcel of land and construction in progress	(63,230)	–
Write-down of inventories at net realisable value	18,746	28,197
Recognition equity-settled share option expense	14,550	9,638
Gain on disposal of investments in associates	–	(612)
Loss on disposal of items of property, plant and equipment	183	110
Impairment of financial assets, net	15,736	7,305
Fair value losses on financial assets at fair value through profit or loss, net	58,908	38,978
Fair value gains on investment properties	–	(157,244)
	_____	_____

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

6. 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.

No provision for Hong Kong profits tax has been made (2020: Nil) 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's subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs and other property development expenditures. The Group has made and included in taxation a provision for land appreciation tax according to the requirements set forth in the relevant tax laws and regulations.

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current		
Corporate income tax	9,862	151
Land appreciation tax*	13,427	–
Deferred	4,147	39,952
	<hr/>	<hr/>
Total tax charge for the period from continuing operations	27,436	40,103
Total tax charge for the period from a discontinued operation	–	2,046
	<hr/>	<hr/>
	27,436	42,149

* On 25 April 2019, the Group entered into an agreement with Xi'an Hi-Tech Industrial Development Zone in respect of the disposal of a certain parcel of land and the construction in progress held by Xi'an Coolpad Equipment with a transaction price of RMB236,293,000 (equivalent to HK\$283,979,000). The relevant transfer procedures were completed in February 2021.

7. DIVIDENDS

The Directors did not recommend the payment of any interim dividends for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$238,134,000 (six months ended 30 June 2020: a loss of HK\$65,927,000), and the weighted average number of ordinary shares of 7,664,572,666 in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 6,349,315,768 (restated)), as adjusted to reflect the rights issue during the six months ended 30 June 2021.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2021 in respect of a dilution as the impact of the share option outstanding had no dilution effect on the basic loss per share amount presented.

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation:		
From continuing operations	(238,134)	(68,870)
From a discontinued operation	–	2,943
	<u> </u>	<u> </u>
Loss for the purpose of basic and diluted loss per share	<u>(238,134)</u>	<u>(65,927)</u>
	Number of shares	
	Six months ended 30 June	
	2021	2020
		(Restated)*
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>7,664,572,666</u>	<u>6,349,315,768</u>

* The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the period ended 30 June 2020 has been restated to reflect the impact of the rights issue of the Company on 28 June 2021.

9. TRADE RECEIVABLES

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	75,087	100,229
4 to 6 months	1,658	2,777
7 to 12 months	2,866	5,192
Over 1 year	<u>306,530</u>	<u>302,310</u>
	386,141	410,508
Less: Impairment	<u>(314,197)</u>	<u>(305,602)</u>
	<u>71,944</u>	<u>104,906</u>

10. 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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	132,278	159,905
4 to 6 months	30,129	15,677
7 to 12 months	8,494	8,564
Over 1 year	<u>76,192</u>	<u>68,609</u>
	247,093	252,755
	<u>247,093</u>	<u>252,755</u>

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

11. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.

MANAGEMENT DISCUSSION AND 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			
	2021		2020	
	Revenue <i>HK\$ million</i> (Unaudited)	% of total revenue	Revenue <i>HK\$ million</i> (Unaudited)	% of total revenue
Sale of mobile phones and related accessories	318.6	99.5	385.4	99.9
Wireless application service income	1.5	0.5	0.5	0.1
Total	<u>320.1</u>	<u>100</u>	<u>385.9</u>	<u>100</u>

The Group's unaudited revenue for the six months ended 30 June 2021 amounted to HK\$320.1 million, representing a decline of 17.1% as compared with HK\$385.9 million for the six months ended 30 June 2020. Although the Group announced its return to the PRC market at the end of 2020, the first half of 2021 was mainly in the time-consuming stages of resource integration, design and R&D and production of new products. The yearly first product, COOL 20 was officially launched on 25 May 2021. Moreover, due to the insufficiency of the front-end retail delivery system, the sales volume of the product has not improved to a great extent. Therefore, the product has not yet to be able to make a significant contribution to the Group's financial performance in the first half of 2021.

GROSS (LOSS)/PROFIT

	Six months ended 30 June			
	2021		2020	
	Gross loss <i>HK\$ million</i> (Unaudited)	Gross loss margin	Gross profit <i>HK\$ million</i> (Unaudited)	Gross profit margin
Total	<u>(14.5)</u>	<u>(4.5%)</u>	<u>84.1</u>	<u>21.8%</u>

The Group's overall gross profit for the six months ended 30 June 2021 decreased substantially to a gross loss of HK\$14.5 million, representing a decrease of 117.2% as compared with a gross profit of HK\$84.1 million for the corresponding period in 2020. Its overall gross loss margin decreased to 4.5% in the reporting period as compared with a gross profit margin of 21.8% in the corresponding period of 2020. The decrease in gross profit was mainly due to tight upstream supply, resulting in a rise in cost of certain core raw materials and the ensuing increase in overall cost of sales, while the sales price of mobile phone orders in the US market (the main source of operating revenue of the Group in the first half of 2021) was fixed before the products were launched, and was thus difficult to adjust upwards.

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Selling and distribution expenses (<i>HK\$ million</i>)	80.3	99.4
As a percentage of total revenue	25.1%	25.8%

Selling and distribution expenses of the Group decreased by HK\$19.1 million from HK\$99.4 million for the six months ended 30 June 2020 to HK\$80.3 million for the six months ended 30 June 2021. The selling and distribution expenses as percentage of revenue for the six months ended 30 June 2021 was 25.1%, decreasing by 0.7% compared with 25.8% for the corresponding period in 2020. The decrease of selling and distribution expense was primarily due to the fact that the Group has strived to controlled and reduce the sales channel – related expenses of the US market to minimize overall loss.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Administrative expenses (<i>HK\$ million</i>)	124.5	98.2
As a percentage of total revenue	38.9%	25.4%

Administrative expenses increased by HK\$26.3 million to HK\$124.5 million for the six months ended 30 June 2021 from HK\$98.2 million for the corresponding period in 2020. The administrative expenses as percentage of revenue for the six months ended 30 June 2021 was 38.9%, increasing by 13.5% compared with 25.4% for the corresponding period in 2020. The increase of administrative expenses as percentage of revenue was primarily due to the fact that the Group continued to focus on increasing investments in research and development during the first half of the year, including but not limited to creating a self-developed Cool OS operating system, and strived to lay a solid foundation for the internet business of the Group in the future.

INCOME TAX EXPENSE

For the six months ended 30 June 2021, the Group's income tax expenses for the period from continuing operations were HK\$27.4 million which was primarily due to the tax generated from the gain on disposal of a parcel of land and construction in progress.

NET LOSS BEFORE TAX FROM CONTINUING OPERATIONS

For the six months ended 30 June 2021, the Group recorded a net loss before tax from continuing operations of HK\$210.7 million, compared with the net loss before tax from continuing operations of HK\$28.8 million for the six months ended 30 June 2020.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2021, operating capital was mainly generated from cash from its daily operation, borrowings and capital supports. 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 34% as at 30 June 2021 (31 December 2020: 64%).

Cash and cash equivalents of the Group as at 30 June 2021 amounted to HK\$1,174.7 million, while it was HK\$208.8 million as at 31 December 2020.

As at 30 June 2021, the Group had total debts (i.e. total borrowings) of approximately HK\$775.2 million, which were all denominated in RMB. The Group's borrowings are subject to floating rates ranging from 6.5% to 8% per annum with maturity periods within one year.

As at 30 June 2021, the Company had 10,802,399,220 ordinary shares of par value HK\$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

INVENTORY

For the reporting period, the Group's inventory turnover days was 84.9 days (year ended 31 December 2020: 113.7 days).

TRADE RECEIVABLES

The trade receivables turnover days were 49.7 days for the reporting period (year ended 31 December 2020: 117.0 days).

TRADE PAYABLES

The trade payables turnover days were 134.5 days for the reporting period (year ended 31 December 2020: 198.0 days).

PLEDGE OF ASSETS

As at 30 June 2021, time deposits of approximately HK\$83.0 million in which (i) HK\$60.1 million were used as a pledge for issuance of letters of credit (31 December 2020: HK\$59.4 million); and (ii) HK\$22.9 million were used as a security for the banks to provide performance guarantees (31 December 2020: HK\$20.0 million).

As at 30 June 2021, the Group's investment in 20% of the shares of an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK\$24,320,000 were pledged as security for a shareholder loan of this associate.

The Group's unaudited revenue for the six months ended 30 June 2021 amounted to HK\$320.1 million, representing a decline of 17.1% as compared with HK\$385.9 million for the six months ended 30 June 2020. In the first half of 2021, after returning to the domestic market, the Group was mainly in the stages of resource integration, design and R&D and production of new products, which required more time. The yearly first product, COOL 20 was officially launched on 25 May 2021. Moreover, the front-end retail delivery capacity was still insufficient, and the sales volume improvement was not obvious temporarily. Therefore, the product has not yet been able to make a significant contribution to the results of the first half of 2021. The Group's overall gross profit for the six months ended 30 June 2021 decreased substantially to a gross loss of HK\$14.5 million, representing a decrease of 117.2% as compared with a gross profit of HK\$84.1 million in the corresponding period of 2020. Its overall gross loss margin decreased to 4.5% in the reporting period as compared with a gross profit margin of 21.8% in the corresponding period of 2020. The decrease in gross profit was mainly due to tight upstream supply, resulting in a rise in cost of certain core raw materials and the ensuing increase in overall cost of sales, while the sales price of mobile phone orders in the US market (the main source of operating revenue of the Group in the first half of 2021) was fixed before the products were launched, and was thus difficult to adjust upwards. The Group's selling and distribution expenses as a percentage of total revenue was 25.1%, representing a decrease of 0.7 percentage points over the corresponding period in 2020, which was primarily because that the Group actively and effectively controlled sales channel expenses of the US market to minimize the effect of the losses. Administrative and research and development expenses as a percentage of revenue was 38.9%, representing an increase of 13.5 percentage points over the corresponding period in 2020, mainly because the Group continued to focus on increasing investments in research and development during the first half of the year, including but not limited to creating a self-developed Cool OS operating system, and strived to lay a solid foundation for the Internet business of the Company in the future. The Group's loss before tax from continuing operations was HK\$210.7 million in the first half of 2021, and the loss before tax from continuing operations in the corresponding period in 2020 was HK\$28.8 million. The Group's net loss amounted to HK\$238.1 million in the

first half of 2021, representing an increase of HK\$172.2 million as compared with the net loss of HK\$65.9 million in the corresponding period in 2020. According to the interim report of the Group in 2020, the item of other income and gains in the interim condensed consolidated statement of profit or loss and other comprehensive income included a gain in fair value of investment properties of approximately HK\$157 million, while such change in fair value of investment properties had a smaller impact on profit or loss in the results for the six months ended 30 June 2021.

BUSINESS REVIEW

2021 is a pivotal year for Coolpad.

This year, we began to fully implement strategies in relation to our return to the PRC market. In the face of the severe COVID-19 outbreak in foreign countries, the Group has started to further reduce overseas operating costs since the end of last year to minimize loss. More importantly, Coolpad has started to rebuild its operation management team since the end of 2020. Moreover, we have developed new channels, products and brands, and started to firmly implement relevant strategies.

In regard to marketing channels, the Group began to increase its efforts in expanding marketing channels in the open market. On one hand, we actively collaborated with Jingdong, Tmall, Kwaishou and other online platforms, while actively developing our points of sale offline. On the other hand, we began to experiment new ways to enhance the efficiency of marketing channels in lower-tier cities.

In regard to our products, the yearly first new phone product developed by our newly built team – Coolpad COOL 20 – was launched on 25 May 2021. Despite being an inexpensive “hundred-yuan” phone priced at RMB699, this product is the first in the industry to offer a two-year warranty and a 90-day product return guarantee as part of our after-sales service, which more than doubles the industry’s after-sales service standards. Under the new “phone insurance” feature, phone users can be compensated up to RMB50,000 for any loss caused by telecommunications frauds in safe mode. Moreover, for the first time, our self-developed Cool OS operating system comes with the EROFS file system developed by an industry peer, which greatly enhances the system efficiency and user experience.

In regard to our brand, the new Coolpad upholds the philosophy of “paying tribute to hard work” and aims to create quality products and services for aspirers. Upon the new product launch and subsequent promotion on social media platforms, the Group has regained attention in the industry and among users.

When adjusting the Group’s strategies, we will inevitably face new challenges. Due to the insufficient upstream production capacity in the industry chain, sourcing costs are relatively high in general and gross profit is less than expected. Meanwhile, we have a relatively weak brand strength and an insufficient delivery capacity on the front-end of our retail business. Therefore, the increase in sales volume was insignificant.

On one hand, we have made our first step back to the PRC market. However, as we are still in the initial stage of development, time would be needed to test the effectiveness of the reformation of each business module. Nevertheless, our entire team is fully confident about the prospects of our new strategies. On the other hand, we understand that we have a heavy responsibility and a long way to go. We will therefore be well prepared to face the risks and challenges ahead.

BUSINESS OUTLOOK

Looking ahead, we will continue to implement our new strategies, focus on the PRC market, and make creative changes to our marketing channels, products, and brand.

In regard to marketing channels, the Group will continue to speed up the establishment of our e-commerce system and the construction of our offline retail terminals, with an aim to constantly improve our operation management efficiency. In regard to products, in addition to constantly improving our self-developed Cool OS mobile phone operating system, we will also develop more 5G products, so as to expand our product portfolio by offering phones with different pricings and enhance the overall competitiveness of our products. In regard to our brand, we will continue to cultivate our brand in accordance with our philosophy of “paying tribute to hard work” and join hands with industry peers along the domestic supply chain to revitalize our national brands.

As the saying goes, good tools are prerequisite to the success of a job. To this end, the Company will continue to carry out digital transformation in all areas of our internal operations and improve our management efficiency. To enhance our long-term competitiveness, we will recruit outstanding IT talents worldwide to boost our vitality and improve the innovativeness of our R&D team. We aim to become a high-tech eco-enterprise that is favored by aspirers.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional foreign currency exchange risks. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies, where the revenue, cost of sales 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 2021.

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily related to its short-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 2021 amounted to approximately HK\$126.38 million (six months ended 30 June 2020: HK\$96.7 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 2021, the Group had 506 employees (31 December 2020: 604 employees).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code for securities transactions. All the Directors 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. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group had no significant event after the reporting period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate governance. The Board continuously observes the principles of good corporate governance in the interests of Shareholders and devotes considerable effort identifying and formalizing the best practice. During the reporting period, the Company had reviewed its corporate governance documents and the Board is of the view that the Company had fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements that are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which the Group operates. These forward statements are subject to risks, uncertainties and other factors beyond the Group's control which may cause actual results or performance to differ materially from those expressed or implied in such forward looking statements. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

For and on behalf of
Coolpad Group Limited
Chen Jiajun
Executive Director
Chief Executive Officer
Chairman

Hong Kong, 24 August 2021

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Chen Jiajun, Mr. Ma Fei, Mr. Xu Yibo and Mr. Lam Ting Fung Freeman; (ii) two non-executive Directors, namely Mr. Liang Rui and Mr. Ng Wai Hung; and (iii) four independent non-executive Directors, namely Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Guo Jinghui.