COOLPAD GROUP LIMITED
酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

2019 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 2019, together with the comparative figures for the year ended 31 December 2018.

Financial Highlights

	Year ended 31 December		
	2019	2018	**Changes**
	HK$'000	*HK$'000*	*(%)*
Revenue	**1,858,249**	1,277,164	45.50
Profit/(loss) before tax	**116,618**	(419,408)	N/A
Profit/(loss) for the year attributable to owners of the Company	**112,321**	(409,321)	N/A
Basic and diluted earnings/(loss) per share	**HK2.22cents**	HK(8.13) cents	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	4	**1,858,249**	1,277,164
Cost of sales		**(1,426,205)**	(1,349,097)
Gross profit/(loss)		**432,044**	(71,933)
Other income and gains	4	**198,713**	213,368
Gain on loss of control of subsidiaries, net		**–**	94,590
Impairment of investments in associates		**(3,196)**	(6,657)
Selling and distribution expenses		**(269,105)**	(158,007)
Administrative expenses		**(247,650)**	(323,082)
Other expenses		**(59,802)**	(47,038)
Finance costs	6	**(44,197)**	(37,141)
Share of profits/(losses) of:			
A joint venture		**129,049**	(779)
Associates		**(19,238)**	(82,729)
PROFIT/(LOSS) BEFORE TAX	5	**116,618**	(419,408)
Income tax (expense)/credit	7	**(4,524)**	8,746
PROFIT/(LOSS) FOR THE YEAR		**112,094**	(410,662)

continued/···

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**8,484**	32,126
Reclassification adjustment for foreign operations disposed of during the year		**(29)**	5,820
Share of other comprehensive loss of:			
A joint venture		**(3,090)**	(4,496)
Associates		**(5,060)**	(23,800)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**305**	9,650
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		**7,631**	39,286
Income tax effect		**(1,908)**	(9,821)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**5,723**	29,465
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**6,028**	39,115
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**118,122**	(371,547)
Profit/(loss) for the year attributable to:			
Owners of the Company		**112,321**	(409,321)
Non-controlling interests		**(227)**	(1,341)
		112,094	(410,662)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**118,354**	(370,113)
Non-controlling interests		**(232)**	(1,434)
		118,122	(371,547)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*	***HK cents***	*HK cents*
Basic and diluted		**2.22**	(8.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**547,334**	843,867
Investment properties		**389,118**	222,563
Prepaid land lease payments		**–**	184,800
Right-of-use assets		**164,054**	–
Intangible assets		**3,644**	5,172
Investment in a joint venture		**180,083**	101,402
Investments in associates		**304,341**	339,225
Financial assets at fair value through profit or loss		**94,369**	139,932
Loans receivable		**1,098**	4,076
Other non-current assets		**35,791**	14,310
Deferred tax assets		**543**	660
Total non-current assets		**1,720,375**	1,856,007
CURRENT ASSETS			
Inventories		**254,255**	194,955
Trade receivables	*10*	**422,580**	179,850
Bills receivable	*11*	**–**	8,967
Short-term loans receivable		**2,272**	4,600
Prepayments, deposits and other receivables	*12*	**402,807**	560,945
Amounts due from associates		**7,080**	27,922
Pledged deposits		**66,866**	114,966
Cash and cash equivalents	*13*	**297,420**	168,554
		1,453,280	1,260,759
Assets classified as held for sale		**186,323**	–
Total current assets		**1,639,603**	1,260,759
CURRENT LIABILITIES			
Trade payables	*14*	**505,961**	252,664
Other payables and accruals		**1,402,490**	1,609,156
Interest-bearing bank and other borrowings		**240,439**	–
Lease liabilities		**9,587**	–
Amounts due to associates		**52,811**	248,891
An amount due to a related party		**–**	202,129
Tax payable		**112,409**	110,907
Total current liabilities		**2,323,697**	2,423,747
NET CURRENT LIABILITIES		**(684,094)**	(1,162,988)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,036,281**	693,019

continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2019

	2019	2018
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,036,281**	693,019
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**–**	228,258
Lease liabilities	**7,733**	–
An amount due to a related party	**269,432**	–
Deferred tax liabilities	**47,424**	45,335
Other non-current liabilities	**3,468**	4,759
Total non-current liabilities	**328,057**	278,352
Net assets	**708,224**	414,667
EQUITY		
Equity attributable to owners of the Company		
Share capital	**58,334**	50,334
Reserves	**649,668**	363,879
	708,002	414,213
Non-controlling interests	**222**	454
Total equity	**708,224**	414,667

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 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. During the year, the Group continued to focus on the production and sale of mobile phones and accessories, and the provision of wireless application services 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 included as property, plant and equipment and equity investments at fair value through profit or loss which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell. 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 net current liabilities of HK$684 million as at 31 December 2019. The unrestricted cash and cash equivalent balance amounted to HK$297 million as at 31 December 2019. As at 31 December 2019, the Group's capital commitment in respect of the capital expenditure for its construction in progress to be incurred in the coming twelve months was HK$108 million. These circumstances may cast significant doubt on the Group's ability to continue as a going concern.

During the year, the Directors have taken various measures with an aim to improve the Group's liquidity position, including but not limited to, i) the implementation of cost saving measures to control the daily operation costs; ii) the successful extension of loans under the loan agreement with Kingkey Group Company Limited (京基集團有限公司) ("Kingkey Group"), from a term of 12 months to 36 months on 20 March 2019. Up to the date of this report, the cumulative loan amounts drawn down by the Group was approximately HK$246 million. The remaining undrawn loan balance was approximately HK$312 million; iii) The Company's shares resumed trading in July 2019 and subsequently the Company successfully completed a placing of 800,000,000 shares with proceeds of approximately HK$171 million.

Further measures have been taken by or in the deliberation of the Directors to improve the liquidity position of the Group. On 20 February 2020, the Group entered into a loan agreement with an independent third party, pursuant to which, the Group obtained a loan amounting to RMB90 million for working capital purpose.

The Directors have prepared a cash flow forecast of the Group for the next twelve months based the existing situation, the future events and commitments of the Group. The Directors considered that the Group will have adequate working capital to meet its obligations, therefore the financial statements of the Group have been prepared under a going concern basis. Measures and estimations have been taken into consideration by the Directors, including and not limited to:

(i) The Group has been actively negotiating with the banks to obtain additional loans to supplement its operating cash flows. Based on the communication between the banks and the Group, among others, up to the date of this report, the Group may be able to obtain additional loan amounting to RMB70 million. Nevertheless, the confirmation of the loan is subject to the final contract.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

(ii) The Group has been actively negotiating with the borrower to extend other borrowings amounting to RMB200 million due in 2020 to 2022. In the view of the Directors, the Group expects to meet the conditions as set out in the agreement with the borrower to apply for the extension of maturity term of the borrowing.

(iii) The Group has revisited its capital expenditure plan in the coming twelve months and has considered to postpone the current constructions in progress depending on the sufficiency of the working capital and the Group's capability in obtaining the finance resources. In the view of the Directors, the deferral of the capital expenditure would mitigate the pressure on the demand of operating fund in the coming twelve months.

(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, and continued to expand the cooperation with its business partners from various channels. The Group continued to take measures to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations, including scaling down the operation, human resources optimisation and containment of capital expenditures.

Notwithstanding the above, in consideration of the concentration of the Group's operation in United States adding the vulnerability to the volatility of the new generation mobile phone business and the worldwide outbreak of coronavirus COVID-19 since January 2020 giving rise to increasing uncertainties and disruptions to the economy, material uncertainties exist as to whether the Group will be able to achieve its plans and measures as described above.

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 2019. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

The Group reassessed a sublease arrangement at 1 January 2019 that was previously classified as an operating lease applying HKAS 17 based on the remaining contractual terms and conditions of the head lease and sublease at 1 January 2019, and determined that this arrangement is a finance lease applying HKFRS 16. Accordingly, the Group recognised a net investment in a sublease amounting to HK$1,628,000 and derecognised the corresponding right-of-use asset of the head lease amounting to HK$1,706,000, resulting in a loss of HK$78,000 recognised in the opening balance of accumulated loss at 1 January 2019.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated loss at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impacts on transition (continued)

For the leasehold land (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) *HK$'000*
Assets	
Increase in right-of-use assets	215,240
Increase in other non-current assets	1,628
Decrease in prepaid land lease payments	(184,800)
Decrease in other non-current assets	(1,784)
Decrease in prepayments, other receivables and other assets	(5,194)
Increase in total assets	25,090
Liabilities	
Increase in lease liabilities	25,168
Increase in total liabilities	25,168
Increase in accumulated losses	(78)
Decrease in non-controlling interest	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	25,071
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	1,118
Add: Payments for optional extension periods not recognised as at 31 December 2018	3,940
	27,893
Weighted average incremental borrowing rate as at 1 January 2019	5.7%
Discounted operating lease commitments as at 1 January 2019	25,168
Lease liabilities as at 1 January 2019	25,168

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

(c) the financing 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 profit or loss before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, gain or loss of control of subsidiaries, impairment of investments in associates, non-lease-related finance costs, gain on disposal of investments in associates and share of profits/(losses) of a joint venture and associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, investments in associates, equity investments at fair value through profit or loss, deferred tax assets, amounts due from associates, assets classified as held for sale, 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, tax payable, deferred tax liabilities, an amount due to a related party 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 2019	Mobile phone *HK$'000*	Property investment *HK$'000*	Financing service *HK$'000*	Total *HK$'000*
Segment revenue *(note 4)*				
Sales to external customers	1,858,090	–	159	1,858,249
Other revenue and gains	173,515	23,167	–	196,682
Total	2,031,605	23,167	159	2,054,931
Segment results	34,668	14,842	(1,493)	48,017
Reconciliation:				
Interest income				2,031
Impairment of investments in associates				(3,196)
Finance costs (other than interest on lease liabilities)				(42,670)
Gain on disposal of investments in associates				2,625
Share of profit of a joint venture				129,049
Share of losses of associates				(19,238)
Profit before tax				116,618
Segment assets	1,827,483	391,504	3,966	2,222,953
Reconciliation:				
Investment in a joint venture				180,083
Investments in associates				304,341
Corporate and other unallocated assets				652,601
Total assets				3,359,978
Segment liabilities	1,913,452	3,597	2,335	1,919,384
Reconciliation:				
Corporate and other unallocated liabilities				732,370
Total liabilities				2,651,754
Other segment information:				
Reversal of impairment of financial assets, net	(16,112)	–	–	(16,112)
Write-down of inventories to net realisable value	49,594	–	–	49,594
Fair value gain on investment properties	–	4,554	–	4,554
Product warranty provision	10,373	–	–	10,373
Depreciation and amortisation	45,231	–	15	45,246
Capital expenditure*	126,327	–	–	126,327

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018	Mobile phone *HK$'000*	Property investment *HK$'000*	Financing service *HK$'000*	Total *HK$'000*
Segment revenue *(note 4)*				
Sales to external customers	1,276,091	–	1,073	1,277,164
Other revenue and gains	184,767	20,643	–	205,410
Total	1,460,858	20,643	1,073	1,482,574
Segment results	(395,578)	18,567	(1,674)	(378,685)
Reconciliation:				
Interest income				7,958
Gain on loss of control of subsidiaries, net				94,590
Impairment of investments in associates				(6,657)
Finance costs				(37,141)
Share of loss of a joint venture				(779)
Share of losses of associates				(82,729)
Corporate and other unallocated expenses				(15,965)
Loss before tax				(419,408)
Segment assets	1,989,885	224,911	9,309	2,224,105
Reconciliation:				
Investment in a joint venture				101,402
Investments in associates				339,225
Corporate and other unallocated assets				452,034
Total assets				3,116,766
Segment liabilities	1,802,574	2,564	–	1,805,138
Reconciliation:				
Corporate and other unallocated liabilities				896,961
Total liabilities				2,702,099
Other segment information:				
Impairment of financial assets, net	11,297	–	–	11,297
Write-down of inventories to net realisable value	16,643	–	–	16,643
Fair value gain on investment properties	–	3,343	–	3,343
Product warranty provision	3,114	–	–	3,114
Depreciation and amortisation	53,017	–	22	53,039
Capital expenditure*	249,671	–	–	249,671

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**128,531**	193,184
Overseas	**1,729,718**	1,083,980
	1,858,249	1,277,164

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**1,607,010**	1,707,350
Overseas	**9,146**	3,989
	1,616,156	1,711,339

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

Information about major customers

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

	Operating segment	**2019**	2018
		HK$'000	*HK$'000*
Customer A	Mobile phone	**772,333**	812,119
Customer B	Mobile phone	**693,836**	N/A

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of mobile phones and related accessories	**1,854,148**	1,261,393
Wireless application service income	**3,942**	14,698
Financing service income	**159**	1,073
	1,858,249	1,277,164

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segment	**Mobile phone** *HK$'000*	**Financing service** *HK$'000*	**Total** *HK$'000*
Timing of revenue recognition:			
Goods and services transferred at a point of time	**1,858,090**	**–**	**1,858,090**
Financing income recognised overtime	**–**	**159**	**159**
Total revenue from contracts with customers	**1,858,090**	**159**	**1,858,249**

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

	2019 *HK$'000*	2018 *HK$'000*
Sale of mobile phones and related accessories	**23,958**	45,100

No revenue recognised during the year related to performance obligations that were satisfied in prior years (2018: Nil).

(ii) Performance obligation

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

Sale of mobile phones and related accessories

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

Other income and gains	**2019** *HK$'000*	2018 *HK$'000*
Bank interest income	**2,031**	7,958
Government grants and subsidies*	**114,368**	76,646
Gross rental income from investment property operating leases:	**18,613**	17,300
Fixed lease payments	**18,613**	N/A
Dividend income from investments	**–**	6,057
Sales of scrap materials	**6**	13,711
After-sales repair service	**17,509**	6,360
Various services income	**16,027**	21,662
Fair value gain on investment properties	**4,554**	3,343
Gain on disposal of a parcel of land	**–**	5,383
Fair value gain on equity investments at fair value through profit or loss, net	**–**	21,557
Gain on disposal of investments in associates	**2,625**	–
Foreign exchange gains, net	**9,649**	–
Others	**13,331**	33,391
	198,713	213,368

* 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. PROFIT/(LOSS) BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**1,376,611**	1,332,454
Depreciation of property, plant and equipment	**28,845**	40,732
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	**14,960**	4,948
Amortisation of intangible assets	**1,441**	1,500
Research and development costs*:		
Product development costs amortised	**–**	5,859
Current year expenditure	**114,396**	107,843
	114,396	113,702
Minimum lease payments under operating leases	**–**	15,829
Lease payments not included in the measurement of lease liabilities	**739**	–
Auditor's remuneration	**3,821**	3,766
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**159,325**	213,456
Staff welfare expenses	**2,543**	14,221
Pension scheme contributions (defined contribution scheme)	**13,261**	17,952
Equity-settled share option expense, net^	**4,016**	(63,004)
	179,145	182,625
(Reversal of impairment)/impairment of other financial assets, net#	**(22,642)**	15,918
Impairment/(reversal of impairment) of trade receivables#	**6,530**	(4,621)
Impairment of investments in associates	**3,196**	6,657
Loss on disposal of items of property, plant and equipment#	**8,674**	14,059
Gain on disposal of a parcel of land	**–**	(5,383)
Write-down of inventories to net realisable value&	**49,594**	16,643
Direct operating expenses arising on rental-earning investment properties	**2,234**	2,076
Product warranty provision	**10,373**	3,114
Fair value losses/(gains) on equity investments at fair value through profit or loss, net***	**36,657**	(21,557)
Loss on disposal of investment properties#	**–**	13,167
Loss on transfer from construction in progress to an investment property#	**6,091**	–
Foreign exchange differences, net**	**(9,649)**	70,937

* Included in "Administrative expenses" in profit or loss

^ The amount represents the net effect of i) recognition of equity-settled share option expenses amounting to HK$4,016,000 (2018: HK$7,506,000) and ii) no reversal of equity-settled share option expenses recognised in prior years as a result of forfeiture of certain share options granted in 2019 (2018: HK$70,510,000).

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

\# Included in "Other expenses" in profit or loss

** The net foreign exchange differences, is included in "other income and gains"/"other expenses" in profit or loss.

*** The net fair value losses/(gains) on equity investments at fair value through profit or loss, is included in "other expenses"/"other income and gains" in profit or loss.

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings	**23,349**	29,555
An amount due to a related party	**16,202**	7,586
Interest on factoring of trade receivable	**3,119**	–
Interest on lease liabilities	**1,527**	–
	44,197	37,141

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 (2018: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group's subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

	2019	2018
	HK$'000	*HK$'000*
Current – Charge for the year	**3,414**	2,248
Deferred	**1,110**	(10,994)
Total tax charge/(credit) for the year	**4,524**	(8,746)

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) Yulong Shenzhen, the Company's wholly-owned subsidiary, was recognised as a high-technology enterprise in October 2017 and was 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% (2018: 15%) for the year ended 31 December 2019.

(b) Xi'an Coolpad, the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2017, and was subject to CIT at a rate of 15% for three years from 2017 to 2019. Therefore, Xi'an Coolpad was subject to CIT at a rate of 15% (2018: 15%) for the year ended 31 December 2019.

(c) SZ Coolpad Technologies, the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2019, and is subject to CIT at a rate of 15% for three years from 2019 to 2021. In this regard, SZ Coolpad Technologies was subject to CIT at a rate of 15% (2018: 15%) for the year ended 31 December 2019.

(d) Nanjing Coolpad, the Company's wholly-owned subsidiary, was established in 2014 and assessed as a software enterprise and therefore was 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% (2018: 12.5%) for the year ended 31 December 2019.

(e) Dongguan Coolpad, the Company's wholly-owned subsidiary, was established in 2014 and assessed as a software enterprise in 2017 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. Dongguan Coolpad started its tax concession period from year 2017 as it made profit in that year. In this regard, Dongguan Coolpad was subject to CIT at a rate of 12.5% (2018: 0%) for the year ended 31 December 2019.

8. DIVIDEND

The Directors did not recommend payment of any final dividend for the year ended 31 December 2019 (2018:Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the earnings/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 5,061,900,631 (2018: 5,033,407,480) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had no dilution effect on the basic earnings/(loss) per share amount presented.

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**728,555**	481,750
Impairment	**(305,975)**	(301,900)
	422,580	179,850

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

10. TRADE RECEIVABLES (Continued)

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

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**365,773**	158,389
4 to 6 months	**23,549**	16,312
7 to 12 months	**37,907**	7,774
Over 1 year	**301,326**	299,275
	728,555	481,750
Less: Impairment	**(305,975)**	(301,900)
	422,580	179,850

11. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**–**	8,967

Bills receivable as at 31 December 2018 are non-interest-bearing.

At 31 December 2018, the Group did not have any past due or impaired bills receivable. An impairment analysis is performed at 31 December 2018 according to the expected credit loss model and the loss calculated for the remaining balance of bills receivable was not material and has no impact on the Group's consolidated financial statements.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments for other suppliers	**19,574**	40,873
Deposits and other receivables	**119,943**	156,591
Deductible input VAT	**271,499**	370,492
Prepaid expenses	**27,582**	2,661
Current portion of prepaid land lease payments	**–**	4,638
	438,598	575,255
Non-current portion	**(35,791)**	(14,310)
	402,807	560,945

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019	2018
	HK$'000	*HK$'000*
Cash and bank balances	**297,420**	168,554
Time deposits	**66,866**	114,966
	364,286	283,520
Less: pledged deposits for:		
– A performance guarantee provided to a bank	**(66,866)**	(114,966)
Cash and cash equivalents	**297,420**	168,554

14. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**332,458**	87,231
4 to 6 months	**46,957**	4,512
7 to 12 months	**34,629**	17,621
Over 1 year	**91,917**	143,300
	505,961	252,664

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

15. EVENTS AFTER THE REPORTING PERIOD

Corona Virus Disease 2019

The global outbreak of the novel coronavirus ("COVID-19") subsequent to the end of reporting period and the consequential precautionary and control measures across the Group's main operating areas including China and United States have brought significant uncertainties to the Group's businesses. The Group expects the continuous spread of the virus would inevitably stunt the economy and the disruptions have being seen in the Group's supply chain and logistics.

Given the dynamic nature of the circumstances, the uncertainty of the duration of the pandemic and the possible extent of preventive measures, up to the date of this announcement, the Group is still assessing the related impact.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Coolpad Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31 December 2019, the Group's current liabilities exceeded its current assets by approximately HK$684 million. As stated in note 2.1, this event or condition, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION & 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			
	2019		2018	
Revenue	**Revenue** ***HK$ Million***	**% of revenue**	Revenue *HK$ Million*	% of Revenue
Sale of mobile phones and related accessories	**1,854.15**	**99.78**	1,261.39	98.77
Wireless application service income	**3.94**	**0.21**	14.70	1.15
Finance service	**0.16**	**0.01**	1.07	0.08
Total	**1,858.25**	**100**	1,277.16	100

The Group recorded consolidated revenue for the year ended 31 December 2019 of HK$1,858.25 million, representing an increase of 45.50% as compared with HK$1,277.16 million for the year ended 31 December 2018, driven by the increase of shipment in American. In 2019, we continued to focus on innovation with increasing investment in smartphone R&D and achieved great progress. During the year, we launched 7 new smartphones models and received high market recognition.

GROSS PROFIT

	Year ended 31 December			
	2019		2018	
Gross profit/(loss)	**Gross profit** ***HK$ Million***	**Gross profit margin (%)**	Gross loss *HK$ Million*	Gross loss margin (%)
Total	**432.04**	**23.25**	(71.93)	(5.63)

The Group's overall gross profit for the year ended 31 December 2019 was HK$432.04 million, compared with HK$71.93 million gross loss for the year ended 31 December 2018. The Group's overall gross profit margin for the year ended 31 December 2019 was 23.25%, representing an increase of 28.88ppt as compared with -5.63% for the year ended 31 December 2018. The gross profit increase was primarily attributable to the scale effect, the higher gross margin of our newly launched smartphone models, and more prudent operations during the year.

SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2019	2018
Selling and distribution expenses *(HK$ million)*	**269.11**	158.01
Selling and distribution expenses/Revenue *(%)*	**14.48**	12.37

Selling and distribution expenses of the Group for the year ended 31 December 2019 increased to HK$269.11 million, representing an increase of 70.31%, as compared with HK$158.01 million for the year ended 31 December 2018. The increase in selling and distribution expenses was primarily attributable to our enhanced marketing effort for our newly launched smartphones and other smart terminals during the year, which also drove our revenue to grow 45.50% YOY.

ADMINISTRATIVE EXPENSE

	Year ended 31 December	
	2019	2018
Administrative expenses *(HK$ million)*	**247.65**	323.08
Administrative expenses/Revenue *(%)*	**13.33**	25.30

Administrative expenses decreased by 23.35% from HK$323.08 million for the year ended 31 December 2018 to HK$247.65 million for the year ended 31 December 2019. Administrative expenses as a percentage of total revenue decreased to 13.33% in 2019 from 25.30% in 2018. The net decrease of 11.97ppt was attributable to scale effect and our enhanced operation efficiency.

INCOME TAX EXPENSE

For the year ended 31 December 2019, the Group turn to profit before tax of HK$116.62 million from loss before tax of HK$419.41 million for the year ended 31 December 2018, and the Group's income tax turn to a net tax expense of HK$4.52 million from net tax credit of HK$8.75 million for the year ended 31 December 2018.

NET PROFIT

For the year ended 31 December 2019, the Group recorded a net profit of HK$112.09 million, representing an increase of HK$522.75 million, as compared with the net loss of HK$410.66 million for the year ended 31 December 2018. The turnaround from loss to profit for 2019 is mainly attributable to (i) the significant positive impact on the results from the share of profits of a joint venture of HK$129.05 million, compared with a share of loss of a joint venture of HK$0.78 million in 2018; and (ii) an increase in the Group's revenue for 2019 of 45.50% as compared to a revenue of HK$1,277.16 million recorded in 2018 as well as a significant increase in gross profit margin in the new products launched in the market in 2019, compared to a gross loss in 2018.

LIQUIDITY AND FINANCIAL RESOURCE

For the year ended 31 December 2019, the Group's operating capital was mainly generated from cash from its daily operation and other borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and other unforeseeable cash requirements. The Group had a gearing ratio of 76% as at 31 December 2019 (2018: 85%). 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 2019 amounted to HK$297.42 million, while it was HK$168.55 million as at 31 December 2018.

CONTINGENT LIABILITIES

(a) Litigation with 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 US$25,000,000 (equivalent to HK$194,696,000) (2018:US$25,000,000). In preparing these consolidated financial statements, the aforesaid lawsuit was still in progress.

(b) Litigations with suppliers

The Group received several civil complaints in 2019 from suppliers demanding the Group to immediately repay the overdue accounts payable balance of RMB36 million (equivalent to HK$41 million) (2018: RMB129 million). The arbitration procedures of the civil complaints were still in progress as at the date of approval of the announcement.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's 20% share in the investment in an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK$25,613,000 were pledged as security for a shareholder loan of this associate.

As at 31 December 2019, the Group's listed equity investments with a carrying value of HK$71,993,000 (2018: HK$114,088,000) were pledged as security for the Group's loan from third party.

As at 31 December 2019, the Group's time deposits of approximately (i) HK$55.82 million were used as a pledged for issuance of letters of credit (2018: HK$57.11 million), and (ii) HK$11.05 million were used as a security for the banks to provide performance guarantees (2018: HK$57.86 million).

BUSINESS REVIEW

Looking back on 2019, each business of the Group resumed growth and achieved profit turnaround. After past three years of loss, the Group is undergoing restructuring and making further strides forward.

RESUMPTION

Trading in the shares of the Company has been suspended since 31 March 2017. After more than two years of the Group's employees' efforts, the Company has met all of the resumption conditions of the Hong Kong Stock Exchange and successfully resumed trading.

ANNUAL RESULTS

For the year ended 31 December 2019, the Group recorded a revenue of HK$1,858.25 million, representing an increase of 45.50% from HK$1,277.16 million for the year ended 31 December 2018, which was mainly driven by the higher recognition of the Group's newly launched smartphones in the North American market and a wide variety of product categories in 2019. The Group's overall gross profit margin for the year ended 31 December 2019 recorded a 23.25%, increasing 28.88ppt from -5.63% for the year ended 31 December 2018. The gross profit margin increase was primarily attributable to the scale effect, the higher gross margin of our newly launched smartphone models, and more prudent operations during the year. We also achieved an leverage on expenses. The Group's total selling & distribution, and administration expenses as a percentage of total revenue was 27.81%，decreasing 9.86ppt from 37.67% for the year ended 31 December 2018, mainly driven by scale effect and Group's more efficient operations. The Group achieved profit turnaround with a net profit of HK$112.09 million in 2019, representing an increase of HK$522.75 million as compared to the net loss of HK410.66 million in 2018, which was mainly due to (1) the significant positive impact arising from the share of profit of a joint venture (in 2018: results of share of loss of a joint venture); and (2) an increase in the Group's revenue for 2019 of 45.50% as compared to a revenue of HKD1,277.16 million recorded in 2018 as well as a significant increase in gross profit margin in the new products launched in 2019, compared to a gross loss 2018.

NEW MANAGEMENT TEAM

The Group has undergone major management changes in 2019. Mr. Chen Jiajun, an executive Director of the Company, was appointed as the chief executive officer of the Group on 17 January 2019 and was re-designated as the chairman of the Board on 30 August 2019. Mr. Liang Rui, an executive Director of the Company, was appointed as the new chief executive officer of the Company on 30 August 2019. Mr. Ma Fei, the chief financial officer of the Group, was appointed as an executive Director and the new joint company secretary of the Company with effect from 29 October 2019. Mr. Xu Yibo, the chief operating officer of the Group, was appointed as an executive Director of the Company with effect from 29 October 2019. The Group will further enhance its competitiveness under the leadership of the new management team.

CAPITAL SUPPORT

The Company has successfully resumed trading on the Hong Kong Stock Exchange on 19 July 2019. Since the trading resumption, the capital market gradually restored its confidence in the Group. The Company issued 800,000,000 new ordinary shares at a subscription price of HK$0.215 per share on 19 December 2019 and successfully financed HK$171 million, after deducting the share issue expenses. At the same time, the Group is negotiating with several banks in Mainland China and Hong Kong for financing. Currently, the Group may be able to obtain loan credit from certain financial institutions in Mainland China. With the safeguard of such capital support, the Group is confident to provide more competitive products and better services to the market.

DIVERSIFY PRODUCT CATEGORIES

In the highly competitive business environment in 2019, the Group continued to explore the North American market and enrich product categories. In 2019, the Group launched a total of 7 new smartphones models and a number of other electronic terminals. In addition to household accessories such as portable power banks, cables and multi-function plugs, the Group also launched various electronic products such as coolpad surf (a mobile hotspot) and coolpad tracker (a tracker), which recorded a rapid growth in sales volume and received high recognition in the North American market.

U.S. MARKET

In 2019, the Group continued to deeply engage in the U.S. market. The Group categorizes the business in the U.S. market into two segments: 1) the smartphone business, by cooperating with local telecommunication operators, and 2) the smart accessories, such as charges, cables and portable power banks, by cooperating with amazon.com. The Group maintained good relationship with local operators in the United States and provided an independent product line for the U.S. market, which led to a steady increase on the Group's market share in the U.S. market.

RESEARCH AND DEVELOPMENT

The Group continued to strengthen its research and development ("**R&D**") ability during the year. The Group recognized the importance of R&D ability to the Group and identified itself as a tech-driven company. The Group is carrying out comprehensive research and development on the latest technologies such as 5G technology, Internet of Things ("**IOT**") and smart hardware. The Group has a superb team and continues to strengthen its research and development capabilities to provide users with the best products experiences.

OUTLOOK

Since 1994, the Group has been in the telecommunications industry for more than 25 years, and has accumulated extensive experience and technology on in telecommunications technology. Coolpad has a large number of R&D patents worldwide, and numerous technologies have achieved international advanced status, with hundreds of patents in the field of 5G. 2020 is a year full of opportunities for 5G development, the Group is confident to seize the opportunities arising from the 5G era after the resumption.

STRATEGIC PLANNING

In 2020, the Group has formulated a clear long-term strategy: 1) In respect of overseas markets, the Group will continue to focus on the development of the North American market and aim to increase the market share growth in such market, actively consolidate and maintain the relationship with the North American operators, diversify product categories and provide more competitive products; and 2) In respect of the PRC market, the Group is actively transforming its business to industrial internet applications in new infrastructure industry such as applications in smart cities and support for social governance, in order to serve the society and maximize Coolpad's value in the 5G era.

CES EXHIBITION

As a member of the domestic 5G standard formulation group, the Group will continue to invest in research and development of the latest technologies such as 5G technology, IOT and smart hardware in 2020. On 7 January 2020, the Group released its first 5G smartphone at the 2020 CES Exhibition in the United States. This smartphone phone will use 6.53 inches FHD + display panels with Coolpad innovative V-design and the HDR display solution of Pixelwork for excellent experience picture and video view experience. It will also enhance the Bluetooth 5.0 to enable multi-device Bluetooth connection. In addition to 5G smartphones, the Group also released some new products on the IOT and smart home. The Group will continue to offer more cost-effective smartphones and other smart terminals to the market.

DIVERSIFYING PRODUCT CATOGERIES

The Group has made initial progress in expanding its product portfolio to smart accessories in 2019. The Group is selling mid-to-high end smart accessories at Amazon's flagship store in the U.S.,which includes chargers, cables, portable power banks, etc., and has received positive feedbacks from users.In 2020, the Group intends to expand its product categories into intelligent hardware such as smart glasses, smart watches, TWS earphones,etc. Meanwhile, the Group is also considering expanding the accessories business and its selling channel to other countries.

INDUSTRIAL INTERNET

The Group is actively transforming to industrial internet sector of new infrastructure industry in China. At present, the Group has made initial progress in social governance technology support and smart water treatment. On 22 December 2019, the Group, together with China Society for Social Governance and other institutions, jointly established the first social governance technology support center in China; On 3 January 2020, the Group, together with the well-known water treatment group in the industry (such as Guangdong Water Group, Shenzhen Water Group, Shenzhen Smart City Technology Development Group, etc.), initiated the establishment of the "Smart Water Environmental Protection Innovation Alliance in the Bay Area" with a view to developing technology to empower water environmental protection. The Group will combine its own technology and R&D ability, focus on the integrated solutions of smart city and smart hardware, seize the opportunities from the Guangdong-Hong Kong-Macao Greater Bay Area strategy and Shenzhen to build a pilot demonstration zone of socialism with Chinese characteristics, integrate strategic cooperation resources in the industry, to accelerate the in-depth application of advanced technologies in areas such as smart wearable, smart city construction, 5G application and Internet of Things. The Group will also continue to drive the intelligent iteration and upgrading of products and services, explore the pan-smart terminal product service market, embrace the new era of smart economy, and provide customers with the ultimate experience of full scenario intelligence.

EPIDEMIC PREVENTION SUPPLY PRODUCTION

Since the new year, in the face of unexpected pandemic, the Group, on one hand, has actively responded to the pandemic; while on the other hand, the Group has sought for breakthrough during such difficult times. In response to the urgent demand for medical-use disease prevention materials and equipment, the Group has never forgotten its corporate social responsibility. Based on the production conditions of automated hardware, the Group has opened up the whole industry chain including raw material procurement, equipment manufacturing and product production by leveraging on its own capabilities and advantages in supply chain management, market synergy and technology output. In February 2020, the Group renovated and set up a production line for civil surgical masks, which not only meets the needs of the Group's employees for pandemic prevention, but also provides timely supply of pandemic prevention materials according to the needs of relevant government departments and the business partners. The Group is also stepping up its research and development on AR intelligent devices which can achieve intelligent temperature monitoring and emergency command solutions, so as to facilitate the safety monitoring and back-office command of high-density urban traffic.

The Group will upgrade and optimize its organizational structure and product design. The Group will be dedicated to meeting the needs of consumers, understanding the needs of consumers, acknowledging the changes in the market and promoting social progress. Coolpad is committed to the implementation of being meticulous to consumers, keep craftsmanship spirits and being innovative to products. The Group has passed through the most difficult time. By leveraging on its refined management, research and development capabilities and effective product layout, the Group will seize the opportunities to continuously diversify its products and enhance its product competitiveness, actively solve the difficulties of consumers and create value for Shareholders.

OPERATION RISK

On 11 March 2020, the World Heath Organization officially described the novel Coronavirus outbreak as a pandemic (the "**Pandemic**"). Overall speaking, the Pandemic is expected to have a significant adverse impact on the business performance of the Group but the actual impact has yet to be quantified. Based on our current observation and estimation, the impact of the Pandemic on the Group's performance may be in two aspects. On the one hand, the Pandemic has led to a slowdown in economic activity and a change in consumption patterns. The Pandemic in the Group's key sales regions (the US market) is intensifying, and the Group will face the risk of falling sales. On the other hand, the raw material price volatility and supply uncertainty will increase. At present, the Group's material inventory can meet current production needs. However, as the Group's electronic device suppliers are located in various countries around the world, being affected by the epidemic situation, some raw materials may have delayed supply and prices rise due to factors such as suppliers factory suspension and poor logistics.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2019, 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 for the year ended 31 December 2019. The Group has not entered into any derivative contracts to hedge against the risk in the year 2019.

EMPLOYEES AND REMUNERATION POLICY

During the year ended 31 December 2019, the Group's staff costs (including directors' remuneration) amounted to approximately HK$179.15 million (2018: HK$182.63 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 2019, the Group had 668 employees (2018: 637 employees).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

DIVIDEND

Directors did not recommend the payment of any dividends for the year ended 31 December 2019 (2018: Nil).

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 2019.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and the related notes thereto as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Under Code Provision A.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. The roles of the chairman and chief executive officer of the Board have been separate since 5 August 2016. However, since Mr. Liu Hong ceased to be the chairman of the Board on 19 January 2019, the Board has not yet designated a Director to act as the chairman of the Board. The Board will continue to evaluate the roles and functions of the Board members and will consider appointing a chairman of the Board in accordance with the relevant requirements and the Articles of Association of the Company.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company has not met the requirements under the Code during the year ended 31 December 2019.

ANNUAL GENERAL MEETING

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

PUBLICATION OF INFORMATION ON THE WEBSITES

The annual report of the Company for the year ended 31 December 2019 containing the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.coolpad.com.hk in due course.

By order of the Board
Coolpad Group Limited
Ma Fei
Executive Director
Joint Company Secretary

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. Chen Jiajun, Mr. Liang Rui, Mr. Ma Fei, Mr. Xu Yibo and Mr. Lam Ting Fung Freeman; the non-executive Director is Mr. Ng Wai Hung; the independent non-executive Directors are Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Guo Jinghui.