

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

2024



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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. In addition, the Company is engaged in the leasing of properties. Starting from the second half of 2023, the Group has actively pursued opportunities in the Web 3.0 digital currency business.

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, the Group will lead the industry innovation in the digital era and provide consumers with continuously upgraded products and ecological services.

REGISTERED OFFICE

Cricket Square
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Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 8 of Gaoxin North 1st Road
Hi-Tech Industry Park (Northern)
Nanshan District
Shenzhen

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1506, 15/F., Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARIES

Mr. MA Fei

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. CHEUK Ho Kan (*Chairperson*)

(appointed on 8 January 2024)

Mr. CHIU Sin Nang Kenny (*former Chairperson*)

(resigned on 8 January 2024)

Ms. WANG Guan

Mr. GUO Jinghui

NOMINATION COMMITTEE

Mr. CHEN Jiajun (*Chairperson*)

Mr. CHEUK Ho Kan (appointed on 8 January 2024)

Mr. CHIU Sin Nang Kenny (resigned on 8 January 2024)

Ms. WANG Guan

AUTHORISED REPRESENTATIVES

Mr. MA Fei

Mr. CHEN Jiajun

CONTACT INFORMATION FOR INVESTOR RELATIONS

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AUDITOR

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Registered Public Interest Entity Auditor
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon
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LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

Baker & McKenzie
14th Floor
One Taikoo Place
979 King’s Road
Quarry Bay
Hong Kong

LEGAL ADVISERS TO THE COMPANY AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman
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8 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–16
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183 Queen’s Road East
Hong Kong

PRINCIPAL BANKERS

CMB Wing Lung Bank Limited
Bank of China Limited
China Construction Bank Corporation

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 2024 (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 (%)
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	
Revenue	252,328	171,525	47.1
Loss before tax	(90,579)	(121,423)	-25.4
Net loss attributable to owners of the Company	(90,221)	(117,138)	-23.0
Basic and diluted loss per share	(HK0.55 cents)	(HK0.86 cents)	-36.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Non-current assets	3,918,692	3,992,460
Current assets	652,431	443,493
Non-current liabilities	1,390,859	790,458
Current liabilities	1,217,862	1,553,821
Net assets	1,962,402	2,091,674
Cash and cash equivalents	138,348	63,547

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL REVENUE

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the Reporting Period 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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
REVENUE		
Sale of mobile phones and related accessories	155,086	109,470
Wireless application service income	12,551	13,591
Revenue from cryptocurrencies business	41,244	–
Gross rental income	43,447	48,464
Total revenue	252,328	171,525
Cost of sales	(198,807)	(103,765)
Gross profit	53,521	67,760
Other income and gains	38,851	2,631
Selling and distribution expenses	(14,696)	(12,927)
Administrative and other expenses	(149,213)	(113,685)
Finance costs	(16,428)	(6,522)
Share of losses of associates and a joint venture	(2,614)	(58,680)
Loss before tax	(90,579)	(121,423)
Income tax credit	358	4,285
Loss for the period	(90,221)	(117,138)
Basic and diluted for the period	(HK0.55 cent)	(HK0.86 cent)

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			
	2024		2023	
	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	155.1	61.5	109.5	63.9
Wireless application service income	12.6	5.0	13.6	7.9
Revenue from cryptocurrencies business	41.2	16.3	–	–
Revenue from other sources				
Gross rental income	43.4	17.2	48.5	28.3
Total	252.3	100.0	171.5	100.0

The Group’s unaudited revenue for the Reporting Period amounted to HK\$252.3 million, representing an increase of 47.1% as compared with HK\$171.5 million for the six months ended 30 June 2023. This is primarily attributable to the fact that the Group began to engage in cryptocurrencies business in the second half of 2023, so there is no revenue from this business for the corresponding period in 2023.

GROSS PROFIT

	Six months ended 30 June			
	2024		2023	
	Gross profit HK\$ million (Unaudited)	Gross profit margin	Gross profit HK\$ million (Unaudited)	Gross profit margin
Total	53.5	21.2%	67.8	39.5%

The Group’s overall gross profit for the Reporting Period was HK\$53.5 million, as compared with a gross profit of HK\$67.8 million for the corresponding period in 2023. The overall gross profit of the Group’s business decreased mainly due to the fact that certain aged inventories impaired in previous years for mobile phone business as at 31 December 2022 were sold and realised in the second quarter of 2023, and no such events occurred for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Selling and distribution expenses (HK\$ million)	14.7	12.9
As a percentage of total revenue	5.8%	7.5%

Selling and distribution expenses of the Group increased by HK\$1.8 million from HK\$12.9 million for the six months ended 30 June 2023 to HK\$14.7 million for the Reporting Period. The selling and distribution expenses as percentage of revenue for the Reporting Period was 5.8%, decreasing by 1.7% compared with 7.5% for the corresponding period in 2023. The decrease of selling and distribution expenses was primarily due to the recognition of revenue from cryptocurrencies business with insignificant selling and distribution expenses.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Administrative and other operating expenses (HK\$ million)	149.2	113.7
As a percentage of total revenue	59.1%	66.3%

Administrative and other operating expenses increased by HK\$35.5 million to HK\$149.2 million for the Reporting Period from HK\$113.7 million for the corresponding period in 2023. The administrative and other operating expenses as percentage of revenue for the Reporting Period was 59.1%, decreasing by 7.2% compared with 66.3% for the corresponding period in 2023. The increase of administrative and other operating expenses was primarily due to (1) the increase in professional expenses; (2) the slight increase in research and development costs; and (3) other tax and management service expenses from new investment properties with construction completed in late 2023.

INCOME TAX EXPENSE/CREDIT

For the Reporting Period, the Group's income tax credit for the Reporting Period was HK\$0.4 million as compared with an income tax credit of HK\$4.3 million for the corresponding period in 2023, which was primarily due to the decrease in deferred tax resulting from the decrease in fair value change in buildings.

NET LOSS BEFORE TAX

For the Reporting Period, the Group recorded a net loss before tax of HK\$90.6 million, compared with the net loss before tax of HK\$121.4 million for the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the Reporting Period, 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 51% as at 30 June 2024 (31 December 2023: 47%).

Cash and cash equivalents of the Group as at 30 June 2024 amounted to HK\$138.3 million, while it was HK\$63.55 million as at 31 December 2023.

As at 30 June 2024, 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 with maturity periods over five years.

As at 30 June 2024, the Company had 16,381,007,955 ordinary shares of par value HK\$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities.

INVENTORY

For the Reporting Period, the Group's inventory turnover days were 74.7 days (year ended 31 December 2023: 139.6 days).

TRADE RECEIVABLES

The trade receivables turnover days were 35.2 days for the Reporting Period (year ended 31 December 2023: 71.4 days).

TRADE PAYABLES

The trade payables turnover days were 106.3 days for the Reporting Period (year ended 31 December 2023: 277.7 days).

PLEDGE OF ASSETS

As at 30 June 2024, time deposits of approximately HK\$73.4 million in which (i) HK\$53.7 million were used as a pledge for issuance of letters of credit (31 December 2023: HK\$55.2 million); and (ii) HK\$19.7 million were used as a security for the banks to provide performance guarantees (31 December 2023: HK\$4.6 million).

As at 30 June 2024, 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\$3,173.0 million, HK\$161.1 million and HK\$16.5 million as at 30 June 2024, respectively (31 December 2023: HK\$1,558.9 million, HK\$70.7 million and HK\$14.0 million, respectively) and the 75% shareholding interest of a subsidiary of the Group, Dongguan Yulong Telecommunication Tech Co., Ltd. (31 December 2023: 75%).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's unaudited revenue for the Reporting Period amounted to HK\$252.3 million, representing an increase of 47.1% as compared with HK\$171.5 million for the six months ended 30 June 2023. This is primarily attributable to the fact that the Group began to engage in cryptocurrencies business in the second half of 2023, so there is no revenue from this business for the corresponding period in 2023. The Group's overall gross profit for the Reporting Period was HK\$53.5 million, as compared with a gross profit of HK\$67.8 million for the corresponding period in 2023. The overall gross profit of the Group's business decreased mainly due to the fact that certain aged inventories impaired in previous years for mobile phone business as at 31 December 2022 were sold and realised in the second quarter of 2023, and no such events occurred for the Reporting Period. Selling and distribution expenses of the Group increased by HK\$1.8 million from HK\$12.9 million for the six months ended 30 June 2023 to HK\$14.7 million for the Reporting Period. The decrease of selling and distribution expenses as percentage of revenue was primarily due to the recognition of revenue from cryptocurrencies business with insignificant selling and distribution expenses. Administrative and other operating expenses increased by HK\$35.5 million to HK\$149.2 million for the Reporting Period from HK\$113.7 million for the corresponding period in 2023. The increase of administrative and other operating expenses was primarily due to (1) the increase in professional expenses; (2) the slight increase in research and development costs; and (3) other tax and management service expenses from new investment properties with construction completed in late 2023.

For the Reporting Period, the Group recorded a net loss before tax of HK\$90.6 million, compared with the net loss before tax of HK\$121.4 million for the six months ended 30 June 2023.

BUSINESS REVIEW

In the first half of 2024, the global smartphone market demonstrated growth momentum. According to data from the China Academy of Information and Communication Technology (CAICT), domestic brand mobile phone shipments reached 124 million units, representing a period-on-period increase of 17.6% and accounting for 84.4% of the total mobile phone shipments during the same period. This indicates that domestic brand mobile phones have further consolidated their leading position in the market. The smartphone market for the first half of 2024 exhibited a sign of recovery. Particularly driven by advancements in 5G and AI technologies, smartphones become increasingly intelligent and personalized. This growth trend is expected to continue in the second half of the year.

In the first half of 2024, the Group launched the autostereoscopic mobile phone Daguan 3 Series in partnership with China Mobile, based on which the Autostereoscopic Industry Alliance (裸眼3D產業聯盟) and the Terminal Intelligence Alliance (終端智能體聯盟) were jointly established to promote the development and market application of autostereoscopic technology. Besides introducing two new smartphones, Cool50 and Cool60, on e-commerce platforms, the Group collaborated with China Mobile to launch the Coolpad Y70Lite.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

At the same time, the Group has been committed to diversifying its ecosystem product offerings. In addition to traditional mobile phone accessories, the Group has further expanded its product line to include smart wearables (e.g., smartwatches and children's watches), smart healthcare (e.g., smart blood pressure monitors), smart door locks, smart security (e.g., cameras), smart earphones, in-vehicle devices, smart dictionary pens, walkie-talkies and network terminal devices (e.g., as mobile WiFi and 5G CPE), covering more than ten categories. These initiatives not only demonstrate the Group's determination in technological innovation and market expansion but also provide consumers with a richer and more diverse range of choices.

In overseas markets, the Group focused on high-growth global markets, with products covering mid-to-low price segments, and further explored customized demand markets based on its own brand, with offline agents as the core channels while concurrently developing cross-border e-commerce distribution customers. As of 30 June 2023, the Group successfully accessed dozens of countries in regions such as Southeast Asia, Eastern Europe, the Middle East and Latin America. The Group also expanded its distribution customers on cross-border e-commerce platforms such as TIKTOK, SHEIN, and AliExpress, maintaining a stable market expansion trend.

The Group, as an experienced telecom enterprise, has accumulated substantial technical expertise and patent licenses, with more than 10,000 patents filed in the telecommunications sector and more than 100 patents related to 5G obtained. In 2024, the Group continued to optimize its large language model and AI voice assistant, successfully integrating them into COOLOS operating system. The 3.0 version of the large language model has successfully completed commercial certification, and the AI voice assistant has also undergone small-scale commercial deployment. In addition, the Group continued to optimize the integration of AI applications with the system in all aspects, utilizing the AI-driven CoolBrain decision-making system to respond quickly in areas such as self-start limitation and chain wake-up. This system can also intelligently judge user engagement with messages and frequency of phone usage, and reasonably allocate resources to achieve smart power savings.

In terms of real estate property leasing, as of 30 June 2024, the Group owned properties including Coolpad Information Harbor in Shenzhen and Coolpad Technology Ecological Park* (酷派科技生態園) in Dongguan Songshan Lake. The Information Harbor Phases II and III Projects are under stable construction.

Since the second half of 2023, the Group has actively pursued business opportunities in Web 3.0 with smartphones and mobile internet in overseas markets, so as to enter into digital currency sector. In the first half of 2024, in light of the atmosphere, market trend and prospects of blockchain technology and cryptocurrency, the Group continued to increase its investment in the digital currency sector. To this end, the Group procured electronic computing servers for cryptocurrencies business, which were deployed in North America. As of 30 June 2024, the Group had an effective computing power of 1,504,800 TH/S, and had accumulated approximately 119 BTC. Furthermore, the Group invested in securities that are listed in the United States and related to the crypto asset industry through open market transactions.

* for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

In 2025, the Group will continue to commit itself to the research and development of smartphones at home and abroad, by further integrating AI technology into its product mix, while enhancing system stability and optimising user experience.

In the domestic market, the Group will continue to focus on the technology-driven elderly-friendly segment and optimize features such as lifestyle enhancements and AI voice assistants for their incorporation into 5G non-smartphones with retro appearance and simple operation, providing stable communication and fast internet access for the elderly population. Simultaneously by revolving around AI+5G technology, we will continue to expand our product line into other areas including smart wearables, smart education, smart home, security, and healthcare. By integrating AI, IoT and cloud computing technologies, the Group will advance its transformation from a single smartphone brand to a comprehensive AIoT ecosystem platform.

In the overseas markets, while continuing to advance product iterations, the Group will actively expand its product lines by extending from the smartphone business to include smart tablets, smartwatches, and other smart devices. In terms of regional expansion, we will focus on deepening its presence in key regional markets, by scaling up and solidifying core production areas to strengthen the foundation of its overseas business. While simultaneously continuing to explore and expand into the cross-border e-commerce and regional operator markets, the Group will broaden online and offline sales channels, and achieve synergistic effects to improve profitability.

In terms of real estate property leasing, the Group will continue to advance the construction of the Shenzhen Coolpad Information Harbor Phases II and III Projects, as well as the investment promotion for the project in Dongguan Songshan Lake, and improve the investment attraction for completed properties, while maintaining and optimizing existing properties, so as to stabilize property leasing income.

In terms of digital currency, the Group will continue to monitor changes in global energy, policy, legal environments, and many other factors to assess the risks associated with market trends in the investment regions.

The Group will remain as an adherent to the principles of technological innovation and market orientation, while strategically deepening its market presence at home and abroad. By strengthening the research and development and application of AI and blockchain technologies, the Group will expand the smart ecosystem product line, deepen its presence in overseas markets, and keep abreast of the dynamics of the digital currency sector. Taking steady strides forward, the Group is positioned to embrace future opportunities and challenges, aiming to achieve profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The main business operations of the Group during the Reporting Period 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 Reporting Period.

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 remuneration of the directors of the Company (the "Director")) for the Reporting Period amounted to approximately HK\$53.6 million (six months ended 30 June 2023: 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 2024, the Group had 270 employees (including the Directors) (31 December 2023: 538 employees (including the Directors)).

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group had no significant investment with a value of 5% or more of the Group's total assets.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the Reporting Period.

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 Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 C3 to 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 Reporting Period.

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, has reviewed the unaudited interim results of the Group for the Reporting Period. 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 2024, 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 announcements of the Company dated 7 September 2022 and 27 August 2023 are as follows.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL SUPPORT (continued)

1. 2021 Share and Warrant Subscription

The details of use of proceeds in connection to the share subscription agreements and warrant subscription agreement entered into by the Company on 4 October 2021 are as follows. For details, please refer to the announcements of the Company dated 4 October 2021, 9 December 2021, 24 December 2021, 14 January 2022, 28 January 2022 and 7 September 2022, and the circular of the Company dated 23 November 2021.

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)	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	Proceeds brought forward as at 1 January 2024 (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\$3.28 per share	Great Future Global Investment Limited	0.340	(i) Expansion of the Group's mobile business in the PRC during the two years ending 31 December 2022 and six months ending 30 June 2023; (ii) 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 authorised service stores and (2) among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels	(i) 90%, or HK\$788.9 million (ii) 10%, or HK\$87.7 million	(i) HK\$466.1 million (ii) HK\$465.2 million	(i) The establishment of new business channels and expansion of both online and offline business channels in the PRC (ii) Sales and marketing of the mobile phone business	(i) HK\$165.2 million (ii) HK\$100.9 million	HK\$2.0 million	Approximately HK\$24.4 million of the proceeds has been utilised for the establishment of new business channels and expansion of both online and offline business channels in the PRC as intended during the Reporting Period.
14 January 2022	Issue and allotment of 300,000,000 new ordinary shares at a subscription price of HK\$3.28 per share	Stepo Ally International Limited	0.340	(i) 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 authorised service stores and (2) among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels	(1) 60%, or HK\$25.9 million and (2) 10%, or HK\$7.7 million	(i) HK\$3.9 million	(i) Sales and marketing of the mobile phone business (ii) General working capital of the Group	(i) - (ii) HK\$20 million		As at 30 June 2024, approximately HK\$3.6 million of the proceeds has not been used, all of which would be utilised for the establishment of new business channels and expansion of both online and offline business channels in the PRC as disclosed in the announcement of the Company dated 7 September 2024. The Company intends to use the unutilised proceeds on or before 31 December 2024.
14 January 2022	Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$3.28 per share	Elite Mobile Limited	0.340	(i) 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 authorised service stores and (2) among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels	(i) 20%, or HK\$15.3 million (ii) 10%, or HK\$7.7 million		(i) Product manufacturing and development of operating system in respect of the Group's mobile phone business			
30 December 2021	Issue and allotment of 150,000,000 new ordinary shares at a subscription price of HK\$3.28 per share	Alvie Group Limited	0.340	(i) Sales and marketing of the mobile phone business						
23 December 2021	Issue and allotment of 350,000,000 new ordinary shares at a subscription price of HK\$3.28 per share	YH Fund SPC-VH01 SP1	0.340	(i) Sales and marketing of the mobile phone business						
17 December 2021	(i) Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$3.28 per share (ii) Issuance of 800,000,000 warrants shares	SAI Growth Fund I, LLLP	0.340	(i) Sales and marketing of the mobile phone business (ii) General working capital of the Group						

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL SUPPORT (continued)

2. 2023 Share Subscription

The details of use of proceeds in connection to the Subscription Agreements entered into by the Company on 27 August 2023 in respect of the 2023 Share Subscription are as follows. For details, please refer to the announcements of the Company dated 27 August 2023 and 10 October 2023.

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the issue were fixed HK\$ per Share	Proceeds raised (approximately)	Intended use of proceeds	Original allocation of the net proceeds (approximately)	Proceeds brought forward as at 1 January 2024 (approximately)	Actual use of proceeds during the Reporting Period and expected timeline for unutilised net proceeds
21 September 2023	Allotment and issue of 455,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Beyond Merchant Limited	0.038	HK\$15.0 million	(i) approximately HK\$80.0 million (or approximately 89.9%) for the new supply chain procurement demand due to the expansion of the Group's mobile business in the PRC, which is expected to be fully utilised before 30 June 2024;	(i) HK\$80.0 million (ii) HK\$9.0 million	HK\$8.7 million	Approximately HK\$8.7 million of the proceeds has been utilised as intended during the Reporting Period, amongst which (i) approximately HK\$4.7 million was utilised for the new supply chain procurement demand due to the expansion of the Group's mobile business in the PRC and (b) approximately HK\$4.0 million was utilised for the general working capital of the Group.
26 September 2023	Allotment and issue of 818,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Saints Aura Investment Holdings Limited	0.038	HK\$27.0 million	(ii) approximately HK\$9.0 million (or approximately 10.1%) for the general working capital of the Group, which is expected to be fully utilised before 30 June 2024			As at 30 June 2024, all of the proceeds has been fully utilised as intended and as disclosed in the announcement of the Company dated 27 August 2023.
21 September 2023	Allotment and issue of 297,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Fly Smart Limited	0.038	HK\$9.8 million				
10 October 2023	Allotment and issue of 160,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Xinyang Asia Limited	0.038	HK\$5.3 million				
21 September 2023	Allotment and issue of 606,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Mr. Li Guanwen	0.038	HK\$20.0 million				
21 September 2023	Allotment and issue of 303,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Mr. Du Tianzhao	0.038	HK\$10.0 million				
10 October 2023	Allotment and issue of 91,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Ms. Lam Ka Ying	0.038	HK\$3.0 million				

MANAGEMENT DISCUSSION AND ANALYSIS

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

Mr. Chiu Sin Nang Kenny (“Mr. Chiu”) resigned as an independent non-executive Director, the chairperson of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee with effect from 8 January 2024.

Mr. Cheuk Ho Kan (“Mr. Cheuk”) has been appointed as an independent non-executive Director, the chairperson of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee with effect from 8 January 2024.

Ms. Liu Juan (“Ms. Liu”) has been appointed as an executive Director with effect from 2 August 2024.

Save as disclosed above, there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 30 June 2024, 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 2024
Mr. CHEN Jiajun	1	-	-	3,131,355,500	-	-	-	3,131,355,500	19.12
Mr. LIANG Rui		-	-	-	-	-	-	-	-
Mr. XU Yibo	2	4,500,000	-	-	-	-	6,529,412	11,029,412	0.07
Mr. MA Fei	2	-	-	-	-	-	4,352,940	4,352,940	0.03
Mr. NG Wai Hung		-	-	-	-	-	-	-	-
Mr. GUO Jinghui		-	-	-	-	-	-	-	-
Mr. CHEUK Ho Kan		-	-	-	-	-	-	-	-
Ms. WANG Guan		-	-	-	-	-	-	-	-

MANAGEMENT DISCUSSION AND ANALYSIS

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

Long positions in Shares (continued)

Notes:

- As at 30 June 2024, 2,331,355,500 Shares were directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited) ("Great Shine"), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and holds 100% shares thereof. In addition, 800,000,000 Shares were directly held by Elite Mobile Limited which was ultimately wholly-owned by Mr. Chen Jiajun. Therefore, Mr. Chen Jiajun was 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.
- 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.
- As at 30 June 2024, the total number of issued Shares was 16,381,007,955.

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

As at 30 June 2024, 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 2024
Mr. CHEN Jiajun	1	3,131,355,500	Interest in a controlled corporation	3,131,355,500	19.12
Mr. Jeffrey Steven YASS	2	1,333,340,000	Interest in a controlled corporation	1,333,340,000	8.14
Mr. LIN Weihao	3	1,226,692,000	Interest in a controlled corporation	1,226,692,000	7.49
Mr. ZHUO Kun	4	881,100,000	Beneficial owner	881,100,000	5.38

MANAGEMENT DISCUSSION AND ANALYSIS

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

Long positions in Shares (continued)

Name	Notes	Number of Shares interested	Nature of interest	Total number of Shares interested	Approximate % of issued share capital as at 30 June 2024
Mr. LIU Feng	5	920,260,000	Interest in a controlled corporation	1,420,260,000	8.67
	5	500,000,000	Beneficial owner		
Great Shine Investment Limited	1	2,331,355,500	Beneficial owner	2,331,355,500	14.23
Elite Mobile Limited	1	800,000,000	Beneficial owner	800,000,000	4.88
SAI Growth Fund I, LLLP	2	800,000,000	Beneficial owner	1,333,340,000	8.14
	2	533,340,000	Derivative interest of warrants		
Saints Aura Investment Holdings Limited	3	1,226,692,000	Beneficial owner	1,226,692,000	7.49
YH Fund SPC – YH01 SP I	5	920,260,000	Beneficial owner	920,260,000	5.62

Notes:

- The 2,331,355,500 Shares were directly held by Great Shine, which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and holds 100% shares thereof. In addition, 800,000,000 Shares were directly held by Elite Mobile Limited which was ultimately wholly-owned by Mr. Chen Jiajun. Therefore, Mr. Chen Jiajun was indirectly interested in 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.
- 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. The rights attaching to the Unlisted two-year Warrants were lapsed on the Warrant Expiration Date, 16 December 2023. Therefore, Mr. Jeffrey Steven Yass was indirectly interested in the 1,333,340,000 shares of the Company.
- The 1,226,692,000 Shares were directly held by Saints Aura Investment Holdings Limited which was ultimately controlled by Mr. LIN Weihao.
- The 881,100,000 Shares were directly held by Mr. ZHUO Kun.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Long positions in Shares (continued)

Notes: (continued)

5. (i) The 920,260,000 Shares were directly held by YH Fund SPC – YH01 SP I, which was ultimately controlled by Mr. Liu Feng; and (ii) 500,000,000 Shares were directly held by Mr. Liu Feng.
6. As at 30 June 2024, the total number of issued Shares was 16,381,007,955.

Save as disclosed above, as at 30 June 2024, 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 2024 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 CAPITAL AND SHARE OPTIONS

A share option scheme (the “Scheme”) was adopted by the Company and became effective on 23 May 2014. 37,040,748 share options were available for grant under the Scheme at the beginning of the Reporting Period. As at 31 December 2023, there were 870,467,240 share options outstanding under the Scheme. During the Reporting Period, no share options were granted; 230,814,706 share options were expired, and 7,780,884 share options were forfeited/cancelled. At the end of the Reporting Period, the Company had 631,871,650 share options outstanding and 44,190,748 share options available for grant under the Scheme. The exercise in full of the outstanding share options would result in the issue of 631,871,650 additional Shares.

SHARE OPTION SCHEME

Details of movements of share options granted to the Directors, senior management and employees of the Company during the six months ended 30 June 2024 are as follows:

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 5)	Adjusted exercise price per Share HK\$ (Note 6)	Closing 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 2024	Granted during the period	Exercised during the period	Expired/lapsed during the period						
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	73,384,884	-	-	-	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 2021	235,385,298	-	-	-	8 April 2021	9 April 2022 to 8 April 2026 (Note 2)	0.510	0.4686	0.490	0.473
In aggregate – granted on 27 December 2023	320,000,000	-	-	-	27 December 2023	28 December 2024 to 27 June 2027 (Note 4)	0.075	N/A	0.059	0.056
Subtotal	792,005,474	-	-	163,235,292	7,780,884	620,989,298				

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 5)	Adjusted exercise price per Share HK\$ (Note 6)	Closing 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 2024	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period						
Directors											
In aggregate – granted on 13 November 2019											
Mr. Liang Rui	32,647,060	-	-	32,647,060	-	13 November 2019	14 May 2020 to 13 May 2024 (Note 3)	0.2242	0.2060	0.218	0.2242
Mr. Xu Yibo	13,058,824	-	-	13,058,824	-	13 November 2019	14 May 2020 to 13 May 2024 (Note 3)	0.2242	0.2060	0.218	0.2242
Mr. Ma Fei	8,705,879	-	-	8,705,879	-	13 November 2019	14 May 2020 to 13 May 2024 (Note 3)	0.2242	0.2060	0.218	0.2242
Mr. Lam Ting Fung Freeman (resigned on 18 January 2022)	2,285,295	-	-	2,285,295	-						
Mr. Ng Wai Hung	3,047,060	-	-	3,047,060	-	13 November 2019	14 May 2020 to 13 May 2024 (Note 3)	0.2242	0.2060	0.218	0.2242
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	-						
Mr. Guo Jinghui	1,958,824	-	-	1,958,824	-	13 November 2019	14 May 2020 to 13 May 2024 (Note 3)	0.2242	0.2060	0.218	0.2242
Subtotal	67,579,414	-	-	67,579,414	-						

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options				Date of grant of share options	Exercise price of share options HK\$ per Share (Note 5)	Adjusted exercise price per Share HK\$ (Note 6)	Closing 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 2024	Granted during the period	Exercised during the period	Expired/lapsed during the period					
In aggregate – granted on 8 April 2021									
Mr. Xu Yibo	6,529,412	-	-	-	8 April 2021	0.510	0.4686	0.490	0.473
Mr. Ma Fei	4,352,940	-	-	-	8 April 2021	0.510	0.4686	0.490	0.473
Subtotal	78,461,766	-	-	67,579,414	-	-	-	-	-
Total	870,467,240	-	-	230,814,706	7,780,884	631,871,650			

Notes to the reconciliation of share options outstanding during the Reporting Period:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- 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.
- 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.
- 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 six months thereafter.
- The exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option.
- 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 2021.
- The number of shares that may be issued in respect of options and awards granted under all schemes of the issuer during the Reporting Period divided by the weighted average number of shares of in issue for the Reporting Period is 3.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

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 of the Company (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 (the “Code”) set out in Appendix C1 to the Listing Rules, save for the following deviation:

Under Code Provision B.2.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The annual general meeting of the Company had not been held during the year ended 31 December 2024 due to delay in completion of the audit of the annual results of the Group for the year ended 31 December 2023. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the annual general meeting. An annual general meeting of the Company will be arranged in due course, for the retirement and re-election of Directors.

Under Code Provision C.2.1 of the Code, 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.

Under Code Provision F.2.2 of the Code, the chairman of the Board should attend the annual general meeting, and invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) to attend. The annual general meeting of the Company had not been held during the year ended 31 December 2024 due to delay in completion of the audit of the annual results of the Group for the year ended 31 December 2023. An annual general meeting of the Company will be arranged in due course.

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 Reporting Period.

FAILURE TO COMPLY WITH THE LISTING RULES

The Company was not able to timely comply with the following financial reporting provisions under the Listing Rules: (i) announce the interim results for the Reporting Period; and (ii) issue the interim report for the Reporting Period, which contravened Rules 13.48(1) and 13.49(6) of the Listing Rules.

The Board is of the view that the aforesaid delays are one-off incidents and that the aforesaid matters had been/will be rectified eventually and the Company had complied with the Listing Rules in keeping the Shareholders and investors informed of the progress of the aforesaid matters.

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, 11 February 2025

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**TO THE BOARD OF DIRECTORS OF
COOLPAD GROUP LIMITED**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 52 which comprises the condensed consolidated statement of financial position of Coolpad Group Limited (“the Company”) and its subsidiaries (“the Group”) as at 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flow for the six-month period then ended, and notes to the interim financial information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

EMPHASIS OF MATTER

We draw attention to note 2.1 to the condensed consolidated financial statements which mentions that the Group incurred a loss of HK\$90,221,000 for the six months ended 30 June 2024 and as at 30 June 2024 the Group had net current liabilities of HK\$565,431,000. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Shun Fai

Engagement Director

Practising Certificate Number P05498

Hong Kong, 11 February 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
REVENUE	4	252,328	171,525
Cost of sales		(198,807)	(103,765)
Gross profit		53,521	67,760
Other income and gains	4	38,851	2,631
Selling and distribution expenses		(14,696)	(12,927)
Administrative and other operating expenses		(149,213)	(113,685)
Finance costs		(16,428)	(6,522)
Share of losses of associates and a joint venture		(2,614)	(58,680)
LOSS BEFORE TAX	5	(90,579)	(121,423)
Income tax credit	6	358	4,285
LOSS FOR THE PERIOD		(90,221)	(117,138)
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(41,194)	(47,045)
Cumulative exchange loss reclassified to profit or loss on deregistration of a subsidiary		862	–
Share of other comprehensive loss of associates and a joint venture		(3,435)	(6,300)
		(43,767)	(53,345)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(133,988)	(170,483)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company		(90,221)	(117,138)
Total comprehensive loss attributable to:			
Owners of the Company		(133,988)	(170,500)
Non-controlling interests		–	17
		(133,988)	(170,483)
Loss per share attributable to ordinary equity holders of the Company	8		
– Basic (HK cent)		(0.55)	(0.86)
– Diluted (HK cent)		(0.55)	(0.86)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	401,203	375,218
Investment properties		3,172,955	3,263,126
Right-of-use assets		51,004	56,685
Investments in associates		172,935	180,149
Financial assets at fair value through profit or loss	16	12,164	4,747
Other non-current assets		108,431	112,535
Total non-current assets		3,918,692	3,992,460
Current assets			
Inventories		81,343	76,494
Cryptocurrencies		13,502	8,539
Trade receivables	10	48,731	60,088
Prepayments, deposits and other receivables		80,129	91,360
Financial assets at fair value through profit or loss	16	216,933	83,714
Pledged deposits		73,445	59,751
Cash and cash equivalents		138,348	63,547
Total current assets		652,431	443,493
Current liabilities			
Trade payables	11	115,761	152,099
Other payables and accruals		860,769	1,154,043
Interest-bearing bank borrowings	13	98,893	101,568
Lease liabilities		423	2,875
Amounts due to associates	15	34,780	37,035
Amounts due to related parties	15	6,460	3,516
Tax payable		100,776	102,685
Total current liabilities		1,217,862	1,553,821
Net current liabilities		(565,431)	(1,110,328)
Total assets less current liabilities		3,353,261	2,882,132

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Non-current liabilities			
Interest-bearing bank borrowings	13	1,053,554	441,086
Lease liabilities		–	2,578
Deferred tax liabilities		320,291	329,319
Other non-current liabilities		17,014	17,475
Total non-current liabilities		1,390,859	790,458
Net assets			
EQUITY			
Share capital	12	163,810	163,810
Reserves		1,798,592	1,927,737
Equity attributable to owners of the Company		1,962,402	2,091,547
Non-controlling interests		–	127
Total equity		1,962,402	2,091,674

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company											Total equity HK\$'000		
	Share capital HK\$'000	Share premium account HK\$'000	Share contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000		Sub-total HK\$'000	Non-controlling interests HK\$'000
At 1 January 2024 (audited)	163,810	3,472,898	390	916,671	201,080	213,090	43,564	3,410	1,570,874	(63,169)	(4,431,071)	2,091,547	127	2,091,674
Loss for the period (unaudited)	-	-	-	-	-	-	-	-	-	-	(90,221)	(90,221)	-	(90,221)
Other comprehensive loss for the period (unaudited)	-	-	-	-	-	-	-	-	(41,194)	-	-	(41,194)	-	(41,194)
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	-	-	-	-	(41,194)	-	-	(41,194)	-	(41,194)
Reserve released upon deregistration of subsidiaries (unaudited)	-	-	-	-	-	-	-	-	862	-	-	862	-	862
Share of other comprehensive losses of associates (unaudited)	-	-	-	-	-	-	-	-	(3,435)	-	-	(3,435)	-	(3,435)
Total comprehensive loss for the period (unaudited)	-	-	-	-	-	-	-	-	(43,767)	(90,221)	(133,988)	(133,988)	-	(133,988)
Deregistration of a non-wholly-owned subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-	(127)	(127)
Equity-settled share option arrangements (unaudited)	-	-	-	-	-	4,843	-	-	-	-	-	4,843	-	4,843
Transfer of share option reserve upon the expiry of vested share option (unaudited)	-	-	-	-	-	(15,818)	-	-	-	-	15,818	-	-	-
At 30 June 2024 (unaudited)	163,810	3,472,898	390	916,671	201,080	202,115	43,564	3,410	1,570,874	(106,936)	(4,505,474)	1,962,402	-	1,962,402

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company										Non-controlling interests	Total equity		
	Share capital	Share premium account	Share contributed surplus	Asset revaluation reserve	Statutory reserve	Share option reserve	Share award reserve	Capital redemption reserve	Other reserve	Exchange fluctuation reserve			Accumulated losses	Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2023 (audited)	136,510	3,410,593	390	981,194	201,080	241,982	43,564	3,410	1,570,874	(41,282)	(4,312,028)	2,236,287	1,902	2,238,189
Loss for the period (unaudited)	-	-	-	-	-	-	-	-	-	-	(117,138)	(117,138)	-	(117,138)
Other comprehensive loss for the period (unaudited)	-	-	-	-	-	-	-	-	-	(47,062)	-	(47,062)	17	(47,045)
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	-	-	-	-	-	(47,062)	-	(47,062)	17	(47,045)
Share of other comprehensive losses of associates and a joint venture (unaudited)	-	-	-	-	-	-	-	-	-	(6,300)	-	(6,300)	-	(6,300)
Total comprehensive loss for the period (unaudited)	-	-	-	-	-	-	-	-	-	(53,362)	(117,138)	(170,500)	17	(170,483)
Equity-settled share option arrangements (unaudited)	-	-	-	-	-	3,911	-	-	-	-	-	3,911	-	3,911
At 30 June 2023 (unaudited)	136,510	3,410,593	390	981,194	201,080	245,893	43,564	3,410	1,570,874	(94,644)	(4,429,166)	2,069,698	1,919	2,071,617

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash flows used in operating activities	(229,338)	(58,916)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,814	1,009
Payments for items of property, plant and equipment and investment properties	(177,348)	(183,430)
Proceeds from disposal of items of property, plant and equipment	542	120
Purchase of financial assets at fair value through profit or loss	(225,547)	–
Proceeds from disposal of a financial asset at fair value through profit or loss	84,111	–
Proceeds from disposal of an associate	22,070	–
Cash transferred to pledged deposits	(13,694)	(8,292)
Cash transferred from pledged deposits	–	3,450
Net cash flows used in investing activities	(308,052)	(187,143)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	630,719	221,488
Repayment of bank and other borrowings	–	(10,124)
Repayment of lease liabilities (including principal portion)	(861)	(2,872)
Interest paid	(16,076)	(8,198)
Net cash flows generated from financing activities	613,782	200,294
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	76,392	(45,765)
Cash and cash equivalents at beginning of period	63,547	234,717
Effect of foreign exchange rate changes, net	(1,591)	(6,504)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	138,348	182,448
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	138,348	182,448

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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;
- leases of properties; and
- cryptocurrencies business.

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 2024 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 2023.

Going concern basis

For the six months ended 30 June 2024, the Group incurred a net loss of HK\$90 million and the Group recorded net current liabilities of HK\$565 million as at 30 June 2024. The unrestricted cash and cash equivalent balance amounted to HK\$138 million as at 30 June 2024. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

During the period, the directors have taken various measures with the aim of improving the Group’s liquidity position, including but not limited to (i) the implementation of cost saving measures to control the daily operation costs; (ii) bank loan facilities of RMB430 million (equivalent to HK\$462 million) was granted during the period ended 30 June 2024 with total unutilized banking facilities of RMB357 million (equivalent HK\$384 million) as at 30 June 2024; and (iii) there were expanded stable cash inflow generated from the Group’s operation of their investment properties contributing to the Group’s working capital. During the period ended 30 June 2024, the Group recorded a rental income of HK\$43.4 million (period ended 30 June 2023: HK\$48.5 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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

2.1 Basis of Preparation (continued)

Going concern basis (continued)

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

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

- (i) Existing unutilised loan facility of RMB480 million (equivalent to HK\$516 million) from Kingkey Group Company Limited, a related party of the Group, granted during the year ended 31 December 2022 with expiry date of 31 December 2025.
- (ii) The Group has been actively negotiating with the banks to obtain additional banking facilities to supplement its operating cash flows, among others, the Group is in progress on obtaining a stand-by facility amounting to RMB300 million (equivalent to HK\$322 million) from a bank subject to the final authorization from the bank.
- (iii) The Group is revisiting its operating strategies taking into account the potential business opportunities expected to arise from the 5th generation wireless system market, and would continue to expand the cooperation with its business partners from various channels. Further measures would be considered by the Group to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations, including scaling down the operation, human resources optimisation and containment of capital expenditures.
- (iv) The Group is evaluating the liquidity and market value of its current financial investment portfolio on hand. In the view of the directors, redemption or sale of certain financial investments would be one of their contemplations favoring improvement of the Group's liquidity position and supplement of working capital.

Notwithstanding the above, in consideration of uncertainty and vulnerability of the mobile phone industry and the increasingly intense competition in the market, material uncertainties exist as to whether the Group will be able to achieve the targeted growth in business and revive its market presence.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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

2.1 Basis of Preparation (continued)

Going concern basis (continued)

Should the Group fail to realise its plans to grow its business, by adjusting the progress of the construction projects and deferring its capital expenditure, and securing sufficient financial resources to improve its financial position, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the condensed consolidated statement of financial position as at 30 June 2024. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

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 2023, 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.

Amendments to HKFRS 16	<i>Lease liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2020 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to HK int 5	<i>Amendments in relation to Amendments to HKAS 1</i>

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.3 Hong Kong Financial Reporting Standards Issued But Not Yet Effective

The Group has not applied any new and revised HKFRSs, that have been issued but are not yet effective, in these condensed consolidated financial statements.

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application. So far, the Group considers that the new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a material impact on the Group's results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has three (six months ended 30 June 2023: 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; and
- (c) cryptocurrencies.

Six months ended 30 June 2024

	Cryptocurrencies business HK\$'000 (Unaudited)	Mobile phone HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue (note 4)				
Revenue from external sources	41,244	167,637	43,447	252,328
Other income and gains	8,212	28,825	-	37,037
Total	49,456	196,462	43,447	289,365
Segment results	18,057	(114,141)	22,675	(73,409)
<i>Reconciliation:</i>				
Interest income				1,814
Finance costs (other than interest on lease liabilities)				(16,370)
Share of losses of associates				(2,614)
Loss before tax				(90,579)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

3 OPERATING SEGMENT INFORMATION (continued)

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 sources	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 losses of associates and a joint venture			(58,680)
Loss before tax			(121,423)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023, respectively.

	Cryptocurrencies business HK\$'000	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets				
At 30 June 2024 (unaudited)	166,626	480,143	3,235,178	3,881,947
At 31 December 2023 (audited)	122,147	480,222	3,322,698	3,925,067
Segment liabilities				
At 30 June 2024 (unaudited)	–	976,953	17,014	993,967
At 31 December 2023 (audited)	–	1,311,595	17,475	1,329,070

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

3 OPERATING SEGMENT INFORMATION (continued)

Geographical information

Non-current assets

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Mainland China	3,750,333	3,872,642
Overseas	153,124	113,608
	3,903,457	3,986,250

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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	155,086	109,470
Wireless application service income	12,551	13,591
	167,637	123,061
Revenue from other sources		
Revenue from cryptocurrencies business	41,244	–
Rental income from investment properties operating leases	43,447	48,464
	84,691	48,464
	252,328	171,525

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

4 REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customer:

For the six months ended 30 June 2024

	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China (Mobile phone segment)	119,501
Overseas (Mobile phone segment)	48,136
Total revenue from contracts with customers	167,637
Timing of revenue recognition	
Goods transferred at a point of time	167,637
Total revenue from contracts with customers	167,637

For the six months ended 30 June 2023

	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China (Mobile phone segment)	112,295
Overseas (Mobile phone segment)	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

4 REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Bank interest income	1,814	1,009
Gain on termination of lease	2,405	–
Gain on disposal of cryptocurrencies	8,212	–
Gain on deregistration of subsidiaries	787	–
Government grants and subsidies*	19,691	1,177
Others	5,942	445
	38,851	2,631

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

5 LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Cost of inventories sold	161,438	93,100
Depreciation of property, plant and equipment	14,013	8,434
Depreciation of right-of-use assets	1,575	3,204
Research and development costs:		
Expenditure for the period*	23,665	17,635
Minimum lease rental expense in respect of short-term leases*	1,823	100
Interest expense recognised related to lease liabilities	58	473
Write-down of inventories to net realisable value, net ^{&}	4,622	10,322
Direct operating expenses arising on rental-earning investment properties*	15,283	7,319
Recognition of equity-settled share option expense	4,843	3,911
Gain on disposal of items of property, plant and equipment [#]	(542)	(10)
Gain on disposal of cryptocurrencies [#]	(8,212)	–
Gain on deregistration of subsidiaries [#]	(787)	–
(Reversal of impairment)/impairment of trade receivables, net*	(2,912)	615
Fair value losses on financial assets at fair value through profit or loss, net*	2,504	8,093
Fair value losses on investment properties*	5,960	20,030

* Included in "Administrative and other operating expenses" in profit or loss

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 2023: 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.

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current tax		
Corporate income tax	–	(20)
Deferred tax	(358)	(4,265)
	(358)	(4,285)

7 DIVIDEND

The Directors did not recommend the payment of any interim dividends for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

8 LOSS PER SHARE ATTRIBUTABLE TO OWNERS 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\$90,221,000 (six months ended 30 June 2023: a loss of HK\$117,138,000), and the weighted average number of ordinary shares of 16,381,007,955 in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: 13,651,007,955).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2024 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a cost of HK\$48,107,000 (six months ended 30 June 2023: HK\$139,375,000).

Property, plant and equipment with a net book value of HK\$nil were disposed of by the Group during the six months ended 30 June 2024 (30 June 2023: HK\$109,000), resulting in a net gain on disposal of HK\$542,000 (six months ended 30 June 2023: a net gain of HK\$10,000).

During the six months ended 30 June 2024, no impairment loss (six months ended 30 June 2023: Nil) was recognised for assets carried at historical cost.

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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 3 months	45,505	57,346
4 to 6 months	39	335
7 to 12 months	2,044	65
Over 1 year	8,565	12,676
	56,153	70,422
Less: Impairment	(7,422)	(10,334)
	48,731	60,088

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 3 months	79,018	117,615
4 to 6 months	1,463	19
7 to 12 months	5,048	7
Over 1 year	30,232	34,458
	115,761	152,099

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

12 SHARE CAPITAL

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Authorised: 20,000,000,000 (31 December 2023: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid: 16,381,007,955 (31 December 2023: 16,381,007,955) ordinary shares of HK\$0.01 each	163,810	163,810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

13 INTEREST-BEARING BANK BORROWINGS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Current		
Bank borrowings – secured	98,893	101,568
Non-current		
Bank borrowings – secured	1,053,554	441,086
	1,152,447	542,654

14 COMMITMENTS

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Capital contributions payable to certain associates and an unlisted investment measured at fair value	22,617	14,582

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

15 RELATED PARTY TRANSACTIONS

(a) Balances with related parties

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Amounts due to associates (i)	34,780	37,035
Amounts due to other related parties (ii)	6,460	3,516
	41,240	40,551

(i) Amounts due to associates represented the deposits and advances payable to associates which arose from in the course of the Group's operation.

(ii) 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 Company Limited ("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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Other related parties:		
Management service expense (i)	12,832	7,319
Purchase of property, plant and equipment (ii)	–	2,000
Disposal of cryptocurrencies (iii)	2,347	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

15 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

- (i) The management service expense incurred during the periods represents the property management service provided by Kingkey Property Management and Dongguan Kingkey Property Management Company Limited. Both Companies are ultimate controlled by Mr. Chen Hua, who is an immediate family member of a substantial shareholder of the Company. The management service fees were made according to the prevailing market rate charged by independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity.
- (ii) During the period ended 30 June 2023, the Group purchased an asset from Mr. Chen Jiajun at a consideration of HK\$2,000,000.
- (iii) During the period ended 30 June 2024, the Group disposed cryptocurrencies to Mr. Chen Jiajun at a consideration of HK\$2,347,000.

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

The related party transactions 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 other key management personnel (except for directors) of the Group is set out below:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	2,297	2,040
Pension scheme contributions	246	220
Equity-settled share option expense	301	489
Total compensation paid to other key management personnel	2,844	2,749

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value measurement

The Group measures its investment properties, certain buildings included in property, plant and equipment and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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

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 2024

	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	216,933	–	12,164	229,097

As at 31 December 2023

	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	–	–	88,461	88,461

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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:

	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
At 1 January	88,461	109,842
Addition	7,521	–
Total gains or losses recognised in profit or loss [#]	139	(8,093)
Disposal	(83,966)	–
Exchange realignment	9	245
At 30 June	12,164	101,994
[#] Include gains or losses for assets held at end of reporting period	139	(8,093)

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.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in administrative and other operating expenses in the statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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

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 2024 and 31 December 2023:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	1.0% to -1.0% (31 December 2023: 1.0% to -1.0%)	1% (31 December 2023: 1%) increase/decrease in multiple would result in increase/decrease in fair value by approximately HK\$34,704 (31 December 2023: HK\$34,704)
		Discount for lack of marketability	1.4% to -1.4% (31 December 2023: 1.4% to -1.4%)	1% (31 December 2023: 1%) increase/decrease in multiple would result in decrease/increase in fair value by approximately HK\$43,000 (31 December 2023: HK\$43,000)
	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 as at 30 June 2023 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.

As at 30 June 2024, there was no unlisted debt investment.

17 EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.