

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



COOLPAD GROUP LIMITED

酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

2023 ANNOUNCEMENT OF FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Coolpad Group Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Year**”), together with the comparative figures for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Changes
	2023	2022	
	HK\$'000	HK\$'000	(%)
Revenue	307,363	299,208	2.73
Loss before tax	(234,015)	(629,430)	-62.82
Loss for the year attributable to owners of the Company	(220,931)	(625,450)	-64.68
	HK cents	HK cents	
Basic and diluted loss per share	(1.54)	(4.58)	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000 (Restated)
REVENUE	4	307,363	299,208
Cost of sales		<u>(199,947)</u>	<u>(351,981)</u>
GROSS PROFIT/(LOSS)		107,416	(52,773)
Other income and gains	4	95,851	75,781
Selling and distribution expenses		(35,695)	(71,182)
Administrative and other operating expenses		(273,229)	(480,033)
Finance costs	6	(8,004)	(16,973)
Share of losses of associates and a joint venture		<u>(120,354)</u>	<u>(84,250)</u>
LOSS BEFORE TAX	5	(234,015)	(629,430)
Income tax credit	7	<u>13,023</u>	<u>3,782</u>
LOSS FOR THE YEAR		<u>(220,992)</u>	<u>(625,648)</u>
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(20,266)	(89,404)
Release of translation reserve upon disposal of an associate		2,363	–
Share of other comprehensive loss of associates and a joint venture		<u>(3,986)</u>	<u>(43,479)</u>
		<u>(21,889)</u>	<u>(132,883)</u>
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Gain/(loss) on property revaluation		4,574	(30)
Income tax effect on gain/(loss) on property revaluation		<u>(1,143)</u>	<u>7</u>
		<u>3,431</u>	<u>(23)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<u>(18,458)</u>	<u>(132,906)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(239,450)</u>	<u>(758,554)</u>

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

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Loss for the year attributable to:			
Owners of the Company		(220,931)	(625,450)
Non-controlling interests		(61)	(198)
		<u>(220,992)</u>	<u>(625,648)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(239,387)	(758,335)
Non-controlling interests		(63)	(219)
		<u>(239,450)</u>	<u>(758,554)</u>
Loss per share	9		
– Basic (<i>HK cents</i>)		<u>(1.54)</u>	<u>(4.58)</u>
– Diluted (<i>HK cents</i>)		<u>(1.54)</u>	<u>(4.58)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		375,218	1,033,364
Investment properties		3,263,126	2,143,745
Right-of-use assets		56,685	86,840
Intangible assets		–	–
Investments in a joint venture		–	56,502
Investments in associates		180,149	340,827
Financial assets at fair value through profit or loss		4,747	96,059
Other non-current assets		112,535	59,303
Deferred tax assets		–	289
		<hr/>	<hr/>
Total non-current assets		3,992,460	3,816,929
		<hr/>	<hr/>
Current assets			
Inventories		76,494	55,748
Cryptocurrencies		8,539	–
Trade receivables	10	60,088	46,657
Prepayments, deposits and other receivables	11	91,360	42,916
Financial assets at fair value through profit or loss		83,714	13,783
Amounts due from associates		–	3,029
Pledged deposits	12	59,751	59,408
Bank balances and cash	12	63,547	234,717
		<hr/>	<hr/>
Total current assets		443,493	456,258
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 December 2023*

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade payables	13	152,099	138,950
Other payables and accruals		1,154,043	1,195,202
Interest-bearing bank and other borrowings		101,568	177,929
Lease liabilities		2,875	4,587
Amounts due to associates		37,035	37,847
Amounts due to related parties		3,516	1,314
Tax payable		102,685	103,733
		<hr/>	<hr/>
Total current liabilities		1,553,821	1,659,562
		<hr/>	<hr/>
Net current liabilities		(1,110,328)	(1,203,304)
		<hr/>	<hr/>
Total assets less current liabilities		2,882,132	2,613,625
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		2,578	9,944
Interest-bearing other borrowings		441,086	–
Deferred tax liabilities		329,319	346,325
Other non-current liabilities		17,475	20,879
		<hr/>	<hr/>
Total non-current liabilities		790,458	377,148
		<hr/>	<hr/>
Net assets		2,091,674	2,236,477
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital		163,810	136,510
Reserves		1,927,737	2,099,777
		<hr/>	<hr/>
Equity attributable to owners of the Company		2,091,547	2,236,287
Non-controlling interests		127	190
		<hr/>	<hr/>
Total equity		2,091,674	2,236,477
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the production and sale of mobile phones and accessories, the provision of wireless application services and leases of properties. Starting from the second half of 2023, the Group has actively pursued opportunities in Web 3.0 digital currency business.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings included as property, plant and equipment and equity investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

For the year ended 31 December 2023, the Group incurred a net loss of HK\$221 million and the Group recorded net current liabilities of HK\$1,110 million as at 31 December 2023. The unrestricted cash and cash equivalent balance amounted to HK\$64 million as at 31 December 2023. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

During the year, the directors have taken various measures with the aim of improving the Group’s liquidity position, including but not limited to (i) the implementation of cost saving measures to control the daily operation costs; (ii) bank loan facility of RMB1 billion (equivalent to HK\$1.1 billion) was granted during the year ended 31 December 2023 with total unutilized banking facility of RMB508 million (equivalent HK\$559 million) as at 31 December 2023; (iii) on 10 October 2023, 2,730,000,000 shares were issued by the Company to seven independent parties, with net proceeds of approximately HK\$89.0 million; and (iv) there were expanded stable cash inflow generated from the Group’s operation of their investment properties contributing to the Group’s working capital. During the year ended 31 December 2023, the Group recorded a rental income of HK\$90.4 million (2022: HK\$91.6 million).

The directors have prepared a cash flow forecast of the Group for the next twelve months based on the existing situation, future events and commitments of the Group. The directors considered that the Group will have adequate working capital to meet its obligations, and therefore the financial statements of the Group have been prepared on a going concern basis.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

Measures and estimations have been taken into consideration by the directors, including and not limited to:

- (i) Existing unutilised loan facility of RMB480 million (equivalent to HK\$528 million) from Kingkey Group Company Limited, a related party of the Group, granted during the year ended 31 December 2022 with expiry date of 31 December 2025.
- (ii) The Group has obtained additional banking facilities of RMB430 million (equivalent to HK\$473 million) from a bank subsequent to the reporting period. Also, the Group has been actively negotiating with the banks to obtain additional banking facilities to supplement its operating cash flows. Among others, the Group is in progress on obtaining a stand-by facility amounting to RMB300 million (equivalent to HK\$330 million) from a bank subject to the final authorization from banks.
- (iii) The Group is revisiting its operating strategies taking into account the potential business opportunities expected to arise from the 5th generation wireless system market, and would continue to expand the cooperation with its business partners from various channels. Further measures would be considered by the Group to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations, including scaling down the operation, human resources optimisation and containment of capital expenditures.
- (iv) The Group is evaluating the liquidity and market value of its current financial investment portfolio on hand. In the view of the directors, redemption or sale of certain financial investments would be one of their contemplations favoring improvement of the Group's liquidity position and supplement of working capital.

Notwithstanding the above, in consideration of uncertainty and vulnerability of the mobile phone industry and the increasingly intense competition in the market, material uncertainties exist as to whether the Group will be able to achieve the targeted growth in business and revive its market presence.

Should the Group fail to realise its plans to grow its business, by adjusting the progress of the construction projects and deferring its capital expenditure, and securing sufficient financial resources to improve its financial position, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position as at 31 December 2023. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any material impact on the financial position or performance of the Group upon initial application.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Cooperation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied any new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application. So far, the Group considers that the new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a material 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 its products and services and has three reportable operating segments as follows:

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease-related finance costs, share of profits and losses of joint ventures and associates are excluded from such measurement.

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

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2023

	Cryptocurrencies business HK\$'000	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue (note 4)				
Revenue from external sources	8,539	208,432	90,392	307,363
Other revenue and gains	–	15,137	–	15,137
Total	8,539	223,569	90,392	322,500
Segment results	(1,635)	(190,835)	21,367	(171,103)
Reconciliation:				
Interest income				1,398
Finance costs (other than interest on lease liabilities)				(7,523)
Share of losses of associates and a joint venture				(120,354)
Loss on disposal of an associate				(15,749)
Gain on disposal of a joint venture				79,316
Loss before tax				(234,015)
Segment assets	122,147	480,222	3,322,698	3,925,067
Reconciliation:				
Investments in associates				180,149
Corporate and other unallocated assets				330,737
Total assets				4,435,953
Segment liabilities	–	1,311,595	17,475	1,329,070
Reconciliation:				
Corporate and other unallocated liabilities				1,015,209
Total liabilities				2,344,279
Other segment information:				
Reversal of impairment of trade receivables, net	–	(9,123)	–	(9,123)
Write-down of inventories to net realisable value, net	–	5,550	–	5,550
Fair value loss of investment properties	–	–	49,263	49,263
Valuation deficit upon transferral of investment properties from construction in progress	–	–	3,937	3,937
Depreciation and amortisation	1,330	24,539	–	25,869
Capital expenditure*	65,700	7,982	501,634	575,316

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022

	Mobile phone HK\$'000	Property investment HK\$'000 (Restated)	Total HK\$'000 (Restated)
Segment revenue (note 4)			
Revenue from external sources	207,633	91,575	299,208
Other revenue and gains	71,982	–	71,982
	<u>279,615</u>	<u>91,575</u>	<u>371,190</u>
Segment results	(571,959)	39,104	(532,855)
Reconciliation:			
Interest income			3,799
Finance costs (other than interest on lease liabilities)			(16,124)
Share of losses of associates and a joint venture			(84,250)
			<u>(629,430)</u>
Loss before tax			<u>(629,430)</u>
Segment assets	1,184,162	2,199,535	3,383,697
Reconciliation:			
Investments in joint ventures			56,502
Investments in associates			340,827
Corporate and other unallocated assets			492,161
			<u>4,273,187</u>
Total assets			<u>4,273,187</u>
Segment liabilities	1,342,678	21,116	1,363,794
Reconciliation:			
Corporate and other unallocated liabilities			672,916
			<u>672,916</u>
Total liabilities			<u>2,036,710</u>
Other segment information:			
Reversal of impairment of financial assets, net	(5,959)	–	(5,959)
Impairment of property, plant and equipment	21,980	–	21,980
Impairment of intangible assets	12,085	–	12,085
Impairment of right-of-use assets	1,729	–	1,729
Write-down of inventories to net realisable value	43,492	–	43,492
Fair value losses on investment properties	–	32,639	32,639
Reversal of product warranty	(1,493)	–	(1,493)
Depreciation and amortisation	32,974	–	32,974
Capital expenditure*	478,038	1,149	479,187
	<u>478,038</u>	<u>1,149</u>	<u>479,187</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2023 HK\$'000	2022 HK\$'000 (Restated)
Mainland China	262,624	268,265
Overseas	44,739	30,943
	<u>307,363</u>	<u>299,208</u>

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

(b) Non-current assets

	2023 HK\$'000	2022 HK\$'000
Mainland China	3,872,642	3,716,334
Overseas	113,608	2,850
	<u>3,986,250</u>	<u>3,719,184</u>

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

Information about major customers

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

	Operating segment	2023 HK\$'000	2022 HK\$'000 (Restated)
Customer A	Mobile phone	<u>N/A*</u>	<u>45,477</u>

* Customer A accounted for less than 10% of the Group's revenue for the year ended 31 December 2023.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	181,327	180,735
Wireless application service income	27,105	26,898
	<u>208,432</u>	<u>207,633</u>
Revenue from other sources		
Revenue from cryptocurrencies business	8,539	–
Rental income from investment properties operating leases	90,392	91,575
	<u>98,931</u>	<u>91,575</u>
Total revenue	<u><u>307,363</u></u>	<u><u>299,208</u></u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023 HK\$'000	2022 HK\$'000
Mobile phone segment		
Timing of revenue recognition:		
Goods and services transferred at a point of time	<u><u>208,432</u></u>	<u><u>207,633</u></u>

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

	2023 HK\$'000	2022 HK\$'000
Sale of mobile phones and related accessories	<u><u>9,534</u></u>	<u><u>18,152</u></u>

No revenue recognised during the year related to performance obligations that were satisfied in prior years (2022: Nil).

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligation

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

Sale of mobile phones and related accessories

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

Wireless application service

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

Other income and gains

	2023 HK\$'000	2022 HK\$'000 (Restated)
Bank interest income	1,398	3,799
Government grants and subsidies*	2,699	13,877
	4,097	17,676
Gain on disposal of investment in a joint venture	79,316	–
Gain on lease modification	1,132	–
Gain on termination of lease	–	2,817
Gain on debt restructuring**	–	32,172
Others	11,306	23,116
	95,851	75,781

* 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.

** During the year ended 31 December 2022, the Group completed a restructuring arrangement concerning certain receivables and an equity investment in prior years which were fully impaired. As a result, the Group recognised gain from restructuring arrangement of HK\$32,172,000.

5. LOSS BEFORE TAX

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

	2023 HK\$'000	2022 HK\$'000 (Restated)
Cost of inventories sold	188,699	308,489
Depreciation of property, plant and equipment	20,166	21,118
Depreciation of right-of-use assets	5,703	5,323
Amortisation of intangible assets	–	6,533
Research and development costs*:		
Current year expenditure	49,684	167,743
	<hr/>	<hr/>
Lease payments not included in the measurement of lease liabilities	886	1,521
Auditor's remuneration:		
Annual audit	6,202	3,031
Agreed-upon procedures	600	625
	<hr/>	<hr/>
	6,802	3,656
Employee benefit expense (including directors' remuneration):		
Wages and salaries	80,228	189,476
Staff welfare expenses	2,586	5,309
Pension scheme contributions (defined contribution scheme)	9,474	20,333
Equity-settled share option expense	5,042	3,569
	<hr/>	<hr/>
	97,330	218,687
	<hr/>	<hr/>
Reversal of impairment of trade receivables, net*	(9,123)	(5,959)
Impairment of right-of-use assets*	–	1,729
Impairment of property, plant and equipment and intangible assets*	–	34,065
Gain on disposal of items of property, plant and equipment#	(182)	(110)
Loss on disposal of an associate*	15,749	–
Gain on disposal of a joint venture#	(79,316)	–
Write-down of inventories to net realisable value, net&	5,550	43,492
Direct operating expenses arising on rental-earning investment properties*	20,001	17,946
Reversal of product warranty@	–	(1,493)
Fair value losses on investment properties*	49,263	32,639
Valuation deficit upon transferral of investment properties from construction in progress*	3,937	–
Fair value losses on financial assets at fair value through profit or loss, net*	14,646	33,212
	<hr/> <hr/>	<hr/> <hr/>

* Included in "Administrative and other operating expenses" in profit or loss

@ Included in "Selling and distribution expenses" in profit or loss

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

Included in "Other income and gains" in profit or loss

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on:		
Bank and other borrowings	14,696	15,124
An amount due to a related party	–	1,000
Interest on lease liabilities	481	849
	<u>15,177</u>	<u>16,973</u>
Less: capitalised in construction in progress	(7,173)	–
	<u><u>8,004</u></u>	<u><u>16,973</u></u>

7. INCOME TAX CREDIT

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 (2022: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group’s subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	2023 HK\$'000	2022 HK\$'000
Current		
– corporate income tax	(13)	100
Deferred	(13,010)	(3,882)
	<u>(13,023)</u>	<u>(3,782)</u>
Total tax credit for the year	<u><u>(13,023)</u></u>	<u><u>(3,782)</u></u>

The 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) SZ Coolpad Technologies, the Company’s wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2022, and was subject to CIT at a rate of 15% for three years from 2022 to 2024. In this regard, SZ Coolpad Technologies was subject to CIT at a rate of 15% (2022: 15%) for the year ended 31 December 2023.
- (b) Yulong Shenzhen, the Company’s wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2021, and is subject to CIT at a rate of 15% for three years from 2021 to 2023. Therefore, Yulong Shenzhen was subject to CIT at a rate of 15% (2022: 15%) for the year ended 31 December 2023.
- (c) Nanjing Coolpad Software Tech Co., Ltd., the Company’s wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2023, and is subject to CIT at a rate of 15% for three years from 2023 to 2025. Therefore, Nanjing Coolpad Software Tech. Co., Ltd. was subject to CIT at a rate of 15% (2022: 25%) for the year ended 31 December 2023.

8. DIVIDEND

The directors did not recommend payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of 14,389,640,832 (2022: 13,642,225,730) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share options and warrants outstanding had no dilutive effect on the basic loss per share amount presented.

10. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	70,422	67,263
Accumulated impairment	(10,334)	(20,606)
	<u>60,088</u>	<u>46,657</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. In the case of long-standing customers and those with a good repayment history, the Group may offer these customers with a credit period of 30 to 90 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

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

	2023 HK\$'000	2022 HK\$'000
Within 3 months	57,346	31,271
4 to 6 months	335	2,812
7 to 12 months	65	14,857
Over 1 year	12,676	18,323
	<u>70,422</u>	<u>67,263</u>
Less: Accumulated impairment	(10,334)	(20,606)
	<u>60,088</u>	<u>46,657</u>

10. TRADE RECEIVABLES (continued)

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

	2023 HK\$'000	2022 HK\$'000
At 1 January	20,606	215,868
Reversal of impairment, net (<i>note 5</i>)	(9,123)	(5,959)
Amount written off as uncollectible	(1,061)	(189,700)
Exchange realignment	(88)	397
	<u>10,334</u>	<u>20,606</u>
At 31 December	<u>10,334</u>	<u>20,606</u>

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

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

As at 31 December 2023

	Ageing			
	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.41%–19.53%	27.95%	83.41%	
Gross carrying amount (HK\$'000)	57,746	5,323	7,353	70,422
Expected credit losses (HK\$'000)	2,713	1,488	6,133	10,334

As at 31 December 2022

	Ageing			
	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.38%–31.21%	100%	100%	
Gross carrying amount (HK\$'000)	48,940	4,925	13,398	67,263
Expected credit losses (HK\$'000)	2,283	4,925	13,398	20,606

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Prepayments for suppliers*	38,111	5,563
Lease incentives	59,572	55,433
Deposits and other receivables****	33,289	3,993
Deductible input VAT	18,243	34,756
Prepayment for the purchase of property, plant and equipment**	30,348	–
Proceed receivable in relation to disposal of an associate***	22,070	–
Prepaid expenses	2,262	2,474
	<u>203,895</u>	<u>102,219</u>
Non-current portion	<u>(112,535)</u>	<u>(59,303)</u>
	<u>91,360</u>	<u>42,916</u>

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there are no comparable companies as at 31 December 2023 was 0.1% (2022: 0.1%).

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

* The prepayments for suppliers represent the prepayment to suppliers in mobile phone segment. The amount was utilized subsequent to the reporting period.

** The prepayment for the purchase of property, plant and equipment was related to the cryptocurrencies business. These assets were physically received by the Group from relevant suppliers, and had been in use subsequent to the reporting period.

*** The receivables represent the proceed receivable in relation to disposal of an associate, Nanjing Yulong Weixin Information Scientific Limited. The amount has been fully settled subsequent to the reporting period.

**** Included in the deposits and other receivables, HK\$18,890,000 of deposits and other receivables represent the deposits of hosting services related to cryptocurrencies business related assets. The period of hosting services are 36–60 months and the deposits are refundable upon service completion.

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cash and bank balances	63,547	234,717
Time deposits	<u>59,751</u>	<u>59,408</u>
	123,298	294,125
Less: Pledged deposits for:		
– A performance guarantee and a letter of credit	<u>(59,751)</u>	<u>(59,408)</u>
Cash and cash equivalents	<u><u>63,547</u></u>	<u><u>234,717</u></u>

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$49,741,000 (2022: HK\$106,273,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

13. TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	117,615	93,694
4 to 6 months	19	9,201
7 to 12 months	7	2,682
Over 1 year	<u>34,458</u>	<u>33,373</u>
	<u><u>152,099</u></u>	<u><u>138,950</u></u>

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

“Opinion

We have audited the consolidated financial statements of the Group which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements which mentions that the Group incurred a loss of HK\$220,992,000 for the Year and as at 31 December 2023, the Group had net current liabilities of HK\$1,110,328,000. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSIS BY PRODUCT SEGMENTS

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

	Year ended 31 December			
	2023		2022 (Restated)	
	Revenue <i>HK\$ million</i>	% of revenue	Revenue <i>HK\$ million</i>	% of revenue
Sale of mobile phones and related accessories	181.32	58.99	180.73	60.40
Wireless application service income	27.11	8.82	26.90	8.99
Revenue from cryptocurrencies business	8.54	2.78	–	–
Rental income from investment properties operating leases	90.39	29.41	91.58	30.61
Total	307.36	100.00	299.21	100.00

REVENUE ANALYSIS BY PRODUCT SEGMENTS (continued)

The Group recorded consolidated revenue for the Year of HK\$307.36 million, representing an increase of 2.73% as compared with the restated amount of HK\$299.21 million for the year ended 31 December 2022. The increase in revenue was primarily attributable to the fact that starting from the second half of 2023, the Group has actively pursued opportunities in Web 3.0 digital currency business and has begun engaging in cryptocurrencies business.

GROSS PROFIT/(LOSS)

	Year ended 31 December			
	2023		2022	
			(Restated)	
	Gross profit	Gross profit	Gross loss	Gross loss
	margin	margin	margin	margin
	HK\$ million	(%)	HK\$ million	(%)
Total	<u>107.42</u>	<u>34.95</u>	<u>(52.77)</u>	<u>(17.64)</u>

The Group recorded a gross profit of approximately HK\$107.42 million for the Year as compared with a gross loss of HK\$52.77 million for the previous year ended 31 December 2022. The Group's overall gross profit margin for the Year was 34.95%, as compared with 17.64% of gross loss margin for the year ended 31 December 2022. The turning of gross loss to gross profit was primarily attributable to the adjustment of the Group's product brand and sales incentive policies initiated in early 2023.

SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2023	2022 (Restated)
Selling and distribution expenses (HK\$ million)	35.70	71.18
Selling and distribution expenses/revenue (%)	<u>11.62</u>	<u>23.79</u>

Selling and distribution expenses of the Group during the Year decreased to approximately HK\$35.70 million, representing a decrease of 49.85%, as compared with HK\$71.18 million for the year ended 31 December 2022. The decrease in selling and distribution expenses was primarily attributable to the fact that the Group reconstructed its composite channel structure in 2023, focusing on reshaping the operator channel and launching a low-cost e-commerce channel.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Year ended 31 December	
	2023	2022 (Restated)
Administrative and other operating expenses (<i>HK\$ million</i>)	273.23	480.03
Administrative and other operating expenses/revenue (%)	88.89	160.43

Administrative and other operating expenses decreased by 43.08% from HK\$480.03 million for the year ended 31 December 2022 to HK\$273.23 million for the Year. Administrative and other operating expenses as a percentage of total revenue decreased to 88.89% in 2023 from 160.43% in 2022. The decrease in the amount of administrative and other operating expenses was primarily due to the reduced investment in research and development costs in 2023.

INCOME TAX CREDIT

During the Year, the Group recorded a loss before tax of HK\$234.02 million, as compared with HK\$629.43 million for the year ended 31 December 2022, and the Group recorded an income tax credit of approximately HK\$13.02 million for the Year as compared with approximately HK\$3.78 million for the year ended 31 December 2022. The increase of income tax credit was primarily attributable to the decrease in deferred tax liabilities relating to revaluation of buildings.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the Year, the Group's operating capital was mainly generated from cash from its daily operation of its businesses, equity funding, interest-bearing loan and other borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and other unforeseeable cash requirements. The Group had a gearing ratio of 47% as at 31 December 2023 (2022: 37%). 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 2023 amounted to approximately HK\$63.55 million, while it was HK\$234.72 million as at 31 December 2022.

As at 31 December 2023, the Group had total debts (i.e., total borrowings) of approximately HK\$542.65 million, which were all denominated in RMB. HK\$101.57 million of the Group's borrowings are due in 2024 with a rate of 3.2% per annum and HK\$441.08 million of the Group's borrowings are due in 2038 with a rate of prime rate minus 0.8% per annum.

As at 31 December 2023, the Company had 16,381,007,955 ordinary shares (the "Shares") of par value HK\$0.01 each in issue.

CONTINGENCIES

Litigations with suppliers

The Group received several civil complaints in 2023 from suppliers demanding the Group to immediately repay the overdue accounts payable balance of RMB4,078,000 (equivalent to HK\$4,500,000) (2022: HK\$12,150,000). The arbitration procedures of the civil complaints were still in progress as at the date of approval of the consolidated financial statements.

PLEDGE OF ASSETS

- (a) As at 31 December 2022, the Group's 20% share in the investment in an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK\$101.29 million was pledged as security for a shareholder loan of this associate.
- (b) As at 31 December 2023, the Group's time deposits of approximately HK\$59.75 million were used as a performance guarantee and a letter of credit (2022: HK\$59.41 million).
- (c) As at 31 December 2023, the Group's other borrowings are secured by certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of Nil (2022: HK\$529,694,000), Nil (2022: HK\$109,049,000) and Nil (2022: HK\$23,231,000) as at 31 December 2023, respectively.
- (d) As at 31 December 2023, the Group's bank borrowings are secured by certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK\$1,558,893,000 (2022: Nil), HK\$70,697,000 (2022: Nil) and HK\$14,001,000 (2022: Nil) respectively, and the 75% shareholding interest of a subsidiary of the Group, Dongguan Yulong Telecommunication Tech Co., Ltd. (東莞宇龍通信科技有限公司) (2022: Nil).

FINANCIAL REVIEW

For the Year, the Group recorded a turnover of HK\$307.36 million, representing an increase of 2.73% as compared with HK\$299.21 million for the year ended 31 December 2022. The increase in revenue was primarily attributable to the fact that starting from the second half of 2023, the Group has actively pursued opportunities in Web 3.0 digital currency business and has begun engaging in cryptocurrencies business. The Group recorded a gross profit of approximately HK\$107.42 million for the Year as compared with a gross loss of approximately HK\$52.77 million for the previous year ended 31 December 2022. The Group's overall gross profit margin for the Year was 34.95%, as compared with 17.64% of gross loss margin for the year ended 31 December 2022. The turning of gross loss to gross profit was primarily attributable to the adjustment of the Group's product brand and sales incentive policies initiated in early 2023. The selling and distribution expenses of the Group during the Year decreased to approximately HK\$35.70 million, representing a decrease of 49.85%, as compared with approximately HK\$71.18 million for the year ended 31 December 2022.

The decrease in selling and distribution expenses was primarily attributable to the fact that the Group reconstructed its composite channel structure in 2023, focusing on reshaping the operator channel and launching a low-cost e-commerce channel. The administrative and other operating expenses decreased by 43.08% from HK\$480.03 million for the year ended 31 December 2022 to HK\$273.23 million for the Year. Administrative and other operating expenses as a percentage of total revenue decreased to 88.89% in 2023 from 160.43% in 2022. The decrease in the amount of administrative and other operating expenses was primarily due to the reduced investment in research and development costs in 2023.

For the Year, the Group recorded a loss before tax of HK\$234.02 million, as compared with HK\$629.43 million for the year ended 31 December 2022, and the Group recorded an income tax credit of approximately HK\$13.02 million for the Year as compared with approximately HK\$3.78 million for the year ended 31 December 2022. The increase of income tax credit was primarily attributable to the decrease in deferred tax liabilities relating to revaluation of buildings.

CAPITAL SUPPORT

On 27 August 2023, the Company entered into the subscription agreements (the “**Share Subscription Agreement**”) with each of Beyond Merchant Limited, Saints Aura Investment Holdings Limited, Fly Smart Limited, Xinyang Asia Limited, Mr. Li Guanwen, Mr. Du Tianzhao, Ms. Lam Ka Ying (collectively, the “**Subscribers**”) and (where applicable) the guarantors, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 2,730,000,000 subscription shares (the “**Subscription Shares**”) at the subscription price of HK\$0.033 per Subscription Share and the net subscription price of HK\$0.278 per Subscription Share, with an aggregate nominal value of HK\$27.30 million (the “**2023 Share Subscription**”). On 21 September 2023, 26 September 2023 and 10 October 2023, the Company completed issuances of 1,661,000,000 Shares, 818,000,000 Shares and 251,000,000 Shares respectively, and successfully raised proceeds of approximately HK\$54.81 million, HK\$26.99 million and HK\$8.28 million respectively. Details are set out in the announcements of the Company dated 27 August 2023 and 10 October 2023.

The 2023 Share Subscription is in the interests of the Company and the shareholders of the Company as a whole and the allotment and issuance of the Subscription Shares is an appropriate means of raising additional capital for the business operations of the Group and to further strengthen the Group’s financial position since it provided the Company with immediate funding and broadened the shareholders’ base of the Company.

CAPITAL SUPPORT (continued)

Save as disclosed in this section headed “Capital Support” in this announcement, the Company has not conducted any equity fund raising activities during the Year, and the Company has not formed any detailed plans for material investment and capital asset in the coming year. The details of the proceeds raised from the various equity fundraising, original and revised allocation of such proceeds are as follows.

1. 2021 Share and Warrant Subscription

The details of use of proceeds in connection to the share subscription agreements and warrant subscription agreement entered into by the Company on 4 October 2021 are as follows. For details, please refer to the announcements of the Company dated 4 October 2021, 9 December 2021, 24 December 2021, 14 January 2022, 28 January 2022 and 7 September 2022, and the circular of the Company dated 23 November 2021.

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the issue were fixed HK\$ per Share	Proceeds raised (approximately)	Intended use of proceeds	Original allocation of the net proceeds (approximately)	Original allocation of the unutilised net proceeds as at 31 August 2022	Change in use of the unutilised net proceeds as at 7 September 2022	Revised allocation of the unutilised net proceeds as at 7 September 2022	Proceeds brought forward as at 1 January 2023 (approximately)	Actual use of proceeds during the Year and expected timeline for unutilised net proceeds
28 January 2022	Issue and allotment of 600,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Great Fortune Global Investment Limited	0.340	HK\$168 million	(i) Expansion of the Group's mobile business in the PRC during the two years ending 31 December 2022 and six months ending 30 June 2023;	(i) 90%, or HK\$788.9 million (a) (1) 60%, or HK\$525.9 million and (2) 10%, or HK\$87.7 million (b) 20%, or HK\$175.3 million	(i) HK\$466.1 million (a) HK\$465.2 million (b) HK\$0.9 million	(i) (a) The establishment of new business channels and expansion of both online and offline business channels in the PRC (b) Sales and marketing of the mobile phone business	(i) (a) HK\$165.2 million (b) HK\$100.9 million (ii) – (iii) HK\$200 million	HK\$197.1 million	Approximately HK\$165.1 million of the proceeds has been utilised as intended during the Year, amongst which (i) (a) approximately HK\$44.4 million was utilised for the establishment of new business channels and expansion of both online and offline business channels in the PRC, (b) approximately HK\$19.8 million was utilised for sales and marketing of the mobile phone business, (iii) approximately HK\$100.9 million was utilised for product manufacturing and development of operating system in respect of the Group's mobile phone business.
14 January 2022	Issue and allotment of 300,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Sharp Ally International Limited	0.340	HK\$84 million	(a) The establishment of new business channels and expansion of both online and offline business channels in the PRC; (1) establishment of new business channels for the mobile phone business in the Mainland China, i.e. the establishment of channels of authorized service stores and (2) among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels	(i) 10%, or HK\$87.7 million		(ii) General working capital of the Group			
14 January 2022	Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Elite Mobile Limited	0.340	HK\$224 million				(iii) Product manufacturing and development of operating system in respect of the Group's mobile phone business			
30 December 2021	Issue and allotment of 150,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Allove Group LIMITED	0.340	HK\$42 million							
23 December 2021	Issue and allotment of 350,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	YH Fund SPC –YH01 SP1	0.340	HK\$98 million							
17 December 2021	(i) Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK\$0.28 per share (ii) Issuance of 800,000,000 warrants shares	SAI Growth Fund I, LLP	0.340	HK\$269.1 million	(b) Sales and marketing of the mobile phone business (ii) General working capital of the Group						As at 31 December 2023, approximately HK\$32.0 million of the proceeds has not been used, which would be utilised for the establishment of new business channels and expansion of both online and offline business channels in the PRC as disclosed in the announcement of the Company dated 7 September 2022. The Company intends to use the unutilised proceeds on or before 31 December 2024.

CAPITAL SUPPORT (continued)

2. 2023 Share Subscription

The details of use of proceeds in connection to the Subscription Agreements entered into by the Company on 27 August 2023 in respect of the 2023 Share Subscription are as follows. For details, please refer to the announcements of the Company dated 27 August 2023 and 10 October 2023.

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed <i>HK\$ per Share</i>	Proceeds raised <i>(approximately)</i>	Intended use of proceeds	Original allocation of the net proceeds <i>(approximately)</i>	Proceeds brought forward as at 1 January 2023 <i>(approximately)</i>	Actual use of proceeds during the Year and expected timeline for unutilised net proceeds
21 September 2023	Allotment and issue of 455,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Beyond Merchant Limited	0.038	HK\$15.0 million	(i) approximately HK\$80.0 million (or approximately 89.9%) for the new supply chain procurement demand due to the expansion of the Group's mobile business in the PRC, which is expected to be fully utilised before 30 June 2024;	(i) HK\$80.0 million (ii) HK\$9.0 million	N/A	Approximately HK\$80.3 million of the proceeds has been utilised as intended during the Year, amongst which (i) approximately HK\$75.3 million was utilised for the new supply chain procurement demand due to the expansion of the Group's mobile business in the PRC and (b) approximately HK\$5.0 million was utilised for the general working capital of the Group.
26 September 2023	Allotment and issue of 818,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Saints Aura Investment Holdings Limited	0.038	HK\$27.0 million	(ii) approximately HK\$9.0 million (or approximately 10.1%) for the general working capital of the Group, which is expected to be fully utilised before 30 June 2024			As at 31 December 2023, approximately HK\$8.7 million of the proceeds has not been used, amongst which (i) approximately HK\$4.7 million would be utilised for the new supply chain procurement demand due to the expansion of the Group's mobile business in the PRC and (ii) approximately HK\$4.0 million would be utilised for the general working capital of the Group as disclosed in the announcement of the Company dated 27 August 2023. The Company intends to use the unutilised proceeds on or before 30 June 2024.
21 September 2023	Allotment and issue of 297,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Fly Smart Limited	0.038	HK\$9.8 million				
10 October 2023	Allotment and issue of 160,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Xinyang Asia Limited	0.038	HK\$5.3 million				
21 September 2023	Allotment and issue of 606,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Mr. Li Guanwen	0.038	HK\$20.0 million				
21 September 2023	Allotment and issue of 303,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Mr. Du Tianzhao	0.038	HK\$10.0 million				
10 October 2023	Allotment and issue of 91,000,000 new ordinary shares at a subscription price of HK\$0.033 per share	Ms. Lam Ka Ying	0.038	HK\$3.0 million				

BUSINESS REVIEW

According to the data from the International Data Corporation, global smartphone shipments were 1.17 billion units in 2023, representing a year-on-year decrease of 3.2%, marking the lowest annual shipment in a decade. Data from Canalys indicated that the downward trend in the global smartphone market slowed in the third quarter, with a decline of only 1%. In the fourth quarter, global smartphone shipments grew by 8%, indicating some signs of market recovery. The Group was also affected by the general environment, as evidenced by the impact on sales volume. However, with the launch of new products by the Group in the fourth quarter, the sales increased month by month, showing a trend of recovery.

In terms of channel and product strategy, the Group adopted a multi-dimensional, integrated and composite channel structure strategy in 2023. Through partnerships with operators, e-commerce platforms and offline social and industry channels, the Group established a “vertical and horizontal (一豎一橫)” terminal marketing network nationwide, achieving seamless online and offline coverage to cater to different consumer purchasing habits. This also further expanded the brand’s exposure and market share.

In terms of operators, the Group deepened its cooperation with major domestic operators, China Mobile and China Telecom, actively deploying 5G penetration and meeting special market demands. The Group launched cost-effective products targeting the 5G entry-level market and elderly-friendly mobile phones in response to the national elderly-friendly strategy. At the same time, customized sub-brands and products were introduced for different sales channels, such as “Daguan” series, “Fengshang” series and “Cool” series, which were aimed at the operator market, the public channel, and the e-commerce market, respectively, ensuring that products accurately matched the characteristics of each channel and effectively enhanced market share.

In overseas markets, the Group restarted its overseas channel development, focusing on high-growth global markets, with products covering mid-to-low price segments. As of 31 December 2023, the Group successfully accessed dozens of countries in regions such as Southeast Asia, Eastern Europe, the Middle East and Latin America, maintaining a stable market expansion trend.

The Group, as an experienced telecom enterprise, has accumulated substantial technical expertise and patent licenses, with more than 10,000 patents filed in the telecommunications sector and more than 100 patents related to 5G obtained. In 2023, the Group fully embraced AI, developing AI voice assistants and large language models, which were integrated into the COOLOS operating system. In addition, the Group integrated AI applications with the system in all aspects, utilizing the AI-driven CoolBrain decision-making system to respond quickly in areas such as self-start limitation and chain wake-up. This system can also intelligently judge user engagement with messages and frequency of phone usage, and reasonably allocate resources to achieve smart power savings.

BUSINESS REVIEW (continued)

During the Year, the Group also actively participated in the development of the EROFS file system, and became a major developer of the EROFS project. Through EROFS, COOLOS was able to effectively save system space, improve application startup speed, and maintain performance of the mobile phone system even after prolonged use, greatly enhancing the user experience. In addition, COOLOS 3.0 focused on improving camera functions, perfecting and optimizing portrait blur, beauty mode, HDR and super night scene features, which enriched photography options and significantly enhanced photo quality. With the maturity and improvement of the COOLOS 3.0 system, the Group's internet revenue continued to increase.

COOLOS 3.0, centered on "Trust, Inclusivity and Technology", emphasizes security, emotional design, efficient interactive experience and stability. It represents a crucial step in the Group's strategic upgrade from a single mobile phone brand to an AI+IoT ecological platform brand.

In terms of real estate property leasing, as of 31 December 2023, the Group owned properties including the Coolpad Information Harbor in Shenzhen and the Coolpad Technology Ecological Park* (酷派科技生態園) in Dongguan Songshan Lake. The Coolpad Information Harbor Phases II and III Projects are under stable construction.

Since the second half of 2023, the Group has actively pursued business opportunities in Web 3.0 with smartphones and mobile internet in overseas markets, so as to enter the digital currency sector. As an application of Web 3.0 technology, digital currency has gradually become an indispensable constituent of the history of currency evolution. Along with the continuous development of Web 3.0 technology and the rapid advancement of digital technology and financial markets, digital currency has increasingly transcended regional and cultural limitations and has been applied extensively around the world. In 2023, the Group commenced digital currency investment business, primarily through Bitcoin mining, with computing equipment server rooms hosted in North America. As of 31 December 2023, the Group had an effective computing power of 175,562 TH/S, and had accumulated approximately 31 BTC.

BUSINESS OUTLOOK

In 2024, the Group will continue to commit itself to the research and development of smartphones for both domestic and international markets, with a view to further integrating AI technology into our product mix, while striving to enhance system stability and optimising user experience.

In the domestic market, the Group will continuously expand its product line around AI+5G, with a key emphasis on the development of the technology-driven elderly-friendly segment. As the aging of China's population accelerates, the elderly consumer market is emerging as a new blue ocean where enterprises are competing against each other. In the future, the Group will focus on technology-driven elderly-friendly solutions, integrating cutting-edge features such as lifestyle enhancements and AI voice assistants into 5G non-smartphones with retro appearance and simple operation, providing stable communication and fast internet access for the elderly population to meet their intelligent needs.

In the overseas market, the Group will continue to advance product iterations and actively expand its product line, striving for breakthroughs in key regional markets. At the same time, the Group will explore cross-border e-commerce business, enhance online and offline channels, and achieve mutual synergy to improve profitability.

In terms of real estate property leasing, the Group will continue to advance the construction of the Shenzhen Coolpad Information Harbor Phases II and III Projects and the project in Dongguan Songshan Lake, and improve the investment attraction for completed properties, while maintaining and optimizing existing properties, so as to stabilize property leasing income.

In terms of digital currency, the Group intends to continue to expand its investment in digital currencies, especially Bitcoin, in the future. It will assess other global regions based on various factors such as energy, policies and legal environments, and establish its presence therein. This strategic initiative demonstrates the Group's emphasis on digital currency business and showcases its technological layout and market expansion capabilities in the era of Web 3.0.

With the gradual recovery of global smartphone shipments in the fourth quarter of 2023, the smartphone market is expected to continue its recovery momentum in 2024. The Group will seize this opportunity to continue advancing channel development and product research and development, aiming to achieve profitability as soon as possible.

FOREIGN EXCHANGE EXPOSURE

The main business operations of the Group during the Year are conducted in Mainland China, its income, cost and assets are denominated primarily in Renminbi (“**RMB**”), while the Group’s consolidated financial statements are expressed in HK\$. The exchange rate risk of the Group arises mainly from foreign exchange exposures associated with the sales, purchases and assets settled in currencies other than HK\$ and the volatility of exchange rates. The Group has not entered into any derivative contracts to hedge against the risk in the Year.

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily relates to its short-term bank loans, long-term bank loan and other borrowings. The interests are calculated at fixed and floating rates. Any rise in the current interest rate will increase the interest cost. As at the end of the Year, the Group had not executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

EMPLOYEES AND REMUNERATION POLICY

During the Year, the Group’s staff costs (including Directors’ remuneration) amounted to approximately HK\$97.33 million (2022: HK\$218.69 million). The remuneration of the Group’s employees (including the Directors) was commensurate with their responsibilities and market rates, with discretionary bonuses and training given on a merit basis. As of 31 December 2023, the Group had 299 employees (including the Directors) (2022: 304 employees (including the Directors)).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIVIDEND

The Directors did not recommend the payment of any dividends for the Year (2022: Nil).

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct for securities transactions and dealings (the “**Code of Conduct**”) based on the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”). The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all relevant persons as defined in the Model Code, including all the Directors, all other employees of the Company, and director and employees of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made of all the Directors who have confirmed in writing their compliance with the required standards set out in the Model Code and the Code of Conduct during the Year.

To supplement the Model Code, the Company has also put in place a disclosure of information policy for the handling and disclosure of inside information. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Further, control procedures have been implemented to ensure that the unauthorized access and use of inside information is strictly prohibited.

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.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income for the Year and the related notes thereto as set out in the preliminary announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s consolidated financial statements for the Year. The work performed by the Company’s auditor, ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

IMPORTANT EVENTS AFTER THE YEAR

The Group does not have any important event after the Year that needs to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Under Code Provision B.2.2 of the Corporate Governance Code (the “**Code**”) as set out in Appendix C1 to the Listing Rules, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The annual general meeting of the Company had not been held during the year ended 31 December 2024 due to delay in completion of the audit of the annual results of the Group for the Year. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the annual general meeting. An annual general meeting of the Company will be arranged in due course, for the retirement and re-election of Directors.

Under Code Provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Currently, Mr. Chen Jiajun is the chairman of the Board and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

Under Code Provision F.2.2 of the Code, the chairman of the Board should attend the annual general meeting, and invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) to attend. The annual general meeting of the Company had not been held during the year ended 31 December 2024 due to delay in completion of the audit of the annual results of the Group for the Year. An annual general meeting of the Company will be arranged in due course.

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

ANNUAL GENERAL MEETING

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

PUBLICATION OF INFORMATION ON THE WEBSITES

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

CONTINUED SUSPENSION OF TRADING

At the request of the Company, the trading of the Shares on the Stock Exchange has been suspended since 9:00 a.m. on 2 April 2024 and will continue to be suspended until further notice.

The Company has made submission to the Stock Exchange in relation to the resumption progress and will provide further updates by way of announcement as and when appropriate.

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements that are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which the Group operates. These forward statements are subject to risks, uncertainties and other factors beyond the Group's control which may cause actual results or performance to differ materially from those expressed or implied in such forward looking statements. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

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

Hong Kong, 11 February 2025

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Chen Jiajun, Mr. Ma Fei and Ms. Liu Juan; (ii) three non-executive Directors, namely Mr. Liang Rui, Mr. Ng Wai Hung and Mr. Xu Yibo; and (iii) three independent non-executive Directors, namely Mr. Guo Jinghui, Ms. Wang Guan and Mr. Cheuk Ho Kan.

* *For identification purposes only.*