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COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS

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

The board (the “**Board**”) of directors (the “**Directors**”) of Coolpad Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 together with comparative figures for the corresponding period of 2022 as follows:

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

For the six months ended 30 June 2023

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

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

For the six months ended 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

30 June 2023

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NET CURRENT LIABILITIES	(1,114,181)	(1,203,304)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,644,397	2,613,625
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	213,553	–
Lease liabilities	8,786	9,944
Deferred tax liabilities	331,486	346,325
Other non-current liabilities	20,667	20,879
Total non-current liabilities	574,492	377,148
Net assets	2,069,905	2,236,477
EQUITY		
Equity attributable to owners of the Company		
Share capital	136,510	136,510
Reserves	1,933,188	2,099,777
	2,069,698	2,236,287
Non-controlling interests	207	190
Total equity	2,069,905	2,236,477

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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**”) was involved in the following principal activities: production and sale of mobile phones and accessories, provision of wireless application services; and leases of properties.

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

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Going concern basis

For the six months ended 30 June 2023, the Group incurred a net loss of HK\$117 million and the Group recorded net current liabilities of HK\$1,114 million as at 30 June 2023. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

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

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

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

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

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information and the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date.

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

Six months ended 30 June 2023

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

Six months ended 30 June 2022

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

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

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

Geographical information

Non-current assets

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

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Disaggregated revenue information for revenue from contracts with customer:

For the six months ended 30 June 2023

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

For the six months ended 30 June 2022

Mobile phone segment	Total <i>HK\$'000</i> (Unaudited)	
Geographical markets		
Mainland China		113,455
Overseas		<u>27,000</u>
Total revenue from contracts with customers		<u><u>140,455</u></u>
Timing of revenue recognition		
Goods and services transferred at a point of time		<u>140,455</u>
Total revenue from contracts with customers		<u><u>140,455</u></u>
	Six months ended 30 June	
Other income and gains	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	1,009	2,402
Gross rental income from investment property operating leases:		
Fixed lease payments (<i>note 3</i>)	–	48,336
Government grants and subsidies*	1,177	13,017
Others	<u>445</u>	<u>11,156</u>
	<u>2,631</u>	<u><u>74,911</u></u>

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

5. LOSS BEFORE TAX

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

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

* Included in “Administrative expenses” in profit or loss

@ Included in “Finance costs” in profit or loss

& Included in “Cost of sales” in profit or loss

Included in “Other expenses” in profit or loss

Included in “Other expenses”/“Other income and gains” in profit or loss.

6. INCOME TAX

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

No provision for Hong Kong profits tax has been made (six months ended 30 June 2022: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group's subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

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

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current		
Corporate income tax	(20)	103
Deferred	<u>(4,265)</u>	<u>3,390</u>
	<u>(4,285)</u>	<u>3,493</u>

7. DIVIDEND

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

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$117,138,000 (six months ended 30 June 2022: a loss of HK\$303,377,000), and the weighted average number of ordinary shares of 13,651,007,955 in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: 13,590,996,530).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 in respect of a dilution as the impact of the share option outstanding had no dilution effect on the basic loss per share amount presented.

9. TRADE RECEIVABLES

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

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

10. TRADE PAYABLES

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

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

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

11. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSED BY PRODUCT TYPE

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

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

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

GROSS PROFIT/(LOSS)

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

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

SELLING AND DISTRIBUTION EXPENSES

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

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

ADMINISTRATIVE EXPENSES

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

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

INCOME TAX EXPENSE/CREDIT

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

NET LOSS BEFORE TAX

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

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2023, operating capital was mainly generated from cash from its daily operation and capital supports. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other unforeseeable cash requirements. The Group had a gearing ratio of 41% as at 30 June 2023 (31 December 2022: 37%).

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

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

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

CONTINGENT LIABILITIES

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

INVENTORY

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

TRADE RECEIVABLES

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

TRADE PAYABLES

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

PLEDGE OF ASSETS

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

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

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

FINANCIAL REVIEW

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

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

BUSINESS REVIEW

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

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

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

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

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

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

BUSINESS OUTLOOK

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

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

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

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

FOREIGN EXCHANGE EXPOSURE

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

INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION POLICY

The total staff costs (including directors' remuneration) for the six months ended 30 June 2023 amounted to approximately HK\$45.5 million (six months ended 30 June 2022: HK\$137.3 million). The remunerations of the Group's employees (including the Directors) commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis. The Group also provides on-the-job training to its employees from time to time. As at 30 June 2023, the Group had 300 employees (including the Directors) (31 December 2022: 538 employees (including the Directors)).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023.

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDIT COMMITTEE

The audit committee (“**Audit Committee**”) of the Company, which currently comprises three independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members.

EVENTS AFTER THE REPORTING PERIOD

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

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 reporting period.

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

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

Hong Kong, 21 August 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.