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**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)**

## **2022 ANNOUNCEMENT OF FINAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Coolpad Group Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Year**”), together with the comparative figures for the year ended 31 December 2021.

### **FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>		<b>Changes</b> (%)
	<b>2022</b> <i>HK\$'000</i>	<b>2021</b> <i>HK\$'000</i>	
Revenue	<b>207,633</b>	665,380	-68.79
Loss before tax	<b>(629,430)</b>	(556,009)	13.21
Loss for the year attributable to owners of the Company	<b>(625,450)</b>	(572,376)	9.27
	<i>HK cents</i>	<i>HK cents</i>	
Basic and diluted loss per share	<b>(4.58)</b>	(6.17)	

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	<b>207,633</b>	665,380
Cost of sales		<b>(351,981)</b>	(629,081)
Gross (loss)/profit		<b>(144,348)</b>	36,299
Other income and gains	4	<b>167,356</b>	258,443
Selling and distribution expenses		<b>(71,182)</b>	(205,967)
Administrative expenses		<b>(295,472)</b>	(366,859)
Other expenses		<b>(184,561)</b>	(196,017)
Finance costs	6	<b>(16,973)</b>	(48,807)
Share of profits and losses of:			
Joint ventures		<b>(77,032)</b>	(49,827)
Associates		<b>(7,218)</b>	16,726
LOSS BEFORE TAX	5	<b>(629,430)</b>	(556,009)
Income tax credit/(expense)	7	<b>3,782</b>	(16,367)
LOSS FOR THE YEAR		<b>(625,648)</b>	(572,376)
Attributable to:			
Owners of the Company		<b>(625,450)</b>	(572,376)
Non-controlling interests		<b>(198)</b>	–
		<b>(625,648)</b>	(572,376)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9	<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
Basic and diluted		<b>(4.58)</b>	(6.17)

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

Year ended 31 December 2022

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(89,404)</b>	712
Share of other comprehensive (loss)/income of:		
Joint ventures	<b>(10,420)</b>	5,460
Associates	<b>(33,059)</b>	26,484
	<hr/>	<hr/>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<b>(132,883)</b>	32,656
	<hr/>	<hr/>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
(Loss)/Gain on property revaluation	<b>(30)</b>	13,128
Income tax effect	<b>7</b>	(3,282)
Share of other comprehensive income of an associate	<b>–</b>	67,954
	<hr/>	<hr/>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<b>(23)</b>	77,800
	<hr/>	<hr/>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>(132,906)</b>	110,456
	<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(758,554)</b>	<b>(461,920)</b>
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Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	<b>(758,335)</b>	(461,930)
Non-controlling interests	<b>(219)</b>	10
	<hr/>	<hr/>
	<b>(758,554)</b>	<b>(461,920)</b>
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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,033,364</b>	674,890
Investment properties		<b>2,143,745</b>	2,375,184
Right-of-use assets		<b>86,840</b>	98,349
Intangible assets		–	19,939
Investments in joint ventures		<b>56,502</b>	143,954
Investments in associates		<b>340,827</b>	374,705
Financial assets at fair value through profit or loss		<b>96,059</b>	27,263
Other non-current assets		<b>59,303</b>	47,461
Deferred tax assets		<b>289</b>	427
		<hr/>	<hr/>
Total non-current assets		<b>3,816,929</b>	3,762,172
<b>CURRENT ASSETS</b>			
Inventories		<b>55,748</b>	71,226
Trade receivables	10	<b>46,657</b>	54,366
Prepayments, deposits and other receivables	11	<b>42,916</b>	354,180
Financial assets at fair value through profit or loss		<b>13,783</b>	–
Amounts due from associates		<b>3,029</b>	3,335
Pledged deposits		<b>59,408</b>	64,919
Cash and cash equivalents	12	<b>234,717</b>	814,812
		<hr/>	<hr/>
Total current assets		<b>456,258</b>	1,362,838

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)

31 December 2022

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>138,950</b>	116,499
Other payables and accruals		<b>1,195,202</b>	1,477,956
Interest-bearing other borrowings		<b>177,929</b>	244,618
Lease liabilities		<b>4,587</b>	3,860
Amounts due to associates		<b>37,847</b>	41,350
An amount due to a joint venture		–	1,816
Amounts due to related parties		<b>1,314</b>	158,739
Tax payable		<b>103,733</b>	117,112
		<hr/>	<hr/>
Total current liabilities		<b>1,659,562</b>	2,161,950
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(1,203,304)</b>	(799,112)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,613,625</b>	2,963,060
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>9,944</b>	13,424
Deferred tax liabilities		<b>346,325</b>	382,397
Other non-current liabilities		<b>20,879</b>	23,127
		<hr/>	<hr/>
Total non-current liabilities		<b>377,148</b>	418,948
		<hr/>	<hr/>
Net assets		<b>2,236,477</b>	2,544,112
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		<b>136,510</b>	121,050
Reserves		<b>2,099,777</b>	2,422,653
		<hr/>	<hr/>
		<b>2,236,287</b>	2,543,703
Non-controlling interests		<b>190</b>	409
		<hr/>	<hr/>
Total equity		<b>2,236,477</b>	2,544,112
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 1. CORPORATE AND GROUP INFORMATION

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

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

### 2.1 BASIS OF PREPARATION

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

#### Going concern basis

For the year ended 31 December 2022, the Group incurred a net loss of HK\$626 million and the Group recorded net current liabilities of HK\$1,203 million as at 31 December 2022. The unrestricted cash and cash equivalent balance amounted to HK\$235 million as at 31 December 2022. As at 31 December 2022, the Group’s capital commitment in respect of the capital expenditure for its construction in progress to be incurred in the coming twelve months was HK\$119 million. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

During the year, the directors have taken various measures with the aim of improving the Group’s liquidity position, including but not limited to: (i) the implementation of cost saving measures to control the daily operation costs; (ii) a loan facility of RMB480 million (equivalent to HK\$537 million) from Kingkey Group Company Limited (京基集團有限公司) (“**Kingkey Group**”), a related party of the Group, was granted to the Company on 22 December 2022; (iii) on 14 January 2022, 800,000,000 shares were issued by the Company to a company which was 100% owned by Mr. Chen Jiajun, the Chairman of the Board and the chief executive officer of the Company, with net proceeds of approximately HK\$224 million; (iv) on 14 January 2022 and 28 January 2022, 300,000,000 and 600,000,000 shares, respectively, were issued by the Company to two independent third parties with a total net proceeds of approximately HK\$252 million; and (v) 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 year ended 31 December 2022, the Group recorded a rental income of HK\$92 million (2021: HK\$76 million).

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.

## 2.1 BASIS OF PREPARATION (continued)

### Going concern basis (continued)

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

- (i) The Group has been actively negotiating with the banks to obtain additional facilities to supplement its operating cash flows, among others, the Group has successfully obtained a stand-by facility amounting to RMB1,350 million (equivalent to HK\$1,511 million) from a bank subject to the completion of the pledge of the Group's certain investment properties.
- (ii) The Group has revisited its capital expenditure plan in the coming twelve months and has considered to postpone the current constructions in progress depending on the sufficiency of the working capital and the Group's capability in obtaining the finance resources. In the view of the Directors, the group would have the capability in adjusting the progress of the construction projects and the deferral of the capital expenditure would mitigate the pressure on the demand of operating fund in the coming twelve months.
- (iii) The Group is revisiting its operating strategies in Mainland China taking into account the potential business opportunities expected to arise from the 5th generation wireless system market, and continued to expand the cooperation with its business partners from various channels. The Group continued to take measures 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 is 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 mobile phone industry and the increasingly intense competition from 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.

Should the Group fail to realise its plans to grow its business, adjust the progress of the construction projects and defer its capital expenditure, and secure 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 consolidated statement of financial position as at 31 December 2022. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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>
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group 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* (the “**Conceptual Framework**”) 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 business combinations during the year, 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 as determined by HKAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (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.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two reportable operating segments as follows:

- (a) the mobile phone segment engages in the research, development, production and sale of mobile phones and related accessories and the provision of wireless application service;
- (b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease-related finance costs, share of profits and losses of joint ventures and associates are excluded from such measurement.

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

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

### 3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue (note 4)</b>			
Sales to external customers	207,633	–	207,633
Other revenue and gains	71,982	91,575	163,557
	<u>279,615</u>	<u>91,575</u>	<u>371,190</u>
<b>Total</b>	<b>279,615</b>	<b>91,575</b>	<b>371,190</b>
<b>Segment results</b>			
	(571,959)	39,104	(532,855)
<i>Reconciliation:</i>			
Interest income			3,799
Finance costs (other than interest on lease liabilities)			(16,124)
Share of losses of joint ventures			(77,032)
Share of losses of associates			(7,218)
			<u>(629,430)</u>
Loss before tax			<u>(629,430)</u>
<b>Segment assets</b>			
	1,184,162	2,199,535	3,383,697
<i>Reconciliation:</i>			
Investments in joint ventures			56,502
Investments in associates			340,827
Corporate and other unallocated assets			492,161
			<u>4,273,187</u>
<b>Total assets</b>			<b>4,273,187</b>
<b>Segment liabilities</b>			
	1,342,678	21,116	1,363,794
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			672,916
			<u>2,036,710</u>
<b>Total liabilities</b>			<b>2,036,710</b>
<b>Other segment information:</b>			
Reversal of impairment of financial assets, net	(5,959)	–	(5,959)
Impairment of property, plant and equipment	21,980	–	21,980
Impairment of intangible assets	12,085	–	12,085
Impairment of right-of-use assets	1,729	–	1,729
Write-down of inventories to net realisable value	43,492	–	43,492
Fair value losses on investment properties	–	32,639	32,639
Reversal of product warranty	(1,493)	–	(1,493)
Depreciation and amortisation	32,974	–	32,974
Capital expenditure*	478,038	1,149	479,187
	<u>478,038</u>	<u>1,149</u>	<u>479,187</u>

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

### 3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue (note 4)</b>			
Sales to external customers	665,380	–	665,380
Other revenue and gains	177,897	76,480	254,377
<b>Total</b>	<b>843,277</b>	<b>76,480</b>	<b>919,757</b>
<b>Segment results</b>	(493,497)	14,853	(478,644)
<i>Reconciliation:</i>			
Interest income			4,066
Finance costs (other than interest on lease liabilities)			(48,330)
Share of losses of joint ventures			(49,827)
Share of profits of associates			16,726
<b>Loss before tax</b>			<b>(556,009)</b>
<b>Segment assets</b>	1,179,948	2,418,598	3,598,546
<i>Reconciliation:</i>			
Investments in joint ventures			143,954
Investments in associates			374,705
Corporate and other unallocated assets			1,007,805
<b>Total assets</b>			<b>5,125,010</b>
<b>Segment liabilities</b>	1,521,727	21,570	1,543,297
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			1,037,601
<b>Total liabilities</b>			<b>2,580,898</b>
<b>Other segment information:</b>			
Impairment of financial assets, net	18,587	–	18,587
Impairment of property, plant and equipment	7,579	–	7,579
Impairment of intangible assets	8,019	–	8,019
Write-down of inventories to net realisable value	6,224	–	6,224
Fair value losses on investment properties	–	43,480	43,480
Provision of product warranty	667	–	667
Depreciation and amortisation	27,437	–	27,437
Capital expenditure*	440,403	16,271	456,674

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

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

##### (a) Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	176,690	112,629
Overseas	30,943	552,751
	<u>207,633</u>	<u>665,380</u>

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

##### (b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	3,716,334	3,730,942
Overseas	2,850	2,372
	<u>3,719,184</u>	<u>3,733,314</u>

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

#### Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	45,477	N/A
Customer B	22,689	N/A
Customer C	N/A	212,748
Customer D	N/A	166,309
Customer E	N/A	84,701
	<u>N/A</u>	<u>84,701</u>

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Revenue from contracts with customers		
Sale of mobile phones and related accessories	<b>180,735</b>	660,559
Wireless application service income	<b>26,898</b>	4,821
	<u><b>207,633</b></u>	<u>665,380</u>

##### Revenue from contracts with customers

###### (i) Disaggregated revenue information

<b>Mobile phone segment</b>	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Timing of revenue recognition:		
Goods and services transferred at a point of time	<u><b>207,633</b></u>	<u>665,380</u>

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Sale of mobile phones and related accessories	<u><b>18,152</b></u>	<u>22,160</u>

No revenue recognised during the year related to performance obligations that were satisfied in prior years (2021: Nil).

#### 4. REVENUE, OTHER INCOME AND GAINS (continued)

##### Revenue from contracts with customers (continued)

##### (ii) Performance obligation

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

##### *Sale of mobile phones and related accessories*

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

##### *Wireless application service*

The performance obligation is satisfied when the specific installation and activation requirement has been met and payment is generally due within 30 days from satisfaction of the performance obligation.

<b>Other income and gains</b>	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank interest income	3,799	4,066
Government grants and subsidies	13,877	51,660
Gross rental income from investment property operating leases:		
Fixed lease payments	91,310	76,480
Variable lease payments	265	–
	<b>91,575</b>	76,480
Gain on disposal of assets classified as held for sale	–	63,553
Foreign exchange gains, net	–	41,655
Gain on termination of lease	2,817	–
Gain on debt restructuring	32,172	–
Others	23,116	21,029
	<b>167,356</b>	258,443

## 5. LOSS BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	308,489	622,857
Depreciation of property, plant and equipment	21,118	18,890
Depreciation of right-of-use assets	5,323	4,800
Amortisation of intangible assets	6,533	3,747
Research and development costs*:		
Current year expenditure	167,743	161,522
	<u>1,521</u>	<u>749</u>
Lease payments not included in the measurement of lease liabilities		
Auditor's remuneration:		
Annual audit	3,031	3,313
Agreed-upon procedures	625	942
	<u>3,656</u>	<u>4,255</u>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	189,476	186,484
Staff welfare expenses	5,309	9,010
Pension scheme contributions (defined contribution scheme)	20,333	16,256
Equity-settled share option expense	3,569	41,153
	<u>218,687</u>	<u>252,903</u>
(Reversal of impairment)/impairment of trade receivables <sup>#</sup>	(5,959)	6,945
Impairment of other financial assets, net <sup>#</sup>	–	11,642
Impairment of right-of-use assets <sup>#</sup>	1,729	–
Impairment of property, plant and equipment and intangible assets <sup>#</sup>	34,065	15,598
(Gain)/loss on disposal of items of property, plant and equipment <sup>##</sup>	(110)	906
Write-down of inventories to net realisable value <sup>&amp;</sup>	43,492	6,224
Direct operating expenses arising on rental-earning investment properties <sup>*</sup>	17,946	16,747
(Reversal)/provision of product warranty <sup>@</sup>	(1,493)	667
Equity-settled expenses in connection with issue of warrants <sup>*^</sup>	–	74,686
Fair value losses on investment properties <sup>#</sup>	32,639	43,480
Fair value losses on financial assets at fair value through profit or loss, net <sup>#</sup>	33,212	77,004
Litigation claims <sup>##</sup>	–	27,572
	<u>–</u>	<u>–</u>

\* Included in "Administrative expenses" in profit or loss

@ Included in "Selling expenses" in profit or loss

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

# Included in "Other expenses" in profit or loss

## Included in "other income and gains"/"other expenses" in profit or loss

^ Share-based payment expense in connection with the issuance of unlisted warrants to a business partner of the Group during the prior year.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings	15,124	34,872
An amount due to a related party	1,000	13,458
Interest on lease liabilities	849	477
	<u>16,973</u>	<u>48,807</u>

## 7. INCOME TAX EXPENSE

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

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

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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current		
– corporate income tax	100	10,027
– land appreciation tax*	–	13,495
Deferred	<u>(3,882)</u>	<u>(7,155)</u>
Total tax (credit)/charge for the year	<u>(3,782)</u>	<u>16,367</u>

\* 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\$289,008,000). The relevant transfer procedures were completed in February 2021.

## 7. INCOME TAX EXPENSE (continued)

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

- (a) SZ Coolpad Technologies, the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2022, and was subject to CIT at a rate of 15% for three years from 2022 to 2025. In this regard, SZ Coolpad Technologies was subject to CIT at a rate of 15% (2021: 15%) for the year ended 31 December 2022.
- (b) Yulong Shenzhen, the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2021, and is subject to CIT at a rate of 15% for three years from 2021 to 2023. Therefore, Yulong Shenzhen was subject to CIT at a rate of 15% (2021: 15%) for the year ended 31 December 2022.

## 8. DIVIDEND

The Directors did not recommend payment of any final dividend for the Year (2021: Nil).

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

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 13,642,225,730 (2021: 9,269,499,294) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the share options and warrants outstanding had no dilutive effect on the basic loss per share amount presented.

## 10. TRADE RECEIVABLES

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>67,263</b>	270,234
Impairment	<b>(20,606)</b>	(215,868)
	<b><u>46,657</u></b>	<u>54,366</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. In the case of long-standing customers and those with a good repayment history, the Group may offer these customers with a credit period of 30 to 90 days. Trade receivables are non-interest-bearing.

## 10. TRADE RECEIVABLES (continued)

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	<b>31,271</b>	54,861
4 to 6 months	<b>2,812</b>	1,817
7 to 12 months	<b>14,857</b>	119
Over 1 year	<b>18,323</b>	213,437
	<b>67,263</b>	270,234
Less: Impairment	<b>(20,606)</b>	(215,868)
	<b>46,657</b>	54,366

The movements in the loss allowance for impairment of trade receivables are as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	<b>215,868</b>	305,602
(Reversal of impairment)/impairment loss, net	<b>(5,959)</b>	6,945
Amount written off as uncollectible	<b>(189,700)</b>	(99,281)
Exchange realignment	<b>397</b>	2,602
At 31 December	<b>20,606</b>	215,868

The decrease in the loss allowance was due to the following significant changes in the gross carrying amount:

- (a) Decrease in the loss allowance of HK\$189,700,000 as a result of the write-off of certain trade receivables;
- (b) Decrease in the loss allowance of HK\$12,135,000 as a result of the reversal of impairment of certain trade receivables; and
- (c) Increase in the loss allowance of HK\$6,176,000 as a result of an increase in trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

## 10. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Within 1 year	Ageing 1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.38%–31.21%	100%	100%	
Gross carrying amount (HK\$'000)	48,940	4,925	13,398	67,263
Expected credit losses (HK\$'000)	2,283	4,925	13,398	20,606

As at 31 December 2021

	Within 1 year	Ageing 1 to 2 years	Over 2 years	Total
Expected credit loss rate	1%–27.07%	100%	100%	
Gross carrying amount (HK\$'000)	56,797	9,530	203,907	270,234
Expected credit losses (HK\$'000)	2,431	9,530	203,907	215,868

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Prepayments for suppliers	5,563	81,162
Lease incentives	55,433	43,395
Deposits and other receivables	3,993	38,432
Deductible input VAT	34,756	235,754
Prepaid expenses	2,474	2,898
	<b>102,219</b>	401,641
Non-current portion	<b>(59,303)</b>	(47,461)
	<b>42,916</b>	354,180

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there are no comparable companies as at 31 December 2022 was 0.1% (2021: 0.1%).

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

## 12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash and bank balances	234,717	814,812
Time deposits	<u>59,408</u>	<u>64,919</u>
	294,125	879,731
Less: Pledged deposits for:		
– A performance guarantee and a letter of credit	<u>(59,408)</u>	<u>(64,919)</u>
Cash and cash equivalents	<u><u>234,717</u></u>	<u><u>814,812</u></u>

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$106,273,000 (2021: HK\$198,141,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 13. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	93,694	63,696
4 to 6 months	9,201	89
7 to 12 months	2,682	3,199
Over 1 year	<u>33,373</u>	<u>49,515</u>
	<u><u>138,950</u></u>	<u><u>116,499</u></u>

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

## 14. EVENTS AFTER THE REPORTING PERIOD

The Company had no significant event after the reporting period that needs to be disclosed.

## EXTRACT OF INDEPENDENT AUDITOR’S REPORT

### Opinion

We have audited the consolidated financial statements of Coolpad Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31 December 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$1,203 million. As stated in note 2.1, this event or condition, 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 opinion is not modified in respect of this matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE ANALYSIS BY PRODUCT SEGMENTS

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

Revenue	Year ended 31 December			
	2022		2021	
	Revenue	% of	Revenue	% of
	<i>HK\$ million</i>	revenue	<i>HK\$ million</i>	revenue
Sale of mobile phones and related accessories	<b>180.73</b>	<b>87.04</b>	660.56	99.28
Wireless application service income	<b>26.90</b>	<b>12.96</b>	4.82	0.72
<b>Total</b>	<b>207.63</b>	<b>100</b>	<b>665.38</b>	<b>100</b>

## REVENUE ANALYSIS BY PRODUCT SEGMENTS (continued)

The Group recorded consolidated revenue for the Year of HK\$207.63 million, representing a decrease of 68.79% as compared with HK\$665.38 million for the year ended 31 December 2021. In light of depressed domestic market due to the COVID-19 pandemic and fierce competition in the PRC's mobile phone market, sales of the new mobile phone product launched by the Group in June 2022 was less than expected, and a more aggressive sales incentive policy was adopted by the Group.

## GROSS (LOSS)/PROFIT

	Year ended 31 December			
	2022		2021	
Gross (loss)/profit	Gross loss <i>HK\$ million</i>	Gross loss margin (%)	Gross profit <i>HK\$ million</i>	Gross profit margin (%)
<b>Total</b>	<b><u>(144.35)</u></b>	<b><u>(69.52)</u></b>	<b><u>36.30</u></b>	<b><u>5.46</u></b>

The Group recorded a gross loss of approximately HK\$144.35 million for the Year as compared with a gross profit of HK\$36.30 million for the previous year ended 31 December 2021. The Group's overall gross loss margin for the Year was 69.52%, as compared with 5.46% of gross profit margin for the year ended 31 December 2021. The turning of gross profit to gross loss was primarily attributable to the adoption of a more aggressive sales incentive policy by the Group in the Year, so the revenue was lower than the cost of sales.

## SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2022	2021
Selling and distribution expenses ( <i>HK\$ million</i> )	<b>71.18</b>	205.97
Selling and distribution expenses/revenue (%)	<b><u>34.28</u></b>	<u>30.96</u>

Selling and distribution expenses of the Group during the Year decreased to approximately HK\$71.18 million, representing an decrease of 65.44%, as compared with HK\$205.97 million for the year ended 31 December 2021. The decrease in selling and distribution expenses was primarily attributable to the fact that the Group has already adopted an aggressive sales incentive, so the Group reduced the spending on selling and distribution expenses.

## ADMINISTRATIVE EXPENSE

	Year ended 31 December	
	2022	2021
Administrative expenses ( <i>HK\$ million</i> )	<b>295.47</b>	366.86
Administrative expenses/revenue (%)	<b><u>142.31</u></b>	<u>55.14</u>

## **ADMINISTRATIVE EXPENSE** (continued)

Administrative expenses decreased by 19.46% from HK\$366.86 million for the year ended 31 December 2021 to HK\$295.47 million for the Year. Administrative expenses as a percentage of total revenue increased to 142.31% in 2022 from 55.14% in 2021. The decrease in the amount of administrative expenses was primarily due to the issuance of warrants and share options by the Group in 2021, resulting in higher equity-settled expenses in 2021.

## **INCOME TAX CREDIT/EXPENSE**

During the Year, the Group recorded the loss before tax of HK\$629.43 million, as compared with the net loss of HK\$556.01 million for the year ended 31 December 2021, and the Group recorded a income tax credit of approximately HK\$3.78 million for the Year as compared with an income tax expense of approximately HK\$16.37 million for the year ended 31 December 2021. The turning of income tax expense to income tax credit was primarily attributable to the fact that the loss before tax for the Year is higher than 2021 and in 2021 the Group recorded a provision for land appreciation tax.

## **LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE**

For the Year, the Group's operating capital was mainly generated from cash from its daily operation of its businesses, equity funding, interest-bearing loan and other borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and other unforeseeable cash requirements. The Group had a gearing ratio of 37% as at 31 December 2022 (2021: 33%). The gearing ratio is equal to net debt divided by the sum of capital and net debt.

Cash and cash equivalents of the Group as at 31 December 2022 amounted to approximately HK\$234.72 million, while it was HK\$814.81 million as at 31 December 2021.

As at 31 December 2022, the Group had total debts (i.e. total borrowings) of approximately HK\$178 million, which were all denominated in RMB. The Group's borrowings are on demand and subject to a rate of 7% per annum.

As at 31 December 2022, the Company had 13,651,007,955 ordinary shares (the "Shares") of par value HK\$0.01 each in issue.

## **CONTINGENCIES**

### **(a) Litigations with suppliers**

The Group received several civil complaints in 2022 from suppliers demanding the Group to immediately repay the overdue accounts payable balance of RMB10,853,000 (equivalent to HK\$12,150,000) (2021: HK\$31,694,000). The arbitration procedures of the civil complaints were still in progress as at the date of approval of the announcement.

## PLEDGE OF ASSETS

- (a) As at 31 December 2022, the Group's 20% share in the investment in an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK\$101.29 million (2021: HK\$101.01 million) was pledged as security for a shareholder loan of this associate.
- (b) As at 31 December 2022, the Group's time deposits of approximately HK\$59.41 million were used as a performance guarantee and a letter of credit (2021: HK\$64.92 million).
- (c) As at 31 December 2021, the Group's general banking facilities amounted to RMB1,350 million (equivalent to HK\$1,651 million), of which nil had been utilised as at the end of 31 December 2021. The Group's banking facilities are secured by:
  - (i) mortgages over the Group's buildings, which had a net carrying value at 31 December 2021 of approximately HK\$88,430,000;
  - (ii) mortgages over the Group's investment property situated in Mainland China, which had a carrying value at 31 December 2021 of HK\$1,785,862,000; and
  - (iii) mortgages over the Group's right-of-use assets, which had a net carrying value at 31 December 2021 of approximately HK\$8,619,000.

In addition, Mr. Chen Jiajun, an executive director and the Chairman of the Board has provided a personal guarantee for the above banking facilities as at the end of the reporting period.

In May 2022, mortgages on these assets had been released by the Group, the Group cannot use the banking facilities until they complete the mortgages registration again.

- (d) At 31 December 2022, the Group's other borrowings are secured by certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK\$529.69 million, HK\$109.05 million and HK\$23.23 million as at 31 December 2022 respectively.

## FINANCIAL REVIEW

For the Year, the Group recorded a turnover of HK\$207.63 million, representing a decrease of 68.79% as compared with HK\$665.38 million for the year ended 31 December 2021. In light of depressed domestic market due to the COVID-19 pandemic and fierce competition in the PRC's mobile phone market, sales of the new mobile phone product launched by the Group in June 2022 was less than expected, and a more aggressive sales incentive policy was adopted by the Group. The Group recorded a gross loss of approximately HK\$144.35 million for the Year as compared with a gross profit of HK\$36.30 million for the previous year ended 31 December 2021. The Group's overall gross loss margin for the Year was 69.52%, as compared with 5.46% of gross profit margin for the year ended 31 December 2021. The turning of gross profit to gross loss was primarily attributable to the adoption of a more aggressive sales incentive policy by the Group in the Year, so the revenue was lower than the cost of sales. The selling and distribution expenses of the Group during the Year decreased to approximately HK\$71.18 million, representing an decrease of 65.44%, as compared with HK\$205.97 million for the year ended 31 December 2021. The decrease in selling and distribution expenses was primarily attributable to the fact that the Group has already adopted an aggressive sales incentive, so the Group reduced the spending on selling and distribution expenses. The administrative expenses decreased by 19.46% from HK\$366.86 million for the year ended 31 December 2021 to HK\$295.47 million for the Year. Administrative expenses as a percentage of total revenue increased to 142.31% in 2022 from 55.14% in 2021. The decrease in the amount of administrative expenses was primarily due to the issuance of warrants and share options by the Group in 2021, resulting in higher equity-settled expenses in 2021.

For the Year, the Group recorded a loss before tax of HK\$629.43 million, as compared with HK\$556.01 million for the year ended 31 December 2021, and the Group recorded an income tax credit of approximately HK\$3.78 million for the Year as compared with an income tax expense of approximately HK\$16.37 million for the year ended 31 December 2021. The turning of income tax expense to income tax credit was primarily attributable to the fact that the loss before tax for the Year is higher than 2021 and in 2021, the Group recorded a provision for land appreciation tax.

## 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 Fortune**”), Great Shine Investment Limited (“**Great Shine**”), Allove Group Limited, Sharp Ally International Limited (“**Sharp Ally**”), 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 to be the allottee for the 800,000,000 new shares) and to Sharp Ally 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, and successfully raised proceeds of approximately HK\$168 million.

## **CAPITAL SUPPORT** (continued)

The Share Subscription Agreement provided the Group with a definite amount of capital, enlarged shareholders base and the financial position of the Group was strengthened, whereas the issuance of the warrants under the Warrant Subscription Agreement provided 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. As disclosed in the announcement of the Company dated 7 September 2022, to facilitate an effective use of the financial resources of the Group and the business expansion of the Group, the Board has changed the proposed use of part of the proceeds from the Share Subscription Agreement and the Warrant Subscription Agreement originally allocated for establishment of new business channels and expansion of both online and offline business channels in the PRC to product manufacturing and development of operating system in respect of the Group's mobile phone business and sales and marketing.

Saved as disclosed in this section headed "Capital Support" in this announcement, the Company has not conducted any equity fund raising activities during the Year, 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, original and revised allocation of such proceeds are as follows.

## CAPITAL SUPPORT (continued)

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the issue were fixed HK\$ per Share	Proceeds raised (approximately)	Proceeds brought forward as at 1 January 2022 (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	Actual use of proceeds up to the date of 31 December 2022 and expected timeline for unutilised net proceeds
28 January 2022	Issue and allotment of 600,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Great Fortune Global Investment Limited	0.340	HK\$168 million	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\$788.9 million	(i) HK\$466.1 million	(i) (a) The establishment of new business channels and expansion of both online and offline business channels in the PRC	(i) (a) HK\$165.2 million	Approximately HK\$369.0 million of the revised unutilised net proceeds of HK\$466.1 million has been utilised as intended, amongst which (i) (a) approximately HK\$88.9 million was utilised for the establishment of new business channels and expansion of both online and offline business channels in the PRC, (b) approximately HK\$81.1 million was utilised for sales and marketing of the mobile phone business, (iii) approximately HK\$99.0 million was utilised for product manufacturing and development of operating system in respect of the Group's mobile phone business.
14 January 2022	Issue and allotment of 300,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	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) establishment of new business channels for the mobile phone business in the Mainland China, i.e. the establishment of authorized service stores and (2) things, improve the expansion of self-operated e-commerce channels and traditional distributor channels	(a) (1) 60%, or HK\$525.9 million and (2) 10%, or HK\$87.7 million	(a) HK\$465.2 million	(b) Sales and marketing of the mobile phone business	(b) HK\$100.9 million	As at 31 December 2022, approximately HK\$197.1 million of the proceeds raised from the share subscriptions and warrant subscription has not been used.
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\$175.3 million	(ii) 10%, or HK\$87.7 million	(b) HK\$0.9 million	(ii) General working capital of the Group	(ii) –	The Company intends to use the unutilised net proceeds raised as disclosed in the announcement of the Company dated 7 September 2022 on or before 30 June 2023.
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	(b) Sales and marketing of the mobile phone business	(b) 20%, or HK\$175.3 million		(iii) Product manufacturing and development of operating system in respect of the Group's mobile phone business	(iii) 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 SP1	0.340	HK\$98 million	HK\$98 million						
17 December 2021	(i) Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	SAI Growth Fund I, LLLP	0.340	HK\$269.1 million	HK\$269.1 million	(ii) Issuance of 800,000,000 warrants shares					

## CAPITAL SUPPORT (continued)

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed <i>HK\$ per Share</i>	Proceeds raised <i>(approximately)</i>	Proceeds brought forward as at 1 January 2022 <i>(approximately)</i>	Intended use of proceeds	Original allocation of the net proceeds <i>(approximately)</i>	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	Actual use of proceeds up to the date of 31 December 2022 and expected timeline for unutilised net proceeds
28 June 2021	Rights issue on the basis of one (1) rights share for every two (2) existing shares held on the record date at HK\$0.28 per rights share	–	0.475	HK\$98.1 million <i>(approximately)</i>	HK\$376.2 million <i>(approximately)</i>	(i) Approximately 30% for the repayment of existing indebtedness of the Group during the year ending 31 December 2021. (ii) Approximately 50% for the expansion of the Group's business during the two years ending 31 December 2022, in particular the mobile business in the PRC. (iii) Approximately 10% for the acquisition of and/or the investment in businesses that can take advantage of the Group's competitive edge when suitable opportunities arise, which is expected to be utilised in the two years ending 31 December 2022. (iv) Approximately 10% for the general working capital of the Group, of which 5% is expected to be utilised for each of the years ending 31 December 2021 and 2022, respectively.	(i) HK\$294.3 million (ii) HK\$490.5 million (iii) HK\$98.1 million (iv) HK\$98.1 million	N/A	N/A	N/A	The unutilised proceeds of HK\$376.2 million brought forward as at 1 January 2022 has been fully utilised during the Year as intended and as disclosed in the prospectus of the Company dated 3 June 2021, amongst which (i) approximately HK\$188.2 million was utilised for the repayment of existing indebtedness of the Group during the Year, (ii) approximately HK\$44.8 million was utilised for the expansion of the Group's business during the two years ended 31 December 2022, in particular the mobile business in the PRC, (iii) approximately HK\$98.1 million was utilised for the acquisition of and/or the investment in businesses, (iv) approximately HK\$49.1 million was utilised for general working capital of the Group for the year ended 31 December 2022.

## BUSINESS REVIEW

According to the data from the International Data Corporation, global smartphone shipments continued to decline in 2022, with shipments of approximately 1.2 billion units in 2022, representing a year-on-year decrease of 11.3%. Total shipments in the PRC market was approximately 286 million units, representing a year-on-year decrease of 13.2%, the largest decline on record. In the first half of the year, supply chain of smartphones was tight and the chip prices tumbled. This situation changed rapidly in the second half of the Year. With the decline in demand and the rapid expansion of production after the shortage, the supply began to exceed the demand. Smartphone prices hence continued to fall, putting pressure on the attractiveness of Group's products, in turn adversely impacted the Group's overall performance. However, from a macro perspective, the size of China's smartphone market remains huge. In addition, due to the impact of the prolonged pandemic, demand for terminals was sluggish and market products gradually became high-end, leaving a room for high cost-performance smartphone market. Therefore, the Group adopts a high cost-performance pricing strategy and continues to focus on high cost-performance models among its product mix to meet the core needs of consumers. The Group's existing major products consist of three models under the COOL 20 series (Cool 20, Cool 20 Pro and Cool 20s), all are equipped with the Group's highly optimized COOLOS system, which offers smooth operation for seamless user experience, clear product positioning and best value for money to consumers.

The Group is an experienced telecom enterprise in the PRC market that has applied for more than 10,000 patents in the telecommunications sector and has obtained more than 200 patents related to 5G. In 2022, the Group continued to boost research and development ("R&D") on the linux system kernel and strived to achieve an industry-leading level in system performance. To this end, the Group has set up a special internal group to continuously develop new system features, especially on the EROFS file system, to continuously contribute features such as defragmentation and disk performance optimization and apply them to the Group's COOLOS system. Mobile phones equipped with COOLOS ensure system smoothness with limited hardware through technologies such as extended RAM, hibernation and the EROFS file system. Meanwhile, the Group continues to improve the system and add practical and convenient functions to further narrow the gap between itself and first-tier brands in terms of system usability.

In terms of domestic channel development, the Group has comprehensively strengthened each channel and reconstructed a composite channel structure with a combination of operators, e-commerce platforms and offline channels. In traditional channels, the Group re-established partnerships with provincial distributors, re-established cooperation with operators through provincial partners, and established a professional operator contact team to strengthen its focus on operators. As at 31 December 2022, services provided by the Group's provincial distributors cover 15 provinces in the PRC. In addition, in the second half of 2022, the Group paid more attention to offline service quality, established a more complete Cool Partner mechanism based on the original authorized sales service stores, and built a flat sales network through the management of fully-digitalized channels in order to reduce channel loss and achieve mutual benefits with Cool Partners.

## **BUSINESS REVIEW** (continued)

In terms of online channels, during the Year, the Group further strengthened the construction of its e-commerce platform, established a sales team for large e-commerce platforms, re-established effective cooperation with three major e-commerce platforms, namely JD.com, TMall and Pinduoduo, further activated the platform flagship stores and actively expanded the sales channels of non-self-operated third-party stores in e-commerce.

For overseas market, the Group suspended the U.S. market during the Year and was in course of planning to enter into and focus on other regions.

During the Year, the Group carried out a comprehensive digital upgrade of its enterprise management system, and has made certain achievements. At present, the Group has realized a fully digital office. The Group's financial accounting system, sales management system, process submission and approval system, and finished goods management system have all been fully digitalized, which has greatly improved the Group's operational efficiency and reduced operating costs.

## **BUSINESS OUTLOOK**

With the gradual recovery of demand after the end of the pandemic, the easing of the supply chain situation, and other overlapping factors, the smartphone market is expected to gradually recover.

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

In order to enhance the Group's market share in the PRC, the Group will continue to expand distributors network to multiple provinces, to achieve deep strategic cooperation with operators through distributors in key provinces, to operate Cool Partners with high quality, and to actively explore the construction of other channels, such as supply and marketing cooperatives. The Group will also further promote effective cooperation with head e-commerce platforms and third-party stores. For overseas markets, the Group will focus on Latin America, the Middle East, Africa and Southeast Asia.

In addition, the Group will explore other profitable business opportunities, such as licensing COOLOS to third-party manufacturers, building the COOLOS ecological chain, and launching ecological chain products.

In 2023, the third year of the Group's return to the PRC market, the Group will adhere to its original intention, and will strive to move forward and provide quality products to consumers, effectively convert the inputs of the past two years into valuable outputs with an aim to turnaround the Group's performance into profits.

## **OPERATION RISK**

On 11 March 2020, the World Health Organization officially described the novel Coronavirus outbreak as a COVID-19 pandemic. The prolonged COVID-19 pandemic had an adverse impact on the business performance of the Group for the Year.

## **FOREIGN EXCHANGE EXPOSURE**

The main business operations of the Group during the Year are conducted in Mainland China, its income, cost and assets are denominated primarily in Renminbi (“**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 HK\$ and the volatility of exchange rates. The Group has not entered into any derivative contracts to hedge against the risk in the Year.

## **INTEREST RATE RISK**

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

## **EMPLOYEES AND REMUNERATION POLICY**

During the Year, the Group’s staff costs (including directors’ remuneration) amounted to approximately HK\$218.69 million (2021: HK\$252.90 million). The remuneration of the Group’s employees was commensurate with their responsibilities and market rates, with discretionary bonuses and training given on a merit basis. As of 31 December 2022, the Group had 304 employees (2021: 546 employees).

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

At the annual general meeting of the Company held on 16 June 2022 (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 a maximum of 10% of the number of Shares in issue as at the date of the AGM, being 1,371,291,195 Shares.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**  
(continued)

During the Year, the Company by utilising its internal financial resources, repurchased 154,012,000 Shares in total on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for an aggregate consideration of approximately HK\$23.6 million before expenses. The Board considered that the trading price of the Shares did not reflect their intrinsic value. The Shares repurchased also reflects the confidence of the Board in the prospects of the Company. The 92,108,000 repurchased Shares were cancelled on 2 June 2022 and the 61,904,000 repurchased Shares were cancelled on 29 December 2022. Details of the repurchase during the Year are as follows:

Month of purchase in the Year	Number of Shares repurchased	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
September	11,012,000	0.123	0.098	1,163,800
October	20,384,000	0.109	0.065	1,658,232
November	25,436,000	0.078	0.058	1,645,476
December	5,072,000	0.071	0.061	322,292
Total	<u>154,012,000</u>			<u>23,631,008</u>

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.

**DIVIDEND**

The Directors did not recommend the payment of any dividends for the Year (2021: Nil).

**COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) 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, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The audit committee has reviewed the Group's annual results for the Year.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS**

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income for the Year and the related notes thereto as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **IMPORTANT EVENTS AFTER THE YEAR**

The Group does not have any important event after the Year that needs to be disclosed.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Under Code Provision C.2.1 of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate 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 Year.

## **ANNUAL GENERAL MEETING**

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

## **PUBLICATION OF INFORMATION ON THE WEBSITES**

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

## **FORWARD LOOKING STATEMENTS**

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

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

Hong Kong, 30 March 2023

*As at the date of this announcement, the Board comprises (i) two executive Directors, namely Mr. Chen Jiajun and Mr. Ma Fei; (ii) three non-executive Directors, namely Mr. Liang Rui, Mr. Ng Wai Hung and Mr. Xu Yibo; and (iii) three independent non-executive Directors, namely Mr. Guo Jinghui, Mr. Chiu Sin Nang Kenny and Mr. Ngai Tsz Hin Michael.*