COOLPAD GROUP LIMITED
酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	2014	**change**
	(HK$'000)	*(HK$'000)*	*(%)*
	(Unaudited)	(Unaudited)	
Revenue	**8,782,787**	14,934,734	-41.2%
Profit before tax	**2,869,783**	482,734	+494.5%
Tax	**32,602**	69,702	-53.2%
Net profit attributable to owners of the Company#	**2,842,841**	412,862	588.6%
Basic earnings per share	**HK65.93 cents**	HK9.71 cents	579.0%
Diluted earnings per share	**HK64.50 cents**	HK9.46 cents	581.8%
Declared interim dividend per ordinary share	**–**	HK1.00 cent	-100%

The board (the "Board") of directors (the "Directors") of Coolpad Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 together with comparative figures for the corresponding period of 2014 as follows:

Net profit attributable to owners of the Company for the six months ended 30 June 2015 included a gain of HK$2,656.7 million resulting from the disposal of certain interests in a subsidiary of the Group.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**8,782,787**	14,934,734
Cost of sales		**(7,668,922)**	(12,908,827)
Gross profit		**1,113,865**	2,025,907
Other income and gains	*4*	**2,853,384**	143,360
Selling and distribution expenses		**(479,726)**	(807,134)
Administrative expenses		**(489,898)**	(815,386)
Other expenses		**(39,873)**	(32,880)
Finance costs	*6*	**(50,340)**	(31,197)
Share of profits/losses of:			
Associates		**(97)**	125
A joint venture		**(37,532)**	(61)
PROFIT BEFORE TAX	*5*	**2,869,783**	482,734
Income tax expense	*7*	**(32,602)**	(69,702)
PROFIT FOR THE PERIOD		**2,837,181**	413,032
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(2,012)**	(8,406)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(2,012)**	(8,406)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,835,169**	404,626
PROFIT OR LOSS FOR THE PERIOD			
Attributable to:			
Owners of the Company		**2,842,841**	412,862
Non-controlling interests		**(5,660)**	170
		2,837,181	413,032
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
Attributable to:			
Owners of the Company		**2,840,829**	404,456
Non-controlling interests		**(5,660)**	170
		2,835,169	404,626
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK65.93 cents**	HK9.71 cents
Diluted		**HK64.50 cents**	HK9.46 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,052,835**	906,006
Investment properties		**112,810**	113,029
Prepaid land lease payments		**361,123**	268,231
Intangible assets		**100,842**	113,486
Investments in a joint venture		**4,012,151**	4,891
Investments in associates		**58,020**	58,500
Available-for-sale investments		**55,201**	56,152
Other non-current assets		**80,152**	86,671
Deferred tax assets		**18,507**	18,620
Total non-current assets		**5,851,641**	1,625,586
CURRENT ASSETS			
Inventories		**2,229,652**	2,797,660
Trade receivables	*10*	**2,924,732**	3,019,063
Bills receivable	*11*	**193,003**	553,099
Loans receivable		**213,017**	290,768
Prepayments, deposits and other receivables		**672,077**	957,108
Pledged time deposits		**342,712**	641,659
Cash and cash equivalents		**3,945,570**	2,959,143
Total current assets		**10,520,763**	11,218,500
CURRENT LIABILITIES			
Trade payables	*12*	**1,976,580**	2,117,840
Bills payable	*13*	**1,138,507**	2,179,404
Other payables and accruals		**2,708,492**	2,853,419
Interest-bearing bank borrowings		**–**	547,798
Due to an associate		**–**	3,830
Due to a joint venture		**1,213,117**	–
Tax payable		**42,010**	77,470
Total current liabilities		**7,078,706**	7,779,761

	Notes	**30 June 2015** *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
NET CURRENT ASSETS		**3,442,057**	3,438,739
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,293,698**	5,064,325
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,209,912**	1,615,624
Deferred tax liabilities		**54,216**	54,839
Other non-current liabilities		**32,485**	33,946
Total non-current liabilities		**1,296,613**	1,704,409
Net assets		**7,997,085**	3,359,916
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**43,484**	42,950
Reserves		**7,952,666**	3,310,371
Non-controlling interests		**935**	6,595
Total equity		**7,997,085**	3,359,916

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

In the opinion of the Directors, as at 30 June 2015, the holding company and the ultimate holding company of the Company is Data Dreamland Holding Limited, which was incorporated in the British Virgin Islands. Data Dreamland entered into an agreement with Leview Mobile HK Limited (the "Purchaser") on 27 June 2015 pursuant to which Data Dreamland agreed to sell and the Purchaser agreed to purchase 780,380,000 Shares (the "Shares"). On 20 July 2015, Data Dreamland has completed the sale of the Shares. Immediately before completion of the sale, Data Dreamland is interested in a total of 1,662,342,496 Shares, representing approximately 38.23% of the issued share capital of the Company. Immediately after completion of the sale, Data Dreamland is interested in a total of 881,962,496, representing approximately 20.28% of the issued share capital of the Company as at the date after the completion and Data Dreamland ceased to be a controlling Shareholder.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and other relevant standards and interpretations and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Group's interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014 except for the first time adoption of the following new and revised standards and interpretations:

HKFRS 19, Amendments	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to numbers of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to numbers of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements.

2.3 The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated financial statements:

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

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

[3] 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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their 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 the second half of the 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, an amount due to a joint venture, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Mobile phone HK$'000	Property investment HK$'000	Finance service HK$'000	Total HK$'000
Six months ended 30 June 2015 (Unaudited)				
Segment revenue:				
Sales to external customers	**8,766,273**	**–**	**16,514**	**8,782,787**
Other revenue and gains	**2,814,169**	**4,032**	**–**	**2,818,201**
Total	**11,580,442**	**4,032**	**16,514**	**11,600,988**
Segment results	**2,908,025**	**3,572**	**16,496**	**2,928,093**
Reconciliation:				
Interest income				**35,183**
Finance costs				**(50,340)**
Share of loss of a joint venture				**(37,532)**
Share of loss of associates				**(97)**
Corporate and other unallocated expenses				**(5,524)**
Profit before tax				**2,869,783**
Six months ended 30 June 2014 (Unaudited)				
Segment revenue:				
Sales to external customers	14,934,734	–	–	14,934,734
Other revenue and gains	104,162	4,059	–	108,221
Total	15,038,896	4,059	–	15,042,955
Segment results	479,613	3,647	–	483,260
Reconciliation:				
Interest income				35,139
Finance costs				(31,197)
Share of loss of a joint venture				(61)
Share of profit of associates				125
Corporate and other unallocated expenses				(4,532)
Profit before tax				482,734
Segment assets				
At 30 June 2015 (Unaudited)	**8,443,951**	**111,985**	**397,638**	**8,953,574**
At 31 December 2014 (Audited)	8,601,470	113,892	389,759	9,105,121
Segment liabilities				
At 30 June 2015 (Unaudited)	**5,865,287**	**1,047**	**6,890**	**5,873,224**
At 31 December 2014 (Audited)	6,273,519	1,329	5,963	6,280,811

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.

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of mobile phones	**8,626,550**	14,847,576
Wireless application service income	**139,723**	87,158
Finance service income	**16,514**	–
	8,782,787	14,934,734
Other income		
Bank interest income	**35,183**	35,139
Gross rental income	**4,032**	4,059
Government grants and subsidies*	**118,468**	96,967
Others#	**2,695,701**	7,195
	2,853,384	143,360

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

\# Others for the six months ended 30 June 2015 included a gain resulting from the disposal of certain interests in a subsidiary of the Group.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**7,073,771**	12,790,070
Depreciation	**38,243**	27,436
Amortisation of patents and licences*	**18,201**	16,815
Amortisation of prepaid land lease payments	**15,201**	1,607
Research and development costs:		
Product development costs amortised*	**39,250**	34,915
Expenditure for the period*	**256,980**	365,926
	296,230	400,841
Operating lease rental	**17,045**	18,625
Loss on disposal of items of property, plant and equipment	**180**	1,306
Net impairment of trade receivables	**3,052**	2,599
Provision for inventories	**60,007**	118,757

* The amortisation of patents and licences, amortisation of product development costs and the research and development expenditure for the period are included in "Administrative expenses" in the profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**50,340**	31,197

7. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Group:		
Current	**32,858**	72,154
Deferred	**(256)**	(2,452)
Total tax charge for the period	**32,602**	69,702

8. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend: nil (2014: HK$0.01)	**–**	42,715

Considering that the needs of the ordinary operation after the restructuring of the Group, the Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2015.

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$2,842,841,000 (six months ended 30 June 2014: HK$412,862,000), and the weighted average number of ordinary shares of 4,311,654,758 in issue during the six months ended 30 June 2015 (six months ended 30 June 2014: 4,251,110,641).

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK$2,842,841,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 95,782,089 assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**2,842,841**	412,862

	Number of shares	
	2015	2014
		(Restated)#
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**4,311,654,758**	4,251,110,641
Effect of dilution – weighted average number of ordinary shares: share options	**95,782,089**	112,709,985
	4,407,436,847	4,363,820,626

\# The restatement for the calculation of number of shares was mainly resulted from the issue of the bonus shares on the basis of one bonus share for every one ordinary share held on 3 June 2014.

10. TRADE RECEIVABLES

Sales of the Group's products are normally settled on a cash-on-delivery basis. However, 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. 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:

	30 June	31 December
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**2,858,778**	2,948,505
4 to 6 months	**57,890**	63,764
7 to 12 months	**4,896**	3,188
Over 1 year	**10,196**	10,456
	2,931,760	3,025,913
Less: Impairment	**(7,028)**	(6,850)
	2,924,732	3,019,063

11. 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:

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
Within 3 months	**193,003**	553,099

Bills receivable are non-interest-bearing.

At 30 June 2015 and 31 December 2014, the Group did not have any past due or impaired bills receivable.

12. TRADE PAYABLES

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

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
Within 3 months	**1,713,500**	1,728,540
4 to 6 months	**201,520**	317,403
7 to 12 months	**10,525**	9,096
Over 1 year	**51,035**	62,801
	1,976,580	2,117,840

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

13. 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:

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
Within 3 months	**1,138,507**	2,179,404

As at 30 June 2015, certain bills payable of the Group were secured by the Group's time deposits of approximately HK$298,929,000 (31 December 2014: HK$470,523,000).

MANAGEMENT DISCUSSION & ANALYSIS

REVENUE ANALYSED BY PRODUCT TYPES

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

	Six months ended 30 June			
	2015		2014	
Revenues	**Revenue** *HK$ million* **(Unaudited)**	**% of total revenue**	Revenue *HK$ million* (Unaudited)	% of total revenue
4G Coolpad smartphone	**8,013.1**	**91.2%**	5,361.3	35.9%
3G Coolpad smartphone	**597.2**	**6.8%**	9,444.3	63.2%
Wireless application service income	**139.7**	**1.6%**	87.2	0.6%
Finance Service	**16.5**	**0.2%**	–	–
Other products	**16.3**	**0.2%**	41.9	0.3%
Total	**8,782.8**	**100%**	14,934.7	100%

The Group's unaudited revenue for the six months ended 30 June 2015 amounted to HK$8,782.8 million, representing a decline of 41.2% as compared with HK$14,934.7 million for the six months ended 30 June 2014. The decline in revenue during the reporting period was mostly because of the restructuring of the Group's business units and the intensifying competition in the smartphone market in Mainland China during the first half of 2015.

The revenue from the sale of 4G smartphone increased by 49.5% to HK$8,013.1 million for the six months ended 30 June 2015 as compared with HK$5,361.3 million for the corresponding period in 2014. Revenue contribution from this segment increased from 35.9% in the first half of 2014 to 91.2% in the first half of 2015. The increase of the proportion was primarily attributable to the change of the strategy from 3G smartphones to 4G smartphones of the Group during the reporting period.

The revenue from the sale of 3G Coolpad smartphone decreased by 93.7% to HK$597.2 million for the six months ended 30 June 2015 as compared with HK$9,444.3 million for the corresponding period in 2014. Revenue contribution from this segment largely dropped from 63.2% in the first half of 2014 to 6.8% in the first half of 2015. The decrease in revenue of 3G Coolpad smartphone was primarily attributable to no 3G new models launched and only sold old 3G models by the Group during the reporting period.

Wireless application service income from mobile phone applications was HK$139.7 million for the six months ended 30 June 2015, representing a growth of 60.2% as compared with HK$87.2 million for the corresponding period in 2014, attributable to more usage of the wireless applications in the smartphones during the reporting period.

The finance service income was HK$16.5 million for the six months ended 30 June 2015, which came from a range of loan and services to suppliers, individuals and peer finance companies. The revenue from other products was primarily generated from the sales of Coolpad smartphone's accessories. The revenue from other products decreased by HK$25.6 million, or 61.1%, to HK$16.3 million for the six months ended 30 June 2015 as compared with HK$41.9 million for the corresponding period in 2014.

GROSS PROFIT

	Six months ended 30 June			
	2015		2014	
Gross profit	**Gross profit** *HK$ million* **(Unaudited)**	**Gross profit margin**	Gross profit *HK$ million* (Unaudited)	Gross profit margin
Total	**1,113.9**	**12.7%**	2,025.9	13.6%

The Group's overall gross profit for the six months ended 30 June 2015 decreased by HK$912.0 million, representing a decrease of 45.0% as compared with HK$2,025.9 million for the corresponding period in 2014. Its overall gross profit margin dropped to 12.7% in the reporting period, down 0.9% as compared with 13.6% in the corresponding period of 2014. The decline in gross profit margin was primarily attributable to the fierce competition of the 4G smartphone market in Mainland China and the sharp price drop of the 4G smartphones during the reporting period.

OTHER INCOME AND GAINS

Other income and gains of the Group increased by HK$2,710.0 million, or 1889.8%, to HK$2,853.4 million for the six months ended 30 June 2015 as compared with HK$143.4 million for the corresponding period in 2014. The increase primarily generated from the disposal of certain interests in a subsidiary of the Group which contributed a gain of HK$2,656.7 million. Beside this, the other increase was mainly attributable to the increase of government grants and subsidies received by the Group in the period.

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2015 **(Unaudited)**	2014 (Unaudited)
Selling and distribution expenses *(HK$ million)*	**479.7**	807.1
As a percentage of total revenue	**5.5%**	5.4%

Selling and distribution expenses of the Group for the six months ended 30 June 2015 decreased by HK$327.4 million to HK$479.7 million from HK$807.1 million for the corresponding period in 2014. The net decrease of HK$327.4 million was primarily attributable to decreased expenditures for marketing, advertising and promotion expenses to support new product launches. As a percentage of total revenue, selling and distribution costs slightly increased to 5.5% in the first half of 2015 as compared with 5.4% in the corresponding period of 2014.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Administrative expenses *(HK$ million)*	**489.9**	815.4
As a percentage of total revenue	**5.6%**	5.5%

Administrative expenses decreased by HK$325.5 million to HK$489.9 million for the six months ended 30 June 2015 from HK$815.4 million for the corresponding period in 2014. The net decrease of HK$325.5 million was primarily attributable to the decreased R&D expenditures of the Group. As a percentage of total revenue, administrative expenses slightly increased by 0.1% to 5.6% in the first half of 2015 as compared with 5.5% in the corresponding period of 2014. The net increase of 0.1% as a percentage of total revenue was primarily because of the impaction of the restructuring of the Group during the reporting period.

INCOME TAX EXPENSE

For the six months ended 30 June 2015, the Group's income tax expenses decreased to HK$32.6 million, representing a decrease of HK$37.1 million as compared with HK$69.7 million for the corresponding period in 2014. The decrease in the current income tax expense was primarily due to the decrease of the Group's taxable profit which excluded the gain resulting from the disposal of certain interests in a subsidiary of the Group during the reporting period.

NET PROFIT

Net profit of the Group amounted to HK$2,837.2 million, or basic earnings per share of HK65.93 cents and diluted earnings per share of HK64.50 cents, for the six months ended 30 June 2015 as compared with net profit of HK$413.0 million, or basic earnings per share of HK9.71 cents and diluted earnings per share of HK9.46 cents, for the six months ended 30 June 2014. The increase in net profit by HK$2,424.2 million in the first half of 2015 was mostly because of the gain arising from the disposal of certain interests in a subsidiary of the Group. But the Group's operating profit for the six months ended 30 June 2015 had decreased when compared with the corresponding period in 2014. The decrease in operating profit was mainly attributable to the restructuring of the Group's business units and the intensifying competition in the smartphone market.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2015, the Group's operating capital was mainly generated 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 35.2% as at 30 June 2015 (31 December 2014: 65.4%). The decrease was mainly attributable to the growth in the Group's equity as a result of the gain arising from the disposal of certain interests in a subsidiary of the Group. 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 30 June 2015 amounted to HK$3,945.6 million, while it was HK$2,959.1 million as at 31 December 2014.

As at 30 June 2015, the Company had 4,348,401,200 ordinary shares of par value HK$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

INVENTORY

For the current period, the Group's inventory turnover period was 59.0 days (year ended 31 December 2014: 44.4 days).

TRADE RECEIVABLES

Credit period was one to three months on average and the trade receivable turnover period was 60.9 days for the current period (year ended 31 December 2014: 43.5 days).

TRADE PAYABLES

The trade payable turnover period was 48.1 days for the current period (year ended 31 December 2014: 32.8 days).

PLEDGED OF ASSETS

As at 30 June 2015, the following assets of the Group were pledged for certain bank borrowings: (i) Certain properties and plants of the Group located in Mainland China, the total book value of which were approximately HK$210.0 million(31 December 2014: HK$222.4 million); and (ii) Certain shares of the Company's subsidiaries. As at 30 June 2015, the Group's time deposits of approximately HK$298.9 million were also used to secure bills payable (31 December 2014: HK$470.5 million); (ii) HK$43.8 million were used as a security for the banks to provide a performance guarantee (31 December 2014: HK$43.7 million).

BUSINESS REVIEW

Looking back to the first half of 2015, China's gross domestic product ("GDP") growth with 7.0% year-on-year continued to weaken for the time being as monetary easing measures brought less benefit to the economy than anticipated, and the world economy was also still weak. The whole smartphone market was impacted and grew slower in the weak economic environment. The latest analysis from the global market research firm TrendForce reported that the global smartphone shipments in the second quarter of 2015 grew 1.9% over the previous quarter.

In the first half of 2015, both of the shipments volume of Coolpad smartphones and the revenue of the Group declined. Operating revenue of the Group for the six months ended 30 June 2015 declined to HK$8,782.8 million, decreasing by HK$6,151.9 million or 41.2% compared with that of the corresponding period of 2014. However, benefiting from the gain from the disposal of certain interests in a subsidiary of the Group, the net profit increased by HK$2,424.2 million, or 586.9%, to HK$2,837.2 million for the six months ended 30 June 2015, compared with that of the corresponding period of 2014. Accordingly, the basic and diluted earnings per share for the six months ended 30 June 2015 increased to HK65.93 cents and HK64.50 cents from HK9.71 cents and HK9.46 cents of the corresponding period of last year respectively. The Group's overall average selling price ("ASP") decreased to HK$602.4 in the first half of 2015 from HK$624.6 for the corresponding period in 2014. The decrease of the overall ASP was primarily because of the intensified competition of the market resulting in the drop of the blended ASP of the 4G smartphones.

In order to better adapt to the variations of the smartphone market in Mainland China and maintain its long term growth of the shipment units, the Group restructured the sales channels and divided its businesses into four business units ("BUs") in the year of 2014 (Coolpad for the carriers channel, Dazen for the e-commerce channel, ivvi for the retail open channel, and overseas sales). The four BUs operated smoothly in the first half of 2015, and got steady developments in each segment. The performance of the four BUs in the first half of 2015 signified the initial success of the business restructuring of the Group. The Group also debuted on the Asia's Fab 50 Companies of Forbes in 2015, depending on the success of its 4G strategy and the expanding overseas market.

In the first half of 2015, the smartphone sales in the carriers channel were still weak because of the impaction of the continuing subsidy cut on smartphones and slower 4G progress (especially for the progress of the Frequency Division Duplex Long Term Evolution ("FDD-LTE")). The brand of Coolpad sold less in total in the first half of 2015 compared with the same period of 2014, but the shipments units of 4G smartphones increased in terms of the products mix. The situation of the smartphone market was worst in the first quarter of 2015, however, it started to become better and the sales of the smartphone started to ramp up in the second quarter. The commercial licences of FDD-LTE were issued to two telecommunications carriers (China Unicom and China Telecom) in late February, which became a positive factor to the growth of the 4G smartphone market in 2015 and increased the sales of Coolpad 4G products. Coolpad launched the Fengshang flagship new model with the fingerprint technology in the first half of 2015, which earned good responses from the users.

On 16 December 2014, the Group entered into a share subscription agreement with Tech Time Development Limited ("Tech Time" and a wholly-owned subsidiary of Qihoo 360) to allot 900 shares of Coolpad E-commerce Inc. (a direct wholly-owned subsidiary of the Company) to Tech Time at a consideration of USD409.05 million. The subscription was completed on 23 April 2015. On 25 May 2015, the Group entered into an equity transfer agreement with Tech Time to transfer 4.5% of the equity interest of Coolpad E-commerce Inc. to Tech Time at a consideration of USD45 million. Upon completion the above transactions, Coolpad E-Commerce Inc. was owned as to 50.5% and 49.5% by the Company and Tech Time, respectively. Further details were set out in the announcement and circular of the Company dated 12 February 2015 and 25 May 2015, respectively. The Group lost control over Coolpad E-commerce Inc. since 25 May 2015 and Coolpad E-commerce Inc. became a joint venture ("JV") operating the brands of Dazen to explore the e-commerce channel. To further develop to the e-commerce channel, the JV released another new brand named Qiku to cover the higher prices segment of its products, which was differed from Dazen brand covering lower prices segment.

The JV took the advantages of the Group's smartphone experience and Qihoo's software and Internet experience to develop the mobile Internet business. The new team of the JV (including both the Group's and Qihoo's part of employees and some new recruited ones) started to operate and cooperated quite well. In the first half of 2015, the shipments volume of Dazen increased much faster, benefiting from the effective and aggressive Internet marketing.

In the first half, ivvi exclusively sponsored a popular TV star show, called "Perhaps Love" which is produced and broadcasted by Hubei Television. The brand recognition of ivvi had been improved effectively, and the brand slogan of "Fashion & Young" was known by more and more young users. As at 30 June 2015, ivvi signed contracts with hundreds of provincial tier-1 distributors, covering thousands of retail stores in Mainland China. The numbers of the retail stores increased much faster than the management expected. Meanwhile, the flagship model of ivvi was launched in the first half, and was promoted quite well through the TV star show.

For the purpose of exploring the mobile Internet business and constructing its ecosystem, the Group not only partnered with Qihoo360, but also planned to cooperate with Leview Mobile HK Limited, a company incorporated in Hong Kong that is the second largest shareholder of the Group. Leveraging its strong smartphone research and development capability and mature supply chain, the Group could give both of the JV and Leview Mobile the strong supports on their products. Meanwhile, the contents and mobile Internet businesses of the Group's products could also become more diversified and richer. In the case of the low gross profit margin of the smartphones because of the fierce market competition, the construction of the mobile ecosystem may bring the Group better and sustainable profitability in the long term.

To construct the mobile ecosystem of the Group, the smartphone is the basic element. The Group continued to strengthen its R&D capability to bring users the best experience of the smartphone. The Group not only kept researching and developing smart terminals of the present 4G technology, but also started the work of the next 5G technology and its smart terminals. The Group officially became one member of the IMT 2020(5G) Promotion Group in March 2015, and had already been participating into the projects of the wireless and network technology group of 5G in Mainland China. The Group also deeply differentiated and optimized the functions and features of the Android operating system to bring users better mobile applications.

In the first half of 2015, the Group focused on delicacy management to improve general operation efficiency and control the overall cost. Delicacy management is a necessary process to the Group while the competition of the smartphone market is fierce at the moment. 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 favour to the success of the Group in the smartphone massive market. The product quality and the production cost controls were also assured, depending on the delicacy management and the improvements of the infrastructure for the product testing and assembly.

BUSINESS OUTLOOK

Even though the performance of the smartphone industry in Mainland China was kind of weak in the first half of 2015, the Group expects that the smartphone market will be better in the second half. There will be two major factors supporting the growth of the smartphone market. The first one will be the possible more aggressive promotion of the FDD-LTE after the issue of the commercial FDD-LTE licenses. The second one will be the better network coverage of the TDD-LTE and FDD-LTE along with reducing the network tariffs, which could accelerate the users to upgrade their smartphones to 4G ones. 4G smartphones will be the mainstream promoting the whole smartphone market to grow in Mainland China in the year of 2015.

The Group will launch richer 4G product mix to the market through the diversified sale channels in the second half of 2015, which covers from the high-end to mid- and low-end. At present, the four BUs operate quite well, and plan to launch the next flagship models separately in the second half. The JV had already launched the Dazen Note series in July, which with fingerprint technology was firstly priced less than one thousand Yuan Renminbi. And the new model of Qiku will also be launched soon in the second half. Through applying the spirit of craftsman into the work, the Group will understand the users' real demands, and design the products which could truly bring the wonderful experience to the users.

The excellent R&D team of the Group will insist on pursuing the technology innovation, concentrate on improving the user experience of the next flagship smartphones, and apply more patents mostly in the fields of software, hardware, and the wireless telecommunication network etc. The powerful R&D capability is the key point for the Group to keep growing in the 4G smartphone market, and will still be heavily invested by the Group in the future. Not only continuing to improve the design and the hardware of the new models, the Group but also will strengthen its software and mobile apps in its smartphones. The Group plans to construct a super alliance with Leview Mobile and Qihoo360 to increase user stickiness. So the users could experience the excellent design and the high quality of the smartphones, and enjoy the super ecosystem and the huge contents resources in the future.

In the 4G era, the mobile Internet data generated from the smartphones may explosively increase. And the trend of the Internet data flow is changing from the traditional PC terminals to mobile terminals. According to statistics published by China's Ministry of Industry and Information Technology ("MIIT"), the number of mobile Internet users increased by 8.21 million in June to 905.15 million in total. The Group believes that the mobile Internet will be the future of the Internet, and bring huge commercial opportunities. At the same time, smartphones will play an important role as an entry in the mobile Internet market. The Group will leverage its experience of the smartphone, the wireless telecommunications technological know-how, and the mature supply chain to cooperate with the partners to welcome the era of the mobile Internet. On the other hand, once the super alliance started to take effect, the smartphone sales will step into another high level and the user number of the super alliance will increase much faster.

The Group will also continue to strengthen its supply chain management ("SCM") to guarantee the adoption of the best components and the on-time delivery. In the competition of the smartphone market, the SCM is also as important as the R&D capability and the marketing and distribution. The Group will cooperate with the suppliers to apply the new technologies into the flagship smartphones. Fingerprint, metal casing etc. may be more and more used to satisfy the demands of the users with the supports of the suppliers. As some suppliers are hardly to get the loans from local banks, Huiying Micro-credit Company of the Group could also provide the financial service to help them to strengthen the relationship with the suppliers. The mature SCM could also help the Group save the cost of the components to improve the profitability of its products.

Thanks to the restructuring of the sales channels in 2014, the Group could make certain its position after the changes of the smartphone market in Mainland China, even though some BUs are still in their first phases. After a half year's operation of each BU, the Group has the faith to gain much more market shares depending on the diversified sales channels. At present, just only the brand of Coolpad is sold mostly through the carriers channel in the overseas market, such as America, Europe and India. In the near term, the others, Dazen/Qiku and ivvi will enter into the overseas market, especially the emerging market through the online and retail open channel respectively. The Group will also do more marketing promotions and activities to improve the brand awareness globally.

Looking forward, the Group will continue to leverage innovation and expertise to satisfy diverse user needs, enhance core competitive strengths and the user experience of the products in the rapidly evolving global smartphone industry. Even though the environment of the smartphone market will be volatile, the Group will further consolidate its domestic 4G smartphone market and expand the overseas market aggressively, depending on the four BUs and the coming more powerful ecosystem. The Group believes that the 4G smartphone market and the fast growth of the mobile Internet market will bring it much more opportunities in the year of 2015. The Group should work hard to strive for more chances of the markets' development and sustained growth with the notion of opening and sharing, through the innovative technologies, the hard-working philosophy, the quick-responded capabilities to the market demands, and the differentiated product positioning.

OPERATING RISK

Because of the low gross profit margin of the products of the e-commerce channel, high expenses of the preliminary marketing and promotion, the e-commerce channel will bring pressure to the whole Group's profitability. Meanwhile, under the situation of the domestic telecommunications carriers' reduction in selling expense and handset subsidy, the Group predicts that the operation of the business may face huge challenges, which may cause significant negative effect in the future. The Group also sees the risk of the intensified competition in the 4G smartphone market with more E-commercial smartphone developers in Mainland China.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue, cost of sales and certain portion of the bank loans are denominated in USD. Exchange rate fluctuations between RMB and USD may affect the Group's performance and asset value. The depreciation of RMB will increase the purchasing cost of certain components of the Group in the future. The Group had not entered into any derivative contracts to hedge against the risk for the six months ended 30 June 2015.

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily related to its short-term and long-term bank loans and other borrowings. The interests are calculated at fixed and floating rates. Any rise in the current interest rate will increase the interest cost. To the end of the period, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

EMPLOYEES AND REMUNERATION POLICY

The total staff costs for the six months ended 30 June 2015 amounted to approximately HK$423.9 million (six months ended 30 June 2014: HK$455.8 million). The remuneration of the Group's employees is commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis. The Group also provides on-the-job training to its employees from time to time. As at 30 June 2015, the Group had 5,903 employees (31 December 2014: 6,208 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.

INTERIM DIVIDEND

Considering that the needs of the ordinary operation after the restructuring of the Group, the Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2015.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code for securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company with all the directors, that they have fully complied with the required standard as set out in the Model Code for the period under review.

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 interim results for the six months ended 30 June 2015.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Code Provision A.2.1 of the Code of Corporate Governance Practices (the "Code") as was set out in Appendix 14 to the Listing Rules, 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 six months ended 30 June 2015, in compliance with the Code.

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

Hong Kong, 20 August 2015

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