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# coolpad 酷派

## COOLPAD GROUP LIMITED

### 酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

## 2021 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 2021 (the “**Year**”), together with the comparative figures for the year ended 31 December 2020.

### FINANCIAL HIGHLIGHTS

	Year ended 31 December		Changes (%)
	2021 HK\$'000	2020 HK\$'000	
Revenue from continuing operations	665,380	811,757	-18.03
Loss before tax from continuing operations	(556,009)	(299,063)	85.92
Loss for the year from a discontinued operation	–	(48,800)	-100
Loss for the year	(572,376)	(393,828)	45.34
	HK cents	HK cents	
Basic and diluted			
– For loss for the year (2020 restated)	<u>(6.17)</u>	<u>(6.03)</u>	2.32
– For loss from continuing operations (2020 restated)	<u>(6.17)</u>	<u>(5.29)</u>	16.64

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>665,380</b>	811,757
Cost of sales		<u><b>(629,081)</b></u>	<u>(689,703)</u>
Gross profit		<b>36,299</b>	122,054
Other income and gains	4	<b>258,443</b>	287,259
Selling and distribution expenses		<b>(205,967)</b>	(200,243)
Administrative expenses		<b>(366,859)</b>	(296,430)
Other expenses		<b>(196,017)</b>	(121,397)
Finance costs	6	<b>(48,807)</b>	(37,000)
Share of profits and losses of:			
Joint ventures		<b>(49,827)</b>	(5,774)
Associates		<u><b>16,726</b></u>	<u>(47,532)</u>
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	5	<b>(556,009)</b>	(299,063)
Income tax expense	7	<u><b>(16,367)</b></u>	<u>(45,965)</u>
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(572,376)</b>	(345,028)
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation		<u>–</u>	<u>(48,800)</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(572,376)</b></u>	<u>(393,828)</u>
Attributable to:			
Owners of the Company		<b>(572,376)</b>	(393,986)
Non-controlling interests		<u>–</u>	<u>158</u>
		<u><b>(572,376)</b></u>	<u>(393,828)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
	9	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted			
– For loss for the year (2020 restated)		<u><b>(6.17)</b></u>	<u>(6.03)</u>
– For loss from continuing operations (2020 restated)		<u><b>(6.17)</b></u>	<u>(5.29)</u>

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

*Year ended 31 December 2021*

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	712	13,233
Reclassification adjustment for foreign operations disposed of during the year	–	51,743
Share of other comprehensive income of:		
Joint ventures	5,460	12,382
Associates	<u>26,484</u>	<u>10,830</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>32,656</u>	<u>88,188</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	13,128	1,053,018
Income tax effect	(3,282)	(263,255)
Share of other comprehensive income of an associate	<u>67,954</u>	<u>–</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>77,800</u>	<u>789,763</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u>110,456</u>	<u>877,951</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<u><b>(461,920)</b></u>	<u>484,123</u>
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	(461,930)	483,946
Non-controlling interests	<u>10</u>	<u>177</u>
	<u><b>(461,920)</b></u>	<u>484,123</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>674,890</b>	305,048
Investment properties		<b>2,375,184</b>	2,287,583
Right-of-use assets		<b>98,349</b>	89,951
Intangible assets		<b>19,939</b>	6,867
Investments in joint ventures		<b>143,954</b>	188,321
Investments in associates		<b>374,705</b>	265,717
Financial assets at fair value through profit or loss		<b>27,263</b>	86,935
Other non-current assets		<b>47,461</b>	2,804
Deferred tax assets		<b>427</b>	470
		<hr/>	<hr/>
Total non-current assets		<b>3,762,172</b>	3,233,696
<b>CURRENT ASSETS</b>			
Inventories		<b>71,226</b>	181,568
Trade receivables	10	<b>54,366</b>	104,906
Bills receivable	11	–	3,373
Prepayments, deposits and other receivables	12	<b>354,180</b>	299,889
Amounts due from associates		<b>3,335</b>	3,170
An amount due from a joint venture		–	7,937
Pledged deposits	13	<b>64,919</b>	79,427
Cash and cash equivalents	13	<b>814,812</b>	208,773
		<hr/>	<hr/>
		<b>1,362,838</b>	889,043
		<hr/>	<hr/>
Assets classified as held for sale		–	198,777
		<hr/>	<hr/>
Total current assets		<b>1,362,838</b>	1,087,820

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

31 December 2021

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	14	<b>116,499</b>	252,755
Other payables and accruals		<b>1,477,956</b>	1,500,899
Interest-bearing bank and other borrowings		<b>244,618</b>	534,670
Lease liabilities		<b>3,860</b>	3,562
Amounts due to associates		<b>41,350</b>	43,578
An amount due to a joint venture		<b>1,816</b>	1,764
Amounts due to related parties		<b>158,739</b>	167,225
Tax payable		<b>117,112</b>	114,731
Total current liabilities		<b>2,161,950</b>	2,619,184
<b>NET CURRENT LIABILITIES</b>		<b>(799,112)</b>	(1,531,364)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,963,060</b>	1,702,332
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>13,424</b>	3,518
Deferred tax liabilities		<b>382,397</b>	375,514
Other non-current liabilities		<b>23,127</b>	4,447
Total non-current liabilities		<b>418,948</b>	383,479
Net assets		<b>2,544,112</b>	1,318,853
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		<b>121,050</b>	65,334
Reserves		<b>2,422,653</b>	1,253,120
Non-controlling interests		<b>2,543,703</b>	1,318,454
		<b>409</b>	399
Total equity		<b>2,544,112</b>	1,318,853

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries are wireless solution and equipment providers. During the year, the Group continued to focus on the production and sale of mobile phones and accessories, and the provision of wireless application services.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings included as property, plant and equipment and equity 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

For the year ended 31 December 2021, the Group incurred a net loss of HK\$572 million and the Group recorded net current liabilities of HK\$799 million as at 31 December 2021. The unrestricted cash and cash equivalent balance amounted to HK\$815 million as at 31 December 2021. As at 31 December 2021, 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\$193 million. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

During the year, the directors have taken various measures with the aim of improving the Group’s liquidity position, including but not limited to: (i) a bank facility of RMB1,350 million (equivalent to HK\$1,651 million) was granted to the Company; (ii) on 5 February 2021, the Group entered into an agreement with an independent third party, pursuant to which, the Group successfully extended the due date of a loan included in other borrowings amounting to RMB100 million (equivalent to HK\$122 million) to 27 September 2022; (iii) completion of placings and rights issue of 5,566,799,740 shares with aggregate proceeds, before expenses, of approximately HK\$1,559 million; and (iv) issuance of unlisted warrants conferring the rights to subscribe for a maximum number of 800,000,000 shares of the Company for an aggregate proceeds of approximately HK\$45 million.

Further measures have been taken by the directors to improve the liquidity position of the Group, including but not limited to: (i) on 14 January 2022, 800,000,000 shares were issued by the Company to a company which was 100% owned by Mr. Chen Jiajun, the Chairman of the Board and the chief executive officer of the Company, with net proceeds of approximately HK\$224 million; and (ii) on 14 January 2022 and 28 January 2022, 300,000,000 and 600,000,000 shares were issued by the Company to two independent third parties with net proceeds of approximately HK\$252 million, respectively.

The directors have prepared a cash flow forecast of the Group for the next twelve months based on the existing situation, future events and commitments of the Group. Taking into account the aforesaid available unutilised loan facilities of RMB1,350 million (equivalent to HK\$1,651 million), the directors considered that the Group will have adequate working capital to meet its obligations, and therefore the financial statements of the Group have been prepared on a going concern basis.

## 2.1 BASIS OF PREPARATION (continued)

### Going concern basis (continued)

Notwithstanding the above, in consideration of uncertainty and vulnerability of the Group's new 5th generation mobile phone business and the increasing intensive competition from the market, the continuing spread of COVID-19 giving rise to potential disruptions to the macro economy and customer confidence, material uncertainties exist as to whether the Group will be able to achieve targeted growth in business and revive its market presence.

Should the Group fail to realise its plans to grow its business and secure sufficient financial resources to improve its financial position, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position as at 31 December 2021. 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 2021. 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.

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.



### 3. OPERATING SEGMENT INFORMATION

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

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

An operating segment regarding the financing services operation was discontinued in July 2020. The segment information reported does not include any amount for this discontinued operation.

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 from continuing operations. The adjusted loss before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that interest income, non-lease-related finance costs, gain on disposal of investments in associates and share of profits and losses of joint ventures and associates are excluded from such measurement.

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

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

### 3. OPERATING SEGMENT INFORMATION (continued)

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

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

### 3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue</b> (note 4)			
Sales to external customers	811,757	–	811,757
Other revenues and gains	89,706	194,123	283,829
Revenue from continuing operations	<u>901,463</u>	<u>194,123</u>	<u>1,095,586</u>
<b>Segment results</b>	(393,958)	180,759	(213,199)
<i>Reconciliation</i>			
Interest income			2,807
Finance costs (other than interest on lease liabilities)			(35,988)
Gain on disposal of investments in associates			623
Share of losses of joint ventures			(5,774)
Share of losses of associates			<u>(47,532)</u>
Loss before tax from continuing operations			<u>(299,063)</u>
<b>Segment assets</b>	868,027	2,288,271	3,156,298
<i>Reconciliation</i>			
Investments in joint ventures			188,321
Investments in associates			265,717
Corporate and other unallocated assets			<u>711,180</u>
Total assets			<u>4,321,516</u>
<b>Segment liabilities</b>	1,743,717	7,162	1,750,879
<i>Reconciliation</i>			
Corporate and other unallocated liabilities			<u>1,251,784</u>
Total liabilities			<u>3,002,663</u>
<b>Other segment information</b>			
From continuing operations:			
Impairment of financial assets, net	4,227	–	4,227
Impairment of property, plant and equipment	22,611	–	22,611
Write-down of inventories to net realisable value	26,016	–	26,016
Fair value gain on investment properties	–	175,662	175,662
Reversal of product warranty	(2,493)	–	(2,493)
Depreciation and amortisation	37,758	–	37,758
Capital expenditure*			
– from continuing operations	<u>33,274</u>	<u>216,554</u>	<u>249,828</u>

\* 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	112,629	109,490
Overseas	552,751	702,267
	<u>665,380</u>	<u>811,757</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	3,730,942	3,133,731
Overseas	2,372	10,113
	<u>3,733,314</u>	<u>3,143,844</u>

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

#### Information about major customers

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

	Operating segment	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	Mobile phone	212,748	N/A
Customer B	Mobile phone	166,309	158,969
Customer C	Mobile phone	84,701	N/A
Customer D	Mobile phone	N/A	325,882
		<u>N/A</u>	<u>325,882</u>

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

An analysis of revenue is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sale of mobile phones and related accessories	<b>660,559</b>	795,147
Wireless application service income	<b>4,821</b>	16,610
	<b><u>665,380</u></b>	<u>811,757</u>

##### Revenue from contracts with customers

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

<b>Segment</b>	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Timing of revenue recognition:		
Goods and services transferred at a point of time	<b><u>665,380</u></b>	<u>811,757</u>

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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sale of mobile phones and related accessories	<b><u>22,160</u></b>	<u>11,041</u>

No revenue recognised during the year related to performance obligations that were satisfied in prior years (2020: Nil).

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

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

##### (ii) Performance obligation

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

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

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

##### *Wireless application service*

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

<b>Other income and gains</b>	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Bank interest income	<b>4,066</b>	2,807
Government grants and subsidies*	<b>51,660</b>	24,184
Gross rental income from investment property operating leases:		
Fixed lease payments	<b>76,480</b>	18,461
	<b>76,480</b>	18,461
Gain on disposal of assets classified as held for sale	<b>63,553</b>	–
Foreign exchange gains, net	<b>41,655</b>	47,020
Various services income	<b>6,471</b>	4,552
After-sales repair service	<b>4,143</b>	5,562
Fair value gain on investment properties	–	175,662
Gain on disposal of right-of-use assets	–	873
Gain on disposal of investments in associates	–	623
Others	<b>10,415</b>	7,515
	<b>258,443</b>	287,259

\* 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 FROM CONTINUING OPERATIONS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	<b>622,857</b>	663,687
Depreciation of property, plant and equipment	<b>18,890</b>	25,722
Depreciation of right-of-use assets	<b>4,800</b>	10,394
Amortisation of intangible assets	<b>3,747</b>	1,642
Research and development costs*:		
Current year expenditure	<b>161,522</b>	210,033
	<hr/>	<hr/>
Lease payments not included in the measurement of lease liabilities	<b>749</b>	2,558
	<hr/>	<hr/>
Auditor's remuneration:		
Annual audit	<b>3,313</b>	3,286
Agreed-upon procedures	<b>942</b>	760
	<hr/>	<hr/>
	<b>4,255</b>	4,046
	<hr/>	<hr/>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>186,484</b>	183,342
Staff welfare expenses	<b>9,010</b>	7,428
Pension scheme contributions (defined contribution scheme)	<b>16,256</b>	6,020
Equity-settled share option expense	<b>41,153</b>	10,789
	<hr/>	<hr/>
	<b>252,903</b>	207,579
	<hr/>	<hr/>
Impairment/(reversal of impairment) of trade receivables <sup>#</sup>	<b>6,945</b>	(2,423)
Impairment of other financial assets, net <sup>#</sup>	<b>11,642</b>	6,650
Impairment of property, plant and equipment and intangible assets <sup>#</sup>	<b>15,598</b>	22,611
Impairment of other non-current assets <sup>#</sup>	–	31,403
Loss on disposal of items of property, plant and equipment <sup>#</sup>	<b>906</b>	6,066
Write-down of inventories to net realisable value <sup>&amp;</sup>	<b>6,224</b>	26,016
Direct operating expenses arising on rental-earning investment properties <sup>*</sup>	<b>16,747</b>	12,009
Provision/(reversal) of product warranty <sup>@</sup>	<b>667</b>	(2,493)
Equity-settled expenses in connection with issue of warrants <sup>*^</sup>	<b>74,686</b>	–
Fair value losses/(gain) on investment properties <sup>##</sup>	<b>43,480</b>	(175,662)
Fair value losses on financial assets at fair value through profit or loss, net <sup>#</sup>	<b>77,004</b>	8,754
Penalties <sup>#</sup>	–	8,425
Litigation claims <sup>#</sup>	<b>27,572</b>	17,970
	<hr/> <hr/>	<hr/> <hr/>

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

@ Included in "Selling expenses" in profit or loss

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

# Included in "Other expenses" in profit or loss

## The net fair value losses/(gains) on investment properties, is included in "other expenses"/"other income and gains" in profit or loss

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

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings	34,872	19,882
An amount due to a related party	13,458	16,094
Interest on factoring of trade receivable	–	12
Interest on lease liabilities	477	1,012
	<u>48,807</u>	<u>37,000</u>

## 7. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made (2020: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group’s subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current		
– corporate income tax	10,027	2,697
– land appreciation tax*	13,495	–
Deferred	<u>(7,155)</u>	<u>45,314</u>
Total tax charge for the year from continuing operations	16,367	45,965
Total tax charge for the year from a discontinued operation	<u>–</u>	<u>2,046</u>
	<u>16,367</u>	<u>48,011</u>

\* On 25 April 2019, the Group entered into an agreement with Xi’an Hi-Tech Industrial Development Zone in respect of the disposal of a certain parcel of land and the construction in progress held by Xi’an Coolpad Equipment with a transaction price of RMB236,293,000 (equivalent to HK\$289,008,000). The relevant transfer procedures were completed in February 2021.



## 7. INCOME TAX EXPENSE (continued)

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:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Loss before tax from continuing operations	<b>(556,009)</b>	(299,063)
Loss before tax from a discontinued operation	–	(46,754)
	<b>(556,009)</b>	<b>(345,817)</b>
Tax at the statutory tax rate	<b>(139,002)</b>	(86,454)
Effect of different tax rates for certain group entities	<b>20,078</b>	13,967
Provision for land appreciation tax	<b>13,495</b>	–
Tax effect of land appreciation tax	<b>(3,374)</b>	–
Losses attributable to joint ventures	<b>12,209</b>	1,444
(Profit)/losses attributable to associates	<b>(3,370)</b>	8,005
Tax losses utilized from prior periods	<b>(4,306)</b>	(433)
Expenses not deductible for tax	<b>730</b>	2,608
Additional deduction of research and development expenses	<b>(24,349)</b>	(42,699)
Effects of temporary differences	<b>(30,904)</b>	(61,750)
Tax losses not recognised	<b>175,160</b>	213,323
Tax charge at the Group's effective rate	<b>16,367</b>	48,011
Tax charge from continuing operations at the effective rate	<b>16,367</b>	45,965
Tax charge from a discontinued operation at the effective rate	–	2,046

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) Shenzhen Coolpad Technologies Co., Ltd., 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% (2020: 15%) for the year ended 31 December 2021.
- (b) Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd., the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2021, and was subject to CIT at a rate of 15% for three years from 2021 to 2023. Therefore, Yulong Shenzhen was subject to CIT at a rate of 15% (2020: 25%) for the year ended 31 December 2021.

## 8. DIVIDEND

The Directors did not recommend payment of any final dividend for the Year (2020: Nil).

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

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 9,269,499,294 (2020: 6,530,979,114(restated)) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options and warrants outstanding had no dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted loss per share are based on:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation:		
From continuing operations	<b>(572,376)</b>	(345,186)
From a discontinued operation	–	(48,800)
	<u>–</u>	<u>(48,800)</u>
Loss for the purpose of basic and diluted loss per share	<b><u>(572,376)</u></b>	<b><u>(393,986)</u></b>

## 10. TRADE RECEIVABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<b>270,234</b>	410,508
Impairment	<b><u>(215,868)</u></b>	<u>(305,602)</u>
	<b><u>54,366</u></b>	<u>104,906</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	54,861	100,229
4 to 6 months	1,817	2,777
7 to 12 months	119	5,192
Over 1 year	213,437	302,310
	<u>270,234</u>	<u>410,508</u>
Less: Impairment	<u>(215,868)</u>	<u>(305,602)</u>
	<u><u>54,366</u></u>	<u><u>104,906</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	305,602	305,975
Impairment loss/(reversal of impairment), net ( <i>note 5</i> )	6,945	(2,423)
Amount written off as uncollectible	(99,281)	–
Exchange realignment	2,602	2,050
	<u>215,868</u>	<u>305,602</u>
At 31 December	<u><u>215,868</u></u>	<u><u>305,602</u></u>

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

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

### As at 31 December 2021

	Within 1 year	Ageing 1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.10%–27.07%	100%	100%	
Gross carrying amount ( <i>HK\$'000</i> )	56,797	9,530	203,907	270,234
Expected credit losses ( <i>HK\$'000</i> )	2,431	9,530	203,907	215,868

## 10. TRADE RECEIVABLES (continued)

As at 31 December 2020

	Within 1 year	Ageing 1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.10%–25.10%	100%	100%	
Gross carrying amount ( <i>HK\$'000</i> )	108,198	472	301,838	410,508
Expected credit losses ( <i>HK\$'000</i> )	3,292	472	301,838	305,602

## 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	–	3,373

Bills receivable as at 31 December 2020 are non-interest-bearing.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments for suppliers	81,162	16,680
Lease incentives	43,395	–
Deposits and other receivables	38,432	77,813
Deductible input VAT	235,754	207,843
Prepaid expenses	2,898	357
	<b>401,641</b>	302,693
Non-current portion	<b>(47,461)</b>	(2,804)
	<b>354,180</b>	299,889

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there are no comparable companies as at 31 December 2021 was 0.1% (2020: 0.1%).

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

### 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cash and bank balances	814,812	208,773
Time deposits	<u>64,919</u>	<u>79,427</u>
	879,731	288,200
Less: pledged deposits for:		
– A performance guarantee and a letter of credit	<u>(64,919)</u>	<u>(79,427)</u>
Cash and cash equivalents	<u><u>814,812</u></u>	<u><u>208,773</u></u>

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$198,141,000 (2020: HK\$46,174,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

### 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	63,696	159,905
4 to 6 months	89	15,677
7 to 12 months	3,199	8,564
Over 1 year	<u>49,515</u>	<u>68,609</u>
	<u><u>116,499</u></u>	<u><u>252,755</u></u>

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

### 15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, 800,000,000 shares were issued by the Group to Elite Mobile Limited, being a company 100% owned by the Chairman of the Board and the chief executive officer of the Company, at the subscription price of HK\$0.28 per share with net proceeds of approximately HK\$224 million on 14 January 2022. 300,000,000 and 600,000,000 shares were issued by the Group to two independent third parties at the subscription price of HK\$0.28 per share with net proceeds of approximately HK\$252 million on 14 January 2022 and 28 January 2022, respectively.

## 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 2021, 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 2021, 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 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$799 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 AND ANALYSIS

### REVENUE ANALYSIS BY PRODUCT SEGMENTS

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

Revenue	Year ended 31 December			
	2021		2020	
	Revenue	% of	Revenue	% of
	<i>HK\$ million</i>	revenue	<i>HK\$ million</i>	revenue
Sale of mobile phones and related accessories	<b>660.56</b>	<b>99.28</b>	795.15	97.95
Wireless application service income	<b>4.82</b>	<b>0.72</b>	16.61	2.05
<b>Total</b>	<b>665.38</b>	<b>100</b>	811.76	100.00

## REVENUE ANALYSIS BY PRODUCT SEGMENTS (continued)

The Group recorded consolidated revenue for the Year of HK\$665.38 million, representing a decrease of 18.03% as compared with HK\$811.76 million for the year ended 31 December 2020. In the last quarter in 2020, the Group announced its return to the PRC market and was in the stage of resource integration, research and development (“R&D”) and production of new products during the reporting period. Therefore, the two new smartphone products launched during the Year have not yet to provide an apparent boost to sales volume and a significant contribution to the results of the Group for the Year.

### GROSS PROFIT

	Year ended 31 December			
	2021		2020	
Gross profit	Gross profit <i>HK\$ million</i>	Gross profit margin (%)	Gross profit <i>HK\$ million</i>	Gross profit margin (%)
Total	<u>36.30</u>	<u>5.46</u>	<u>122.05</u>	<u>15.04</u>

The Group’s overall gross profit for the Year amounted to approximately HK\$36.30 million, as compared with HK\$122.05 million gross profit for the previous year ended 31 December 2020. The Group’s overall gross profit margin for the Year was 5.46%, representing a decrease of 9.58 percentage points as compared with 15.04% for the year ended 31 December 2020. The decrease of gross profit was primarily attributable to the persistent increase in overall costs of sales which was as a result of tight upstream supply and the rise in certain core raw materials costs. In addition, the PRC’s smartphone market remained intensely competitive. In response, the Group formulated competitive pricing strategy for new products in order to increase its market shares.

### SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2021	2020
Selling and distribution expenses ( <i>HK\$ million</i> )	<b>205.97</b>	200.24
Selling and distribution expenses/revenue (%)	<b>30.96</b>	24.67

Selling and distribution expenses of the Group during the Year increased to approximately HK\$205.97 million, representing an increase of 2.86%, as compared with HK\$200.24 million for the year ended 31 December 2020. The increase in selling and distribution expenses was primarily attributable to the increase in promotion, advertising and distribution expenses for PRC market. The Group increased its marketing efforts for new smartphones to increase brand awareness during the Year.

## ADMINISTRATIVE EXPENSE

	Year ended 31 December	
	2021	2020
Administrative expenses ( <i>HK\$ million</i> )	<b>366.86</b>	296.43
Administrative expenses/revenue (%)	<b>55.14</b>	36.52

Administrative expenses increased by 23.76% from HK\$296.43 million for the year ended 31 December 2020 to HK\$366.86 million for the Year. Administrative expenses as a percentage of total revenue increased to 55.14% in 2021 from 36.52% in 2020. The net increase of 18.62 percentage points was mainly attributable to the equity-settled expenses in connection with issue of warrants and newly granted share options in the Year.

## INCOME TAX EXPENSE

The loss before tax from continuing operations for the Year increased to HK\$556.01 million, as compared with HK\$299.06 million for the year ended 31 December 2020, and the Group's income tax expense for the Year decreased to HK\$16.37 million from HK\$45.97 million for the year ended 31 December 2020. The net decrease of HK\$29.60 million was primarily attributable to the deferred tax relating to fair value losses on investment properties for the Year.

## LIQUIDITY AND FINANCIAL RESOURCE

For the Year, the Group's operating capital was mainly generated from cash from its daily operation of its businesses, equity funding, interest-bearing loan and other borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and other unforeseeable cash requirements. The Group had a gearing ratio of 33% as at 31 December 2021 (2020: 64%). 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 2021 amounting to HK\$814.81 million, while it was HK\$208.77 million as at 31 December 2020.



## CONTINGENCIES

### (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\$194,952,000) (2020: US\$25,000,000). When preparing these consolidated financial statements, the aforesaid lawsuit was still in progress.

### (b) Litigations with suppliers

The Group received several civil complaints in 2021 from suppliers demanding the Group to immediately repay the overdue accounts payable balance of RMB25,913,000 (equivalent to HK\$31,694,000) (2020: HK\$61,489,000). The arbitration procedures of the civil complaints were still in progress as at the date of approval of the consolidated financial statements.

## PLEDGE OF ASSETS

- (a) As at 31 December 2021, the Group's 20% share in the investment in an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK\$101.01 million (2020: HK\$25.51 million) was pledged as security for a shareholder loan of this associate.
- (b) As at 31 December 2021, the Group's time deposits of approximately HK\$64.92 million were used as a performance guarantee and a letter of credit (2020: HK\$79.43 million).
- (c) At 31 December 2021, the Group's general banking facilities amounting to RMB1,350 million (equivalent to HK\$1,651 million) are secured by:
  - (i) mortgages over the Group's investment property situated in Mainland China, which had an carrying value at the end of the reporting period of HK\$1,785.86 million;
  - (ii) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately HK\$88.43 million;
  - (iii) mortgages over the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of approximately HK\$8.62 million.

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

## **PLEDGE OF ASSETS** (continued)

- (e) On 5 February 2021, the Group entered into an agreement with an independent third party, pursuant to which, the Group successfully extended the due date of a loan included in other borrowings amounting to RMB100 million (equivalent to HK\$122 million) from September 2021 to September 2022. Pursuant to the agreement, certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK\$589.33 million, HK\$129.77 million and HK\$26.10 million as at 31 December 2021 respectively were pledged as security for the loan.

## **FINANCIAL REVIEW**

For the Year, the Group recorded a turnover of HK\$665.38 million, representing a decrease of 18.03% from HK\$811.76 million for the year ended 31 December 2020. In the last quarter in 2020, the Group announced its return to the PRC market and was mainly undergoing resources integration, research and development and production of new products during the reporting period. Therefore, the two new smartphone products launched during the year have yet to provide an apparent boost to sales volume and a significant contribution to the results of the 2021. During the Year, the Group's overall gross profit margin was 5.46%, representing a decrease of 9.58 percentage points from 15.04% for the year ended 31 December 2020. The decrease in gross profit margin was primarily attributable to (i) the rise in certain core raw materials costs and (ii) the persistent increase in overall costs of sales which was a result of tight upstream supply. In addition, the PRC's smartphone market remained intensely competitive. In response to this situation, the Group formulated competitive pricing strategy for new products in order to increase its market shares. Total sales and distribution and administrative expenses of the Group accounted for 86.10% of the total revenue, representing an increase of 24.91 percentage points from 61.19% for the year ended 31 December 2020, which was mainly due to the increase in the sales and distribution and administrative expenses but decrease in turnover for the Year. The sales and distribution expenses of the Group amounted to HK\$205.97 million, representing an increase of HK\$5.73 million as compared with 2020, which was mainly due to the increase in the Group's marketing efforts for new smartphones to increase brand awareness during the Year. The administrative expenses of the Group amounted to HK\$366.86 million, representing an increase of HK\$70.43 million from HK\$296.43 million in 2020, which was mainly due to the equity-settled expenses in connection with issue of warrants and newly granted share options in the Year.

For the Year, the Group recorded a net loss from continuing operations of HK\$572.38 million, representing an increase of HK\$227.35 million, as compared with the net loss of HK\$345.03 million for the year ended 31 December 2020. The increase of net loss for 2021 is mainly attributable to an increase in administrative expenses and decrease in sales revenue.

## CAPITAL SUPPORT

On 3 February 2021, the Company entered into a subscription agreement with a subscriber, pursuant to which the Company agreed to allot and issue, and the subscriber agreed to subscribe for, 666,000,000 subscription shares at the subscription price of HK\$0.28 per subscription share. On 8 March 2021, the Company completed the issuance and successfully raised net proceeds of approximately HK\$186 million. Further details of the aforesaid subscription have been set out in the announcement of the Company dated 3 February 2021.

On 4 May 2021, the Company entered into an underwriting agreement with an independent underwriter (the “**Underwriter**”), pursuant to which the Underwriter agreed to fully underwrite the rights issue of 3,600,799,740 rights shares at a subscription price of HK\$0.28 per share (the “**Rights Issue**”). On 28 June 2021, the Company completed the Rights Issue and raised net proceeds of approximately HK\$981 million. Further details of the Rights Issue have been set out in the prospectus of Company dated 3 June 2021 and the announcement of Company dated 25 June 2021, respectively.

On 4 October 2021, the Company entered into a share subscription agreement with each of SAI Growth Fund I, LLLP (“**SAI**”), Great Fortune Global Investment Limited, Great Shine Investment Limited, Allove Group Limited, Sharp Ally International Limited, YH Fund SPC – YH01 SP I (collectively, the “**Subscribers**”) and (where applicable) the guarantors, pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 3,000,000,000 subscription shares at the subscription price of HK\$0.28 per subscription share. On the same day, the Company also entered into a warrant subscription agreement with SAI, pursuant to which the Company conditionally agreed to issue to SAI warrants conferring the rights to subscribe for a maximum number of 800,000,000 warrant shares. On 17 December 2021, 23 December 2021 and 30 December 2021, the Company completed issuances of 800,000,000 ordinary shares, 350,000,000 ordinary shares and 150,000,000 ordinary shares respectively, and successfully raised proceeds of approximately HK\$224 million, HK\$98 million and HK\$42 million respectively. In addition, on 17 December 2021, the Company completed an issuance of three tranches of warrants, and successfully raised proceeds of approximately HK\$45.1 million. Further details of the subscription of new shares and warrants have been set out in the announcements of the Company dated 4 October 2021 and 9 December 2021 and the circular of the Company dated 23 November 2021.

## CAPITAL SUPPORT (continued)

Saved as disclosed in this section headed “Capital Support” in this announcement, the Company has not conducted any equity fund raising activities during the Year. The details of the proceeds raised from the various equity fundraising are as follows:

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed <i>HK\$ per Share</i>	Net proceeds raised <i>(approximately)</i>	Intended use of proceeds	Actual use of proceeds up to the date of 31 December 2021 and expected timeline for unutilised net proceeds
30 December 2021	Issue and allotment of 150,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Allove Group LIMITED	0.340	HK\$42 million	(i) approximately 90% for the expansion of the Group's mobile business in the PRC during the two years ending 31 December 2022 and six months ending 30 June 2023;	As at 31 December 2021, none of the total net proceeds raised from the share subscriptions and warrant subscription has been utilized.
23 December 2021	Issue and allotment of 350,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	YH Fund SPC – YH01 SP I	0.340	HK\$98 million	(a) approximately 60% is expected to be applied to the establishment of new business channels for the mobile phone business in the Mainland China, i.e. the establishment of channels of authorized service stores.	The Company intends to use the net proceeds raised as stated in the circular of the Company dated 23 November 2021 on or before 30 June 2023.
17 December 2021	(i) Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$0.28 per share  (ii) issuance of 800,000,000 warrants shares	SAI Growth Fund I, LLLP	0.340	HK\$269.1 million	(b) approximately 10% is expected to be applied to, among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels.  (c) approximately 20% for sales and marketing of the mobile phone business  (ii) approximately 10% for the general working capital of the Group.	

## CAPITAL SUPPORT (continued)

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed <i>HK\$ per Share</i>	Net proceeds raised <i>(approximately)</i>	Intended use of proceeds	Actual use of proceeds up to the date of 31 December 2021 and expected timeline for unutilised net proceeds
28 June 2021	Rights issue on the basis of one (1) rights share for every two (2) existing shares held on the record date at HK\$0.28 per rights share	–	0.475	HK\$981 million	(i) Approximately 30% for the repayment of existing indebtedness of the Group during the year ending 31 December 2021. (ii) Approximately 50% for the expansion of the Group's business during the two years ending 31 December 2022, in particular the mobile business in the PRC (iii) Approximately 10% for the acquisition of and/or the investment in businesses that can take advantage of the Group's competitive edge when suitable opportunities arise, which is expected to be utilised in the two years ending 31 December 2022. (iv) Approximately 10% for the general working capital of the Group, of which 5% is expected to be utilised for each of the years ending 31 December 2021 and 2022, respectively.	Approximately HK\$604.8 million of the total net proceeds of HK\$981.0 million has been utilized as intended and as disclosed in the prospectus of the Company dated 3 June 2021, amongst which (i) approximately HK\$106.0 million was utilized for the repayment of existing indebtedness of the Group during the year ending 31 December 2021, (ii) approximately HK\$449.7 million was utilized for the expansion of the Group's business during the two years ending 31 December 2022, in particular the mobile business in the PRC, (iii) none has been utilized for the acquisition of and/or the investment in businesses, (iv) approximately HK\$49.1 million was utilized for general working capital of the Group for the year ending 31 December 2021.  As at 31 December 2021, approximately HK\$376.2 million of the proceeds raised from the right issue has not been used.  The Company intend to use the unutilised net proceeds as disclosed in the prospectus of the Company dated 3 June 2021 on or before 31 December 2022.

## CAPITAL SUPPORT (continued)

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed <i>HK\$ per Share</i>	Net proceeds raised <i>(approximately)</i>	Intended use of proceeds	Actual use of proceeds up to the date of 31 December 2021 and expected timeline for unutilised net proceeds
8 March 2021	Issue and allotment of 666,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Mr. Zhuo Kun	0.345	HK\$186 million	Business expansion, capital expenditures and general working capital of research, development, manufacturing and sale of smart phone	The net proceeds of HK\$186 million have been fully applied as intended and as disclosed in the announcement of the Company dated 3 February 2021, amongst which approximately HK\$102.3 million was utilized for general working capital of manufacturing and sale of smart phones, approximately HK\$10.3 million was utilized for capital expenditures and approximately HK\$73.4 million was utilized for daily operating expenses.

Saved as disclosed in this section headed “Capital Support” in this announcement, the Company has no any other unutilized proceeds, including any unutilized proceeds brought forward from any issue of equity securities made in previous financial year(s).

## BUSINESS REVIEW

In 2021, the smartphone market remained intensely competitive. According to the data from International Data Corporation, shipment of smartphones in China was approximately 329 million units in 2021, representing a slight increase of 1.1% year-on-year. Supply of upstream core components remained tight. At the same time, with recurring outbreaks of the pandemic across China, the buying power of the consumption market declined and demand growth was below expectations, resulting in sluggish growth of China's smartphone market. For the Group, we remained committed to its comprehensive strategy to return to the PRC market. During the Year, the Group not only attracted numerous renowned industry professionals and senior management to join the Group, but also introduced in new capital investment. It also adjusted and implemented a new business strategy.

## **BUSINESS REVIEW** (continued)

### **Products**

The Group launched two new smartphone models in 2021, namely the COOL 20 and COOL 20 Pro. The COOL 20 model is targeted at the hundred-yuan smartphone market and is amongst the first in the industry to feature a glass rear panel at the aforesaid price range. It also offers 90-day product return and a 2-year warranty, which is also a first-mover within the industry. This fully demonstrated a guarantee on the durability and quality of the COOL 20 model. The other model, the COOL 20 Pro, is targeted at the thousand-yuan market, and focused on featuring a higher quality display and speaker, demonstrating our deep understanding of the “ultimate entertainment gadget”. During the Year, our smartphone shipment in the Mainland China market amounted to 126,300 units, and achieved a level of 76,200 internet monthly active users in Mainland China.

### **Self-operated E-commerce and Authorised Sales Service Stores’ Network**

The Group continued to improve its self-operated e-commerce channels in 2021, having established self-operated stores across platforms such as JD.com, TMall, Pinduoduo, Douyin, Kuaishou and Xiaohongshu.

For offline channels, the Group has organised its network in China into several zones based on a certain market size and established “authorised Coolpad sales service stores” by zones. Authorised sales representative managers are responsible for the Group’s marketing efforts, product sales and services in their respective zones, as well as maintaining the brand’s user activity in the zone, while the Group will assess and evaluate authorised service points based on activity indicators. As of 31 December 2021, the Group has established a total of more than 3,200 service points in different regions across China.

### **Digital Intellectualization Transformation and R&D**

The Group was active in developing digital intellectualization systems in 2021. Leveraging the strengths offered by cloud services, the Group rapidly built a digitalised system for all its businesses, effectively improving the Group’s general operation efficiency.

The Group continued to expand its authorised sales services stores network through digital intellectualization technology. The Group made use of the advantages of big data and A/B testing and adopted its digitalisation policy and incentive mechanism to enable precise and efficient improvement of regional operation efficiency of Authorised sales representative managers, in turn enhancing Coolpad’s regional brand influence.

## **BUSINESS REVIEW** (continued)

### **Digital Intellectualization Transformation and R&D** (continued)

Over the years, the Group has devoted intense development efforts in the field of telecommunications. It possesses strong R&D capabilities for both software and hardware, and has applied for over 14,000 patents related to telecommunications. In 2021, the Group continued to increase efforts in the R&D of smartphone operating systems, particularly in the key area of system optimisation. In the past year, the Group launched a total of two major smartphone software system versions. For the latest COOLOS 2.0, new technologies such as extended RAM, hibernation, the latest EROFS file system, safe mode backed by insurance, and notification box has further enhanced smooth running and safety of the system. As for system R&D, the Group is one of the leaders in China. Its contribution of Linux kernel code continues to increase. According to statistics from Kernel Patch Statistic (remword.com), for Linux kernel version 5.14 published in August 2021, based on patches submitted, the Group's contribution was ranked second in China's smartphone industry and third in Mainland China enterprises.

## **BUSINESS OUTLOOK**

The Group will continue to look towards the future and gradually implement its market territory strategy.

In terms of products, the Group will continue to promote R&D of new products. It will continue to increase R&D efforts for COOLOS, increase its focus on the operating system kernel, strengthen the usability and stability of the operating system, continue to optimise system functions, boost innovation of critical components, explore product application of internet cloud services, make full use of internet and kernel technology advantages, and continue to optimise user experience.

In terms of its sales channels, the Group will speed up the development of service points and review its current experience with service points. At the same time, the Group will also develop more sophisticated channels in two provincial focus zones to raise brand recognition among local customers and increase market share.

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



## **BUSINESS OUTLOOK** (continued)

We will continue our firm implementation of the Group's long-term strategy, strengthen the Group's competitive edge in China market, conduct innovation based on high-frequency scenarios, enhance user experience, in order to provide society at large with a satisfying, truly and extremely high cost-performance product.

## **OPERATION RISK**

On 11 March 2020, the World Health Organization officially described the novel Coronavirus outbreak as a COVID-19 pandemic. The prolonged COVID-19 pandemic had an adverse impact on the business performance of the Group for the Year. Affected by the COVID-19 pandemic, supply shortages and price increases of certain raw materials have caused the Company's costs to rise.

## **FOREIGN EXCHANGE EXPOSURE**

During the Year, 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. The Group is exposed to foreign exchange risk with respect mainly to USD which may affect the Group's performance and asset value for the Year. The Group has not entered into any derivative contracts to hedge against the risk in the year 2021.

## **EMPLOYEES AND REMUNERATION POLICY**

During the Year, the Group's staff costs (including directors' remuneration) amounted to approximately HK\$252.90 million (2020: HK\$207.58 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 2021, the Group had 546 employees (2020: 604 employees).

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

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

## **DIVIDEND**

The Directors did not recommend the payment of any dividends for the Year (2020: Nil).

## **AUDIT COMMITTEE**

The audit committee of the Company, which currently comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The audit committee has reviewed the Group's annual results for the Year.

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

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss and other comprehensive income for the Year and the related notes thereto as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **IMPORTANT EVENTS AFTER THE YEAR**

Saved as disclosed in note 15 to the financial statements in this announcement, the Group does not have any important event after the Year.

## **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 separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Currently, Mr. Chen Jiajun is the chairman of the Board and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

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

## **ANNUAL GENERAL MEETING**

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

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

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

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

Hong Kong, 23 March 2022

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