COOLPAD GROUP LIMITED
酷派集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

2014 ANNOUNCEMENT OF FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Coolpad Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013.

Financial Highlights

	Year ended 31 December		
	2014	2013	**Variance**
	HK$'000	*HK$'000*	*(%)*
Revenue	**24,900,471**	19,623,652	26.9
Profit before tax	**606,629**	437,373	38.7
Profit for the year attributable to owners of the Company	**512,855**	348,547	47.1
Basic earnings per share (2013 restated)	**HK11.94 cents**	HK8.29 cents	44.0
Diluted earnings per share (2013 restated)	**HK11.69 cents**	HK8.12 cents	44.0
Paid interim dividend per ordinary share*	**HK1.0 cent**	HK2.0 cents	–
Proposed final dividend per ordinary share	**–**	–	–

* Taking into account the issue of the bonus shares on the basis of one bonus share for every one ordinary share held on 3 June 2014, the Directors consider that the interim dividend amount paid in 2014 was comparable with that in 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	4	**24,900,471**	19,623,652
Cost of sales		**(21,885,012)**	(17,093,633)
Gross profit		**3,015,459**	2,530,019
Other income and gains	4	**431,680**	382,373
Selling and distribution expenses		**(1,434,843)**	(1,301,713)
Administrative expenses		**(1,233,857)**	(984,340)
Other expenses		**(83,759)**	(165,501)
Finance costs	6	**(87,269)**	(23,134)
Share of profits and losses of:			
A joint venture		**(297)**	(471)
Associates		**(485)**	140
PROFIT BEFORE TAX	5	**606,629**	437,373
Income tax expense	7	**(92,551)**	(89,121)
PROFIT FOR THE YEAR		**514,078**	348,252
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**(1,889)**	–
Exchange differences on translation of foreign operations		**(5,537)**	58,452
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(7,426)**	58,452
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on property revaluation		**28,368**	(17,804)
Income tax effect		**(4,729)**	6,486
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**23,639**	(11,318)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**16,213**	47,134
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**530,291**	395,386

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

	Notes	**2014** **HK$'000**	2013 HK$'000
Profit or loss attributable to:			
Owners of the Company	*8*	**512,855**	348,547
Non-controlling interests		**1,223**	(295)
		514,078	348,252
Total comprehensive income attributable to:			
Owners of the Company		**526,648**	395,681
Non-controlling interests		**3,643**	(295)
		530,291	395,386
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (2013 restated)	*10*	**HK11.94 cents**	HK8.29 cents
Diluted (2013 restated)	*10*	**HK11.69 cents**	HK8.12 cents

Details of the dividend for the years are disclosed in note 9 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**906,006**	567,866
Investment properties		**113,029**	218,117
Prepaid land lease payments		**268,231**	153,491
Intangible assets		**113,486**	173,522
Investment in a joint venture		**4,891**	5,881
Investments in associates		**58,500**	53,843
Available-for-sale investments		**56,152**	28,884
Other non-current assets		**86,671**	38,844
Deferred tax assets		**18,620**	10,554
Total non-current assets		**1,625,586**	1,251,002
CURRENT ASSETS			
Inventories		**2,797,660**	2,594,764
Trade receivables	*11*	**3,019,063**	2,998,154
Bills receivable	*12*	**553,099**	211,551
Loans receivable		**290,768**	–
Prepayments, deposits and other receivables		**957,108**	678,640
Due from a director		**–**	53
Pledged deposits		**641,659**	699,304
Cash and cash equivalents		**2,959,143**	1,628,266
Total current assets		**11,218,500**	8,810,732
CURRENT LIABILITIES			
Trade payables	*13*	**2,117,840**	1,876,058
Bills payable	*14*	**2,179,404**	2,695,579
Other payables and accruals		**2,853,419**	1,987,932
Interest-bearing bank borrowings		**547,798**	603,011
Due to an associate		**3,830**	6,708
Tax payable		**77,470**	73,648
Total current liabilities		**7,779,761**	7,242,936
NET CURRENT ASSETS		**3,438,739**	1,567,796
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,064,325**	2,818,798

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	2014 HK$'000	2013 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,064,325**	2,818,798
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,615,624**	–
Deferred tax liabilities		**54,839**	48,263
Other non-current liabilities		**33,946**	9,641
Total non-current liabilities		**1,704,409**	57,904
Net assets		**3,359,916**	2,760,894
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**42,950**	21,107
Shares held for the Share Award Plan		**–**	(240)
Reserves		**3,310,371**	2,737,075
		3,353,321	2,757,942
Non-controlling interests		**6,595**	2,952
Total equity		**3,359,916**	2,760,894

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE 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, the Cayman Islands.

The Group is a wireless solution and equipment provider in Mainland China. During the year, the Group continued to focus on the production and sale of smartphones.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Data Dreamland Holding Limited ("Data Dreamland"), which was incorporated in the British Virgin Islands (the "BVI").

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, and accounting principles generally accepted in Hong Kong. These financial statements also include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance (Cap. 32). The financial statements have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment and certain available-for-sale investment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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 standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010 – 2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010 – 2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010 – 2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011 – 2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Other than explained below regarding the impact of HKAS 32, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet adopted, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to numbers of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to numbers of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to numbers of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopted HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

3. OPERATING SEGMENT INFORMATION

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

(a) the mobile phone segment engages in the research, development, production and sale of mobile phones and related accessories and provision of wireless application service;

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

(c) the finance service segment commences operating in year 2014 and engages in the provision of a range of financing services in Mainland China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, share of profits and losses of associates and a joint venture and finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude an investment in a joint venture, investments in associates, available-for-sale investments, deferred tax assets, an amount due from a director, pledged deposits and cash and cash equivalents other than those used for finance service purpose as these assets are managed on a group basis.

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

Year ended 31 December 2014	**Mobile phone** *HK$'000*	**Property investment** *HK$'000*	**Finance service** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**24,896,444**	**–**	**4,027**	**24,900,471**
Other revenue and gains	**329,384**	**8,132**	**–**	**337,516**
Total	**25,225,828**	**8,132**	**4,027**	**25,237,987**
Segment results	**536,133**	**7,363**	**4,321**	**547,817**
Reconciliation:				
Interest income				**94,164**
Share of loss of a joint venture				**(297)**
Share of loss of associates				**(485)**
Corporate and other unallocated expenses				**52,699**
Finance costs				**(87,269)**
Profit before tax				**606,629**

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	**Mobile phone** *HK$'000*	**Property investment** *HK$'000*	**Finance service** *HK$'000*	**Total** *HK$'000*
Segment assets	**8,601,470**	**113,892**	**389,759**	**9,105,121**
Reconciliation:				
Investment in a joint venture				**4,891**
Investments in associates				**58,500**
Corporate and other unallocated assets				**3,675,574**
Total assets				**12,844,086**
Segment liabilities	**6,273,519**	**1,329**	**5,963**	**6,280,811**
Reconciliation:				
Corporate and other unallocated liabilities				**3,203,359**
Total liabilities				**9,484,170**
Other segment information:				
Write-down of inventories to net realisable value	**190,611**	**–**	**–**	**190,611**
Fair value gain on investment properties	**–**	**1,724**	**–**	**1,724**
Product warranty provision	**130,901**	**–**	**–**	**130,901**
Depreciation and amortisation	**207,168**	**–**	**2**	**207,170**
Capital expenditure*	**473,505**	**–**	**–**	**473,505**

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

Year ended 31 December 2013	Mobile phone *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	19,623,652	–	19,623,652
Other revenue and gains	293,442	26,296	319,738
Total	19,917,094	26,296	19,943,390
Segment results	479,411	(72,937)	406,474
Reconciliation:			
Interest income			62,635
Share of loss of a joint venture			(471)
Share of profits of associates			140
Corporate and other unallocated expenses			(8,271)
Finance costs			(23,134)
Profit before tax			437,373

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	Mobile phone *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment assets	7,401,233	233,716	7,634,949
Reconciliation:			
Investment in a joint venture			5,881
Investments in associates			53,843
Corporate and other unallocated assets			2,367,061
Total assets			10,061,734
Segment liabilities	6,557,007	5,786	6,562,793
Reconciliation:			
Corporate and other unallocated liabilities			738,047
Total liabilities			7,300,840
Other segment information:			
Impairment of trade and other receivables	18,559	–	18,559
Write-down of inventories to net realisable value	117,658	–	117,658
Fair value gains on investment properties	–	96,139	96,139
Product warranty provision	206,714	–	206,714
Depreciation and amortisation	174,355	349	174,704
Capital expenditure*	287,215	–	287,215

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

Geographical information

(a) Revenue from external customers

	2014 *HK$'000*	2013 *HK$'000*
Mainland China	**23,341,725**	19,089,998
Overseas	**1,558,746**	533,654
	24,900,471	19,623,652

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

(b) Non-current assets

	2014 *HK$'000*	2013 *HK$'000*
Mainland China	**1,542,041**	1,233,933
Overseas	**8,773**	6,515
	1,550,814	1,240,448

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

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

	Operating segment	**2014** *HK$'000*	2013 *HK$'000*
Customer A	Mobile phone	**6,774,221**	6,190,488
Customer B	Mobile phone	**4,431,316**	3,621,408
Customer C	Mobile phone	**3,238,508**	4,758,608

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns and trade discounts; service income received and receivable from wireless application service; and the finance service income from the provision of finance service.

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

	2014 *HK$'000*	2013 *HK$'000*
Revenue		
Sale of mobile phones and related accessories	**24,547,301**	19,517,460
Wireless application service income	**349,143**	106,192
Finance service income	**4,027**	–
	24,900,471	19,623,652
Other income		
Bank interest income	**94,164**	62,635
Government grants and subsidies*	**297,009**	218,489
Fair value gain on investment properties	**1,724**	–
Gross rental income	**6,408**	26,296
Others	**32,375**	19,093
	431,680	326,513
Gains		
Foreign exchange gains, net	**–**	55,860
	–	55,860
	431,680	382,373

* 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 BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**21,694,401**	17,071,196
Depreciation	**70,829**	53,450
Amortisation of patents and licences and computer software*	**38,538**	37,700
Amortisation of prepaid land lease payments	**3,594**	3,042
Research and development costs*:		
Product development costs amortised	**94,209**	80,512
Current year expenditure	**631,066**	617,639
	725,275	698,151
Operating lease rental	**40,985**	32,747
Auditors' remuneration	**3,536**	3,317
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**967,414**	826,482
Staff welfare expenses	**72,074**	56,504
Pension scheme contributions (defined contribution scheme)	**86,841**	95,483
Equity-settled share option expense	**37,254**	36,646
Equity-settled share award plan expense	**2,017**	–
	1,165,600	1,015,115
Change in fair value of investment properties#	**(1,724)**	96,139
Loss on revaluation of property, plant and equipment#	**–**	36,239
Loss on disposal of a piece of land#	**1,876**	–
(Reversal of impairment)/impairment of trade receivables#	**(4,361)**	17,392
Impairment of other receivables#	**–**	1,167
Write-down of inventories to net realisable value&	**190,611**	117,658
Direct operating expenses arising on rental-earning investment properties	**769**	3,094
Product warranty provision	**130,901**	206,714
(Gain)/loss on disposal of items of property, plant and equipment#	**(152)**	2,408
Foreign exchange differences, net#	**70,723**	(55,860)

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

\# Included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

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

6. FINANCE COSTS

	Group 2014 HK$'000	2013 HK$'000
Interest on:		
Bank loans	**84,503**	20,449
Discounted bills receivable	**2,766**	2,685
	87,269	23,134

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 (2013: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2014 HK$'000	2013 HK$'000
Group:		
Current – Mainland China		
Charge for the year	**94,605**	97,973
Underprovision in prior years	**4,061**	5,921
Deferred	**(6,115)**	(14,773)
Total tax charge for the year	**92,551**	89,121

A reconciliation of the tax expense applicable to profit 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:

	Group 2014 HK$'000	2013 HK$'000
Profit before tax	**606,629**	437,373
Tax at the statutory tax rate	**151,657**	109,343
Effect of tax concessions for certain subsidiaries	**(170,686)**	(136,700)
Adjustments in respect of current tax of previous periods	**4,061**	5,921
Results attributable to associates and a joint venture	**73**	(21)
Expenses not deductible for tax	**48,902**	35,966
Additional deduction of research and development expenses	**(37,294)**	(23,230)
Temporary differences not recognised	**84,317**	92,367
Tax losses not recognised	**11,521**	5,475
Tax charge at the Group's effective rate	**92,551**	89,121
The Group's effective income tax rate	**15.3%**	20.4%

7. INCOME TAX EXPENSE (continued)

The share of tax attributable to associates and a joint venture, amounting to HK$47,000 (2013: HK$62,000), is included in "Share of profits and losses of associates and a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

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

(a) Coolpad Software Tech (Shenzhen) Co., Ltd. ("Shenzhen Coolpad"), the Company's wholly-owned subsidiary, has been recognised as a key software developer within the state plan for 2013 and was subject to CIT at a reduced rate of 10% for each of the two years ended 31 December 2013 and 2014. Shenzhen Coolpad will submit the application for the extension of the title of key software developer to enjoy the tax rate of 10% in the future.

(b) Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("Yulong Shenzhen"), the Company's wholly-owned subsidiary, has been recognised as a high-technology enterprise and is subject to CIT at a rate of 15% (2013: 15%) for the year ended 31 December 2014.

(c) Xi'an Coolpad Software Tech Co., Ltd. ("Xi'an Coolpad"), the Company's wholly-owned subsidiary, has been recognised as a software enterprise and therefore was exempted from CIT for each of the two years ended 31 December 2010 and 2011 and was entitled to a 50% reduction in the applicable tax rate for CIT for the three years ended 31 December 2014. In this regard, Xi'an Coolpad is subject to CIT at a rate of 12.5% (2013: 12.5%) for the year ended 31 December 2014.

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

(e) Nanjing Coolpad Software Tech Co., Ltd. ("Nanjing Coolpad"), the Company's wholly-owned subsidiary, was established during the year and has been assessed as a software enterprise and therefore is exempted from CIT for the first two years starting from when Nanjing Coolpad is profitable and will be entitled to a 50% reduction in the applicable tax rate for CIT in the three years that follow. Nanjing Coolpad was in tax loss position for the year ended 31 December 2014, as such, the tax concession period of Nanjing Coolpad has not yet commenced.

8. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$42,387,000 (2013: a loss of HK$10,870,000) which has been dealt with in the financial statements of the Company.

9. DIVIDEND

	2014	2013
	HK$'000	*HK$'000*
Interim – HK1 cent (2013: HK2 cents) per ordinary share	**42,914**	42,125

The directors did not recommend the payment of final dividend for the years ended 31 December 2014 and 2013.

Taking into account the issue of the bonus shares on the basis of one bonus share for every one ordinary share held on 3 June 2014, the Directors consider that the interim dividend amount paid in 2014 was comparable with that in 2013.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 4,294,033,251 (2013: 4,205,133,610 (restated)) in issue during the year, as adjusted to reflect the bonus share issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation includes 2,134,709,000 bonus shares issued on 13 June 2014 as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**512,855**	348,547

	Number of shares	
	2014	2013
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year	**4,294,824,922**	4,207,541,610
Weighted average number of shares held for the Share Award Plan	**(791,671)**	(2,408,000)
Adjusted weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,294,033,251**	4,205,133,610
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**93,219,191**	86,941,038
	4,387,252,442	4,292,074,648

11. TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**3,025,913**	3,010,791
Impairment	**(6,850)**	(12,637)
	3,019,063	2,998,154

11. TRADE RECEIVABLES (continued)

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 cases of long-standing customers and those with a good repayment history, the Group may offer these customers with a credit period of 30 to 90 days, extending up to 120 days for some overseas customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**2,948,505**	2,968,544
4 to 6 months	**63,764**	24,868
7 to 12 months	**3,188**	5,337
Over 1 year	**10,456**	12,042
	3,025,913	3,010,791
Less: Impairment	**(6,850)**	(12,637)
	3,019,063	2,998,154

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**12,637**	3,866
Impairment losses (reversed)/recognised *(note 5)*	**(4,361)**	17,392
Amount written off as uncollectible	**(1,411)**	(8,697)
Exchange realignment	**(15)**	76
	6,850	12,637

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$6,850,000 (2013: HK$12,637,000) with a carrying amount before provision of HK$49,107,000 (2013: HK$39,569,000).

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,910,896**	2,947,846
Less than 3 months past due	**58,848**	6,032
More than 3 months past due	**7,062**	17,344
	2,976,806	2,971,222

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

11. TRADE RECEIVABLES (continued)

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

12. BILLS RECEIVABLE

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**553,099**	211,551

Bills receivable are non-interest-bearing.

At 31 December 2014 and 2013, the Group did not have any past due or impaired bills receivable.

Transferred financial assets that are derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with an aggregate carrying amount of RMB545,838,000 (equivalent to HK$691,924,000). The Derecognised Bills had a maturity of one to three months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2014, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

13. TRADE PAYABLES

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**1,728,540**	1,656,893
4 to 6 months	**317,403**	114,574
7 to 12 months	**9,096**	61,376
Over 1 year	**62,801**	43,215
	2,117,840	1,876,058

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

14. BILLS PAYABLE

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**2,179,404**	2,695,579

At 31 December 2014, the Group's bills payable were secured by time deposits of HK$470,523,000 (2013: HK$597,430,000).

MANAGEMENT DISCUSSION & ANALYSIS

REVENUE ANALYZED BY PRODUCT SEGMENTS

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

	Year ended 31 December			
	2014		2013	
	Revenue		Revenue	
Revenue	***HK$ Million***	**% of revenue**	*HK$ Million*	% of revenue
4G Coolpad smartphone	**12,331.5**	**49.5**	513.8	2.6
3G Coolpad smartphone	**12,179.0**	**48.9**	18,934.8	96.5
Wireless Application Service income	**349.1**	**1.4**	106.2	0.5
Finance Service	**4.0**	**–**	–	–
Others	**36.9**	**0.2**	68.9	0.4
Total	**24,900.5**	**100**	19,623.7	100

The Group recorded consolidated revenue for the year ended 31 December 2014 of HK$24,900.5 million, representing a growth of 26.9% as compared with HK$19,623.7 million for the year ended 31 December 2013. The growth of the consolidated revenue in 2014 was mainly driven by the strong increase in the sale of the Group's 4G Coolpad smartphone as a result of its leadership of 4G smartphone market in Mainland China during the year under review.

Revenue from the sales of 3G Coolpad smartphone decreased by 35.7% to HK$12,179.0 million for the year ended 31 December 2014 as compared with HK$18,934.8 million for year ended 31 December 2013. The decline in revenue of 3G Coolpad smartphone was primarily attributable to the strategic extension of the Group's product range from 3G smartphone to 4G smartphone in the year of 2014.

Revenue from the sales of 4G Coolpad smartphone increased by 2,300.1% to HK$12,331.5 million for the year ended 31 December 2014 as compared with HK$513.8 million for the year ended 31 December 2013. Revenue contribution from 4G smartphone largely increased from 2.6% in the year of 2013 to 49.5% in the year of 2014. The increase in the revenue of 4G Coolpad smartphone was primarily attributable to more 4G smartphone products and the fast increase in domestic 4G smartphone market during the reporting period.

Wireless application service income from the installation of mobile phone applications was HK$349.1 million in 2014, representing a growth of 228.7% as compared with HK$106.2 million in 2013, attributable to an increase in the sales volume of Coolpad smartphones. Revenue from the sales of other products decreased by HK$32.0 million, or 46.4%, to HK$36.9 million for the year ended 31 December 2014 as compared with HK$68.9 million for the year ended 31 December 2013. The decline in the revenue from the sales of other products during the year was mainly attributable to a decline in the sale of Coolpad smartphones' accessories.

GROSS PROFIT

	Year ended 31 December			
	2014		2013	
Gross profit	**Gross profit** ***HK$ Million***	**Gross profit margin** ***(%)***	Gross profit *HK$ Million*	Gross profit margin *(%)*
Total	**3,015.5**	**12.1**	2,530.0	12.9

The Group's overall gross profit for the year ended 31 December 2014 increased to HK$3,015.5 million, representing an increase of 19.2% as compared with HK$2,530.0 million for the year ended 31 December 2013. The Group's overall gross profit margin for the year ended 31 December 2014 decreased to 12.1%, down by 0.8% as compared with 12.9% for the year ended 31 December 2013. The decline in gross profit margin was primarily attributable to the intensified competition of the 4G smartphone market in the second half of 2014 and the impact of the subsidy cut from the domestic telecommunication operators to smartphones.

OTHER INCOME AND GAINS

Other income and gains of the Group amounted to approximately HK$431.7 million for the year ended 31 December 2014, representing an increase of 12.9% as compared with HK$382.4 million for the year ended 31 December 2013. This increase was mainly attributable to the increase of government grants and subsidies received by the Group and the increase of bank interest income in 2014.

SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2014	2013
Selling and distribution expenses *(HK$ million)*	**1,434.8**	1,301.7
Selling and distribution expenses/Revenue *(%)*	**5.8**	6.6

Selling and distribution expenses of the Group for the year ended 31 December 2014 increased to HK$1,434.8 million, representing an increase of approximately HK$133.1 million, or 10.2%, as compared with HK$1,301.7 million for the year ended 31 December 2013. The net increase of HK$133.1 million was primarily attributable to the increased expenditure for marketing, advertising and promotion activities, and increased salaries of the Group's sales and marketing personnel to support the new product launches. As a percentage of total revenue, selling and distribution expenses decreased to 5.8% in 2014 from 6.6% in 2013. The net decrease of 0.8% as a percentage of total revenue was because of the stricter budget control on marketing, advertising and promotion activities during the year.

ADMINISTRATIVE EXPENSE

	Year ended 31 December 2014	2013
Administrative expenses *(HK$ million)*	**1,233.9**	984.3
Administrative expenses/Revenue *(%)*	**5.0**	5.0

Administrative expenses increased by 25.4% from HK$984.3 million for the year ended 31 December 2013 to HK$1,233.9 million for the year ended 31 December 2014. The net increase of HK$249.6 million was primarily attributable to the increased expenditure on the research and development ("R&D") and salaries of administrative management and R&D personnel.

INCOME TAX EXPENSE

For the year ended 31 December 2014, the Group's income tax expense amounted to HK$92.6 million (2013: HK$89.1 million). The increase in the income tax expense was mainly attributable to the increase of the Group's profit before tax in 2014.

NET PROFIT

For the year ended 31 December 2014, the Group recorded a net profit of HK$514.1 million, representing an increase of HK$165.8 million, or 47.6%, as compared with HK$348.3 million for the year ended 31 December 2013. The increase in the net profit was mainly because of the increase of revenue as a result of an increase in sales volume in 2014.

LIQUIDITY AND FINANCIAL RESOURCE

For the year ended 31 December 2014, the Group's operating capital was mainly generated from cash from its daily operation and bank borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other unforeseeable cash requirements. The Group had a gearing ratio of 65.4% as at 31 December 2014 (2013: 67.0%). The increase was mainly attributable to the increase of capital as a result of increased long-term bank borrowings during the reporting period. 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 2014 amounted to HK$2,959.1 million, while it was HK$1,628.3 million as at 31 December 2013.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2014, the following assets of the Group were pledged for certain bank borrowings (2013: Nil): (i) Certain properties and plants of the Group located in Mainland China, the total book value of which were approximately HK$222.4 million; and (ii) Certain shares of the Company's subsidiaries. As at 31 December 2014, the Group's time deposits of approximately (i) HK$470.5 million were used to secure bills payable (2013: HK$597.4 million), (ii) HK$103.7 million were used as a security for issuance of letters of credit (2013: HK$70.7 million), (iii) HK$43.7 million were used as a security for the banks to provide a performance guarantee (2013: HK$31.2 million) and (iv) HK$23.7 million were used to secure certain long-term loans (2013: Nil).

BUSINESS REVIEW AND OUTLOOK

In the year of 2014, the global economy growth was lower than initially expected, and the global economy was still struggling to gain momentum. Meanwhile, the economy of China also entered into a lower growth period, which had been labeled by Chinese authorities as the "New Normal". Under the situation of such economy development, the global smartphone market grew 25.9% in the year of 2014 compared with that in the year of 2013, and the shipment volume reached 1.167 billion units, according to the report of Trend Force. In Mainland China, the shipment volume in 2014 were 390.0 million, increasing by 21.9%, according to the report of iResearch.

Competition in the smartphone market was still fierce in 2014. As the market continued to be consolidated in Mainland China, some brands faced huge challenges in the past year. Even though the environment of the market became more volatile compared with before, the popularity of 4G brought more opportunities for smartphone makers who prepared quite well technologically. In Mainland China, 4G industry increased fast in the year of 2014, even though 2014 was the first year of 4G era. The 4G net adds exceeded more than 97.2 million by the end of 2014, according to the report of MIIT. The 4G smartphone market in Mainland China also developed fast. The first one-thousand yuan 4G smartphone was launched in the first half of 2014, and the prices of most of the 4G smartphones became more affordable in the second half of 2014.

The sales channels of the smartphone market in Mainland China became quite different compared with before in the past year. The local telecommunication operators started to cut the subsidies on smartphones in 2014, which impacted the operators channel a lot especially in the second half of 2014. The operators used to be the largest smartphone sellers in Mainland China, but the situation started to be different in 2014. The smartphone sales through the e-commerce channel increased much faster in the year of 2014, and the proportion of this channel became much higher. The market share of the smartphone sales through the open channel also increased compared with before, and the operator market have decreased considerably.

Highlights for 2014

Although suffering the impact of the subsidies cut on smartphones, the Group still recorded a sustainable growth depending on the 4G smartphones sales in 2014. For the year ended 31 December 2014, the Group had a turnover of approximately HK$24,900.5 million, which increased by 26.9% from HK$19,623.7 million in 2013. The increase was mostly due to the Group's focus on the 4G smartphone market and was largely ascribed to its 4G smartphone sales in China. The net profit for the year ended 31 December 2014 was approximately HK$514.1 million, which increased by 47.6% from HK$348.3 million for the year ended 31 December 2013. Gross profit margin for the year ended 31 December 2014 was 12.1%, down by 0.8 percent points compared with 12.9% for the year ended 31 December 2013. The decrease of gross profit margin was mainly because of the intensified competition of the 4G smartphone market in the second half of 2014 and the impact of the subsidy cut to smartphones. Basic and diluted earnings per share of the Group reached HK11.94 cents and HK11.69 cents for the year ended 31 December 2014, respectively.

Product Development

Under the development strategy of "Coolpad LTE for all" in 2014, the Group researched and developed more 4G new models in the roadmap of the new products, leveraging its advanced R&D capability on the 4G technology and solid supply chain. In the year of 2014, the Group launched more 4G new models than 3G ones, and kept the advantages of the leadership in 4G smartphones market in Mainland China.

In the year of 2014, the Group firstly launched the thousand-yuan three modes 4G smartphone in Mainland China, which helped more users enjoy the faster speed of the 4G network and better experience of the mobile Internet. Meanwhile, the Group was also the first provider of thousand-yuan smartphone supporting five-mode ten-band, and the first dual-standby TD 4G smartphone provider in Mainland China. The new flagship of Magview effectively guaranteed the users' information security, which based on its "dual-system and hard-isolation" security technology. It was also bolstered by a number of other features including but not limited to appearance design, hardware configuration (dual 13MP rear camera, 2K display) and system optimization. The models of Dazen (a new smartphone brand of the Group sold through e-commerce channel) brought more amazing features exceeding the expectations of the Dazen's fans and the Internet users.

Strategic Progress

The year of 2014 was an extraordinary year for the Group and the people of Coolpad. The Group completed the restructuring of its business units, and went through the third transition historically. The Group successfully entered into the smartphone field for the first transition in 2003, and successfully broke into the three 3G networks for the second transition in 2008. The third transition of opening and sharing helped the Group share the market opportunities brought by the 4G technology and mobile Internet with its partners. Opening and sharing was also poured into the culture of Group as a new one, which signified that there would be more partnerships of the Group for its development in the future.

After the restructuring of the business units ("BU"), the smartphone business of the Group has been divided into four BUs since the year of 2014. They are three domestic BUs and one overseas BU. The brands of the three domestic BUs are Coolpad of the telecommunication operators channel, Dazen of the e-commerce channel, and ivvi of the retail open channel respectively. The sales channels of the Group became more diversified, supporting the solid growth and the long-term development in the future.

In the past year, the 4G smartphone was the major focus in the whole smartphone market in Mainland China. The Group gained the 4G smartphone leadership in the first half of 2014, depending on the advanced R&D capability of the 4G technology and well prepared supply chain, given that the whole 4G smartphone market grew kind of slower than the initial consensus expectation in the first half of the year. According to SINO-MR monthly reports in 2014, Coolpad was the largest 4G smartphone provider in Mainland China in terms of accumulative shipped volume as of the third quarter of 2014. The Group earned a high brand reputation in the 4G smartphone field.

As the entry level of the 4G smartphone became lower with the help of the relatively mature 4G chipset solution, the competition of the 4G smartphone market also became intensified in the second half of 2014. Meanwhile, because of the impact of the telecommunication operators' subsidy cut to smartphones, the sales of the smartphones through the operators channel were squeezed more in the second half. On the other hand, the smartphone sales through the online channel and the retail open channel soared compared with before, due to more 4G smartphone choices for the users in the second half of 2014. Because of those factors, the smartphone sales of the Group was lower than expected in the second half of 2014.

The Group responded proactively and robustly to the change of the sales channels of the smartphone market in Mainland China and completed its transition quickly and effectively in 2014. Dazen recorded a good result during the past year, even though it was the first year for Dazen. According to SINO-MR report, Dazen entered into top three position among the domestic brands in the e-commerce channel of the smartphone market in Mainland China for the year of 2014. For the purpose of exploring the mobile Internet, the Group prepared to set up a corporation relations under the brand of Dazen with Qihoo, which is a leading Internet company in China which offers comprehensive, effective and user-friendly Internet and mobile security products and services to protect users' computers and mobile devices against malware and malicious websites. Meanwhile, the development of ivvi sold through the retail open channel was in a smooth process. The Group has established a close cooperation with a number of provincial tier-1 distributors since late 2014.

The Group was engaged in strengthening its R&D capability and bringing users the best experience of the smartphone. A new R&D center was set up in Nanjing for recruiting the talents in Central & Eastern China. The Group not only kept researching and developing smart terminals of the 4G technology, but also started the work of the next 5G technology and its smart terminals. The Group had already been participating into the projects of the wireless and network technology group of IMT 2020(5G) Promotion Group in Mainland China. The Group also differentiated the functions and features of the Android operating system, and provided the special CoolUI on its new models.

As the high technologies developed fast, such as more effective chipsets, better camera module, and larger touch screen, the Group responded quickly and rolled out the new models based on the top hardware platforms. Through great build quality, larger screens, solid radio performance and increased responsiveness, the users could enjoy better experiences of the smartphone. Depending on the strong R&D capabilities and the close collaboration with the components suppliers, the Group speeded up the smartphone upgrade cycle, and applied the top components into its products, such as the camera with the OIS technology, 64-bit chipsets, and the dual 13 MP rear camera.

The first phase of the reconstruction plan of the Group in Shenzhen had already started at the end of 2014. The Group executed the delicacy management in order to improve general operation efficiency and control the overall cost in 2014. Delicacy management was a necessary and significant process to the Group while the competition of the smartphone market in Mainland China was fierce. In terms of delicacy management, a series of measures were taken by the Group to improve its administrative efficiency and internal operating process during the reporting period. These measures did a great favor to the success of the Group in the year of 2014.

Our Outlook for 2015

The Group will continue to maintain the advantages on the 4G smartphone segment, and diversify the sales channels in Mainland China. As the smartphone market in Mainland China will grow slower compared with before and step into the "New Normal", the Group will execute the strategy of "LTE for all" and the notion of opening and sharing to ensure its long-term sustainable growth.

The year of 2015 is the second year for LTE in Mainland China. With the larger 4G-LTE network coverage and the better user experience of the 4G network, the 4G smartphone market will grow much faster in 2015 in Mainland China. The FDD-LTE commercial license which has been issued in February 2015 will be another catalyst promoting the development of China's 4G to popularity at more rapid speed, and also bring larger 4G smartphone market volume. The Group will maintain the solid growth momentum riding on the fast growing 4G smartphone market through the diversified BUs. To support its growth, the R&D resources of the Group will be totally transferred to the 4G products and the development of the mobile application services based on its products.

The four BUs will operate separately in different sales channels in the future. The brand of Coolpad will still focus on the telecommunications operators' channel. The Group will strengthen the close cooperation with the domestic and overseas telecommunications operators. The brand of Dazen will focus on the e-commerce channel and emphasize the development of the mobile Internet business. The brand of ivvi will focus on the retail open channel, and sell through the provincial distributors. The new models of Dazen and ivvi will be more user-centric and the models number will be much less than that of before. Some warm special services will also be provided to the users who need, such as the individual words carved on the cover for private custom.

The Group believes that product innovation and R&D investments are critical to its success in this highly competitive smartphone market. The Group will continue to develop and optimize its standard software and hardware development platform through close cooperation with the industry leading suppliers so as to introduce more feature-rich, ease-to-use smartphones and services. The top hardware will be more applied into the next flagship models, such as the latest chipsets, dual rear camera, and better display with higher resolution. Metal casing and tempered glass cover may also be more equipped into more new models. The Group will not only improve the hardware specifications, but also optimize the software to support the best performance of its hardware.

The Group will constantly explore and invest into the leading-edge technologies, such as 5G network, mobile cloud, and mobile security. Meanwhile, factoring in the fast growth of the mobile Internet and the growing adoption of 4G services, the Group will partner with the Internet companies to provide better experience of the mobile applications to its users and seize the business opportunities brought by the mobile Internet. As information security risks for smartphone users are becoming more and more important, the Group will put more efforts on safeguarding the users' smartphone and data from mobile security threats.

Going forward, the Group will continue to leverage innovation and expertise to satisfy diverse consumer needs, enhance core competitive strengths and position in the rapidly evolving global smartphone industry. Even though the environment of the smartphone market will be volatile, the Group will endeavor to keep the leadership in the 4G smartphone market, depending on the famous brand reputation, the diverse affordable product portfolio and the restructuring of the sales channels. As opportunities coexist with challenges, the Group also sees the risk of the increasing competition in the smartphone market, especially of the decreasing gross profit margin of Dazen in e-commerce channel sales. The Group will work hard to achieve a new record high in 2015, through the innovative technologies, the hard-working philosophy, the quick-responded capabilities to the market demands, and the differentiated product positioning.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, where the receivable and payable are denominated in USD and EUR. The Group is exposed to foreign exchange risk with respect mainly to USD and EUR which may affect the Group's performance and asset value. The Group has not entered into any derivative contracts to hedge against the risk in the year 2014.

EMPLOYEES AND REMUNERATION POLICY

During the year ended 31 December 2014, the Group's staff costs (including directors' remuneration) amounted to approximately HK$1,165.6 million (2013: HK$1,015.1 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 2014, the Group had 6,208 employees (2013: 6,226 employees).

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

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

DIVIDEND

An interim dividend of HK1.0 cent per ordinary share was paid on 16 October 2014. Considering that the needs of the ordinary operation after the restruction of the Group, the Directors do not recommend the payment of any final dividend for the year ended 31 December 2014.

BONUS SHARES

The Group issued bonus shares on 13 June 2014 on the basis of one bonus share for every one ordinary share held to shareholders whose names appear on the register of members on 3 June 2014.

AUDIT COMMITTEE

The audit committee ("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 ended 31 December 2014.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Code Provision A.2.1 of the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code") stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Guo Deying 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. In addition, the Board is of the view that, in view of the current scale of operations of the Group, the separation of the roles of the chairman and chief executive officer of the Company may hinder administrative efficiency and is neither suitable to the Group nor in the interests of its shareholders as a whole.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the year ended 31 December 2014, in compliance with the Code.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Monday, 18 May 2015. Notice of the annual general meeting together with the Company's annual report for the year ended 31 December 2014 will be dispatched to the shareholders in due course.

By order of the Board
Coolpad Group Limited
GUO DEYING
Chairman and Chief Executive Officer

Hong Kong, 23 March 2015

As at the date of this announcement, the executive Directors of the Company are Mr. Guo Deying, Mr. Jiang Chao, Mr. Li Bin and Mr. Li Wang, the independent non-executive Directors are Dr. Huang Dazhan, Mr. Xie Weixin, and Mr. Chan King Chung.