

coolpad 酷派

COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

INTERIM REPORT 2023



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CORPORATE PROFILE

Coolpad Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 11 June 2002. The shares of the Company (the “Shares”) were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 December 2004 (Stock Code: 2369).

The Company and its subsidiaries (collectively, the “Group”) are committed to be a leading smartphone developer and manufacturer in the People’s Republic of China (“PRC”). In the last decade, capitalizing on the development of wireless telecommunications technological know-how in wireless telecommunications across multiple wireless telecommunications network standards including TD-LTE, FDD-LTE, TD-SCDMA, CDMA-EVDO, WCDMA, GSM, and CDMA1X networks, the Group has developed a large number of proprietary technologies and patents in mobile operating systems, radio frequency, protocols and wireless data decomposed transmission technology, etc, and is one of the standard-setters in the communications industry. The Group never stops enhancing its research and development (“R&D”) ability and is striving to be an important participant and a leader in the latest field of 5G and Artificial Intelligence.

Contribute in advancing technological innovations, as well as to strive along those with endeavours is the vision and mission of the Group. Relying on strong independent R&D strength and innovative market layout, Coolpad will lead the industry innovation in the digital era and provide consumers with continuously upgraded products and ecological services.

CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Coolpad Information Harbor
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Nanshan District
Shenzhen

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong

JOINT COMPANY SECRETARIES

Mr. MA Fei
Mr. TSANG Hing Bun

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. CHIU Sin Nang Kenny (*Chairperson*)
Mr. NGAI Tsz Hin Michael
Mr. GUO Jinghui

NOMINATION COMMITTEE

Mr. NGAI Tsz Hin Michael (*Chairperson*)
Mr. CHEN Jiajun
Mr. CHIU Sin Nang Kenny

AUTHORISED REPRESENTATIVES

Mr. MA Fei
Mr. TSANG Hing Bun

CONTACT INFORMATION FOR INVESTOR RELATIONS

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AUDITOR

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LEGAL ADVISERS TO THE COMPANY AS TO CAYMAN ISLANDS LAW

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Hopewell Centre
183 Queen's Road East
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PRINCIPAL BANKERS

DBS Bank (Hong Kong) Ltd.
Bank of China Limited
China Construction Bank (Asia) Corporation Limited

COMPANY WEBSITE

www.coolpad.com.hk

STOCK CODE

2369

FINANCIAL HIGHLIGHTS

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023 (the "Reporting Period") prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June		Change (%)
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	
Revenue	171,525	140,455	22.1
Loss before tax	(121,423)	(300,056)	-59.5
Net loss attributable to owners of the Company	(117,138)	(303,377)	-61.4
Basic and diluted loss per share	(HK0.86 cents)	(HK2.23 cents)	-61.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Non-current assets	3,758,578	3,816,929
Current assets	407,559	456,258
Non-current liabilities	574,492	377,148
Current liabilities	1,521,740	1,659,562
Net assets	2,069,905	2,236,477
Cash and cash equivalents	182,448	234,717

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL REVENUE

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023 prepared under HKFRSs. The following discussion and analysis should be read in conjunction with the Group's condensed consolidated financial statements and its notes.

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
REVENUE		
Sale of mobile phones and related accessories	109,470	132,194
Wireless application service income	13,591	8,261
Gross rental income	48,464	–
Total revenue	171,525	140,455
Cost of sales	(103,765)	(201,231)
Gross profit/(loss)	67,760	(60,776)
Other income and gains	2,631	74,911
Selling and distribution expenses	(12,927)	(57,850)
Administrative expenses	(68,986)	(157,299)
Other expenses	(44,699)	(65,294)
Finance costs	(6,522)	(9,709)
Share of profits and losses of:		
A Joint venture	(26,773)	(16,728)
Associates	(31,907)	(7,311)
Loss before tax	(121,423)	(300,056)
Income tax credit/(expense)	4,285	(3,493)
Loss for the period	(117,138)	(303,549)
Basic and diluted for the period	(HK0.86 cent)	(HK2.23 cents)

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSED BY PRODUCT TYPE

Due to the fact that rental income from investment property operating leases has become a daily and stable operating cash flow, the Company reclassified the rental income previously included in the “Other Income and Gains” account to a part of the “Revenue” account with effect from 1 January 2023. A breakdown of the consolidated revenue streams are set forth in the following table for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	Revenue HK\$ million (Unaudited)	% of total revenue	Revenue HK\$ million (Unaudited)	% of total revenue
Revenue from contracts with customers				
Sale of mobile phones and related accessories	109.5	63.9	132.2	94.1
Wireless application service income	13.6	7.9	8.3	5.9
Revenue from other sources				
Gross rental income	48.4	28.2	–	–
Total	171.5	100.0	140.5	100.0

The Group’s unaudited revenue for the six months ended 30 June 2023 amounted to HK\$171.5 million, representing an increase of 22.1% as compared with HK\$140.5 million for the six months ended 30 June 2022. This is primarily attributable to the reclassification of the gross rental income from the “Other Income and Gains” account to the “Revenue” account with effect from 1 January 2023.

GROSS PROFIT/(LOSS)

	Six months ended 30 June			
	2023		2022	
	Gross profit HK\$ million (Unaudited)	Gross profit margin	Gross loss HK\$ million (Unaudited)	Gross loss margin
Total	67.8	39.5%	(60.8)	(43.3%)

The Group’s overall gross profit for the six months ended 30 June 2023 was HK\$67.8 million, as compared with a gross loss of HK\$60.8 million for the corresponding period in 2022. The overall gross loss of the Group’s business increased to a gross profit was mainly due to (i) the reclassification of the gross rental income from the “Other Income and Gains” account to the “Revenue” account with effect from 1 January 2023 while the cost of the rental business is relatively low; (ii) a majority of the mobile phones sold during the Reporting Period were new products launched in 2023 with high gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Selling and distribution expenses (HK\$ million)	12.9	57.9
As a percentage of total revenue	7.5%	41.2%

Selling and distribution expenses of the Group decreased by HK\$45.0 million from HK\$57.9 million for the six months ended 30 June 2022 to HK\$12.9 million for the six months ended 30 June 2023. The selling and distribution expenses as percentage of revenue for the six months ended 30 June 2023 was 7.5%, decreasing by 33.7% compared with 41.2% for the corresponding period in 2022. The decrease of selling and distribution expenses was primarily due to the fact that the Group reconstructed a composite channel structure in 2023 and reduced the spending on marketing expense and selling staff costs.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Administrative expenses (HK\$ million)	69.0	157.3
As a percentage of total revenue	40.2%	112.0%

Administrative expenses decreased by HK\$88.3 million to HK\$69.0 million for the six months ended 30 June 2023 from HK\$157.3 million for the corresponding period in 2022. The administrative expenses as percentage of revenue for the six months ended 30 June 2023 was 40.2%, decreasing by 71.8% compared with 112.0% for the corresponding period in 2022. The decrease of administrative expenses and as percentage of revenue was primarily due to the decrease in the R&D expenses attributable to the decrease in compensation of R&D personnels.

INCOME TAX EXPENSE/CREDIT

For the six months ended 30 June 2023, the Group's income tax credit for the period was HK\$4.3 million as compared with an income tax expense of HK\$3.5 million for the corresponding period in 2022, which was primarily due to the fair value loss on investment properties during the Reporting Period, which leads to the reversal of deferred tax liability, resulting in an income tax credit.

NET LOSS BEFORE TAX

For the six months ended 30 June 2023, the Group recorded a net loss before tax of HK\$121.4 million, compared with the net loss before tax of HK\$300.1 million for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2023, operating capital was mainly generated from cash from its daily operation 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 41% as at 30 June 2023 (31 December 2022: 37%).

Cash and cash equivalents of the Group as at 30 June 2023 amounted to HK\$182.4 million, while it was HK\$234.7 million as at 31 December 2022.

As at 30 June 2023, the Group had total debts (i.e. interest-bearing bank and other borrowings) of approximately HK\$376.2 million, which were all denominated in Renminbi ("RMB"). The Group's other borrowings are subject to floating rates of 7% per annum with maturity periods within one year and the Group's non-current bank loans are subject to floating rates based on the Loan Prime Rate over five years.

As at 30 June 2023, the Company had 13,651,007,955 ordinary shares of par value HK\$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.

INVENTORY

For the Reporting Period, the Group's inventory turnover days were 98.7 days (year ended 31 December 2022: 64.9 days).

TRADE RECEIVABLES

The trade receivables turnover days were 67 days for the Reporting Period (year ended 31 December 2022: 87.6 days).

TRADE PAYABLES

The trade payables turnover days were 248.6 days for the Reporting Period (year ended 31 December 2022: 130.6 days).

PLEDGE OF ASSETS

As at 30 June 2023, time deposits of approximately HK\$62.2 million in which (i) HK\$54.2 million were used as a pledge for issuance of letters of credit (31 December 2022: HK\$56.0 million); and (ii) HK\$8.0 million were used as a security for the banks to provide performance guarantees (31 December 2022: HK\$3.4 million).

As at 30 June 2023, the Group's other borrowings were secured by certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK\$494.11 million, HK\$100.36 million and HK\$22.19 million as at 30 June 2023 respectively (31 December 2022: HK\$529.69 million, HK\$109.05 million and HK\$23.23 million, respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS (continued)

As at 30 June 2023, the Group's bank loans were secured by certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK\$1,566.07 million, HK\$74.25 million and HK\$7.27 million as at 30 June 2023 and the 75% shareholding interest of one subsidiary, Dongguan Yulong Telecommunication Tech Co., Ltd., with a carrying value of HK\$97.64 million.

FINANCIAL REVIEW

The Group's unaudited revenue for the six months ended 30 June 2023 amounted to HK\$171.5 million, representing an increase of 22.1% as compared with HK\$140.5 million for the six months ended 30 June 2022. This is primarily attributable to the reclassification of the gross rental income from the "Other Income and Gains" account to the "Revenue" account with effect from 1 January 2023. The Group's overall gross profit for the six months ended 30 June 2023 was HK\$67.8 million, as compared with a gross loss of HK\$60.8 million for the corresponding period in 2022. The overall gross loss of the Group's business increased to a gross profit was mainly due to (i) the reclassification of the gross rental income from the "Other Income and Gains" account to the "Revenue" account with effect from 1 January 2023 while the cost of the rental business is relatively low; (ii) a majority of the mobile phones sold during the Reporting Period were new products launched in 2023 with high gross profit margin. Selling and distribution expenses of the Group decreased by HK\$45.0 million from HK\$57.9 million for the six months ended 30 June 2022 to HK\$12.9 million for the six months ended 30 June 2023. The decrease of selling and distribution expenses was primarily due to the fact that the Group reconstructed a composite channel structure in 2023 and reduced the spending on marketing expense and selling staff costs. Administrative expenses decreased by HK\$88.3 million to HK\$69.0 million for the six months ended 30 June 2023 from HK\$157.3 million for the corresponding period in 2022. The decrease of administrative expenses and as percentage of revenue was primarily due to the decrease in the R&D expenses attributable to the decrease in compensation of R&D personnels.

For the six months ended 30 June 2023, the Group recorded a net loss before tax of HK\$121.4 million, compared with the net loss before tax of HK\$300.1 million for the six months ended 30 June 2022.

BUSINESS REVIEW

In the first half of 2023, the global smartphone market continued to be under pressure, with the weak economic outlook and ongoing inflation causing global smartphone shipments to fall gradually in 2023. According to the data released by the China Academy of Information and Communication Technology, the shipment volume of mobile phones in the PRC market amounted to 0.13 billion units in the first half of 2023, representing a 4.8% year-on-year decrease. Despite the fierce competition, the size of the PRC smartphone market remains huge from a macro perspective. Possessing immeasurable potential, the PRC market is the largest in the world in terms of capital flow and usage.

In the first half of the year, the Group adjusted its series of product brands. We upgraded Coolpad into a parent brand in accordance with different business models, different market definitions of products and business channels, and divided our product mix into separate product series that target different channels: "Daguan", "Fengshang" and "Cool", which are aimed at the operator market, the public channel, and the e-commerce market, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

In terms of channel construction, the Group reconstructed a composite channel structure with a combination of operators, e-commerce platforms and offline channels, with a focus on reshaping the operator channel and launching a low-cost e-commerce channel. The Group re-established partnerships with provincial distributors, and reconducted in-depth cooperation with operators through provincial partners. As at 30 June 2023, services provided by the Group's provincial distributors covered 28 provinces in the PRC, signifying the completion of a distribution network across 186 municipalities in the PRC. Meanwhile, the Group has also further strengthened the construction of its e-commerce platform this year by effectively cooperating with three major e-commerce platforms, namely JD.com, Tmall, and Pinduoduo, and actively expanding the sales channels of non-self-operating third-party e-commerce stores including Douyin and Kuaishou. At present, the Group has entered into long-term strategic cooperation with three content creators with more than 30 million fans.

During the year, the Group continued to focus on high cost-performance models among its product mix to meet the core needs of consumers. On 3 April 2023, the Group released three new smartphones simultaneously: Cool 30, which targets the online channel, Fengshang 40, which targets the offline market, and Coolpad Grandview 40s, an entry-level 5G mobile phone aimed at the operator channel. All three phones run on our self-developed and optimized COOLOS 2.0 system. Leveraging a product portfolio that covers a wide range of channels, we will expand across the PRC market to offer ordinary customers affordable smartphone options with better cost-performance, durability, and usability. We offer products of excellence as a tribute to workers toiling on the frontlines across the country.

The Group is an experienced telecom enterprise in the PRC market that has applied for more than 10,000 patents in the telecommunications sector and has obtained more than 100 patents related to 5G. In the first half of 2023, the Group continued to boost R&D on the Linux kernel system and strived to achieve an industry-leading level in system performance. Running on our self-developed COOLOS 3.0 system based on Android 13, our mobile phones are now equipped with functions such as smart memory infusion, memory freeze, and EROFS compression technology, which allows the system to occupy less space, free up disk space, load applications faster, and improve performance. Meanwhile, the Group also continues to improve the system and add practical and convenient functions to further narrow the gap between itself and first-tier brands in terms of system usability.

For overseas markets, the Group formally established cooperation with its clients in the Middle East, Africa, Latin America and Asia in the first half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

In the second half of 2023, the Group will continue to invest in the R&D of its system to comprehensively improve the performance of products in four major areas, namely storage system, memory management, network subsystem and power management. The Group will continue to explore the deepening of application of internet cloud services and big data in COOLOS. With the user experience in mind, the Group is striving to improve the practicality and usability of the system, moving from a single platform to multiple platforms, in order to enhance user experience.

In terms of channels, the Group will continue to strengthen the construction of a composite channel structure with a combination of operators, e-commerce platforms and offline channels. The Group will consider to achieve deep strategic cooperation with operators through distributors in key provinces, and realize direct and in-depth cooperation with operators through the development of customized phones to meet specific market needs. At the same time, the Group will further promote effective cooperation with leading e-commerce platforms and third-party stores. The Group expects to hold a brand launch event in the fourth quarter of the year to develop a new channel – the market sector channel. We will then utilize our capacity to empower and provide customized R&D services to different market sectors, including energy and transportation. For overseas markets, the Group will continue to focus on Latin America, the Middle East, Africa and Southeast Asia.

In terms of products, the Group will continue to focus on mobile phone products and extend our coverage to AIoT products in the future. We will gradually build a portfolio consisting of six smart accessory products, namely, watch accessory smart devices, home networking devices, smart office devices, personal portable devices, car networking devices and industrial Internet devices, and establish a personalized multi-scene application management platform for personal communication, entertainment and work that resonates with the future of the Internet.

2023 marks the third year of the Group's return to the PRC market and the 30th anniversary of the Coolpad brand. The Group will adhere to its original aspiration and strive to move forward and provide quality products to consumers, work hard to evolve from being a "single mobile phone hardware brand" to a "AI+IOT ecological platform brand", effectively convert the inputs of the past few years into valuable outputs, with an aim to reduce loss and turnaround the Group's performance into profits.

FOREIGN EXCHANGE EXPOSURE

The main business operations of the Group during the six months ended 30 June 2023 are conducted in Mainland China, its income, cost and assets are denominated primarily in RMB, while the Group's consolidated financial statements are expressed in HK\$. The exchange rate risk of the Group arises mainly from foreign exchange exposures associated with the sales, purchases and assets settled in currencies other than the units' functional currencies and the volatility of exchange rates. The Group has not entered into any derivative contracts to hedge against the risk during the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily related to its interest-bearing 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 (including directors' remuneration) for the six months ended 30 June 2023 amounted to approximately HK\$45.5 million (six months ended 30 June 2022: HK\$137.3 million). The remunerations of the Group's employees (including the Directors) 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 2023, the Group had 300 employees (including the Directors) (31 December 2022: 538 employees (including the Directors)).

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has 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 2023.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all relevant persons as defined in the Model Code, including all the Directors, all other employees of the Company, and director and employees of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made of all the Directors who have confirmed in writing their compliance with the required standards set out in the Model Code and the Code of Conduct during the six months ended 30 June 2023 under review.

MANAGEMENT DISCUSSION AND ANALYSIS

SECURITIES TRANSACTIONS BY DIRECTORS (continued)

To supplement the Model Code, the Company has also put in place a disclosure of information policy for the handling and disclosure of inside information. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Further, control procedures have been implemented to ensure that the unauthorized access and use of inside information is strictly prohibited.

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 30 June 2023. 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 report, the Group had no significant event after the Reporting Period.

CAPITAL SUPPORT

The Company has not conducted any equity fund raising activities during the six months ended 30 June 2023, and the Company has not formed any detailed plans for material investment and capital asset in the coming year. The details of the proceeds raised from the various equity fundraising from previous years and the usage of the unutilised net proceeds raised as stated in the announcement of the Company dated 7 September 2022 are as follows.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL SUPPORT (continued)

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed (approximately) HK\$ per Share	Proceeds raised (approximately)	Intended use of proceeds	Original allocation of the net proceeds (approximately)	Original allocation of the unutilised net proceeds as at 31 August 2022	Change in use of the unutilised net proceeds as at 7 September 2022	Revised allocation of the Unutilised Net Proceeds as at 7 September 2022	Revised unutilised proceeds brought forward as at 1 January 2023 (approximately)	Actual use of proceeds during the Reporting Period and expected timeline for unutilised net proceeds
28 January 2022	Issue and allotment of 600,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Great Fortune Global Investment Limited	0.340	HK\$168 million	(i) Expansion of the Group's mobile business in the PRC during the two years ending 31 December 2022 and six months ended 30 June 2023;	(i) 90%, or HK\$788.9 million (a) (i) 60%, or HK\$25.9 million and (i) 10%, or HK\$87.7 million	(i) HK\$466.1 million (a) HK\$465.2 million (b) HK\$0.9 million	(i) The establishment of new business channels and expansion of both online and offline business channels in the PRC (b) Sales and marketing of the mobile phone business	(i) HK\$163.2 million (b) HK\$19.8 million	(i) HK\$76.3 million (b) HK\$19.8 million	During the six months ended 30 June 2023, approximately HK\$143.1 million has been utilised as intended, amongst which (i) (a) approximately HK\$22.3 million was utilised for the establishment of new business channels and expansion of both online and offline business channels in the PRC; (b) approximately HK\$19.8 million was utilised for sales and marketing of the mobile phone business; and (c) approximately HK\$101.0 million was utilised for product manufacturing and development of operating system in respect of the Group's mobile phone business.
14 January 2022	Issue and allotment of 300,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Shan Ali International Limited	0.340	HK\$84 million	(a) The establishment of new business channels and expansion of both online and offline business channels in the PRC; (i) establishment of new business channels for the mobile phone business in the Mainland China, i.e. the establishment of channels of authorized service stores and (2) among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels	(b) 20%, or HK\$175.3 million (ii) 10%, or HK\$87.7 million	(i) HK\$201 million	(i) Sales and marketing of the mobile phone business (ii) General working capital of the Group	(i) HK\$101.0 million	(i) HK\$101.0 million	As at 30 June 2023, due to the fact that the Group reconstructed a composite channel structure in 2023 and reduced the spending on business channels, approximately HK\$54.0 million of the proceeds for the establishment of new business channels and expansion of both online and offline business channels in the PRC has not been used as expected.
14 January 2022	Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Elite Mobile Limited	0.340	HK\$224 million	(b) Sales and marketing of the mobile phone business	(i) 10%, or HK\$87.7 million	(ii) HK\$201 million	(i) Sales and marketing of the mobile phone business (ii) General working capital of the Group	(i) HK\$201 million	(i) HK\$101.0 million	The Company intends to use the unutilised net proceeds on or before 31 December 2023.
30 December 2021	Issue and allotment of 150,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Alvoo Group Limited	0.340	HK\$42 million	(i) Sales and marketing of the mobile phone business	(i) 10%, or HK\$87.7 million	(ii) HK\$201 million	(i) Sales and marketing of the mobile phone business (ii) General working capital of the Group	(i) HK\$201 million	(i) HK\$101.0 million	As at 30 June 2023, due to the fact that the Group reconstructed a composite channel structure in 2023 and reduced the spending on business channels, approximately HK\$54.0 million of the proceeds for the establishment of new business channels and expansion of both online and offline business channels in the PRC has not been used as expected.
23 December 2021	Issue and allotment of 350,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	YH Fund SPC – YH01 SP I	0.340	HK\$88 million	(b) Sales and marketing of the mobile phone business	(i) 10%, or HK\$87.7 million	(ii) HK\$201 million	(i) Sales and marketing of the mobile phone business (ii) General working capital of the Group	(i) HK\$201 million	(i) HK\$101.0 million	The Company intends to use the unutilised net proceeds on or before 31 December 2023.
17 December 2021	(i) Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$0.28 per share (ii) Issuance of 800,000,000 warrants shares	SAI Growth Fund I, LLLP	0.340	HK\$261.1 million	(b) Sales and marketing of the mobile phone business	(i) 10%, or HK\$87.7 million	(ii) HK\$201 million	(i) Sales and marketing of the mobile phone business (ii) General working capital of the Group	(i) HK\$201 million	(i) HK\$101.0 million	The Company intends to use the unutilised net proceeds on or before 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

During the six month ended 30 June 2023, there is no change of directors and composition of board committees.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors, the chief executive or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in Shares

Name of director	Notes	Directly beneficially owned	Through spouse or child	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share option	Total	Approximate % of the Company's issued share capital as at 30 June 2023
Mr. CHEN Jiajun	1	-	-	3,131,355,500	-	-	-	3,131,355,500	22.94
Mr. LIANG Rui	2	-	-	-	-	-	32,647,060	32,647,060	0.24
Mr. XU Yibo	2	4,500,000	-	-	-	-	19,588,236	24,088,236	0.18
Mr. MA Fei	2	-	-	-	-	-	13,058,819	13,058,819	0.10
Mr. NG Wai Hung	2	-	-	-	-	-	3,047,060	3,047,060	0.02
Mr. GUO Jinghui	2	-	-	-	-	-	1,958,824	1,958,824	0.01
Mr. CHIU Sin Nang Kenny		-	-	-	-	-	-	-	-
Mr. NGAI Tsz Hin Michael		-	-	-	-	-	-	-	-

Notes:

- As at 30 June 2023, 2,331,355,500 Shares were directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and hold 100% shares thereof. In addition, the 800,000,000 shares were directly held by Elite Mobile Limited which was ultimately wholly-owned by Mr. Chen Jiajun. Therefore, Mr. Chen Jiajun is indirectly interested in the 3,131,355,500 shares of the Company, of which 2,331,355,500 Shares were held through Great Shine and 800,000,000 Shares were held through Elite Mobile Limited.
- The interests of these Directors are in the underlying shares of the options granted to the relevant Directors by the Company under the share option scheme adopted by the Company on 23 May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares

Name	Notes	Number of Shares interested	Nature of interest	Total number of Shares interested	Approximate % of issued share capital as at 30 June 2023
Mr. CHEN Jiajun	1	3,131,355,500	Interest in a controlled corporation	3,131,355,500	22.94
Mr. Jeffrey Steven YASS	2	1,600,000,000	Interest in a controlled corporation	1,600,000,000	11.72
Mr. LIU Feng	3	920,260,000	Interest in a controlled corporation	1,420,260,000	10.40
		500,000,000	Beneficial owner		
Mr. TU Erfan	4	903,696,000	Interest in a controlled corporation	903,696,000	6.62
Great Shine Investment Limited	1	2,331,355,500	Beneficial owner	2,331,355,500	17.08
Elite Mobile Limited	1	800,000,000	Beneficial owner	800,000,000	5.86
SAI Growth Fund I, LLLP	2	800,000,000	Beneficial owner	1,600,000,000	11.72
	2	800,000,000	Derivative interest of warrants		
YH Fund SPC – YH01 SP I	3	920,260,000	Beneficial owner	920,260,000	6.74
New Prestige Developments Limited	4	903,696,000	Beneficial owner	903,696,000	6.62

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

1. The 2,331,355,500 Shares were directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and hold 100% shares thereof. In addition, the 800,000,000 Shares were directly held by Elite Mobile Limited which was ultimately wholly-owned by Mr. Chen Jiajun. Therefore, Mr. Chen Jiajun is indirectly interested in the 3,131,355,500 Shares, of which 2,331,355,500 Shares were held through Great Shine and 800,000,000 Shares were held through Elite Mobile Limited.
2. The 800,000,000 Shares were directly held by SAI Growth Fund I, LLLP which was ultimately controlled by Mr. Jeffrey Steven Yass. The warrants conferring the rights to subscribe for a maximum number of 800,000,000 warrant shares (based on the initial exercise price) were issued to SAI Growth Fund I, LLLP on 17 December 2021. Therefore, Mr. Jeffrey Steven Yass was indirectly interested in the 1,600,000,000 shares of the Company.
3. The 920,260,000 Shares were directly held by YH Fund SPC – YH01 SP I, which was ultimately controlled by Mr. Liu Feng. In addition, 500,000,000 Shares were directly held by Mr. Liu Feng. Accordingly, Mr. Liu Feng is interested in 1,420,260,000 Shares.
4. The 903,696,000 Shares were directly held by New Prestige Developments Limited, which was ultimately controlled by Mr. Tu Erfan.

Save as disclosed above, as at 30 June 2023, so far as the Directors are aware, there are no other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares, underlying shares or debentures of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time for the six months ended 30 June 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted by the Company and became effective on 23 May 2014. 348,140,748 share options were available for grant under the Scheme at the beginning of the Reporting Period. As at 31 December 2022, there were 560,606,872 share options outstanding under the Scheme. During the Reporting Period, no share options were granted or expired, and 4,368,176 share options were forfeited/cancelled. At the end of the Reporting Period, the Company had 556,238,696 share options outstanding and 351,890,748 share options available for grant under the Scheme. The exercise in full of the outstanding share options would result in the issue of 556,238,696 additional Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME (continued)

Details of movements of share options granted to the Directors, senior management and employees of the Company during the six months ended 30 June 2023 are as follows:

Name or category of participant	As at 1 January 2023	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per Share (Note 4)	Adjusted exercise price per Share HK\$ (Note 5)	Price of the Company's listed shares immediately before the grant date of options HK\$ per Share	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant HK\$ per Share
						As at 30 June 2023	As at 30 June 2023	As at 30 June 2023						
Employees														
In aggregate – granted on 13 November 2019	163,235,292	-	-	-	-	163,235,292	13 November 2019	14 May 2020 to 13 May 2024 (Note 3)	0.2242	0.2060	0.218	0.2242		
In aggregate – granted on 13 November 2019	73,839,222	-	-	-	287,294	73,551,928	13 November 2019	14 November 2020 to 13 November 2024 (Note 2)	0.2242	0.2060	0.218	0.2242		
In aggregate – granted on 8 April 2022	245,070,592	-	-	-	4,080,882	240,989,710	8 April 2021	9 April 2022 to 8 April 2026 (Note 2)	0.510	0.4686	0.490	0.473		
Subtotal	482,145,106	-	-	-	4,368,176	477,776,930								

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options							The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant of options HK\$ per Share		
	As at 1 January 2023	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period	As at 30 June 2023	Date of grant of share options			
							Exercise price of share options HK\$ per Share (Note 4)	Adjusted exercise price per Share HK\$ (Note 5)	Price of the listed shares immediately before the grant date of options HK\$ per Share	
Directors										
In aggregate – granted on 13 November 2019										
Mr. Liang Rui	32,647,060	-	-	-	-	32,647,060	13 November 2019	0.2060	0.218	0.2242
Mr. Xu Yibo	13,058,824	-	-	-	-	13,058,824	13 November 2019	0.2060	0.218	0.2242
Mr. Ma Fei	8,705,879	-	-	-	-	8,705,879	13 November 2019	0.2060	0.218	0.2242
Mr. Ng Wai Hung	3,047,060	-	-	-	-	3,047,060	13 November 2019	0.2060	0.218	0.2242
Mr. Guo Jinghui	1,958,824	-	-	-	-	1,958,824	13 November 2019	0.2060	0.218	0.2242
Mr. Lam Ting Fung Freeman (resigned on 18 January 2022)	2,285,295	-	-	-	-	2,285,295	13 November 2019	0.2060	0.218	0.2242

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per Share (Note 4)	Adjusted exercise price per Share HK\$ (Note 5)	Price of the Company's listed shares immediately before the grant date of options HK\$ per Share	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant HK\$ per Share
	As at 1 January 2023	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period	As at 30 June 2023						
Dr. Huang Dazhan (resigned on 18 January 2022)	1,958,824	-	-	-	-	1,958,824						
Mr. Xie Weixin (resigned on 21 December 2021)	1,958,824	-	-	-	-	1,958,824						
Mr. Chan King Chung (resigned on 30 June 2022)	1,958,824	-	-	-	-	1,958,824						
Subtotal	67,579,414	-	-	-	-	67,579,414						
In aggregate – granted on 8 April 2021												
Mr. Xu Yibo	6,529,412	-	-	-	-	6,529,412	9 April 2022 to 8 April 2026 (Note 2)	0.510	0.4686	0.490	0.473	
Mr. Ma Fei	4,352,940	-	-	-	-	4,352,940	9 April 2022 to 8 April 2026 (Note 2)	0.510	0.4686	0.490	0.473	
Subtotal	78,461,766	-	-	-	-	78,461,766						
Total	560,606,872	-	-	-	-	556,238,696						

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME (continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised a year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
3. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised half a year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
4. The exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option.
5. The adjusted exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option adjusted due to the completion of the rights issue on 28 June 2022.

CHANGES OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF LISTING RULES

There is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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, save for the following deviation from the code provision.

Under code provision C.2.1 of the Corporate Governance 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. 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 six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD-LOOKING STATEMENTS

This report 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
Chairman

Hong Kong, 21 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
REVENUE	4	171,525	140,455
Cost of sales		(103,765)	(201,231)
Gross profit/(loss)		67,760	(60,776)
Other income and gains	4	2,631	74,911
Selling and distribution expenses		(12,927)	(57,850)
Administrative expenses		(68,986)	(157,299)
Other expenses		(44,699)	(65,294)
Finance costs		(6,522)	(9,709)
Share of profits and losses of:			
A joint venture		(26,773)	(16,728)
Associates		(31,907)	(7,311)
LOSS BEFORE TAX	5	(121,423)	(300,056)
Income tax credit/(expense)	6	4,285	(3,493)
LOSS FOR THE PERIOD		(117,138)	(303,549)
Attributable to:			
Owners of the Company		(117,138)	(303,377)
Non-controlling interests		-	(172)
		(117,138)	(303,549)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD		(117,138)	(303,549)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to loss in subsequent periods:			
Exchange differences on translation of financial statements of group companies		(47,045)	(31,259)
Share of other comprehensive loss of:			
A joint venture		(1,278)	(6,483)
Associates		(5,022)	(15,642)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(53,345)	(53,384)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(170,483)	(356,933)
Attributable to:			
Owners of the Company		(170,500)	(356,752)
Non-controlling interests		17	(181)
		(170,483)	(356,933)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	8		
Basic and diluted for the period		(0.86)	(2.23)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,127,751	1,033,364
Investment properties		2,060,184	2,143,745
Right-of-use assets		82,356	86,840
Investments in joint ventures		28,451	56,502
Investments in associates		303,898	340,827
Financial assets at fair value through profit or loss	16	94,794	96,059
Other non-current assets		60,864	59,303
Deferred tax assets		280	289
Total non-current assets		3,758,578	3,816,929
CURRENT ASSETS			
Inventories		57,704	55,748
Trade receivables	10	44,913	46,657
Prepayments, deposits and other receivables		50,110	42,916
Financial assets at fair value through profit or loss	16	7,200	13,783
Amounts due from associates	15	2,958	3,029
Pledged deposits		62,226	59,408
Cash and cash equivalents		182,448	234,717
Total current assets		407,559	456,258
CURRENT LIABILITIES			
Trade payables	11	146,767	138,950
Other payables and accruals		1,068,337	1,195,202
Interest-bearing bank and other borrowings	13	162,627	177,929
Lease liabilities		4,620	4,587
Amounts due to associates	15	36,668	37,847
Amounts due to related parties	15	1,273	1,314
Tax payable		101,448	103,733
Total current liabilities		1,521,740	1,659,562
NET CURRENT LIABILITIES		(1,114,181)	(1,203,304)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,644,397	2,613,625

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	213,553	–
Lease liabilities		8,786	9,944
Deferred tax liabilities		331,486	346,325
Other non-current liabilities		20,667	20,879
Total non-current liabilities		574,492	377,148
Net assets		2,069,905	2,236,477
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	136,510	136,510
Reserves		1,933,188	2,099,777
Non-controlling interests		207	190
Total equity		2,069,905	2,236,477

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
At 1 January (audited)	2,236,287	2,543,703
Total comprehensive loss for the period attributable to owners of the Company	(170,500)	(356,752)
Issue of shares	–	476,000
Share issue expenses	–	(5,019)
Repurchase and cancellation of shares	–	(18,841)
Equity-settled share option arrangements	3,911	23,904
At 30 June – equity attributable to owners of the Company	2,069,698	2,662,995
Non-controlling interests	207	228
At 30 June – total equity (unaudited)	2,069,905	2,663,223

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash flows used in operating activities	(58,916)	(34,113)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,009	2,402
Purchases of items of property, plant and equipment	(183,430)	(268,498)
Additions to other intangible assets	–	(114)
Proceeds from disposal of items of property, plant and equipment	120	722
Purchase of financial assets at fair value through profit or loss	–	(99,456)
Proceeds from disposal of a financial asset at fair value through profit or loss	–	734
Cash transferred to restricted bank deposits	(8,292)	(6,597)
Cash transferred from restricted bank deposits	3,450	3,714
Net cash flows used in investing activities	(187,143)	(367,093)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other loans	221,488	–
Repayment of bank and other borrowings	(10,124)	(6,889)
Proceeds from issue of shares	–	392,000
Share issue expenses	–	(5,019)
Payments for repurchase of shares	–	(18,841)
Decrease in an amount due to a related party	–	(155,258)
Principal portion of lease payments	(2,872)	(1,854)
Interest paid	(8,198)	(20,969)
Net cash flows generated from financing activities	200,294	183,170
NET DECREASE IN CASH AND CASH EQUIVALENTS	(45,765)	(218,036)
Cash and cash equivalents at beginning of period	234,717	814,812
Effect of foreign exchange rate changes, net	(6,504)	(23,690)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	182,448	573,086

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. CORPORATE AND GROUP 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.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) was involved in the following principal activities:

- production and sale of mobile phones and accessories, provision of wireless application services; and
- leases of properties.

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 2023 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 2022.

Going concern basis

For the six months ended 30 June 2023, the Group incurred a net loss of HK\$117 million and the Group recorded net current liabilities of HK\$1,114 million as at 30 June 2023. 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 available unutilized loan facilities from a related party of the Group and a bank facility 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information and the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The adoption of amendments to HKAS 12 did not have any impact on the financial information.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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.

Due to the fact that rental income from investment property operating leases has become a daily and stable operating cash flow, the Group reclassified the rental income previously included in the “Other Income and Gains” account to a part of the “Revenue” account with effect from 1 January 2023.

Six months ended 30 June 2023

	Mobile phone HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue (note 4)			
Revenue from external customers	123,061	48,464	171,525
Other income and gains	1,622	–	1,622
Total	124,683	48,464	173,147
Segment results	(85,794)	28,091	(57,703)
<i>Reconciliation:</i>			
Interest income			1,009
Finance costs (other than interest on lease liabilities)			(6,049)
Share of loss of a joint venture			(26,773)
Share of losses of associates			(31,907)
Loss before tax			(121,423)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2022

	Mobile phone HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue (note 4)			
Revenue from external customers	140,455	–	140,455
Other income and gains	24,173	48,336	72,509
Total	164,628	48,336	212,964
Segment results			
	(310,871)	41,642	(269,229)
<i>Reconciliation:</i>			
Interest income			2,402
Finance costs (other than interest on lease liabilities)			(9,190)
Share of loss of a joint venture			(16,728)
Share of losses of associates			(7,311)
Loss before tax			(300,056)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively.

	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets			
At 30 June 2023 (unaudited)	1,292,133	2,117,431	3,409,564
At 31 December 2022 (audited)	1,184,162	2,199,535	3,383,697
Segment liabilities			
At 30 June 2023 (unaudited)	1,439,759	20,896	1,460,655
At 31 December 2022 (audited)	1,342,678	21,116	1,363,794

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Non-current assets

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Mainland China	3,656,090	3,716,334
Overseas	5,966	2,850
	3,662,056	3,719,184

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets, and the non-current portion of financial assets included in prepayments, deposits and other receivables.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	109,470	132,194
Wireless application service income	13,591	8,261
Revenue from other sources		
Gross rental income (<i>note 3</i>)	48,464	–
	171,525	140,455

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customer:

For the six months ended 30 June 2023

Mobile phone segment	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China	112,295
Overseas	10,766
Total revenue from contracts with customers	123,061
Timing of revenue recognition	
Goods and services transferred at a point of time	123,061
Total revenue from contracts with customers	123,061

For the six months ended 30 June 2022

Mobile phone segment	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China	113,455
Overseas	27,000
Total revenue from contracts with customers	140,455
Timing of revenue recognition	
Goods and services transferred at a point of time	140,455
Total revenue from contracts with customers	140,455

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Bank interest income	1,009	2,402
Gross rental income from investment property operating leases:		
Fixed lease payments (<i>note 3</i>)	–	48,336
Government grants and subsidies*	1,177	13,017
Others	445	11,156
	2,631	74,911

* 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold	93,100	180,319
Cost of rental service provided	343	–
Depreciation of property, plant and equipment	8,434	10,003
Amortisation of patents and licences*	–	2,989
Depreciation of right-of-use assets	3,204	2,860
Research and development costs:		
Expenditure for the period*	17,635	88,449
Minimum lease rental expense in respect of short-term leases*	100	206
Interest expense recognised related to lease liabilities [@]	473	519
Write-down of inventories at net realisable value ^{&}	10,322	20,912
Direct operating expenses arising on rental-earning investment properties*	–	5,910
Recognition of equity-settled share option expense	3,911	23,904
Gain on disposal of items of property, plant and equipment ^{##}	(10)	(575)
Impairment/(reversal of impairment) of financial assets, net ^{##}	615	(61)
Fair value losses on financial assets at fair value through profit or loss, net [#]	8,093	18
Fair value losses on investment properties [#]	20,030	–
Foreign exchange losses, net [#]	12,184	64,148

* Included in "Administrative expenses" in profit or loss

@ Included in "Finance costs" in profit or loss

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

Included in "Other expenses" in profit or loss

Included in "Other expenses"/"Other income and gains" in profit or loss

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

6. INCOME TAX

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 (six months ended 30 June 2022: 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 jurisdictions 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current		
Corporate income tax	(20)	103
Deferred	(4,265)	3,390
	(4,285)	3,493

7. DIVIDEND

The Directors did not recommend the payment of any interim dividends for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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\$117,138,000 (six months ended 30 June 2022: a loss of HK\$303,377,000), and the weighted average number of ordinary shares of 13,651,007,955 in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: 13,590,996,530).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of HK\$139,375,063 (Six months ended 30 June 2022: HK\$116,058,000).

Assets with a net book value of HK\$109,512 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: HK\$147,000), resulting in a net gain on disposal of HK\$10,000 (Six months ended 30 June 2022: a net loss of HK\$575,000).

During the six months ended 30 June 2023, no impairment loss (Six months ended 30 June 2022: Nil) was recognised for assets carried at historical cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. TRADE RECEIVABLES

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 3 months	46,939	31,271
4 to 6 months	597	2,812
7 to 12 months	1,862	14,857
Over 1 year	16,575	18,323
	65,973	67,263
Less: Impairment	(21,060)	(20,606)
	44,913	46,657

11. 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:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 3 months	111,128	93,694
4 to 6 months	3,511	9,201
7 to 12 months	1,656	2,682
Over 1 year	30,472	33,373
	146,767	138,950

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. SHARE CAPITAL

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Authorised: 20,000,000,000 (31 December 2022: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid: 13,651,007,955 (31 December 2022: 13,651,007,955) ordinary shares of HK\$0.01 each	136,510	136,510

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Current		
Other borrowings – secured	162,627	177,929
Non-current		
Bank loans – secured	213,553	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

14. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted, but not provided for construction in progress	74,801	118,718
Capital contributions payable to certain associates and an unlisted investment measured at fair value	14,279	14,738
	89,080	133,456

15. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Amounts due from associates (i)	2,958	3,029

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Amounts due to associates (i)	36,668	37,847
Lease liabilities due to an associate (ii)	9,148	10,555
Amounts due to other related parties (iii)	1,273	1,314
	47,089	49,716

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. RELATED PARTY TRANSACTIONS (continued)

(a) Balances with related parties (continued)

- (i) Amounts due from/to associates represented the trade receivables from and the deposits and advances payable to associates which arose from in the course of the Group's operation.
- (ii) The lease liabilities were related to the leasing of certain office premises for the Group's operation from an associate, Nanjing Yulong Weixin Information Scientific Limited.
- (iii) An amount due to Kingkey Property Management Co., Ltd. for the property management service expense, which is unsecured, interest-free and would be settled according to the terms agreed mutually in the normal course of business.

Kingkey Group is an associate of Great Shine Investment Limited, a substantial shareholder of the Company, and therefore a related party of the Group. Kingkey Property Management Co., Ltd. is a subsidiary of Kingkey Group.

(b) Transactions with related parties

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other related parties:		
Interest expense (i)	–	1,035
Management service expense (ii)	7,319	5,910
Purchase of property, plant and equipment (iii)	2,000	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

- (i) In 2018, Kingkey Group has agreed to provide a loan with a maximum amount of no more than RMB500 million to the Group for corporate operation with a term of 12 months at an annual interest rate of 6.5%. In 2019 and 2020, the loan arrangement was extended to 20 May 2021 and further extended to a date no later than 31 December 2022. The specific due date after extension is subject to further negotiation between both parties according to their own capital needs. Up to 30 June 2022, there was no loan amount drawn down by the Group and the associates interest expense recognised for the current period amounted to HK\$1,035,000.

In December 2022, Kingkey Group has agreed to provide a new loan with a maximum amount of no more than RMB480 million (equivalent to HK\$537 million) to the Group for corporate operation with a due date of 31 December 2025 at an annual interest rate of 6.5%. Up to 30 June 2023, there was no loan amount drawn down by the Group under this new agreement.

- (ii) Commencing from 1 September 2020, the Group has been purchasing the property management service from Shenzhen Kingkey Property Management Co., Ltd.. The purchase price of the management service is RMB25 per month per square meter. Property management service expense were made according to the prevailing market rates charged by independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity.
- (iii) During the period, the Group purchased an asset from Mr. Chen Jiajun at a consideration of HK\$2,000,000.

The above transactions with related parties were made based on mutually agreed terms.

The related party transactions in respect of note (ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Compensation of key management personnel of the Group

Compensation of the key management personnel of the Group is set out below:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	2,040	6,206
Pension scheme contributions	220	339
Equity-settled share option expense	489	6,220
Total compensation paid to other key management personnel	2,749	12,765

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Financial assets				
Financial assets included in prepayments, deposits and other receivables, non-current portion	1,448	1,397	1,448	1,397
Financial assets at fair value through profit or loss	101,994	109,842	101,994	109,842
	103,442	111,239	103,442	111,239
Financial liabilities				
Interest-bearing bank and other borrowings	322,015	111,948	322,015	111,948

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The valuation process and results are discussed with the chief financial officer twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2023 were assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through profit or loss, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates, or an asset-based valuation technique. The fair value of unlisted debt investment has been estimated using a discounted cash flow model and market approach based on the market price and expected volatility of the shares of the underlying listed company and discount rates of instruments with similar terms and risks.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

For the fair value of the unlisted equity investments and unlisted debt investment at fair value through profit or loss estimated using market-based valuation technique, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2023 and 31 December 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	1.18% to -1.18% (31 December 2022: 1.18% to -1.18%)	1% (31 December 2022: 1%) increase/decrease in multiple would result in increase/decrease in fair value by approximately HK\$34,704 (31 December 2022: HK\$34,704)
		Discount for lack of marketability	1.60% to -1.60% (31 December 2022: 1.60% to -1.60%)	1% (31 December 2022: 1%) increase/decrease in multiple would result in decrease/increase in fair value by approximately HK\$47,000 (31 December 2022: HK\$47,000)
	Asset-based approach	Net assets	Note (a)	Note (a)
Unlisted debt investments	Binomial Option Pricing Model	Risky Interest Rate	Note (b)	Note (b)

Notes:

- (a) The fair values of unlisted equity investments are determined with reference to its net asset value. Accordingly, no sensitivity analysis was prepared.
- (b) The fair value of the convertible bonds is derived by Binomial Option Pricing Model, which incorporates assumptions not entirely supported by observable market prices or rates. The key inputs are expected volatility of shares of the underlying listed company and discount rate adjusted for the specific risks of the issuers which are also the unobservable inputs. The discount rate of 15.29% was used in the valuation model. The relationship of unobservable input to fair value is that the higher the discount rate, the lower the fair value. If the discount rate to the valuation model had been 2.5% higher/lower, while all the other variables were held constant, the carrying amount of the convertible bond would have decreased by HK\$49,000/increased by HK\$50,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June 2023

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Financial assets at fair value through profit or loss	–	–	101,994	101,994

As at 31 December 2022

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (Level 1) HK\$'000 (Audited)	Significant observable inputs (Level 2) HK\$'000 (Audited)	Significant unobservable inputs (Level 3) HK\$'000 (Audited)	
Financial assets at fair value through profit or loss	–	–	109,842	109,842

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
At 1 January	109,842	27,263
Addition	–	99,456
Total losses recognised in the statement of profit or loss, net	(8,093)	(18)
Disposal	–	(734)
Exchange realignment	245	(1,253)
At 30 June	101,994	124,714

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

17. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.