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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 2024**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Variance (%)
	2024	2023	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
Revenue	252,328	171,525	47.1
Loss before tax	(90,579)	(121,423)	-25.4
Net loss attributable to owners of the Company	(90,221)	(117,138)	-23.0
Basic and diluted loss per share	(HK0.55 cents)	(HK0.86 cents)	-36.0

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 2024 (the “**Reporting Period**”) together with comparative figures for the corresponding period of 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	4	252,328	171,525
Cost of sales		<u>(198,807)</u>	<u>(103,765)</u>
Gross profit		53,521	67,760
Other income and gains	4	38,851	2,631
Selling and distribution expenses		(14,696)	(12,927)
Administrative and other operating expenses		(149,213)	(113,685)
Finance costs		(16,428)	(6,522)
Share of losses of associates and a joint venture		<u>(2,614)</u>	<u>(58,680)</u>
LOSS BEFORE TAX	5	(90,579)	(121,423)
Income tax credit	6	<u>358</u>	<u>4,285</u>
LOSS FOR THE PERIOD		<u>(90,221)</u>	<u>(117,138)</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(41,194)	(47,045)
Cumulative exchange loss reclassified to profit or loss on deregistration of subsidiary		862	–
Share of other comprehensive loss of associates and a joint venture		<u>(3,435)</u>	<u>(6,300)</u>
		<u>(43,767)</u>	<u>(53,345)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(133,988)</u>	<u>(170,483)</u>

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

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company		<u>(90,221)</u>	<u>(117,138)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(133,988)	(170,500)
Non-controlling interests		<u>–</u>	<u>17</u>
		<u>(133,988)</u>	<u>(170,483)</u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted for the period		<u>(0.55)</u>	<u>(0.86)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		401,203	375,218
Investment properties		3,172,955	3,263,126
Right-of-use assets		51,004	56,685
Investments in associates		172,935	180,149
Financial assets at fair value through profit or loss		12,164	4,747
Other non-current assets		108,431	112,535
Total non-current assets		3,918,692	3,992,460
CURRENT ASSETS			
Inventories		81,343	76,494
Cryptocurrencies		13,502	8,539
Trade receivables	9	48,731	60,088
Prepayments, deposits and other receivables		80,129	91,360
Financial assets at fair value through profit or loss		216,933	83,714
Pledged deposits		73,445	59,751
Cash and cash equivalents		138,348	63,547
Total current assets		652,431	443,493
CURRENT LIABILITIES			
Trade payables	10	115,761	152,099
Other payables and accruals		860,769	1,154,043
Interest-bearing bank borrowings		98,893	101,568
Lease liabilities		423	2,875
Amounts due to associates		34,780	37,035
Amounts due to related parties		6,460	3,516
Tax payable		100,776	102,685
Total current liabilities		1,217,862	1,553,821

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
30 June 2024

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
NET CURRENT LIABILITIES	(565,431)	(1,110,328)
TOTAL ASSETS LESS CURRENT LIABILITIES	3,353,261	2,882,132
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	1,053,554	441,086
Lease liabilities	–	2,578
Deferred tax liabilities	320,291	329,319
Other non-current liabilities	17,014	17,475
Total non-current liabilities	1,390,859	790,458
Net assets	1,962,402	2,091,674
EQUITY		
Share capital	163,810	163,810
Reserves	1,798,592	1,927,737
Equity attributable to owners of the Company	1,962,402	2,091,547
Non-controlling interests	–	127
Total equity	1,962,402	2,091,674

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 CORPORATE AND GROUP INFORMATION

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

During the period, the Company and its subsidiaries (collectively referred to as the “**Group**”) was involved in the following principal activities:

- production and sale of mobile phones and accessories, provision of wireless application services;
- leases of properties; and
- cryptocurrencies business.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Going concern basis

For the six months ended 30 June 2024, the Group incurred a net loss of HK\$90 million and the Group recorded net current liabilities of HK\$565 million as at 30 June 2024. The unrestricted cash and cash equivalent balance amounted to HK\$138 million as at 30 June 2024. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

During the period, 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 facilities of RMB430 million (equivalent to HK\$462 million) was granted during the period ended 30 June 2024 with total unutilized banking facilities of RMB357 million (equivalent HK\$384 million) as at 30 June 2024; and (iii) 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 period ended 30 June 2024, the Group recorded a rental income of HK\$43.4 million (period ended 30 June 2023: HK\$48.5 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.

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\$516 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 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\$322 million) from a bank subject to the final authorization from the bank.
- (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 condensed consolidated statement of financial position as at 30 June 2024. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify noncurrent assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the " 2020 Amendments ")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the " 2020 Amendments ")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to HK Int 5	<i>Amendments in relation to Amendments to HKAS 1</i>

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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 condensed 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 (six months ended 30 June 2023: two) reportable operating segments as follows:

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

Six months ended 30 June 2024

	Cryptocurrencies business HK\$'000 (Unaudited)	Mobile phone HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue (note 4)				
Revenue from external sources	41,244	167,637	43,447	252,328
Other income and gains	8,212	28,825	–	37,037
Total	49,456	196,462	43,447	289,365
Segment results	18,057	(114,141)	22,675	(73,409)
<i>Reconciliation:</i>				
Interest income				1,814
Finance costs (other than interest on lease liabilities)				(16,370)
Share of losses of associates				(2,614)
Loss before tax				(90,579)

Six months ended 30 June 2023

	Mobile phone HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue (note 4)			
Revenue from external sources	123,061	48,464	171,525
Other income and gains	1,622	–	1,622
Total	124,683	48,464	173,147
Segment results	(85,794)	28,091	(57,703)
<i>Reconciliation:</i>			
Interest income			1,009
Finance costs (other than interest on lease liabilities)			(6,049)
Share of losses of associates and a joint venture			(58,680)
Loss before tax			(121,423)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023, respectively.

	Cryptocurrencies business HK\$'000	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets				
At 30 June 2024 (unaudited)	166,626	480,143	3,235,178	3,881,947
At 31 December 2023 (audited)	122,147	480,222	3,322,698	3,925,067
Segment liabilities				
At 30 June 2024 (unaudited)	–	976,953	17,014	993,967
At 31 December 2023 (audited)	–	1,311,595	17,475	1,329,070

Geographical Information

Non-current assets

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Mainland China	3,750,333	3,872,642
Overseas	153,124	113,608
	<u>3,903,457</u>	<u>3,986,250</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets, and the non-current portion of financial assets included in prepayments, deposits and other receivables.

4 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	155,086	109,470
Wireless application service income	12,551	13,591
	<u>167,637</u>	<u>123,061</u>
Revenue from other sources		
Revenue from cryptocurrencies business	41,244	–
Rental income from investment properties operating leases	43,447	48,464
	<u>84,691</u>	<u>48,464</u>
	<u>252,328</u>	<u>171,525</u>

Disaggregated revenue information for revenue from contracts with customer:

For the six months ended 30 June 2024

	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China (Mobile phone segment)	119,501
Overseas (Mobile phone segment)	48,136
	<hr/>
Total revenue from contracts with customers	167,637
	<hr/> <hr/>

Timing of revenue recognition

Goods transferred at a point of time	167,637
	<hr/>
Total revenue from contracts with customers	167,637
	<hr/> <hr/>

For the six months ended 30 June 2023

	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China (Mobile phone segment)	112,295
Overseas (Mobile phone segment)	10,766
	<hr/>
Total revenue from contracts with customers	123,061
	<hr/> <hr/>
Timing of revenue recognition	
Goods and services transferred at a point of time	123,061
	<hr/>
Total revenue from contracts with customers	123,061
	<hr/> <hr/>

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	1,814	1,009
Gain on termination of lease	2,405	–
Gain on disposal of cryptocurrencies	8,212	–
Gain on deregistration of subsidiaries	787	–
Government grants and subsidies*	19,691	1,177
Others	5,942	445
	<hr/>	<hr/>
	38,851	2,631
	<hr/> <hr/>	<hr/> <hr/>

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

5 LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	161,438	93,100
Depreciation of property, plant and equipment	14,013	8,434
Depreciation of right-of-use assets	1,575	3,204
Research and development costs:		
Expenditure for the period*	23,665	17,635
Minimum lease rental expense in respect of short-term leases*	1,823	100
Interest expense recognised related to lease liabilities	58	473
Write-down of inventories to net realisable value, net ^{&}	4,622	10,322
Direct operating expenses arising on rental-earning investment properties*	15,283	7,319
Recognition of equity-settled share option expense	4,843	3,911
Gain on disposal of items of property, plant and equipment [#]	(542)	(10)
Gain on disposal of cryptocurrencies [#]	(8,212)	–
Gain on deregistration of subsidiaries [#]	(787)	–
(Reversal of impairment)/impairment of trade receivables, net*	(2,912)	615
Fair value losses on financial assets at fair value through profit or loss, net*	2,504	8,093
Fair value losses on investment properties*	5,960	20,030

* Included in “Administrative and other operating 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 INCOME TAX

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.

No provision for Hong Kong profits tax has been made (six months ended 30 June 2023: Nil) 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 jurisdictions in which the Group's subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Corporate income tax	–	(20)
Deferred tax	(358)	(4,265)
	(358)	(4,285)

7 DIVIDEND

The Directors did not recommend the payment of any interim dividends for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

8 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$90,221,000 (six months ended 30 June 2023: a loss of HK\$117,138,000), and the weighted average number of ordinary shares of 16,381,007,955 in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: 13,651,007,955).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 in respect of a dilution as the impact of the share option outstanding had no dilution effect on the basic loss per share amount presented.

9 TRADE RECEIVABLES

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 3 months	45,505	57,346
4 to 6 months	39	335
7 to 12 months	2,044	65
Over 1 year	8,565	12,676
	<hr/>	<hr/>
	56,153	70,422
Less: Impairment	(7,422)	(10,334)
	<hr/>	<hr/>
	48,731	60,088
	<hr/> <hr/>	<hr/> <hr/>

10 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:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 3 months	79,018	117,615
4 to 6 months	1,463	19
7 to 12 months	5,048	7
Over 1 year	30,232	34,458
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	115,761	152,099
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The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

11 EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSED BY PRODUCT TYPE

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

	Six months ended 30 June			
	2024		2023	
	Revenue <i>HK\$ million</i> (Unaudited)	% of total revenue	Revenue <i>HK\$ million</i> (Unaudited)	% of total revenue
Sale of mobile phones and related accessories	155.1	61.5	109.5	63.9
Wireless application service income	12.6	5.0	13.6	7.9
Revenue from cryptocurrencies business	41.2	16.3	—	—
Revenue from other sources				
Gross rental income	43.4	17.2	48.4	28.2
Total	<u>252.3</u>	<u>100.0</u>	<u>171.5</u>	<u>100.0</u>

The Group's unaudited revenue for the Reporting Period amounted to HK\$252.3 million, representing an increase of 47.1% as compared with HK\$171.5 million for the six months ended 30 June 2023. This is primarily attributable to the fact that the Group began to engage in cryptocurrencies business in the second half of 2023, so there is no revenue from this business for the corresponding period in 2023.

GROSS PROFIT

	Six months ended 30 June			
	2024		2023	
	Gross profit <i>HK\$ million</i> (Unaudited)	Gross profit margin	Gross profit <i>HK\$ million</i> (Unaudited)	Gross profit margin
Total	<u>53.5</u>	<u>21.2%</u>	<u>67.8</u>	<u>39.5%</u>

The Group's overall gross profit for the Reporting Period was HK\$53.5 million, as compared with a gross profit of HK\$67.8 million for the corresponding period in 2023. The overall gross profit of the Group's business decreased mainly due to the fact that certain aged inventories impaired in previous years for mobile phone business as at 31 December 2022 were sold and realised in the second quarter of 2023, and no such events occurred for the Reporting Period.

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Selling and distribution expenses (<i>HK\$ million</i>)	14.7	12.9
As a percentage of total revenue	5.8%	7.5%

Selling and distribution expenses of the Group increased by HK\$1.8 million from HK\$12.9 million for the six months ended 30 June 2023 to HK\$14.7 million for the Reporting Period. The selling and distribution expenses as percentage of revenue for the Reporting Period was 5.8%, decreasing by 1.7% compared with 7.5% for the corresponding period in 2023. The decrease of selling and distribution expenses as percentage of revenue was primarily due to the recognition of revenue from cryptocurrencies business with insignificant selling and distribution expenses.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Administrative and other operating expenses (<i>HK\$ million</i>)	149.2	113.7
As a percentage of total revenue	59.1%	66.3%

Administrative and other operating expenses increased by HK\$35.5 million to HK\$149.2 million for the Reporting Period from HK\$113.7 million for the corresponding period in 2023. The administrative and other operating expenses as percentage of revenue for the Reporting Period was 59.1%, decreasing by 7.2% compared with 66.3% for the corresponding period in 2023. The increase of administrative and other operating expenses was primarily due to (1) the increase in professional expenses; (2) the slight increase in research and development costs; and (3) other tax and management service expenses from new investment properties with construction completed in late 2023.

INCOME TAX CREDIT

For the Reporting Period, the Group's income tax credit was HK\$0.4 million as compared with an income tax credit of HK\$4.3 million for the corresponding period in 2023, which was primarily due to the decrease in deferred tax resulting from the decrease in fair value change in buildings.

NET LOSS BEFORE TAX

For the Reporting Period, the Group recorded a net loss before tax of HK\$90.6 million, compared with the net loss before tax of HK\$121.4 million for the six months ended 30 June 2023.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the Reporting Period, operating capital was mainly generated from cash from its daily operation, interest-bearing loan and capital supports. 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 51% as at 30 June 2024 (31 December 2023: 47%).

Cash and cash equivalents of the Group as at 30 June 2024 amounted to HK\$138.3 million, while it was HK\$63.55 million as at 31 December 2023.

As at 30 June 2024, the Group had total debts (i.e. interest-bearing bank borrowings) of approximately HK\$1,152.4 million, which were all denominated in Renminbi ("RMB"). The Group's other borrowings are subject to floating rates of 7% per annum with maturity periods within one year and the Group's non-current bank loans are subject to floating rates based on the Loan Prime Rate with maturity periods over five years.

As at 30 June 2024, the Company had 16,381,007,955 ordinary shares of par value HK\$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities.

INVENTORY

For the Reporting Period, the Group's inventory turnover days were 74.7 days (year ended 31 December 2023: 139.6 days).

TRADE RECEIVABLES

The trade receivables turnover days were 35.2 days for the Reporting Period (year ended 31 December 2023: 71.4 days).

TRADE PAYABLES

The trade payables turnover days were 106.3 days for the Reporting Period (year ended 31 December 2023: 277.7 days).

PLEDGE OF ASSETS

As at 30 June 2024, time deposits of approximately HK\$73.4 million in which (i) HK\$53.7 million were used as a pledge for issuance of letters of credit (31 December 2023: HK\$55.2 million); and (ii) HK\$19.7 million were used as a security for the banks to provide performance guarantees (31 December 2023: HK\$4.6 million).

As at 30 June 2024, the Group's bank loans were secured by certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK\$3,173.0 million, HK\$161.1 million and HK\$16.5 million as at 30 June 2024, respectively (31 December 2023: HK\$1,558.9 million, HK\$70.7 million, HK\$14.0 million), 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) (31 December 2023: 75%).

FINANCIAL REVIEW

The Group's unaudited revenue for the Reporting Period amounted to HK\$252.3 million, representing an increase of 47.1% as compared with HK\$171.5 million for the six months ended 30 June 2023. This is primarily attributable to the fact that the Group began to engage in cryptocurrencies business in the second half of 2023, so there is no revenue from this business for the corresponding period in 2023. The Group's overall gross profit for the Reporting Period was HK\$53.5 million, as compared with a gross profit of HK\$67.8 million for the corresponding period in 2023. The overall gross profit of the Group's business decreased mainly due to the fact that certain aged inventories impaired in previous years for mobile phone business as at 31 December 2022 were sold and realised in the second quarter of 2023, and no such events occurred for the Reporting Period. Selling and distribution expenses of the Group increased by HK\$1.8 million from HK\$12.9 million for the six months ended 30 June 2023 to HK\$14.7 million for the Reporting Period. The decrease of selling and distribution expenses as percentage of revenue was primarily due to the recognition of revenue from cryptocurrencies business with insignificant selling and distribution expenses. Administrative and other operating expenses increased by HK\$35.5 million to HK\$149.2 million for the Reporting Period from HK\$113.7 million for the corresponding period in 2023. The increase of administrative and other operating expenses was primarily due to (1) the increase in professional expenses; (2) the slight increase in research and development costs; and (3) other tax and management service expenses from new investment properties with construction completed in late 2023.

For the Reporting Period, the Group recorded a net loss before tax of HK\$90.6 million, compared with the net loss before tax of HK\$121.4 million for the six months ended 30 June 2023.

BUSINESS REVIEW

In the first half of 2024, the global smartphone market demonstrated growth momentum. According to data from the China Academy of Information and Communication Technology (CAICT), domestic brand mobile phone shipments reached 124 million units, representing a period-on-period increase of 17.6% and accounting for 84.4% of the total mobile phone shipments during the same period. This indicates that domestic brand mobile phones have further consolidated their leading position in the market. The smartphone market for the first half of 2024 exhibited a sign of recovery. Particularly driven by advancements in 5G and AI technologies, smartphones become increasingly intelligent and personalized. This growth trend is expected to continue in the second half of the year.

In the first half of 2024, the Group launched the autostereoscopic mobile phone Daguan 3 Series in partnership with China Mobile, based on which the Autostereoscopic Industry Alliance (裸眼3D產業聯盟) and the Terminal Intelligence Alliance (終端智能體聯盟) were jointly established to promote the development and market application of autostereoscopic technology. Besides introducing two new smartphones, Cool50 and Cool60, on e-commerce platforms, the Group collaborated with China Mobile to launch the Coolpad Y70Lite.

At the same time, the Group has been committed to diversifying its ecosystem product offerings. In addition to traditional mobile phone accessories, the Group has further expanded its product line to include smart wearables (e.g., smartwatches and children's watches), smart healthcare (e.g., smart blood pressure monitors), smart door locks, smart security (e.g., cameras), smart earphones, in-vehicle devices, smart dictionary pens, walkie-talkies and network terminal devices (e.g., as mobile WiFi and 5G CPE), covering more than ten categories. These initiatives not only demonstrate the Group's determination in technological innovation and market expansion but also provide consumers with a richer and more diverse range of choices.

In overseas markets, the Group focused on high-growth global markets, with products covering mid-to-low price segments, and further explored customized demand markets based on its own brand, with offline agents as the core channels while concurrently developing cross-border e-commerce distribution customers. As of 30 June 2023, the Group successfully accessed dozens of countries in regions such as Southeast Asia, Eastern Europe, the Middle East and Latin America. The Group also expanded its distribution customers on cross-border e-commerce platforms such as TIKTOK, SHEIN, and AliExpress, 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 2024, the Group continued to optimize its large language model and AI voice assistant, successfully integrating them into COOLOS operating system. The 3.0 version of the large language model has successfully completed commercial certification, and the AI voice assistant has also undergone small-scale commercial deployment. In addition, the Group continued to optimize the integration of 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.

In terms of real estate property leasing, as of 30 June 2024, the Group owned properties including Coolpad Information Harbor in Shenzhen and Coolpad Technology Ecological Park* (酷派科技生態園) in Dongguan Songshan Lake. The 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 into digital currency sector. In the first half of 2024, in light of the atmosphere, market trend and prospects of blockchain technology and cryptocurrency, the Group continued to increase its investment in the digital currency sector. To this end, the Group procured electronic computing servers for cryptocurrencies business, which were deployed in North America. As of 30 June 2024, the Group had an effective computing power of 1,504,800 TH/S, and had accumulated approximately 119 BTC. Furthermore, the Group invested in securities that are listed in the United States and related to the crypto asset industry through open market transactions.

BUSINESS OUTLOOK

In 2025, the Group will continue to commit itself to the research and development of smartphones at home and abroad, by further integrating AI technology into its product mix, while enhancing system stability and optimising user experience.

In the domestic market, the Group will continue to focus on the technology-driven elderly-friendly segment and optimize features such as lifestyle enhancements and AI voice assistants for their incorporation into 5G non-smartphones with retro appearance and simple operation, providing stable communication and fast internet access for the elderly population. Simultaneously by revolving around AI+5G technology, we will continue to expand our product line into other areas including smart wearables, smart education, smart home, security, and healthcare. By integrating AI, IoT and cloud computing technologies, the Group will advance its transformation from a single smartphone brand to a comprehensive AIoT ecosystem platform.

In the overseas markets, while continuing to advance product iterations, the Group will actively expand its product lines by extending from the smartphone business to include smart tablets, smartwatches, and other smart devices. In terms of regional expansion, we will focus on deepening its presence in key regional markets, by scaling up and solidifying core production areas to strengthen the foundation of its overseas business. While simultaneously continuing to explore and expand into the cross-border e-commerce and regional operator markets, the Group will broaden online and offline sales channels, and achieve synergistic effects 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, as well as the investment promotion for 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 will continue to monitor changes in global energy, policy, legal environments, and many other factors to assess the risks associated with market trends in the investment regions.

The Group will remain as an adherent to the principles of technological innovation and market orientation, while strategically deepening its market presence at home and abroad. By strengthening the research and development and application of AI and blockchain technologies, the Group will expand the smart ecosystem product line, deepen its presence in overseas markets, and keep abreast of the dynamics of the digital currency sector. Taking steady strides forward, the Group is positioned to embrace future opportunities and challenges, aiming to achieve profitability.

FOREIGN EXCHANGE EXPOSURE

The main business operations of the Group during the Reporting Period are conducted in Mainland China, its income, cost and assets are denominated primarily in 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 the units' functional currencies and the volatility of exchange rates. The Group has not entered into any derivative contracts to hedge against the risk during the Reporting Period.

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily related to its interest-bearing 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. As at the end of the Reporting Period, 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

The total staff costs (including Directors' remuneration) for the Reporting Period amounted to approximately HK\$53.6 million (six months ended 30 June 2023: HK\$45.5 million). The remunerations of the Group's employees (including the Directors) 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 2024, the Group had 270 employees (including the Directors) (31 December 2023: 299 employees (including the Directors)).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Reporting Period.

SECURITIES TRANSACTIONS BY DIRECTORS

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 Reporting Period.

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. The Audit Committee has reviewed the unaudited interim results of the Group for the Reporting Period. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group had no significant event after the Reporting Period.

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 ended 31 December 2023. 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 ended 31 December 2023. 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 Reporting Period.

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-looking 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.

For and on behalf of
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*