

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
2022



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CORPORATE PROFILE

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

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

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

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shenzhen

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong

JOINT COMPANY SECRETARIES

Mr. MA Fei
Mr. TSANG Hing Bun

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. MA Fei
Mr. TSANG Hing Bun

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PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.coolpad.com.hk

STOCK CODE

2369

FINANCIAL HIGHLIGHTS

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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 (%)
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	
Revenue	140,455	320,119	-56.1
Loss before tax	(300,056)	(210,698)	42.4
Income tax expense	(3,493)	(27,436)	-87.3
Net loss attributable to owners of the Company	(303,377)	(238,134)	27.4
Basic and diluted loss per share	(HK2.23 cents)	(HK3.11 cents)	-28.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current assets	3,784,807	3,762,172
Current assets	916,296	1,362,838
Non-current liabilities	401,306	418,948
Current liabilities	1,636,574	2,161,950
Net assets	2,663,223	2,544,112
Cash and cash equivalents	573,086	814,812

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL REVENUE HK\$140.5 MILLION

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE		
Sale of mobile phones and related accessories	132,194	318,596
Wireless application service income	8,261	1,523
Total revenue	140,455	320,119
Cost of sales	(201,231)	(334,590)
Gross loss	(60,776)	(14,471)
Other income and gains	74,911	123,074
Selling and distribution expenses	(57,850)	(80,344)
Administrative expenses	(157,299)	(124,535)
Other expenses	(65,294)	(84,893)
Finance costs	(9,709)	(27,149)
Share of profits and losses of:		
Joint ventures	(16,728)	(12,837)
Associates	(7,311)	10,457
Loss before tax	(300,056)	(210,698)
Income tax expense	(3,493)	(27,436)
Loss for the period	(303,549)	(238,134)
Basic and diluted for the period	(HK2.23 cents)	(HK3.11 cents)

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSED BY PRODUCT TYPE

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

	Six months ended 30 June			
	2022		2021	
	Revenue HK\$ million (Unaudited)	% of total revenue	Revenue HK\$ million (Unaudited)	% of total revenue
Sale of mobile phones and related accessories	132.2	94.1	318.6	99.5
Wireless application service income	8.3	5.9	1.5	0.5
Total	140.5	100.0	320.1	100.0

The Group's unaudited revenue for the six months ended 30 June 2022 amounted to HK\$140.5 million, representing a decline of 56.1% as compared with HK\$320.1 million for the six months ended 30 June 2021. This is primarily attributable to the COVID-19 pandemic in the domestic market, fierce competition in the PRC's mobile phone market and the main products sold in the first half of the 2022 were the models launched in 2021.

GROSS LOSS

	Six months ended 30 June			
	2022		2021	
	Gross loss HK\$ million (Unaudited)	Gross loss margin	Gross loss HK\$ million (Unaudited)	Gross loss margin
Total	(60.8)	(43.3%)	(14.5)	(4.5%)

The Group's overall gross loss for the six months ended 30 June 2022 increased substantially to HK\$60.8 million, representing an increase of 319.3% as compared with a gross loss of HK\$14.5 million for the corresponding period in 2021. Its overall gross loss margin increased to 43.3% in the reporting period as compared with a gross loss margin of 4.5% in the corresponding period of 2021. The increase in gross loss was mainly due to the substantial decline of the Group's revenue compared with the corresponding period of 2021 and the fact that the Group implemented a deeper promotional policy.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Selling and distribution expenses (HK\$ million)	57.9	80.3
As a percentage of total revenue	41.2%	25.1%

Selling and distribution expenses of the Group decreased by HK\$22.4 million from HK\$80.3 million for the six months ended 30 June 2021 to HK\$57.9 million for the six months ended 30 June 2022. The selling and distribution expenses as percentage of revenue for the six months ended 30 June 2022 was 41.2%, increasing by 16.1% compared with 25.1% for the corresponding period in 2021. The decrease of selling and distribution expenses was primarily due to decreased expenditure for brand marketing.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Administrative expenses (HK\$ million)	157.3	124.5
As a percentage of total revenue	112.0%	38.9%

Administrative expenses increased by HK\$32.8 million to HK\$157.3 million for the six months ended 30 June 2022 from HK\$124.5 million for the corresponding period in 2021. The administrative expenses as percentage of revenue for the six months ended 30 June 2022 was 112.0%, increasing by 73.1% compared with 38.9% for the corresponding period in 2021. The increase of administrative expenses and as percentage of revenue was primarily due to the increase in the research and development expenses attributable to the increase in compensation of research and development's personnels.

INCOME TAX EXPENSE

For the six months ended 30 June 2022, the Group's income tax expenses for the period decreased by HK\$23.9 million to HK\$3.5 million from HK\$27.4 million for the corresponding period in 2021, which was primarily due to the absence of land appreciation tax for the six months ended 30 June 2022 as compared with the corresponding period in 2021.

NET LOSS BEFORE TAX

For the six months ended 30 June 2022, the Group recorded a net loss before tax of HK\$300.1 million, compared with the net loss before tax of HK\$210.7 million for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2022, 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 27% as at 30 June 2022 (31 December 2021: 33%).

Cash and cash equivalents of the Group as at 30 June 2022 amounted to HK\$573.1 million, while it was HK\$814.8 million as at 31 December 2021.

As at 30 June 2022, the Group had total debts (i.e. total borrowings) of approximately HK\$227.2 million, which were all denominated in RMB. The Group's borrowings are subject to floating rates of 7% per annum with maturity periods within one year.

As at 30 June 2022, the Company had 13,712,911,955 ordinary shares of par value HK\$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities.

INVENTORY

For the reporting period, the Group's inventory turnover days was 75.4 days (year ended 31 December 2021: 72.3 days).

TRADE RECEIVABLES

The trade receivables turnover days were 61.0 days for the reporting period (year ended 31 December 2021: 43.1 days).

TRADE PAYABLES

The trade payables turnover days were 115.1 days for the reporting period (year ended 31 December 2021: 105.7 days).

PLEDGE OF ASSETS

As at 30 June 2022, time deposits of approximately HK\$64.9 million in which (i) HK\$58.5 million were used as a pledge for issuance of letters of credit (31 December 2021: HK\$61.1 million); and (ii) HK\$6.4 million were used as a security for the banks to provide performance guarantees (31 December 2021: HK\$3.8 million).

As at 30 June 2022, the Group's investment in 20% of the shares of an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK\$100.1 million were pledged as security for a shareholder loan of this associate.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS (continued)

On 5 February 2021, the Group entered into an agreement with an independent third party, pursuant to which, the Group successfully extended the due date of a loan included in other borrowings amounting to RMB100 million (equivalent to HK\$117 million) from September 2021 to September 2022. Pursuant to the agreement, certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK\$563.42 million, HK\$118.48 million and HK\$24.72 million as at 30 June 2022 respectively were pledged as security for the loan.

CAPITAL SUPPORT

On 4 October 2021, the Company entered into a share subscription agreement (the “Share Subscription Agreement”) with each of SAI Growth Fund I, LLLP (“SAI”), Great Fortune Global Investment Limited, Great Shine Investment Limited, Allove Group Limited, Sharp Ally International Limited, YH Fund SPC – YH01 SP I (collectively, the “Subscribers”) and (where applicable) the guarantors, pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 3,000,000,000 ordinary shares at the subscription price of HK\$0.28 per subscription share and the net subscription price of HK\$0.278 per subscription share, with an aggregate nominal value of HK\$30 million. On the same day, the Company also entered into a warrant subscription agreement (the “Warrant Subscription Agreement”) with SAI, pursuant to which the Company conditionally agreed to issue to SAI warrants conferring the rights to subscribe for a maximum number of 800,000,000 warrant shares at the net warrant subscription price of HK\$0.043, HK\$0.055, HK\$0.065 and the net warrant exercise price of HK\$0.60, HK\$0.70, HK\$0.80 for two-year, three-year and four-year warrants respectively, with an aggregate nominal value of HK\$8.0 million. On 17 December 2021, 23 December 2021 and 30 December 2021, the Company completed issuances of 800,000,000 ordinary shares, 350,000,000 ordinary shares and 150,000,000 ordinary shares respectively, and successfully raised proceeds of approximately HK\$224 million, HK\$98 million and HK\$42 million respectively. In addition, on 17 December 2021, the Company completed an issuance of three tranches of warrants, and successfully raised proceeds of approximately HK\$45.1 million.

On 14 January 2022, the Company completed issuances of 800,000,000 ordinary shares and 300,000,000 ordinary shares at a subscription price of HK\$0.28 per share to Elite Mobile Limited (a company designated by Great Shine Investment Limited to be the allottee for the 800,000,000 new shares) and to Sharp Ally International Limited respectively, and successfully raised proceeds of approximately HK\$224 million and HK\$84 million respectively. On 28 January 2022, the Company completed issuances of 600,000,000 ordinary shares at a subscription price of HK\$0.28 per share to Great Fortune Global Investment Limited, and successfully raised proceeds of approximately HK\$168 million.

The Share Subscription Agreement would provide the Group with a definite amount of capital, the shareholders base would be enlarged and the financial position of the Group would be strengthened, whereas the issuance of the warrants under the Warrant Subscription Agreement provide the Group a definite amount of proceeds upon completion of the issuance and flexibility in raising additional funds with pre-determined terms, with premium to prevailing market prices of the shares. In addition, the issuance of warrants also serves as an incentive for SAI's (as an institutional investor) further support to the Group while it will not result in any immediate dilution effect on the shareholding of the existing shareholders.

Saved as disclosed in this section headed “Capital Support” in this report, the Company has not conducted any equity fund raising activities during the six months ended 30 June 2022, 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 are as follows. The Company intends to use the unutilised net proceeds raised as stated in the announcement of the Company dated 7 September 2022 on or before 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL SUPPORT (continued)

Date of Completion	Event	The name of the allottees)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed	Proceeds raised (approximately)	Proceeds brought forward as at 1 January 2022 (approximately)	Intended use of proceeds	Original allocation of the net proceeds (approximately)	Actual use of proceeds up to the date of 30 June 2022	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
26 January 2022	Issue and allotment of 600,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Great Fortune Global Investment Limited	0.340	HK\$168 million	N/A	(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;	(i) 90%, or HK\$798.9 million	Approximately HK\$304.1 million of the total net proceeds of HK\$976.6 million has been utilized as intended, amongst which (i) approximately HK\$246.4 million was utilized for the 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,	(i) HK\$466.1 million	(i) The establishment of new business channels and expansion of both online and offline business channels in the PRC	(a) HK\$165.2 million
14 January 2022	Issue and allotment of 300,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Sharp Ally International Limited	0.340	HK\$84 million	N/A	(a) The establishment of new business channels and expansion of both online and offline business channels in the PRC;(1)	(a) (1) 60%, or HK\$215.9 million and (2) 10%, or HK\$87.7 million		(b) HK\$100.9 million	(b) Sales and marketing of the mobile phone business	(b) HK\$100.9 million
14 January 2022	Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Elite Mobile Limited	0.340	HK\$224 million	N/A	(b) 20%, or HK\$75.3 million	(b) 20%, or HK\$75.3 million		(i) -	(i) General working Capital of the Group	(i) -
30 December 2021	Issue and allotment of 150,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Allove Group LIMITED	0.340	HK\$42 million	HK\$42 million	establishment of new business channels for the mobile phone business in the Mainland China, i.e. the establishment of channels of authorized service stores and (2) among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels	(i) 10%, or HK\$87.7 million	(i) approximately HK\$87.7 million was utilized for general working capital of the Group.	(i) -	(ii) Product manufacturing and development of operating system in respect of the Group's mobile phone business	(ii) HK\$200 million
23 December 2021	Issue and allotment of 350,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	YH Fund SPC –YH01 SPI	0.340	HK\$88 million	HK\$88 million	(c) Sales and marketing of the mobile phone business	(i) 10%, or HK\$87.7 million	As at 30 June 2022, approximately HK\$42.5 million of the proceeds raised from the share subscriptions and warrant subscription has not been used.	(i) -	(i) General working Capital of the Group	(i) -
17 December 2021	(i) Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$0.28 per share (ii) Issuance of 800,000,000 warrants shares	SAI Growth Fund I, LLLP	0.340	HK\$289.1 million	HK\$289.1 million	(ii) General working capital of the Group	(i) 10%, or HK\$87.7 million	The Company intends to use the unutilised net proceeds raised as stated in the circular of the Company dated 23 November 2021 on or before 30 June 2023.	(i) -	(i) General working Capital of the Group	(i) -

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's unaudited revenue for the six months ended 30 June 2022 amounted to HK\$140.5 million, representing a decline of 56.1% as compared with HK\$320.1 million for the six months ended 30 June 2021. This is primarily attributable to the COVID-19 pandemic in the domestic market, fierce competition in the PRC's mobile phone market and the main products sold in the first half of the 2022 were the models launched in 2021. The Group's overall gross loss for the six months ended 30 June 2022 increased substantially to HK\$60.8 million, representing an increase of 319.3% as compared with a gross loss of HK\$14.5 million for the corresponding period in 2021. Its overall gross loss margin increased to 43.3% in the reporting period as compared with a gross loss margin of 4.5% in the corresponding period of 2021. The increase in gross loss was mainly due to the substantial decline of the Group's revenue compared with the corresponding period of 2021 and the fact that the Group implemented a deeper promotional policy. The Group's selling and distribution expenses as a percentage of total revenue was 41.2%, representing an increase of 16.1 percentage points over the corresponding period in 2021, which was primarily because the decreased expenditure for brand marketing. Administrative expenses as a percentage of revenue was 112.0%, representing an increase of 73.1 percentage points over the corresponding period in 2021, mainly because of the increase in the research and development expenses attributable from the increase in the compensation of research and development's personnels. The Group's loss before tax was HK\$300.1 million in the first half of 2022, and the loss before tax in the corresponding period in 2021 was HK\$210.7 million. The Group's net loss amounted to HK\$303.5 million in the first half of 2022, representing an increase of HK\$65.4 million as compared with the net loss of HK\$238.1 million in the corresponding period in 2021.

BUSINESS REVIEW

Product Strategies

According to the data released by the China Academy of Information and Communication Technology, the shipment volume of mobile phones in the PRC market amounted to 136 million units in the first half of 2022, representing a 21.7% year-on-year decrease. In general, the mobile phone market has performed weakly in recent years, as reflected by sluggish hardware upgrades, the failing Moore's Law, and lengthened phone replacement cycles. With the overall phone shipment volume in the market dropping to a certain extent, some market players tried to maintain business growth by raising product prices, thereby creating room in the thousand-yuan phone market, leaving users' needs unsatisfied. The Group has made this customer base its primary target market. By establishing a clear product positioning and a pricing strategy that offers a strong price-performance ratio, we constantly optimized our phone operating system despite having limited hardware resources. Technologies such as extended RAM, hibernation, and the latest EROFS file system greatly enhanced our smartphone users' experience. We made up the hardware performance limitations of thousand-yuan phones through system optimization, so that users can enjoy better value-for-money.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Products

At present, our major smartphone models consist of three models under the COOL 20 series, namely, the COOL 20 and COOL 20 Pro released in 2021, and the COOL 20s released in the first half of 2022. The COOL 20 model is targeted at the hundred-yuan smartphone market, which is the first in the industry to offer a 90-day product return guarantee and a 2-year warranty as part of our after-sales services. The other model, the COOL 20 Pro, is targeted at the thousand-yuan mid-range 5G phone market and is focused on featuring a higher quality display and speaker. The COOL 20s is targeted at the entry-level thousand-yuan 5G phone market with an excellent price-performance ratio. Particularly, it is equipped with a pair of 1318 symmetrical dual speakers with upgraded specifications, making it the best-sounding phone at this price range. In the first half of 2022, our smartphone shipment in the Mainland China market amounted to 195,600 units, and the internet monthly active users in Mainland China reached 219,000.

Research and Development

As an experienced player in the mobile phone and telecommunications market in the PRC, the Group has devoted intense development efforts in the field of telecommunications. It possesses strong R&D capabilities for both software and hardware, and has applied for over 10,000 patents related to telecommunications and more than hundred patents related to 5G technology. It is also one of the framers of telecommunications industry's standards. In April 2022, the Group ranked seventh among the top 100 Innovation Enterprises in Shenzhen in 2021, a list announced by the Shenzhen Intellectual Property Protection Center of China.

Since 2021, the Group has continued to invest more resources in optimizing our underlying operating system and has achieved certain results. We continued to contribute new features to EROFS, a well-known open-source file system which has been merged into the mainline kernel with Linux and is supported by Android 13. We are currently the reviewer of such project and have received further recognition by the Linux community. The proportion of the Group's contribution to the underlying Linux core code of the Android system has also continued to increase, and it has ranked among the top enterprises in mainland China.

Moreover, the Group has been actively seeking partners to jointly explore the possibilities of applying new technologies on our operating system. In April 2022, the Group entered into a strategic cooperation agreement with Tencent Cloud to establish a joint laboratory to jointly explore, research and develop underlying technologies regarding the next generation of operating systems, and commence in-depth cooperation in the fields of operating system, cloud storage, and cloud computing.

BUSINESS REVIEW (continued)

Sales Channels and Digital Management

The Group continued to expand its sales channels in depth and in breadth. We accelerated the creation of a synergistic sales network through three major channels, namely, online channel, authorized sales service stores, and our authorised distributors. The Group's products are sold on most mainstream e-commerce platforms, including JD.com, Tmall, Pinduoduo, Douyin, Kuaishou and Xiaohongshu etc.. Our self-operated e-commerce channel is mainly used to promote the Coolpad brand and enhance brand awareness. In the offline market segment, the Group gradually established the Coolpad Authorised Sales Services Stores after organizing its network in China into regions according to their respective market sizes. These Coolpad Authorised Sales Services Stores are service stores comprehensively used for product sales, after-sales services, marketing and promotion etc. They are assessed and evaluated by the Group based on sales volume, number of monthly active users in region and other indicators. As of 30 June 2022, the Group has established more than 5,700 service stores in different regions across Mainland China. In the first half of 2022, the Group's authorized sales service stores model made its first breakthrough in Hebei province. Furthermore, as the Group continues to develop its distributor channels, it has now expanded its channels to 17 provinces. The Group has commenced mobile brand partnerships with China Mobile in 17 provinces. During the first phase, we focused on deep cultivation in the Hebei province market. We leveraged on the breadth of our channel coverage, which allowed us to establish our authorized Coolpad sales service stores coverage and partnered China Mobile operators rapidly, and increase our market share.

All authorized Coolpad sales service stores established by the Group have adopted a highly digitalised management model with an internet-based digitalised monitoring system, which monitors the sales, inventory, and operation status of all authorized sales service stores in every region in real time. The system also analyses big data collected from different websites and refines our sales channel management by tailor-making marketing strategies, incentive schemes and other forms of support for each station according to their actual business performance. This helps us control costs, improve efficiency, and increase sales volume.

The Group fully embraces digitalisation and actively explored the application of digitalisation on every aspect of its operations. In terms of products, our digitalised system helps us record and analyze data and improve the stability of our operating system. In terms of our business operations, digitalisation provides immense support to our supply chain management and fosters effective communication among various departments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

In 2022, the Group will continue to look towards the future and gradually implement its marketing strategy. In terms of products, the Group will steadily promote R&D of new products. It will continue to increase R&D efforts for COOLOS, strengthen the operating system kernel, continue to introduce new features, continue to optimize system functions, strengthen the usability and stability of the operating system, as well as strengthen the application of cloud services on products, and making full use of internet and kernel technology advantages to launch 5G cloud storage expansion and other services, and continue to optimize user experience.

In terms of its sales channels, the Group will speed up the development of its authorized sales service stores, and improve their quality at the same time. The Group also aims to further improve its digital management, utilise its experience gained from existing service stores to quickly expand its market across the country and increase brand awareness among customers. In addition, the Group will continue to develop its distributor channels and establish in-depth collaborative relationships with China Mobile operators to increase its market share.

The Group firmly believes that intelligent digital transformation is an inevitable trend in contemporary corporate development. In 2022, the Group will continue to upgrade its digitalised system, leverage the advantages offered by big data and cloud services, to further increase the application of big data and AI in the Group's operations, management and decision-making, in order to continue to optimize the Group's operating costs, improve operation decision-making efficiency, and achieve comprehensive intelligent digital transformation in its user and product analysis, product sales and operation management, and internet services.

We will continue unswervingly to implement the Group's long-term strategy, strengthen the Group's competitive edge in the PRC market, conduct innovation based on high-frequency scenarios and enhance user experience, in order to provide society with satisfying, and high performing and cost-effective products.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional foreign currency exchange risks. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue, cost of sales are denominated in USD. Exchange rate fluctuations between RMB and USD may affect the Group's performance and asset value. The depreciation of RMB will increase the purchasing cost of certain raw materials of the Group in the future. The Group had not entered into any derivative contracts to hedge against the risk for the six months ended 30 June 2022.

INTEREST RATE RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

The total staff costs for the six months ended 30 June 2022 amounted to approximately HK\$137.3 million (six months ended 30 June 2021: HK\$126.38 million). The remunerations of the Group's employees commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis. The Group also provides on-the-job training to its employees from time to time. As at 30 June 2022, the Group had 538 employees (31 December 2021: 546 employees).

SIGNIFICANT INVESTMENTS

Save as disclosed in this report, there were no significant investments held by the Group as at 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

At the annual general meeting of the Company held on 29 June 2021 (the "AGM"), the grant of the Repurchase Mandate (the "Repurchase Mandate") was approved by the shareholders to the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the number of Shares in issue as at the date of the AGM, which up to a maximum of 1,080,239,922 Shares can be repurchased under the Repurchase Mandate.

During the reporting period, the Company by using its internal financial resources, repurchased 92,108,000 shares in total on the Stock Exchange for an aggregate consideration of approximately HK\$18.8 million before expenses. The Board considered that the trading price of the Shares did not reflect their intrinsic value. The Shares repurchase also reflects the confidence of the Board in the prospects of the Company. The repurchased shares were subsequently cancelled on 2 June 2022. Details of Shares purchase are as follows:

Month of purchase in the six months ended 30 June 2022	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
March	68,132,000	0.222	0.197	14,245,140
April	20,152,000	0.199	0.177	3,861,080
May	3,824,000	0.193	0.191	734,988
Total	92,108,000			18,841,208

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022.

CHANGES OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

Mr. Ngai Tsz Hin Michael (“Mr. Ngai”) has been appointed as an independent non-executive Director and a member of each of the audit committee (the “Audit Committee”) and the remuneration committee (the “Remuneration Committee”) of the Board with effect from 18 January 2022. Mr. Ngai has been re-elected as an independent non-executive Director at the annual general meeting held on 28 April 2022. Mr. Ngai has been appointed as the chairman of the nomination committee of the Board (the “Nomination Committee”) with effect from 30 June 2022.

Mr. Guo Jinghui, an independent non-executive Director, has been appointed as a member of each of the Audit Committee and the Remuneration Committee with effect from 30 June 2022. Mr. Chiu Sin Nang Kenny, an independent non-executive Director, has been appointed as the chairman of the Audit Committee and the Remuneration Committee with effect from 30 June 2022.

Dr. Huang Dazhan has resigned as an independent non-executive Director and a member of each of the Audit Committee and the Remuneration Committee with effect from 18 January 2022. Mr. LAM Ting Fung Freeman has resigned as an executive Director of the Board with effect from 18 January 2022. Mr. Chan King Chung has resigned as an independent non-executive Director and the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 30 June 2022.

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

The Audit Committee of the Company, which currently comprises three independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2022, 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 2022
Mr. CHEN Jiajun	1	-	-	3,131,355,500	-	-	-	3,131,355,500	22.84
Mr. LIANG Rui	2	-	-	-	-	-	32,647,060	32,647,060	0.24
Mr. XU Yibo	2	4,500,000	-	-	-	-	19,588,236	24,088,236	0.18
Mr. MA Fei	2	-	-	-	-	-	13,058,819	13,058,819	0.10
Mr. NG Wai Hung	2	-	-	-	-	-	3,047,060	3,047,060	0.02
Mr. GUO Jinghui	2	-	-	-	-	-	1,958,824	1,958,824	0.01
Mr. CHIU Sin Nang Kenny		-	-	-	-	-	-	-	-
Mr. NGAI Tsz Hin Michael		-	-	-	-	-	-	-	-

Notes:

- As at 30 June 2022, The 2,331,355,500 shares were directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and hold 100% shares thereof. In addition, the 800,000,000 shares were directly held by Elite Mobile Limited which was ultimately wholly-owned by Mr. Chen Jiajun. Therefore, Mr. Chen Jiajun is indirectly interested in the 3,131,355,500 shares of the Company.
- The interests of these Directors are in the underlying shares of the options granted to the relevant Directors by the Company under the share option scheme adopted by the Company on 23 May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2022, 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 2022
Mr. CHEN Jiajun	1	3,131,355,500	Interest in a controlled corporation	3,131,355,500	22.84
Mr. Jeffrey Steven YASS	2	1,600,000,000	Interest in a controlled corporation	1,600,000,000	11.67
Mr. QIN Tao	3	926,500,000	Interest in a controlled corporation	1,086,684,472	7.92
		76,176,472	Interest of share option		
		84,008,000	Beneficial owner		
Mr. LIU Feng	4	920,260,000	Interest in a controlled corporation	920,260,000	6.71
Mr. TU Erfan	5	903,696,000	Interest in a controlled corporation	903,696,000	6.59
Great Shine Investment Limited	1	2,331,355,500	Beneficial owner	2,331,355,500	17.00
Elite Mobile Limited	1	800,000,000	Beneficial owner	800,000,000	5.84
SAI Growth Fund I, LLLP	2	800,000,000	Beneficial owner	1,600,000,000	11.67
	2	800,000,000	Derivative interest of warrants		
Allove Group Limited	3	926,500,000	Beneficial owner	926,500,000	6.76
YH Fund SPC – YH01 SP I	4	920,260,000	Beneficial owner	920,260,000	6.71
New Prestige Developments Limited	5	903,696,000	Beneficial owner	903,696,000	6.59

MANAGEMENT DISCUSSION AND ANALYSIS

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

Notes:

1. The 2,331,355,500 shares were directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and hold 100% shares thereof. In addition, the 800,000,000 shares were directly held by Elite Mobile Limited which was ultimately wholly-owned by Mr. Chen Jiajun. Therefore, Mr. Chen Jiajun is indirectly interested in the 3,131,355,500 shares of the Company.
2. The 800,000,000 Shares were directly held by SAI Growth Fund I, LLLP which was ultimately controlled by Mr. Jeffrey Steven Yass. The warrants conferring the rights to subscribe for a maximum number of 800,000,000 warrant shares (based on the initial exercise price) were issued to SAI Growth Fund I, LLLP on 17 December 2021. Therefore, Mr. Jeffrey Steven Yass was indirectly interested in the 1,600,000,000 shares of the Company.
3. The 926,500,000 shares were directly held by Allove Group Limited which was ultimately wholly-owned by Mr. Qin Tao. The 84,008,000 shares were directly held by Mr. Qin Tao. Due to the completion of the rights issue on 28 June 2021, the number of underlying shares of options held by Mr. Qin Tao under the share option scheme adopted by the Company on 23 May 2014 were adjusted from 70,000,000 shares to 76,176,472 shares.
4. The 920,260,000 shares were directly held by YH Fund SPC – YH01 SP I, which was ultimately controlled by Mr. Liu Feng. Accordingly, Mr. Liu Feng is also interested in 920,260,000 shares.
5. As disclosed in the announcement of the Company dated 19 December 2019, 800,000,000 Shares were allotted and issued to New Prestige Developments Limited, which is ultimately owned by Mr. TU Erfan. As at 30 June 2022, New Prestige holds 903,696,000 shares.

Save as disclosed above, as at 30 June 2022, 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 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

MANAGEMENT DISCUSSION AND ANALYSIS

Name or category of participant	Number of share options						The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant						
	As at 1 January 2022	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period	As at 30 June 2022		Price of the Company's listed shares immediately before the grant date	Adjusted exercise price per share	Exercise price of share options	Exercise period of share options	Date of grant of share options	HK\$ per Share (Note 4)
Employees													
In aggregate – granted on 13 November 2019	171,397,059	-	-	-	-	171,397,059	13-11-19	0.2242	0.2060	14-05-20 to 13-05-24 (Note 3)	(Note 1)	0.2242	0.2242
In aggregate – granted on 13 November 2019	80,832,227	-	-	-	3,168,946	77,663,281	13-11-19	0.2242	0.2060	14-11-20 to 13-11-24 (Note 2)		0.2242	0.2242
In aggregate – granted on 8 April 2021	605,711,768	-	-	-	15,153,676	590,558,092	08-04-21	0.510	0.4686	09-04-22 to 08-04-26 (Note 2)		0.510	0.473
Subtotal	857,941,054	-	-	-	18,322,622	839,618,432							

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 per Share (Note 4)	Adjusted exercise price per share (Note 5)	Price of the Company's listed shares immediately before the grant date of options per Share (Note 5)	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant per Share (Note 5)
	As at 1 January 2022	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period	As at 30 June 2022						
Directors												
In aggregate – granted on 13 November 2019												
Mr. Liang Rui	32,647,060	-	-	-	-	32,647,060	13-11-19	14-05-20 to 13-05-24 (Note 3)	0.2242	0.2060	0.218	0.2242
Mr. Xu Yibo	13,058,824	-	-	-	-	13,058,824	13-11-19	14-05-20 to 13-05-24 (Note 3)	0.2242	0.2060	0.218	0.2242
Mr. Ma Fei	8,705,879	-	-	-	-	8,705,879	13-11-19	14-05-20 to 13-05-24 (Note 3)	0.2242	0.2060	0.218	0.2242
Mr. Ng Wai Hung	3,047,060	-	-	-	-	3,047,060	13-11-19	14-05-20 to 13-05-24 (Note 3)	0.2242	0.2060	0.218	0.2242
Mr. Guo Jinghui	1,958,824	-	-	-	-	1,958,824	13-11-19	14-05-20 to 13-05-24 (Note 3)	0.2242	0.2060	0.218	0.2242
Subtotal	59,417,647	-	-	-	-	59,417,647						

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 per Share (Note 4)	Adjusted exercise price per share per Share (Note 5)	Price of the Company's listed shares immediately before grant date of options per Share per Share	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant per Share per Share
	As at 1 January 2022	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	-	-	-	08-04-21	09-04-22 to 08-04-26 (Note 2)	0.510	0.4686	0.490	0.473
Mr. Ma Fei	4,352,940	-	-	-	08-04-21	09-04-22 to 08-04-26 (Note 2)	0.510	0.4686	0.490	0.473
Subtotal	70,299,999	-	-	-						
Total	928,241,053	-	-	-						

SHARE OPTION SCHEME (continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised a year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
3. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised half a year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
4. The exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option.
5. The adjusted exercise price of a share option is the amount that the employee is required to pay to obtain each share under the Option adjusted due to the completion of the rights issue on 28 June 2021.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Under code provision C.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Currently, Mr. Chen Jiajun is the chairman of the Board and the chief executive officer of the Company.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company has not met the requirements under the Code during the six months ended 30 June 2022.

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, 24 August 2022

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	4	140,455	320,119
Cost of sales		(201,231)	(334,590)
Gross loss		(60,776)	(14,471)
Other income and gains	4	74,911	123,074
Selling and distribution expenses		(57,850)	(80,344)
Administrative expenses		(157,299)	(124,535)
Other expenses		(65,294)	(84,893)
Finance costs		(9,709)	(27,149)
Share of profits and losses of:			
Joint ventures		(16,728)	(12,837)
Associates		(7,311)	10,457
LOSS BEFORE TAX	5	(300,056)	(210,698)
Income tax expense	6	(3,493)	(27,436)
LOSS FOR THE PERIOD		(303,549)	(238,134)
Attributable to:			
Owners of the Company		(303,377)	(238,134)
Non-controlling interests		(172)	–
		(303,549)	(238,134)

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

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD		(303,549)	(238,134)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(31,259)	2,111
Share of other comprehensive (loss)/income of:			
Joint ventures		(6,483)	2,301
Associates		(15,642)	8,807
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(53,384)	13,219
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(356,933)	(224,915)
Attributable to:			
Owners of the Company		(356,752)	(224,919)
Non-controlling interests		(181)	4
		(356,933)	(224,915)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted for the period		(2.23)	(3.11)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	747,048	674,890
Investment properties		2,270,282	2,375,184
Right-of-use assets		91,239	98,349
Intangible assets		15,926	19,939
Investments in joint ventures		120,743	143,954
Investments in associates		351,752	374,705
Financial assets at fair value through profit or loss	16	124,714	27,263
Other non-current assets		62,802	47,461
Deferred tax assets		301	427
Total non-current assets		3,784,807	3,762,172
CURRENT ASSETS			
Inventories		97,320	71,226
Trade receivables	10	40,754	54,366
Prepayments, deposits and other receivables		137,088	354,180
Amounts due from associates	15	3,189	3,335
Pledged deposits		64,859	64,919
Cash and cash equivalents		573,086	814,812
Total current assets		916,296	1,362,838
CURRENT LIABILITIES			
Trade payables	11	140,904	116,499
Other payables and accruals		1,115,033	1,477,956
Interest-bearing bank and other borrowings	13	227,191	244,618
Lease liabilities		4,035	3,860
Amounts due to associates	15	39,532	41,350
An amount due to a joint venture	15	1,736	1,816
Amounts due to related parties	15	1,141	158,739
Tax payable		107,002	117,112
Total current liabilities		1,636,574	2,161,950
NET CURRENT LIABILITIES		(720,278)	(799,112)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,064,529	2,963,060

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Note</i>	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		11,197	13,424
Deferred tax liabilities		368,848	382,397
Other non-current liabilities		21,261	23,127
Total non-current liabilities		401,306	418,948
Net assets		2,663,223	2,544,112
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	137,129	121,050
Reserves		2,525,866	2,422,653
Non-controlling interests		2,662,995	2,543,703
		228	409
Total equity		2,663,223	2,544,112

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At 1 January (audited)	2,543,703	1,318,454
Total comprehensive loss for the period attributable to owners of the Company	(356,752)	(224,919)
Issue of shares	476,000	1,195,195
Share issue expenses	(5,019)	(28,068)
Repurchase and cancellation of shares	(18,841)	–
Equity-settled share option arrangements	23,904	14,550
At 30 June – equity attributable to owners of the Company	2,662,995	2,275,212
Non-controlling interests	228	403
At 30 June – total equity (unaudited)	2,663,223	2,275,615

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash flows used in operating activities	(34,113)	(186,373)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,402	677
Purchases of items of property, plant and equipment	(268,498)	(72,400)
Additions to other intangible assets	(114)	–
Additional payment in respect of premium of a parcel of land	–	(134)
Proceeds from disposal of items of property, plant and equipment	722	1,057
Additional investment in an associate	–	(1,007)
Purchase of financial assets at fair value through profit or loss	(99,456)	(19,402)
Proceeds from disposal of a financial asset at fair value through profit or loss	734	3,624
Cash transferred to restricted bank deposits	(6,597)	(22,819)
Cash transferred from restricted bank deposits	3,714	20,192
Net cash flows used in investing activities	(367,093)	(90,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	392,000	1,195,195
Share issue expenses	(5,019)	(28,068)
Payments for repurchase of shares	(18,841)	–
Repayment of bank and other borrowings	(6,889)	–
(Decrease)/increase in an amount due to a related party	(155,258)	86,778
Principal portion of lease payments	(1,854)	(2,602)
Interest paid	(20,969)	(10,306)
Net cash flows generated from financing activities	183,170	1,240,997
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(218,036)	964,412
Cash and cash equivalents at beginning of period	814,812	208,773
Effect of foreign exchange rate changes, net	(23,690)	1,502
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	573,086	1,174,687

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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.

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

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

Going concern basis

For the six months ended 30 June 2022, the Group incurred a net loss of HK\$304 million and the Group recorded net current liabilities of HK\$720 million as at 30 June 2022. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

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

Taking into account the successful completion of a placement as of 30 June 2022, the available unutilized loan facilities from a related party of the Group and a conditional bank facility provided by a reputable financial institution, the Directors are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

2.2 Changes in accounting policies and disclosures (continued)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2022

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2021

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

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2022 and 31 December 2021, respectively.

	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets			
At 30 June 2022 (Unaudited)	1,042,718	2,327,746	3,370,464
At 31 December 2021 (Audited)	1,179,948	2,418,598	3,598,546
Segment liabilities			
At 30 June 2022 (Unaudited)	1,269,003	21,261	1,290,264
At 31 December 2021 (Audited)	1,521,727	21,570	1,543,297

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Non-current assets

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Mainland China	3,640,999	3,730,942
Overseas	15,741	2,372
	3,656,740	3,733,314

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	132,194	318,596
Wireless application service income	8,261	1,523
	140,455	320,119

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

4. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customer

For the six months ended 30 June 2022

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

For the six months ended 30 June 2021

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

4. REVENUE, OTHER INCOME AND GAINS (continued)

Other income

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	2,402	677
Gross rental income from investment property operating leases:		
Fixed lease payments	48,336	31,616
Government grants and subsidies*	13,017	10,147
Gain on disposal of a parcel of land and construction in progress	–	63,230
Foreign exchange gain	–	11,834
Others	11,156	5,570
	74,911	123,074

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories sold	180,319	315,844
Depreciation of property, plant and equipment	10,003	9,163
Amortisation of patents and licences*	2,989	1,528
Depreciation of right-of-use assets	2,860	2,636
Research and development costs:		
Expenditure for the period*	88,449	74,288
Minimum lease rental expense in respect of short-term leases*	206	1,190
Interest expense recognised related to lease liabilities [@]	519	218
Gain on disposal of a parcel of land and construction in progress [^]	–	(63,230)
Write-down of inventories at net realisable value ^{&}	20,912	18,746
Direct operating expenses arising on rental-earning investment properties*	5,910	12,439
Recognition of equity-settled share option expense	23,904	14,550
(Gain)/Loss on disposal of items of property, plant and equipment ^{##}	(575)	183
(Reversal of impairment)/impairment of financial assets, net ^{##}	(61)	15,736
Fair value losses on financial assets at fair value through profit or loss, net [#]	18	58,908
Foreign exchange losses/(gains), net ^{##}	64,148	(11,834)

* Included in "Administrative expenses" in profit or loss

@ Included in "Finance costs" in profit or loss

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

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

Included in "Other expenses" in profit or loss

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

6. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made (2021: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group's subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current		
Corporate income tax	103	9,862
Land appreciation tax*	–	13,427
Deferred	3,390	4,147
	3,493	27,436

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

7. DIVIDEND

The Directors did not recommend the payment of any interim dividends for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$303,377,000 (six months ended 30 June 2021: a loss of HK\$238,134,000), and the weighted average number of ordinary shares of 13,590,996,530 in issue during the six months ended 30 June 2022 (six months ended 30 June 2021: 7,664,572,666).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2022 in respect of a dilution as the impact of the share option outstanding had no dilution effect on the basic loss per share amount presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at a cost of HK\$116,058,000 (six months ended 30 June 2021: HK\$55,643,000).

Assets with a net book value of HK\$147,000 were disposed of by the Group during the six months ended 30 June 2022 (30 June 2021: HK\$1,240,000), resulting in a net gain on disposal of HK\$575,000 (six months ended 30 June 2021: a net loss of HK\$183,000).

During the six months ended 30 June 2022, no impairment loss (six months ended 30 June 2021: Nil) was recognised for assets carried at historical cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 3 months	38,852	54,861
4 to 6 months	433	1,817
7 to 12 months	4,494	119
Over 1 year	213,960	213,437
Less: Impairment	257,739 (216,985)	270,234 (215,868)
	40,754	54,366

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 3 months	76,077	63,696
4 to 6 months	5,140	89
7 to 12 months	9,324	3,199
Over 1 year	50,363	49,515
	140,904	116,499

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

12. SHARE CAPITAL

On 14 January 2022, 800,000,000 shares were issued by the Group to Elite Mobile Limited, being a company 100% owned by the Chairman of the Board and the chief executive officer of the Company, at the subscription price of HK\$0.28 per share with proceeds before expense of approximately HK\$224 million.

On 14 January 2022 and 28 January 2022, 300,000,000 and 600,000,000 shares were issued by the Group to two independent third parties respectively at the subscription price of HK\$0.28 per share with proceeds before expense of approximately HK\$252 million. Further details of the above were set out in the Company's announcement dated 28 January 2022.

The Company repurchased 92,108,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HK\$18,841,000. The purchased shares were cancelled during the period and the total amount paid for the repurchase of the shares has been charged to share capital and share premium account of the Company.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Current		
Other borrowings – secured	227,191	244,618

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

14. COMMITMENTS

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Contracted, but not provided for construction in progress	525,146	742,628
Capital contributions payable to certain associates and an unlisted investment measured at fair value	23,387	24,462
	548,533	767,090

15. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Amounts due from associates (i)	3,189	3,335
	39,532	41,350
Lease liabilities due to an associate (ii)	12,136	13,080
An amount due to a joint venture (iii)	1,736	1,816
Amounts due to other related parties (iv)	1,141	158,739
	54,545	214,985

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

15. RELATED PARTY TRANSACTIONS (continued)

(a) Balances with related parties (continued)

- (i) Amounts due from/to associates represented the trade receivables from and the deposits and advances payable to associates which arose from in the course of the Group's operation.
- (ii) The lease liabilities were related to the leasing of certain office premises for the Group's operation from an associate, Nanjing Yulong Weixin Information Scientific Limited, during the year.
- (iii) An amount due to a joint venture represented the payable for the capital injection of Chuangku New Material Technology (Shenzhen) Co., Ltd pursuant to the articles of association. This balance is unsecured, interest-free and has no fixed terms of repayment.
- (iv) An amount due to Kingkey Property Management Co., Ltd. for the property management service expense, which is unsecured, interest-free and has no fixed terms of repayment.

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Associates:		
Purchase of service	–	1,696
Other related parties:		
Loan arrangement (i)	–	143,810
Interest expense (i)	1,035	7,735
Management service expense (ii)	5,910	8,645

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

15. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

- (i) In 2018, Kingkey Group has agreed to provide a loan with a maximum amount of no more than RMB500 million to the Group for corporate operation with a term of 12 months at an annual interest rate of 6.5%. In 2019 and 2020, the loan arrangement was extended to 20 May 2021 and further extended to a date no later than 31 December 2022. The specific due date after extension is subject to further negotiation between both parties according to their own capital needs. Up to 30 June 2022, there was no loan amount drawn down by the Group and the associates interest expense recognised for the current period amounted to HK\$1,035,000.
- (ii) Commencing from 1 September 2020, the Group purchases the property management service from Shenzhen Kingkey Property Management Co., Ltd. The purchase price of the management service is RMB25 per month per square meter. Property management service expense were made according to the prevailing market rates charged by independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity.

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

(c) Compensation of key management personnel of the Group

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	6,206	4,954
Pension scheme contributions	339	391
Equity-settled share option expense	6,220	2,468
Total compensation paid to other key management personnel	12,765	7,813

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Financial assets				
Financial assets included in prepayments, deposits and other receivables, non-current portion	3,052	1,168	3,052	1,168
Financial assets at fair value through profit or loss	124,714	27,263	124,714	27,263
	127,766	28,431	127,766	28,431
Financial liabilities				
An amount due to a related party	–	156,311	–	156,311
Interest-bearing bank and other borrowings	227,191	244,618	227,191	244,618
	227,191	400,929	227,191	400,929

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

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

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

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2022 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through profit or loss, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates, or an asset-based valuation technique.

The fair values of financial assets at fair value through other comprehensive income have been estimated using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022 and 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	1.25% to -1.25% (31 December 2021: 1.25% to -1.25%)	1% (31 December 2021: 1%) increase/decrease in multiple would result in increase/decrease in fair value by approximately HK\$91,671 (31 December 2021: HK\$91,671)
		Discount for lack of marketability	1.74% to -1.74% (31 December 2021: 1.74% to -1.74%)	1% (31 December 2021: 1%) increase/decrease in multiple would result in decrease/increase in fair value by approximately HK\$127,000 (31 December 2021: HK\$127,000)
	Asset-based approach	Net assets	N/A	N/A

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022

	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	–	–	124,714	124,714

As at 31 December 2021

	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	–	–	27,263	27,263

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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:

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
At 1 January	27,263	84,879
Addition	99,456	19,402
Total losses recognised in the statement of profit or loss, net	(18)	(60,476)
Disposal	(734)	–
Exchange realignment	(1,253)	316
At 30 June	124,714	44,121

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.

Liabilities measured at fair values

As at 30 June 2022

	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)	
Interest-bearing bank and other borrowings	–	–	227,191	227,191

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

Fair value hierarchy (continued)

Liabilities measured at fair values (continued)

As at 31 December 2021

	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)	
Interest-bearing bank and other borrowings	–	–	244,618	244,618
An amount due to a related party	–	156,311	–	156,311
	–	156,311	244,618	400,929

17. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.