# COOLPAD GROUP LIMITED
# 酷派集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2369)**

## 2017 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 2017, together with the comparative figures for the year ended 31 December 2016.

**Financial Highlights**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2017** | 2016 | **Changes** |
| | ***HK$'000*** | *HK$'000* | *(%)* |
| Revenue | **3,378,077** | 7,969,477 | -57.61 |
| Loss before tax | **(2,702,251)** | (4,356,068) | -37.97 |
| Loss for the year attributable to owners of the Company | **(2,674,457)** | (4,379,631) | -38.93 |
| Basic Loss per share | **HK(53.14) cents** | HK(89.82) cents | -40.84 |
| Diluted Loss per share | **HK(53.14) cents** | HK(89.82) cents | -40.84 |

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

*Year ended 31 December 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| REVENUE | 4 | **3,378,077** | 7,969,477 |
| Cost of sales | | **(3,696,480)** | (7,614,994) |
| Gross (loss)/profit | | **(318,403)** | 354,483 |
| Other income and gains | 4 | **367,440** | 449,889 |
| (Loss)/gain on loss of control of subsidiaries | | **(534)** | 154,089 |
| Loss on disposal of an investment in a joint venture | | **–** | (1,837,114) |
| Impairment of investments in associates | 11 | **(453,694)** | (793,445) |
| Selling and distribution expenses | | **(667,863)** | (1,009,958) |
| Administrative expenses | | **(709,261)** | (954,989) |
| Other expenses | | **(752,782)** | (324,182) |
| Finance costs | 6 | **(26,248)** | (83,995) |
| Share of losses of: | | | |
| Joint ventures | | **(3,765)** | (138,969) |
| Associates | | **(137,141)** | (171,877) |
| LOSS BEFORE TAX | 5 | **(2,702,251)** | (4,356,068) |
| Income tax expense | 7 | **(20,825)** | (45,352) |
| LOSS THE YEAR | | **(2,723,076)** | (4,401,420) |

continued/...

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

| | Notes | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|---|
| OTHER COMPREHENSIVE INCOME/(EXPENSE) | | | |
| Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods: | | | |
| Changes in fair value of available-for-sale investments: | | **377** | (425) |
| Exchange differences on translation of foreign operations | | **40,113** | (132,276) |
| Reclassification adjustment for a foreign operation disposed of during the year | | **111** | 19,048 |
| Share of other comprehensive income/(expense) of: | | | |
| Joint ventures | | **6,560** | (493) |
| Associates | | **21,549** | (28,277) |
| Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods | | **68,710** | (142,423) |
| Other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods: | | | |
| (Loss)/gain on property revaluation | | **(37,059)** | 37,135 |
| Income tax effect | | **5,940** | (6,773) |
| Net other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods | | **(31,119)** | 30,362 |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX | | **37,591** | (112,061) |
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | | **(2,685,485)** | (4,513,481) |
| Loss attributable to: | | | |
| Owners of the Company | | **(2,674,457)** | (4,379,631) |
| Non-controlling interests | | **(48,619)** | (21,789) |
| | | **(2,723,076)** | (4,401,420) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(2,636,943)** | (4,481,811) |
| Non-controlling interests | | **(48,542)** | (31,670) |
| | | **(2,685,485)** | (4,513,481) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 9 | **HK cents** | HK cents |
| Basic | | **(53.14)** | (89.82) |
| Diluted | | **(53.14)** | (89.82) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*31 December 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **943,870** | 997,534 |
| Investment properties | | **120,013** | 106,427 |
| Prepaid land lease payments | | **271,171** | 348,646 |
| Intangible assets | | **12,855** | 26,451 |
| Investments in joint ventures | *10* | **106,677** | 108,288 |
| Investments in associates | *11* | **448,468** | 1,050,857 |
| Available-for-sale investments | | **34,921** | 31,068 |
| Loans receivable | | **18,266** | 25,001 |
| Other non-current assets | | **26,825** | 41,062 |
| Deferred tax assets | | **8,278** | 5,698 |
| Total non-current assets | | **1,991,344** | 2,741,032 |
| CURRENT ASSETS | | | |
| Inventories | | **395,569** | 1,395,870 |
| Trade receivables | *12* | **616,478** | 860,599 |
| Bills receivable | *13* | **11,572** | 82,491 |
| Short-term loans receivable | | **64,710** | 369,545 |
| Prepayments, deposits and other receivables | *14* | **1,160,450** | 2,540,530 |
| Due from directors | | **–** | 500 |
| Due from associates | | **43,801** | 11,261 |
| Due from other related parties | | **–** | 182,683 |
| Pledged deposits | | **115,776** | 361,811 |
| Cash and cash equivalents | | **451,130** | 1,308,082 |
| Total current assets | | **2,859,486** | 7,113,372 |
| CURRENT LIABILITIES | | | |
| Trade payables | *15* | **756,397** | 1,784,925 |
| Bills payable | *16* | **45,934** | 1,321,077 |
| Other payables and accruals | | **1,886,662** | 1,605,686 |
| Interest-bearing bank and other borrowings | | **684,966** | 1,123,095 |
| Due to associates | | **277,082** | 268,420 |
| Due to a joint venture | | **–** | 4,406 |
| Due to other related party | | **–** | 50,538 |
| Tax payable | | **113,909** | 90,734 |
| Total current liabilities | | **3,764,950** | 6,248,881 |
| NET CURRENT (LIABILITIES)/ASSETS | | **(905,464)** | 864,491 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,085,880** | 3,605,523 |

continued/...

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

| | *Notes* | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,085,880** | 3,605,523 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | | **239,260** | – |
| Deferred tax liabilities | | **55,823** | 57,493 |
| Other non-current liabilities | | **1,381** | 9,720 |
| Total non-current liabilities | | **296,464** | 67,213 |
| Net assets | | **789,416** | 3,538,310 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | | **50,334** | 50,326 |
| Reserves | | **793,592** | 3,492,582 |
| | | **843,926** | 3,542,908 |
| **Non-controlling interests** | | **(54,510)** | (4,598) |
| Total equity | | **789,416** | 3,538,310 |

## 1. CORPORATE INFORMATION

Coolpad Group Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the "Group") are wireless solution and equipment providers in Mainland China. During the year, the Group continued to focus on the production and sale of smartphones, the provision of wireless application services and financing 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 classified as property, plant and equipment and certain available-for-sale investments 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**

The Group reported a consolidated net loss of HK$2,723 million and a net operating cash outflow of approximately HK$1,834 million for the year ended 31 December 2017. The unrestricted cash and cash equivalent balance decreased by HK$857 million from HK$1,308 million as at 31 December 2016 to HK$451 million as at 31 December 2017.

The Group has taken various measures with an aim to improve the Group's liquidity position during the year, including but not limited to, i) the implementation of cost saving measures to control the daily operation costs; ii) the successful draw-down of new bank loans to replace the bank borrowings to be due and the obtaining of a long term other borrowing to supplement the Group's working capital; iii) the disposal of a certain parcel of land with proceeds of RMB40 million and iv) the receipt of the deposit of HK$58 million related to a proposed arrangement to issue convertible bonds with details stated in the Group's announcement dated 17 October 2017. While, as a result of the operating losses incurred during the year, the Group recorded a net current liabilities position of HK$905 million as compared with the net current assets position of HK$864 million as at 31 December 2016. Certain vendors had filed lawsuits against the Group or requested immediate repayments.

The circumstances stated above have indicated the existence of material uncertainties which gave rise to a significant concern on the Group's ability to continue as a going concern that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

In light of the aforementioned circumstances, the Board has contemplated the Group's available sources of funding and the liquidity position in the coming future and the possibility to improve the Group's performance so as to evaluate whether the Group would have sufficient financial resources to continue its business as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group has been actively negotiating with the banks to secure the renewals of the Group's bank loans when due to meet its liabilities when fall due. In July 2018, one PRC bank had confirmed to the Group in writing regarding its agreement to renew the short-term bank loan with the Group totalling HK$48 million. In September 2018, the Group successfully repaid the outstanding bank loans of HK$589 million as at 31 December 2017.

(ii) The Group and Kingkey Group Company Limited (京基集團有限公司) ("Kingkey Group"), a substantial shareholder of the Group, entered into a loan agreement on 18 May 2018, whereby Kingkey Group has agreed to provide a loan with a maximum amount of no more than RMB500 million to the Group for corporate operation with a term of 12 months at an annual interest rate of 6.5%.

## 2.1 BASIS OF PREPARATION (continued)

**Going concern basis** (continued)

(iii) The Group has accelerated its disposal plan of its long term assets, including the investment properties and land (the“Group Properties”). On 30 July 2018, the Group successfully entered into an agreement to dispose of its 80% equity interest in a wholly-owned subsidiary, under which there is a parcel of land, for a cash consideration of HK$120 million. On 25 July 2018, the Group successfully entered into an agreement to dispose of its investment properties located in Shenzhen, the PRC, for a cash consideration of HK$118 million. Both transactions are expected to be completed by the end of 2018.

(iv) The Group continued to focus its sales efforts on the high growth overseas markets and 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 in Mainland China, and expand the cooperation with its business partners from various channels, and continue 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.

(v) The Group has been actively negotiating with vendors to which the Group has overdue payment obligations in respect of the repayment arrangements and resumption of raw material supply with an aim to mitigate the potential negative effects bought by the delay in production planning and delivery of mobile products to customers.

Notwithstanding the above, significant multiple uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group’s ability to generate adequate financing and operating cash flows through:

(i) the successful obtaining of additional new sources of financing from the banks and from the substantial shareholder as and when needed; (ii) the successful implementation and acceleration of its disposal plan of the Group’s properties, including timely execution of definitive sales agreements and timely collection of the disposal proceeds, and the successful deferral of capital expenditures; (iii) the successful implementation of strategic expansion in targeted overseas markets and the cooperation of the telecommunication carriers in Mainland China and the launch of new mobile phone models with business partners and the achievement of sales targets; (iv) the successful launch of the cost reduction campaign so as to generate operating cash inflows; and (v) the successful maintenance of a relationship with the suppliers of the Group, in particular those in relation to the Group’s mobile phone business so that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

Should the Group fail to realise its plans 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 2017. 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.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. 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).

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.

## 2.1 BASIS OF PREPARATION (continued)

**Basis of consolidation** (continued)

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 Company 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 the accounting policy for subsidiaries 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 HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has three 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 provision of wireless application service;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation; and

(c) the finance service segment engages in the provision of a range of financing services in Mainland China.

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, gain on loss of control of subsidiaries, loss on disposal of an investment in a joint venture, impairment of investments in associates, finance costs and share of losses of associates and joint ventures as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures, investments in associates, available-for-sale investments, deferred tax assets, amounts due from directors, an amount due from a joint venture, amounts due from associates, amounts due from other related parties, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amounts due to associates, an amount due to a joint venture, an amount due to other related party, 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 2017** | **Mobile phone** *HK$'000* | **Property investment** *HK$'000* | **Financing service** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Sales to external customers | **3,349,991** | **–** | **28,086** | **3,378,077** |
| Other revenue and gains | **309,689** | **16,505** | **–** | **326,194** |
| Total | **3,659,680** | **16,505** | **28,086** | **3,704,271** |
| **Segment results** | **(2,141,391)** | **17,777** | **1,499** | **(2,122,115)** |
| *Reconciliation:* | | | | |
| Interest income | | | | **41,246** |
| Loss on loss of control of a subsidiary | | | | **(534)** |
| Impairment of investments in associates | | | | **(453,694)** |
| Finance costs | | | | **(26,248)** |
| Share of losses of joint ventures | | | | **(3,765)** |
| Share of losses of associates | | | | **(137,141)** |
| Loss before tax | | | | **(2,702,251)** |
| **Segment assets** | **3,115,024** | **124,375** | **402,380** | **3,641,779** |
| *Reconciliation:* | | | | |
| Investments in joint ventures | | | | **106,677** |
| Investments in associates | | | | **448,468** |
| Corporate and other unallocated assets | | | | **653,906** |
| Total assets | | | | **4,850,830** |
| **Segment liabilities** | **2,630,191** | **1,381** | **–** | **2,631,572** |
| *Reconciliation:* | | | | |
| Corporate and other unallocated liabilities | | | | **1,429,842** |
| Total liabilities | | | | **4,061,414** |
| **Other segment information:** | | | | |
| Impairment of doubtful debts | **173,000** | **–** | **–** | **173,000** |
| Write-down of inventories to net realisable value | **53,021** | **–** | **–** | **53,021** |
| Fair value gain on investment properties | **–** | **5,906** | **–** | **5,906** |
| Product warranty provision | **45,166** | **–** | **–** | **45,166** |
| Depreciation and amortisation | **99,382** | **–** | **25** | **99,407** |
| Capital expenditure* | **139,998** | **–** | **–** | **139,998** |

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

3. **OPERATING SEGMENT INFORMATION** (continued)

| **Year ended 31 December 2016** | **Mobile phone** *HK$'000* | **Property investment** *HK$'000* | **Financing service** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Sales to external customers | 7,864,075 | – | 105,402 | 7,969,477 |
| Other revenue and gains | 346,301 | 11,451 | – | 357,752 |
| Total | 8,210,376 | 11,451 | 105,402 | 8,327,229 |
| **Segment results** | (1,637,221) | 10,503 | 63,897 | (1,562,821) |
| *Reconciliation:* | | | | |
| Interest income | | | | 92,137 |
| Gain on loss of control of a subsidiary | | | | 154,089 |
| Loss on disposal of an investment in a joint venture | | | | (1,837,114) |
| Impairment of investments in associates | | | | (793,445) |
| Finance costs | | | | (83,995) |
| Share of losses of joint ventures | | | | (138,969) |
| Share of losses of associates | | | | (171,877) |
| Corporate and other unallocated expenses | | | | (14,073) |
| Loss before tax | | | | (4,356,068) |
| **Segment assets** | 6,194,969 | 109,054 | 490,133 | 6,794,156 |
| *Reconciliation:* | | | | |
| Investments in joint ventures | | | | 108,288 |
| Investments in associates | | | | 1,050,857 |
| Corporate and other unallocated assets | | | | 1,901,103 |
| Total assets | | | | 9,854,404 |
| **Segment liabilities** | 4,719,120 | 1,619 | 500 | 4,721,239 |
| *Reconciliation:* | | | | |
| Corporate and other unallocated liabilities | | | | 1,594,855 |
| Total liabilities | | | | 6,316,094 |
| **Other segment information:** | | | | |
| Impairment of trade receivables | 249,558 | – | – | 249,558 |
| Write-down of inventories to net realisable value | 94,388 | – | – | 94,388 |
| Fair value gain on investment properties | – | 3,549 | – | 3,549 |
| Product warranty provision | 73,423 | – | – | 73,423 |
| Depreciation and amortisation | 177,995 | – | 377 | 178,372 |
| Capital expenditure* | 177,139 | – | – | 177,139 |

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

## 3. OPERATING SEGMENT INFORMATION (continued)

**Geographical information**

*(a) Revenue from external customers*

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Mainland China | **1,476,597** | 5,379,788 |
| Overseas | **1,901,480** | 2,589,689 |
| | **3,378,077** | 7,969,477 |

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

*(b) Non-current assets*

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Mainland China | **1,923,781** | 2,664,675 |
| Overseas | **6,098** | 14,590 |
| | **1,929,879** | 2,679,265 |

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 a major customer individually amounting to 10% or more of the Group's revenue is as follows:

| | Operating segment | 2017 | 2016 |
|---|---|---|---|
| | | *HK$'000* | *HK$'000* |
| Customer A | Mobile phone | **N/A** | 1,038,170 |
| Customer B | Mobile phone | **1,142,714** | N/A |

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns, sales incentive and trade discounts, service income received and receivable from wireless application service, and the financing service income from the provision of finance service.

An analysis of revenue, other income and gains is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Sale of mobile phones and related accessories | **3,263,892** | 7,661,734 |
| Wireless application service income | **86,099** | 202,341 |
| Financing service income | **28,086** | 105,402 |
| | **3,378,077** | 7,969,477 |
| **Other income and gains** | | |
| Bank interest income | **6,722** | 41,897 |
| Other interest income* | **34,524** | 50,240 |
| Government grants and subsidies** | **143,434** | 250,314 |
| Gross rental income | **10,599** | 7,902 |
| Fair value gain on investment properties | **5,906** | 3,549 |
| Gain recognised for the contribution of certain buildings and a parcel of land as the investment in a joint venture | **–** | 15,321 |
| Gain on disposal of an available-for-sale investment | **–** | 33,013 |
| Change in foreign exchange difference, net | **59,836** | – |
| Various technical services income | **69,095** | 19,558 |
| Others | **37,324** | 28,095 |
| | **367,440** | 449,889 |

* Other interest income comprised a sum of interest surcharge of approximately HK$18,051,000 in connection with certain prepayments for a potential equity investment (note 14 (i)). Details of the prepayments are set out in note 14 (i) to this announcement.

The remaining interest income of approximately HK$16,473,000 comprised i) interest income of HK$6,470,000 representing the surcharge pertaining to a prepayment of RMB300 million (HK$335,379,000) made to a vendor for the procurement of mobile phone components in December 2016 (note 14 (ii)). The procurement arrangement was subsequently cancelled in January 2017 and the prepayment was accordingly refunded to the Group in February and March 2017; and ii) a sum of interest surcharge of HK$10,003,000 in connection with certain interest-bearing advances made to certain third parties of the Group, the principal and the interest surcharge of which were fully settled and received during the year.

** 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):

| | 2017 *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| Cost of inventories sold | **3,643,459** | 7,520,606 |
| Depreciation | **76,880** | 72,726 |
| Amortisation of patents, licences and computer software* | **1,462** | 3,486 |
| Amortisation of prepaid land lease payments | **7,633** | 7,773 |
| Research and development costs*: | | |
| Product development costs amortised | **13,432** | 94,387 |
| Current year expenditure | **401,876** | 458,417 |
| | **415,308** | 552,804 |
| Operating lease rental | **34,682** | 21,974 |
| Auditor's remuneration | **3,884** | 5,683 |
| Employee benefit expense (including directors' remuneration) | | |
| Wages and salaries | **509,669** | 560,650 |
| Staff welfare expenses | **27,214** | 43,756 |
| Pension scheme contributions (defined contribution scheme) | **40,188** | 52,307 |
| Equity-settled share option expense^ | **(28,086)** | 41,145 |
| | **548,985** | 697,858 |
| (Gain)/loss on disposal of certain interests in a joint venture | **(35)** | 1,837,114 |
| Impairment of doubtful debts# | **173,000** | 249,558 |
| Impairment of an unlisted available-for-sale investment# | **–** | 2,365 |
| Impairment of investments in associates | **453,694** | 793,445 |
| Loss on revaluation of property, plant and equipment# | **136,769** | – |
| Loss on disposal of items of property, plant and equipment# | **370** | 9,653 |
| Loss on disposal of a land use right# | **46,739** | – |
| Loss on disposal of associates# | **6,031** | – |
| Write-down of inventories to net realisable value& | **53,021** | 94,388 |
| Direct operating expenses arising on rental-earning investment properties | **1,272** | 948 |
| Product warranty provision& | **45,166** | 73,423 |
| Foreign exchange differences, net# | **(59,836)** | 21,769 |

* Included in "Administrative expenses" in consolidated profit or loss and other comprehensive income

& Included in "Cost of sales" in consolidated profit or loss and other comprehensive income

\# Included in "Other expenses" in consolidated profit or loss and other comprehensive income

^ The amount represents the net effect of i) a reversal of equity-settled share option expenses recognised in prior years as a result of forfeiture of certain share option granted amounting to HK$55,317,000; and ii) recognition of equity-settled share option expenses amounting to HK$27,231,000.

## 6. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| Bank and other borrowings | **22,634** | 57,435 |
| Discounted bills receivable | **3,614** | 26,560 |
| | **26,248** | 83,995 |

There were no capitalised interest expenses during the year (2016: Nil).

## 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 (2016: 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 operates, based on existing legislation, interpretations and practices in respect thereof.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current | | |
| Charge for the year | **22,543** | 17,723 |
| (Overprovision)/underprovision in prior years | **(615)** | 3,552 |
| Deferred | **(1,103)** | 24,077 |
| Total tax charge for the year | **20,825** | 45,352 |

## 7. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory tax rate for the country in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before tax | **(2,702,251)** | (4,356,068) |
| Tax at the statutory tax rate | **(675,563)** | (1,089,017) |
| Effect of different tax rates for certain group entities | **185,034** | 308,693 |
| Adjustments in respect of current tax of previous periods | **(615)** | 3,552 |
| Losses attributable to joint ventures | **16,069** | 27,770 |
| Losses attributable to associates | **941** | 23,180 |
| Income not subject to tax | **(248)** | (10,886) |
| Expenses not deductible for tax | **73,157** | 441,053 |
| Additional deduction of research and development expenses | **(24,322)** | (22,736) |
| Temporary differences not recognised | **28,750** | (52,200) |
| Tax losses utilised from prior periods | **–** | (1,879) |
| Tax losses not recognised | **417,622** | 417,822 |
| Tax charge at the Group's effective rate | **20,825** | 45,352 |

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) Coolpad Software Tech (Shenzhen) Co., Ltd. ("Shenzhen Coolpad"), the Company's wholly-owned subsidiary, was reassessed and recognised as a high-technology enterprise in September 2014 and was subject to CIT at a rate of 15% for three years till September 2017. Therefore, Shenzhen Coolpad was subject to CIT at a rate of 25% (2016: 15%) for the year ended 31 December 2017.

(b) Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("Yulong Shenzhen"), the Company's wholly-owned subsidiary, was recognised as a high-technology enterprise in October 2017 and is subject to CIT at a rate of 15% for three years till 2019. Therefore, Yulong Shenzhen was subject to CIT at a rate of 15% (2016: 15%) for the year ended 31 December 2017.

(c) Xi'an Coolpad Software Tech Co., Ltd. ("Xi'an Coolpad"), the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2017, and is subject to CIT at a rate of 15% for the three years from 2017 to 2019. Therefore, Xi'an Coolpad was subject to CIT at a rate of 15% (2016: 15%) for the year ended 31 December 2017.

(d) Shenzhen Coolpad Technologies Co., Ltd. ("SZ Coolpad Technologies"), the Company's wholly-owned subsidiary, was recognised as a software enterprise and therefore was exempted from CIT for each of the two years ended 31 December 2013 and 2014 and was entitled to a 50% reduction in the applicable tax rate for CIT for the three years ended 31 December 2017. In this regard, SZ Coolpad Technologies was subject to CIT at a rate of 12.5% (2016: 12.5%) for the year ended 31 December 2017.

(e) Nanjing Coolpad Software Tech Co., Ltd. ("Nanjing Coolpad"), the Company's wholly-owned subsidiary, was established in 2014 and assessed as a software enterprise and therefore is exempted from CIT for the first two years starting from the year when it begins to make profit and will be entitled to a 50% reduction in the applicable tax rate for CIT in the three years that follow. Nanjing Coolpad started its tax concession period from year 2015 as it began to make profit in that year. In this regard, Nanjing Coolpad was subject to CIT at a rate of 12.5% (2016: exempted from CIT) for the year ended 31 December 2017.

## 8. DIVIDEND

The directors did not recommend the payment of final dividend for the years ended 31 December 2017 and 2016.

## 9. 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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 5,033,246,581 (2016: 4,876,031,862) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the impact of the share options outstanding had no dilution effect on the basic loss per share amount presented.

## 10. INVESTMENTS IN JOINT VENTURES

| | **2017**<br>***HK$'000*** | 2016<br>*HK$'000* |
|---|---|---|
| Share of net assets | **98,359** | 99,970 |
| Goodwill | **8,318** | 8,318 |
| | **106,677** | 108,288 |

Particulars of the Group's material joint venture as at 31 December 2017 are as follows:

| **Name** | **Place of registration and business** | **Fully paid-up capital** | **Percentage of ownership interest attributable to the Group** | **Principal activity** |
|---|---|---|---|---|
| Dongguan Coolpad Tian'an Investment Development Co., Ltd. ("Dongguan Tian'an") | PRC | RMB136,000,000 | 50 | Investment holding and property development |

On 21 June 2016, the Group established Dongguan Tian'an with an independent third party whereby the Group and the independent third party each owns a 50% equity interest in Dongguan Tian'an. Certain assets, including a parcel of land and certain buildings under construction, were contributed by the Group as its investment in Dongguan Tian'an.

The Group's shareholding in this joint venture is held through a wholly-owned subsidiary of the Company.

Dongguan Tian'an is engaged in investment holding and property development. Dongguan Tian'an is considered a material joint venture of the Group and is accounted for using the equity method.

## 10. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Dongguan Tian'an adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

| | **31 December 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Cash and cash equivalents | **4,194** | 5,937 |
| Properties under development | **80,554** | 24,023 |
| Other current assets | **222,886** | 40,431 |
| Current assets | **307,634** | 70,391 |
| Non-current assets | **132,394** | 123,399 |
| Other payables and accruals | **(243,181)** | (2,583) |
| Other current liabilities | **(129)** | (79) |
| Current liabilities | **(243,310)** | (2,662) |
| Net assets | **196,718** | 191,128 |
| Reconciliation to the Group's interest in the joint venture: | | |
| Proportion of the Group's ownership | **50%** | 50% |
| Group's share of net assets of the joint venture | **98,359** | 95,564 |
| Goodwill | **8,318** | 8,318 |
| Carrying amount of the investment | **106,677** | 103,882 |

| | **31 December 2017** *HK$'000* | Period from 21 June 2016 to 31 December 2016 *HK$'000* |
|---|---|---|
| Revenue | **–** | – |
| Loss for the year/period | **(7,530)** | (5,886) |
| Other comprehensive income/(expense) for the year/period | **13,120** | (11,009) |
| Total comprehensive income/(expense) for the year/period | **5,590** | (16,895) |

## 10. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Share of the joint venture's loss and total comprehensive expense for the year | **-** | - |
| Carrying amount of the Group's investment in the joint venture | **-** | 4,406 |

## 11. INVESTMENTS IN ASSOCIATES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Share of net assets | **493,897** | 642,592 |
| Goodwill | **1,201,710** | 1,201,710 |
| | **1,695,607** | 1,844,302 |
| Impairment* | **(1,247,139)** | (793,445) |
| | **448,468** | 1,050,857 |

* The estimated recoverable amount of the Group's investments in Coolpad E-commerce Inc. ("Coolpad E-commerce") and its subsidiaries (collectively, "Coolpad E-commerce Group") was determined with reference to the cash flows expected to be generated by Coolpad E-commerce Group. Based on the Group's cash flow projection of Coolpad E-commerce Group, an impairment of HK$434,064,000 was provided for the year. The pre-tax discount rate applied to the cash flow projection of Coolpad E-commerce Group was 23.70%.

An impairment of HK$19,630,000 to investments in other associates was provided as at 31 December 2017 based on the recoverable amount of the investments.

## 11. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the Group's material associates are as follows:

| Name | Place of registration and business | Fully paid-up capital | Percentage of ownership interest attributable to the Group | Principal activity |
|---|---|---|---|---|
| Coolpad E-commerce | Cayman Islands | US$20 | 25 | Investment holding |
| Shenzhen Coolpad Mobile Tech Co., Ltd. ("Coolpad Mobile") | PRC | RMB443,790,000 | 13.52 | Sale of mobile phones |

The following table illustrates the summarised financial information in respect of Coolpad E-commerce Group and Coolpad Mobile and its subsidiaries (collectively, "Coolpad Mobile Group") adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Coolpad E-commerce Group

| | **31 December 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Cash and cash equivalents | **920,824** | 1,526,391 |
| Pledged deposits | **269,410** | 271,986 |
| Other current assets | **1,363,749** | 767,431 |
| Current assets | **2,553,983** | 2,565,808 |
| Non-current assets | **30,115** | 38,772 |
| Trade payables | **(571,482)** | (301,930) |
| Other current liabilities | **(726,131)** | (580,718) |
| Total liabilities | **(1,297,613)** | (882,648) |
| Net assets | **1,286,485** | 1,721,932 |
| Reconciliation to the Group's interest in Coolpad E-commerce: | | |
| Proportion of the Group's ownership | **25.0%** | 25.0% |
| Group's share of net assets of Coolpad E-commerce | **321,621** | 430,483 |
| Goodwill | **1,201,710** | 1,201,710 |
| Impairment | **(1,195,031)** | (760,967) |
| Carrying amount of the investment | **328,300** | 871,226 |

## 11. INVESTMENTS IN ASSOCIATES (continued)

Coolpad E-commerce Group (continued)

| | **31 December 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Revenue | **1,932,307** | 2,769,128 |
| Loss for the year | **(386,068)** | (831,478) |
| Other comprehensive expense for the year | **87,521** | (103,552) |
| Total comprehensive expense for the year | **(298,547)** | (935,030) |

Coolpad Mobile Group

Coolpad Mobile Group is engaged in mobile phone trading, the provision of product design and software development for mobile handsets. Coolpad Mobile Group was a then subsidiary group of the Company.

On 11 October 2016, the Group entered into a sale and purchase agreement with the then non-controlling shareholder of Coolpad Mobile Group to acquire its 40% equity interest in Coolpad Mobile Group at a cash consideration of RMB65,800,000 (equivalent to HK$75,853,000). The change in the ownership interest in Coolpad Mobile Group was accounted for as an equity transaction.

On 12 December 2016, the Group disposed of its 80% equity interest in Coolpad Mobile Group to an independent third party for a cash consideration of RMB272,000,000 (equivalent to HK$304,077,000). As a result, the Group lost its control over Coolpad Mobile Group and accounted for it as an associate thereafter. Coolpad Mobile Group has been considered to be a material associate of the Group and has been accounted for using the equity method.

On 10 November 2017, as a result of additional capital contribution from the other shareholders of Coolpad Mobile Group, the equity interest of the Group was diluted from 20% to 13.52%. In the view of the Directors, the Group still maintained the significant influence over the associate and therefore continued to account for the remaining interest therein using the equity method.

11. **INVESTMENTS IN ASSOCIATES** (continued)

Coolpad Mobile Group

| | **31 December 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Cash and cash equivalents | **9,153** | 162,197 |
| Other current assets | **264,617** | 626,475 |
| Current assets | **273,770** | 788,672 |
| Non-current assets | **108,173** | 5,243 |
| Other payables and accruals | **(128,304)** | (396,990) |
| Other current liabilities | **(309,527)** | (232,406) |
| Current liabilities | **(437,831)** | (629,396) |
| Non-current liabilities | **–** | (10,951) |
| Net (liabilities)/assets | **(55,888)** | 153,568 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | **13.52%** | 20% |
| Group's share of net assets of the associate | **(7,556)** | 30,714 |
| Unrealised profits on the transactions with Coolpad Mobile Group | **–** | (22) |
| Provision for additional losses *(note)* | **7,556** | – |
| Carrying amount of the investment | **–** | 30,692 |

*Note:*

Pursuant to the Article & Association of Coolpad Mobile Group, the Group has the obligation to take up the excessive losses of HK$7,556,000 and therefore, the Group made a provision to share of the additional losses therefrom.

## 11. INVESTMENTS IN ASSOCIATES (continued)

| | 31 December 2017 HK$'000 | Period from 12 December 2016 to 31 December 2016 HK$'000 |
|---|---|---|
| Revenue | **519,170** | 52,851 |
| Loss for the year/period | **(398,471)** | (10,564) |
| Other comprehensive income for the year/period | **(1,797)** | 457 |
| Total comprehensive expense for the year/period | **(400,268)** | (10,107) |

Other individually immaterial associates

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Share of associates' losses and total comprehensive expenses for the year | **(956)** | (29,234) |
| Aggregate carrying amount of the Group's investments in associates | **120,168** | 148,939 |

## 12. TRADE RECEIVABLES

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Trade receivables | **924,790** | 1,128,196 |
| Impairment | **(308,312)** | (267,597) |
| | **616,478** | 860,599 |

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, extending up to 120 days for some overseas customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Within 3 months | **512,222** | 778,273 |
| 4 to 6 months | **111,893** | 38,942 |
| 7 to 12 months | **46,341** | 153,962 |
| Over 1 year | **254,334** | 157,019 |
| | **924,790** | 1,128,196 |
| Less: Impairment | **(308,312)** | (267,597) |
| | **616,478** | 860,599 |

## 12. **TRADE RECEIVABLES** (continued)

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **267,597** | 19,250 |
| Impairment losses recognised | **40,510** | 249,558 |
| Amounts written off as uncollectible | **(4,071)** | (44) |
| Exchange realignment | **4,276** | (1,167) |
| | **308,312** | 267,597 |

Included in the above provision for impairment of trade receivables is the provision for individually impaired trade receivables of HK$308,312,000 (2016: HK$267,597,000) with a carrying amount before provision of HK$416,896,000 (2016: HK$571,475,000).

An ageing analysis of the trade receivables that are not considered to be impaired is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **451,740** | 487,547 |
| Less than 3 months past due | **55,084** | 17,191 |
| More than 3 months past due | **1,070** | 51,983 |
| | **507,894** | 556,721 |

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 13. BILLS RECEIVABLE

An ageing analysis of the bills receivable as at the end of the reporting period, based on the issue date, is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **9,101** | 82,491 |
| Over 3 months | **2,471** | – |
| | **11,572** | 82,491 |

Bills receivable are non-interest-bearing.

At 31 December 2017 and 2016, the Group did not have any past due or impaired bills receivable.

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Prepayment for a potential equity investment *(i)* | **–** | 930,610 |
| Accrued interest receivable *(i)* | **–** | 11,503 |
| Prepayment for inventory procurement *(ii)* | **–** | 335,379 |
| Prepayments for other suppliers | **45,164** | 30,030 |
| Deposits and other receivables | **79,086** | 140,501 |
| Deductible input VAT | **1,052,979** | 1,120,950 |
| Prepaid expenses | **3,577** | 4,711 |
| Current portion of prepaid land lease payments | **6,469** | 7,908 |
| | **1,187,275** | 2,581,592 |
| Non-current portion | **(26,825)** | (41,062) |
| | **1,160,450** | 2,540,530 |

*Notes:*

(i) The balance as at 31 December 2016 represented a sum of prepayments paid to a company ("Company A") in connection with a potential equity investment in a company incorporated in the United States of America (the "Target Company") with its principal activities engaging in the manufacture of electric vehicles. Details of the transaction are stated in the 2016 Annual Report of the Group.

In January 2017, the Group was informed by Company A that the seller owning the equity interest of the Target Company decided to cancel the transaction. As a result, the Group requested Company A to repay the outstanding prepayments immediately and together with the relevant interests.

On 5 January 2017, the Company, Dongguan Yulong Telecommunication Tech Co., Ltd. ("Dongguan Yulong"), Company A, Company B, a private company established in the PRC and the seller, a company incorporated in Hong Kong, entered into a repayment agreement, pursuant to which, with the unanimous consents of all contractual parties, Company B agreed to settle the above outstanding prepayments in aggregate amounting to US$120 million and the outstanding interest as calculated based on the investment cooperation agreements in Mainland China using the equivalent amount of RMB before 31 March 2017 on behalf of Company A. The Group was advised that Company A, Company B and the seller were all beneficially owned by an individual ("Individual A"). Individual A was not a related party to the Group.

**14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES** (continued)

*Notes*: (continued)

Based on the repayment agreement, in March 2017, Dongguan Yulong on behalf of the Group received sums in aggregate of RMB840 million (equivalent to HK$949.62 million), and in July 2017, received another sum of RMB10.57 million (equivalent to HK$11.95 million), all from Company B. The Group accounted for RMB824.41 million as a full refund of the aforesaid prepayments of US$120 million (HK$930.61 million) and the settlement of the interest receivable of US$1.49 million (HK$11.50 million) with the remaining balance as interest income amounting to HK$18.1 million and foreign exchange difference amounting to HK$1.36 million in profit or loss. Thus, those prepayments together with the interest surcharge were fully repaid to the Group by July 2017.

(ii) The balance as at 31 December 2016 represented a prepayment of RMB300 million (equivalent to HK$335,379,000) to a vendor in connection with the procurement of mobile phone components. The procurement arrangement was cancelled in January 2017 and the Group received the refund of the prepayment in full during February and March 2017.

In March 2017, the Group made another sum of advances amounting to RMB240 million (equivalent to HK$270.19 million) to three entities which were the affiliates of the vendor stated in the preceding paragraph. These advances interest at a rate of 10% per annum, and were unsecured and repayable within one year. In July 2017, the Group received the refund of the advances in full.

**15. 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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **303,801** | 1,181,752 |
| 4 to 6 months | **88,576** | 405,151 |
| 7 to 12 months | **159,924** | 118,855 |
| Over 1 year | **204,096** | 79,167 |
| | **756,397** | 1,784,925 |

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

**16. BILLS PAYABLE**

An ageing analysis of the bills payable as at the end of the reporting period, based on the issue date, is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **45,934** | 862,726 |
| Over 3 months | **–** | 458,351 |
| | **45,934** | 1,321,077 |

## 17. EVENTS AFTER THE REPORTING PERIOD

a) On 4 January 2018, Leview Mobile HK Limited has sold and a purchaser has purchased 897,437,000 shares of the Group at HK$0.9 per share in cash, representing a total consideration of HK$807,693,300.00. Accordingly, Leview Mobile HK Limited ceased to be the single largest shareholder of the Group and the purchaser has become the single largest shareholder of the Group. Details of the transaction are set out in the announcement of the Group dated 4 January 2018.

b) On 11 January 2018, Leview Mobile HK Limited has sold and a purchaser had purchased 551,367,386 shares of the Group. Accordingly, Leview Mobile HK Limited ceased to be the shareholder of the Group and the purchaser has become a substantial shareholder of the Group. Details of the transaction are set out in the announcement of the Group dated 11 January 2018.

c) On 18 May 2018, Yulong Shenzhen, a wholly-owned subsidiary of the Company, and Kingkey Group entered into a maximum loan contract, whereby Kingkey Group has agreed to provide a loan with a maximum amount of no more than RMB500,000,000 to Yulong for corporate operation with a term of 12 months at an annual rate of 6.5%. Details of the transaction are set out in the announcement of the Group dated 18 May 2018.

## MANAGEMENT DISCUSSION & ANALYSIS

### REVENUE ANALYSED BY PRODUCT SEGMENTS

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

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| **Revenue** | **Revenue** ***HK$ Million*** | **% of revenue** | Revenue *HK$ Million* | % of revenue |
| Sale of mobile phones and related accessories | **3,263.89** | **96.62** | 7,661.74 | 96.14 |
| Wireless Application Service income | **86.10** | **2.55** | 202.34 | 2.54 |
| Finance Service | **28.09** | **0.83** | 105.40 | 1.32 |
| **Total** | **3,378.08** | **100** | 7,969.48 | 100 |

The Group recorded consolidated revenue for the year ended 31 December 2017 of HK$3,378.08 million, representing a decrease of 57.61% as compared with HK$7,969.48 million for the year ended 31 December 2016. The decrease of the consolidated revenue in 2017 was mainly due to the fact that the process of the business restructuring, the intensive competition of the smartphone business in China and the decrease in market share and sales volume in China region for the current year.

### GROSS (LOSS)/PROFIT

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| **Gross (loss)/profit** | **Gross loss HK$ Million** | **Gross loss margin (%)** | Gross profit HK$ Million | Gross profit margin (%) |
| **Total** | **(318.40)** | **-9.43%** | 354.49 | 4.45 |

The Group's overall gross loss for the year ended 31 December 2017 was HK$318.4 million, representing a decrease of 189.82% as compared with HK$354.49 million gross profit for the year ended 31 December 2016. The Group's overall gross profit margin for the year ended 31 December 2017 decreased to -9.43%, representing a decrease of 13.88% as compared with 4.45% for the year ended 31 December 2016. The decline in gross profit margin was primarily attributable to the decrease of shipments resulting from the intensive competition of the 4G smartphone market and the Group strengthened the stock management and accelerated the disposal of slow-moving inventories in the year of 2017.

## OTHER INCOME AND GAINS

Other income and gains of the Group amounted to approximately HK$367.44 million for the year ended 31 December 2017, representing a decrease of 18.33% as compared with HK$449.89 million for the year ended 31 December 2016. This decrease was attributable to the decrease of government grant and subsidies received by the Group and the decrease of bank interest income in 2017.

## SELLING AND DISTRIBUTION EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| Selling and distribution expenses *(HK$ million)* | **667.86** | 1,009.96 |
| Selling and distribution expenses/Revenue *(%)* | **19.77** | 12.67 |

Selling and distribution expenses of the Group for the year ended 31 December 2017 decreased to HK$667.86 million, representing an decrease of approximately HK$342.1 million, or 33.87%, as compared with HK$1,009.96 million for the year ended 31 December 2016. The decrease in selling and distribution expenses was primarily attributable to the fact that the Group gave up some products that may cause losses and decrease these products marketing activities. As a percentage of total revenue, selling and distribution expenses increased to 19.77% in 2017 from 12.67% in 2016. The net increase of 7.1% as a percentage of total revenue was because of the decline of sales volume and more expenditure on marketing, advertising and promotion activities to improve the brand image in the overseas market during the year.

## ADMINISTRATIVE EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| Administrative expenses *(HK$ million)* | **709.26** | 954.99 |
| Administrative expenses/Revenue *(%)* | **21.00** | 11.98 |

Administrative expenses decreased by 25.73% from HK$954.99 million for the year ended 31 December 2016 to HK$709.26 million for the year ended 31 December 2017. As a percentage of total revenue, administrative expenses increased to 21.00% in 2017 from 11.98% in 2016. The net increase of 9.02% as a percentage of total revenue was because of the decrease of overall revenue and the increase of the R&D costs during the year.

## INCOME TAX EXPENSE

For the year ended 31 December 2017, the Group's income tax expense amounted to HK$20.83 million (2016: HK$45.35 million). The decrease in the income tax expense was mainly attributable to the fact that the Group derecognised certain deferred tax asset balances which were not expected be recovered in 2016. In 2017, there were no such items.

## NET LOSS

For the year ended 31 December 2017, the Group recorded a net loss of HK$2,723.08 million, representing a decline of HK$1,678.34 million, or 38.13%, as compared with the net loss of HK$4,401.42 million for the year ended 31 December 2016. The net loss for 2017 included the impairment for investments in associates amounting to HK$453.70 million and other expenses amounting to HK$752.78 million, respectively. Besides, the decrease of the sales and decrease of the gross profit margin of the products also led to the decrease of the net loss.

## LIQUIDITY AND FINANCIAL RESOURCE

For the year ended 31 December 2017, the Group's operating capital was mainly generated from cash from its daily operation and bank borrowings. 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 80% as at 31 December 2017 (2016: 58%). 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 2017 amounted to HK$451.13 million, while it was HK$1,308.08 million as at 31 December 2016.

## CONTINGENT LIABILITIES

**(a) Litigation with the customers**

A subsidiary of the Group is currently a plaintiff in a lawsuit with certain customers in the United States of America, who refused to settle trade receivables of approximately USD25,000,000 (equivalent to HK$199,405,000). As of the reporting date, the aforesaid lawsuit was still in the progress.

**(b) Litigations with the suppliers**

The Group received several civil complaints in 2017 from the suppliers demanding the Group to immediately repay the overdue accounts payable balance of RMB171 million (equivalent to HK$205 million). The arbitration procedures of the civil complaints were still in progress as at the date of approval of the annual report.

## PLEDGE OF ASSETS

As at 31 December 2017, the following assets of the Group were pledged for certain bank borrowings: (i) certain properties and plants of the Group located in Mainland China, the total book value of which were approximately HK$155.58 million (2016: HK$200.79 million); as at 31 December 2017, the Group's time deposits of approximately (i) HK$46.39 million were used to secure bank loans (2016: nil), and (ii) HK$69.38 million were used as a security for the banks to provide performance guarantees (2016: HK$23.05 million).

## BUSINESS REVIEW AND OUTLOOK

For the first time ever, trading in the shares of the Company on the Stock Exchange has been suspended for more than a full year with effect from 9 a.m. on 31 March 2017. The Group never stop making its efforts in working with third-party independent institutes and other appropriate steps to achieve the resumption of trading. Beyond that, the Group also implemented various steps to enhance its R&D ability and diversify its product portfolio to catch up with AI trend.

The Group saw a large decline in both shipments and revenue in the past year of 2017, due to the fierce competition of the smartphone market and the restructuring of its businesses, strategies and organization structure. For the year ended 31 December 2017, the Group had a turnover of approximately HK$3,378.08 million, which decreased by 57.61% from HK$7,969.48 million in 2016. The decrease was mainly due to the fact that the process of the business restructuring, the intensive competition of the smartphone business in China and the decrease in market share and sales volume for the current year. The net loss of the year 2017 was approximately HK$2,723.08 million, which decreased 38.13% from the net loss of HK$4,401.42 million in the year 2016. Gross profit margin for the year 2017 was -9.43%, representing a decrease of 13.88% as compared with 4.45% for the year ended 31 December 2016. The decline in gross profit margin was primarily attributable to the decrease of shipments resulting from the intensive competition of the 4G smartphone market and the Group strengthened the stock management and accelerated the disposal of slow-moving inventories in the year of 2017. Both of the basic and diluted loss per share of the Group was HK53.14 cents for the year ended 31 December 2017.

Development and sales of smartphones still remain as the main business of the Company for the year ended 31 December 2017. During the mentioned period, the Group recorded a significant decrease in the revenue from the sales of smartphones as compared to the corresponding period. The decrease in revenue was mainly attributable to the fierce competition arising from smartphones markets in China and sales in China's regional and Southeast Asian markets continued to decline, as a result of which, the Company gave up part of its products that generate revenue but may cause losses so as to minimize losses.

Although the domestic revenue continued to decrease, nevertheless, the Group still keep a solid cooperation relationship with local carriers and their sales and distribution channels. The revenue generated from carriers contributed the vast majority of revenue from the sales of smartphones in domestic market. As an important smartphone vendor in the domestic telecommunications carrier channel, the Group continued to release low-end customized models, such as "COOL" series, to support the 4G popularization plan of the carriers.

Whereas regional sales in the United States continued to maintain its growth momentum, but sales contribution and growth rate were limited for the year ended 31 December 2017. At the same time, the contribution of revenue from United States region continued to enlarge aggressively. The sales channel in United States became more diversified as compared to the corresponding year, despite of the fact that the major clients are concentrated in telecommunications carriers. Nevertheless, carriers accounted for about 89 percent of the whole market while open market accounted for the rest of 11 percent. Meanwhile, side by side with carrier field team, the Group developed strong relationship inside national retail channels and dealer channels progressively so as to build a healthy retailing networks in the retail open channel. The Group also attached great importance to branding, as a result of which, the Group had been in hundreds of events with local carrier partners to promote new product and brand.

The Group established an independent R&D center focusing on products aiming at America market, as well as a dedicated local account team for each account. The Group is currently the third largest Chinese manufacture in the United States and taking opportunity to hit the first place. What inspiring is that the Group has occupied the fourth overall market share in both T-Mobile and metroPCS channels.

The Group deeply realized the importance of R&D ability for the Company and recognized itself as a tech-driven company, The Group owned a high-ranking design team, deeply differentiated and optimized the functions and features of the Android operation system and continued to strengthen its R&D capability to bring users the best smartphone experience.

Besides, the Group not only kept researching and developing smart terminals of the present 4G technology, but also started working on the next 5G technology and its smart terminals. The Group stared development of 5G in 2013, and had been developing and testing several prototypes in different form for 5G commercial usage.

The Group would never let itself overwhelmed in AI trend as well, as a result of which, an AI science center, consisting of scientists, researchers and engineers dedicated to bringing AI technologies into products, had been founded in the headquarter of Company in 2017. The AI team focused on the most up-to-date artificial technologies, such as facial recognition, scene classification, human-body posture recognition, and so on.

Currently, the smartphone remains as the main business of the Company. But, with the development of AI and 5G technology and output of research and development of the Company, the products with AI features would be more intelligent and user-friendly and the Group would enlarge the product portfolios to Internet of Things and Mobile Broadband area. The Group is confident that the Company would soon bring various products with premium design, decent quality, AI enabled and better user experience, which are worth waiting for.

With sophisticated management, consistent endeavor, innovative technologies and promising product layout, the Company is bound to overcome the hardship and navigate forward. As taking heavy burden and embarking on a new journey, we shall strive to march on with solidarity and diligence.

## FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, where the receivables and payables are denominated in USD and EUR. The Group is exposed to foreign exchange risk with respect mainly to USD and EUR which may affect the Group's performance and asset value. The Group has not entered into any derivative contracts to hedge against the risk in the year 2017.

## EMPLOYEES AND REMUNERATION POLICY

During the year ended 31 December 2017, the Group's staff costs (including directors' remuneration) amounted to approximately HK$548.99 million (2016: HK$697.86 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 2017, the Group had 1,421 employees (2016: 4,504 employees).

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

During the reporting period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

## DIVIDEND

The directors did not recommend the payment of final dividends for the years ended 31 December 2017.

## AUDIT COMMITTEE

The Audit Committee, 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 ended 31 December 2017.

## FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2017, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Ernst & Young.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles of the Code Provisions under the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2017, save for the deviation discussed below. The following sections set out the principles in the Code as they have been applied by the Company, including any deviations therefrom, for the year under review.

The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial year ended 31 December 2017; and (ii) publishing the annual report for the year ended 31 December 2017. Such delay has constituted non-compliance with Rules 13.46(2)(a) and 13.49 of the Listing Rules.

The Company failed to hold its annual general meeting for the year ended 31 December 2017 within the times stipulated under the Listing Rules and the articles of association of the Company (the "Articles"). Circular and the notice for the annual general meeting will be dispatched as soon as reasonably practicable.

## 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 as soon as reasonably practicable. Meanwhile, the Company's annual report for the year ended 31 December 2017 will be dispatched to the shareholders in due course.

## AUDITOR'S QUALIFIED OPINION

As disclosed in sections headed "Basis for Qualified Opinion" and "Qualified Opinion" in independent auditor's report contained on pages 34 to 35 of this announcement, the auditor considers the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended except for: (1) Interest income arising from prepayments made in the prior year ended 31 December 2016; (2) Related parties.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### Qualified opinion

We were engaged to audit 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 2017, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for qualified opinion

1. ***Interest income arising from prepayments made in the prior year ended 31 December 2016***

   During the year ended 31 December 2017, the Group recorded aggregate interest income of HK$24.6 million which comprised interest income of HK$18.1 million arising from a prepayment made in the prior year in connection with a potential investment and interest income of HK$6.5 million arising from another prepayment for purchases of raw materials made in the prior year ended 31 December 2016. Details of the prepayments and the interest income are disclosed in notes 24 and 5, respectively, to the consolidated financial statements. As we were unable to obtain sufficient reliable audit evidence regarding the commercial substance of the prepayments made in the prior year, we were unable to satisfy ourselves as to whether these amounts of interest income have been properly accounted for and disclosed in the consolidated financial statements for the year ended 31 December 2017.

2. ***Related parties***

As stated in note 5 to financial statements, during the year ended 31 December 2017, the Group recorded interest income of approximately HK$10 million in aggregate, out of which, an aggregate amount of HK$8.4 million was in relation to loans advanced to four entities established in the People's of Republic of China (the "PRC") which amounted to approximately RMB335 million (equivalent to HK$377.4 million). These loans together with the interest income were repaid and received in 2017. Details of the loans and the interest income have been disclosed in note 5 to the consolidated financial statements.

Management represented to us that these PRC entities were third parties. However, during the audit, we noted that these PRC entities were associated with a then related party, 樂視網資訊技術(北京)股份有限公司 ("Leshi Internet"), a PRC listed company which was controlled by the former chairman of the Company. We noted that the shareholder of three of these PRC entities owns another entity of which the contact details (i.e. email domain and facsimile number) were the same as those of Leshi Internet published in its annual report, and we also observed that the remaining PRC entity had signed a loan transfer agreement with the fifth PRC entity to transfer the debt to this fifth PRC entity. The correspondence address of this fifth PRC entity is the same as the address published in Leshi's annual report.

We were unable to determine whether these PRC entities were related parties and consequently, whether adequate disclosures of the related party transactions have been provided in the financial statements for the year ended 31 December 2017.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**The board's response to the auditor's qualified opinion**

In respect of the Qualified Opinion issued by the Auditor to the consolidated financial information of the Company for the year ended 31 December 2017 as set out in the Independent Auditor's Report, the Board intends to take this opportunity to provide further explanation and supporting information for public reference.

1. ***Interest income arising from prepayments made in the prior year ended 31 December 2016***

During the year ended 31 December 2017, the Group recorded aggregate interest income of HK$24.6 million which comprised interest income of HK$18.1 million arising from a prepayment made in prior year in connection with a potential investment and an interest income of HK$6.5 million arising from another prepayment for purchase of raw materials made in the prior year ended 31 December 2016. Details of the prepayments and the interest income are disclosed in note 24 and note 5, respectively, to the consolidated financial statements.

This interest income was calculated and received in full according to the terms of the agreement at that time.

### *2. Related parties*

During the year ended 31 December 2017, the Group recorded interest income of approximately HK$10 million in aggregate, out of which, an aggregate amount of HK$8.4 million was in relation to loans advanced to four entities established in the People's Republic of China (the "PRC") which amounted to approximately RMB335 million (equivalent to HK$377.4 million). These loans together with the interest income were repaid in 2017. Details of the loans and the interest income have been disclosed in note 5 to the consolidated financial statements.

The auditor finds that the shareholder of three of these PRC entities owns another entity of which the contact details (i.e. email domain and facsimile number) were the same with those published in Leshi Internet's annual report, and the remaining PRC entity had signed a loan transfer agreement with the fifth PRC entity to transfer the debt to this fifth PRC entity, the correspondence address of this fifth PRC entity is the same as the address published in Leshi's annual report.

We are of the view that the aforementioned information is insufficient to conclude that these PRC entities were related parties of the Company. The relevant parties and management personnel involved in the transactions had left the Company, and the Group had collected all principal and interest accrued without any loss.

**Recent development on the Board's response to material uncertainty related to going concern**

As the Auditor has raised uncertainties relating to the going concern of the Group, the Board would like to take this opportunity to provide the following information regarding the financial and operating plans of the Group for public reference, which serves as the primary basis for which the Board determines that the Group will be able to operate as a going concern in the foreseeable future.

The Group is using its best efforts to refine the Group's operating plan, cash flow forecasts and management evaluation and to communicate and negotiate proactively with banks, organizations and interested parties to acquire sufficient banking borrowings or financing for the Group's operation. As disclosed in the announcement of the Company dated 18 May 2018, Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("Yulong"), a wholly-owned subsidiary of the Company, and Kingkey Group Company Limited (京基集團有限公司) ("Kingkey Group") entered into a maximum loan contract, whereby Kingkey Group has agreed to provide a loan with maximum amount no more than RMB500,000,000 to Yulong for corporate operation with a term of 12 months at annual rate of 6.5%. The Company has also disposed of certain investment properties and equity interest of non-core operation subsidiaries to enhance liquidity and financial position for business operation.

In order to cope with the challenges and uncertainties arising from the volatile market environment, the Group will take reasonable strategies to manage the operating plan and strategy for improving the Group's financial position. While the Group continues to put its best efforts to reduce production and operation costs, we are also actively seeking business opportunities to develop new market regions, research and develop new products and is committed to enhancing our brand value, particularly in those overseas markets represented by the United States region. The Board is of the view that such measures will offer much more flexibility for the Group to adapt to market changes while providing more choices and better services to our existing customers, thereby improving the long-term competitiveness of the Group.

## CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9 a.m. on 31 March 2017 and will continue to suspended until further notice.

By order of the Board
**Coolpad Group Limited**
**Jiang Chao**
Vice Chairman
*Chief Executive Officer*

Hong Kong, 4 December 2018

*As at the date of this announcement, the executive Directors are Mr. Jiang Chao, Mr. Leung Siu Kee, Mr. Lam Ting Fung Freeman and Mr. Liang Rui; the non-executive Director is Mr. Ng Wai Hung; the independent non-executive Directors are Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Chan King Chung.*