



2015

INTERIM REPORT

Coolpad 酷派

COOLPAD GROUP LIMITED

酷派集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(stock code : 2369)



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Coolpad Group Limited (the “Company”), formerly known as China Wireless Technologies Limited, was incorporated in the Cayman Islands as an exempted company with limited liability on 11 June 2002. The shares of the Company (the “Shares”) were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 December 2004 (Stock Code: 2369).

Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (“Yulong Shenzhen”) is an indirect wholly-owned subsidiary of the Company. It was founded by Mr. GUO Deying (the Company’s chairman, executive director and chief executive officer) in April 1993. Yulong Shenzhen is a leading developer and provider of integrated solutions for Coolpad 酷派 smartphone sets, mobile data platform system, and value-added business operations in the People’s Republic of China (the “PRC” or the “Mainland China”). Yulong Shenzhen mainly provides its Coolpad products for enterprises, government and mobile operators as well as individual consumers in the PRC.

In the last decade, capitalizing on the development of wireless telecommunications technological know-how in wireless telecommunications across multiple wireless telecommunications network standards including TD-LTE, FDD-LTE, TD-SCDMA, CDMA-EVDO, WCDMA, GSM, and CDMA1X networks, the Company and its subsidiaries (collectively, the “Group”) have developed a large number of proprietary technologies and patents in mobile operating systems, radio frequency, protocols and wireless data decomposed transmission technology, etc. The Group has developed advanced research and development capabilities in mobile communications and gradually becomes a leader of 4G and 3G smartphone in the Mainland China’s telecommunications market.

In spite of being a leading smartphone developer in Mainland China’s telecommunications market, the Group has succeeded in breaking into the global telecommunications market in respect of Coolpad brand with the overseas telecommunications operators. The Group has established strong and close strategic cooperation relationships with certain global telecommunications operators and is striving to further develop its business in the global telecommunications markets.

The Group is committed to providing every individual with the privilege to enjoy the extravagant experience of using integrated terminal of wireless data solutions. To achieve this goal, the Group is striving to realise its dream by providing customised products and services based on its differentiated mobile operating systems and applications.

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COMPANY SECRETARY

Mr. JIANG Chao, ACCA

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Mr. CHAN King Chung (*Chairperson*)
Dr. HUANG Dazhan
Mr. XIE Weixin

NOMINATION COMMITTEE

Mr. GUO Deying (*Chairperson*)
Mr. XIE Weixin
Mr. CHAN King Chung

AUTHORISED REPRESENTATIVES

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COMPANY WEBSITE

www.coolpad.com.hk

STOCK CODE

2369

FINANCIAL HIGHLIGHTS

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2015 (HK\$'000) (Unaudited)	At 31 December 2014 (HK\$'000) (Audited)
Non-current assets	5,851,641	1,625,586
Current assets	10,520,763	11,218,500
Non-current liabilities	1,296,613	1,704,409
Current liabilities	7,078,706	7,779,761
Net assets	7,997,085	3,359,916
Cash and cash equivalents	3,945,570	2,959,143

TOTAL REVENUE HK\$8,782.8 MILLION

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 prepared under HKFRSs. The following discussion and analysis should be read in conjunction with the Group's condensed consolidated financial statements and its notes.

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
REVENUE		
4G Coolpad smartphone	8,013,149	5,361,344
3G Coolpad smartphone	597,229	9,444,347
Wireless application service income	139,723	87,158
Finance service income	16,514	–
Other products	16,172	41,885
Total revenue	8,782,787	14,934,734
Cost of sales	(7,668,922)	(12,908,827)
Gross profit	1,113,865	2,025,907
Other income and gains	2,853,384	143,360
Selling and distribution expenses	(479,726)	(807,134)
Administrative expenses	(489,898)	(815,386)
Other expenses	(39,873)	(32,880)
Finance costs	(50,340)	(31,197)
Share of profits/(losses) of		
Associates	(97)	125
A joint venture	(37,532)	(61)
Profit before tax	2,869,783	482,734
Income tax expense	(32,602)	(69,702)
Profit for the period	2,837,181	413,032
Earnings per share – basic	HK65.93 cents	HK9.71 cents
– diluted	HK64.50 cents	HK9.46 cents

REVENUE ANALYSED BY PRODUCT TYPE

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

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

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

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

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

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

REVENUE ANALYSED BY PRODUCT TYPE (continued)

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

GROSS PROFIT

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

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

OTHER INCOME AND GAINS

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

SELLING AND DISTRIBUTION EXPENSES

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

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

ADMINISTRATIVE EXPENSES

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

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

INCOME TAX EXPENSE

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

NET PROFIT

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

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2015, the Group's operating capital was mainly generated from its daily operation and bank borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other unforeseeable cash requirements. The Group had a gearing ratio of 35.2% as at 30 June 2015 (31 December 2014: 65.4%). The decrease was mainly attributable to the growth in the Group's equity as a result of the gain arising from the disposal of certain interests in a then subsidiary of the Group. The gearing ratio is equal to net debt divided by the sum of capital and net debt.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE (continued)

Cash and cash equivalents of the Group as at 30 June 2015 amounted to HK\$3,945.6 million, while it was HK\$2,959.1 million as at 31 December 2014.

As at 30 June 2015, the Group had total debts (i.e. total borrowings) of approximately HK\$1,209.9 million, of which 83.3% was denominated in USD and 16.7% was denominated in RMB. The Group's borrowings are subject to floating rates ranging from 3.47% to 5.78% per annum with maturity periods ranging from within one year to three years.

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

CONTINGENT LIABILITIES

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

INVENTORY

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

TRADE RECEIVABLES

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

TRADE PAYABLES

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

PLEGDED OF ASSETS

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

BUSINESS REVIEW

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

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

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

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

BUSINESS REVIEW (continued)

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

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

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

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

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

BUSINESS REVIEW (continued)

In the first half of 2015, the Group focused on delicacy management to improve general operation efficiency and control the overall cost. Delicacy management is a necessary process to the Group while the competition of the smartphone market is fierce at the moment. In terms of delicacy management, a series of measures were taken by the Group to improve its administrative efficiency and internal operating process during the reporting period. These measures did a great favour to the success of the Group in the smartphone massive market. The product quality and the production cost controls were also assured, depending on the delicacy management and the improvements of the infrastructure for the product testing and assembly.

BUSINESS OUTLOOK

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

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

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

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

BUSINESS OUTLOOK (continued)

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

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

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

OPERATING RISK

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

FOREIGN EXCHANGE EXPOSURE

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

CREDIT RISK

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

INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

INTERIM DIVIDEND

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of options granted under the Share Option Schemes are disclosed in Note 16 to the condensed consolidated financial statements below.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests and short positions of the Directors, the chief executive or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares of the Company:

Name of director	Notes	Directly Beneficially Owned	Through Spouse or minor children	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share Option	Total	Approximate Percentage of the Company's issued share capital
Mr. GUO Deying	1 & 2	-	881,962,496	420,000	-	881,962,496	-	882,382,496	20.29
Mr. JIANG Chao	3	25,200,000	-	-	420,000	-	-	25,620,000	0.47
Mr. LI Bin	4	17,500,000	-	-	-	-	11,200,000	28,700,000	0.66
Mr. LI Wang	4	10,040,000	-	-	-	-	9,600,000	19,640,000	0.45
Mr. CHAN King Chung	4	384,000	-	-	-	-	-	384,000	0.01
Mr. HUANG Dazhan	4	288,000	-	-	-	-	-	288,000	0.01
Mr. XIE Weixin	4	384,000	-	-	-	-	-	384,000	0.01

MANAGEMENT DISCUSSION & ANALYSIS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Short positions in shares of the Company:

Name of director	Notes	Directly Beneficially Owned	Through Spouse or minor children	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share Option	Total	Approximate Percentage of the Company's issued share capital
Mr. GUO Deying	1 & 2	-	780,380,000	-	-	780,380,000	-	780,380,000	17.95

Long positions in shares of an associated corporation:

Number of shares held, capacity and nature of interest							Percentage of issued share capital of the associated corporation
Name of director	Note	Name of associated corporation	Through spouse or minor children	Founder of a discretionary trust			
Mr. Guo Deying	1	Data Dreamland Holding Limited		1,000	1,000		100

Notes:

- The entire issued share capital of Data Dreamland Holding Limited ("Data Dreamland") is held by Barrie Bay (PTC) Limited ("Barrie Bay"), which is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a unit trust held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a discretionary trust set up by Mr. GUO Deying ("Mr. GUO"), an executive Director, and his spouse, Ms. YANG Xiao ("Ms. YANG"), the beneficiary objects of which include the children of Mr. GUO and Ms. YANG.

Each of Mr. GUO and Ms. YANG is taken to be interested in the 881,962,496 shares (long positions) and 780,380,000 shares (short positions) held by Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their minor children under the Barrie Bay Trust. The long positions in the Company's shares of each of Mr. GUO and Ms. YANG under the column "Through spouse or minor children" and the column "Founder of a discretionary trust" in the table headed "Long positions in shares of the Company" above refers to the same 881,962,496 shares (long positions) and 780,380,000 shares (short positions). Each of Mr. GUO and Ms. YANG is taken to be interested in the entire issued share capital of Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their minor children under the Barrie Bay Trust. The long positions in shares of Data Dreamland of each of Mr. GUO and Ms. YANG in the column "Through spouse or minor children" and the column "Founder of a discretionary trust" under the table headed "Long positions in shares of an associated corporation" above refers to the same 1,000 shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long positions in shares of an associated corporation: (continued)

Notes: (continued)

2. Mr. GUO was taken to be interested in the 420,000 shares held by Wintech Consultants Limited as he was one out of the three directors of Wintech Consultants Limited and the other two directors were accustomed to act in accordance with Mr. GUO's direction.
3. Mr. JIANG Chao, an executive Director, was interested in the 420,000 shares held by Wintech Consultants Limited as he was one of the discretionary objects under the China Wireless Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group and the China Wireless Share Award Plan.
4. The interests of these Directors in the underlying Shares are the options granted to the relevant Directors by the Company under the Share Option Schemes.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

Name	Notes	Number of share in which interested	Nature of interest	Total Number of shares	Percentage of the Company's Issued share capital
Data Dreamland Holding Limited ("Data Dreamland")	1 & 3	881,962,496	Beneficial owner	881,962,496	20.28
Barrie Bay (PTC) Limited ("Barrie Bay")	2	881,962,496	Interest of controlled corporation	881,962,496	20.28
HSBC International Trustee Limited ("HSBC Trustee")	2	881,962,496	Trustee	881,962,496	20.28
Ms. Yang Xiao	1	882,382,496	Spouse interest	882,382,496	20.29
Mr. Jia Yueting	3	780,380,000	Interest of controlled corporation	780,380,000	17.95

MANAGEMENT DISCUSSION & ANALYSIS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES (continued)

Short positions in shares of the Company:

Name	Notes	Number of share in which interested	Nature of interest	Total Number of shares	Percentage of the Company's Issued share capital
Data Dreamland Holding Limited ("Data Dreamland")	1 & 3	780,380,000	Beneficial owner	780,380,000	17.95
Barrie Bay (PTC) Limited ("Barrie Bay")	2	780,380,000	Interest of controlled corporation	780,380,000	17.95
HSBC International Trustee Limited ("HSBC Trustee")	2	780,380,000	Trustee	780,380,000	17.95
Ms. Yang Xiao	1	780,380,000	Spouse interest	780,380,000	17.95

Notes:

1. The entire issued share capital of Data Dreamland is held by Barrie Bay. Barrie Bay is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a unit trust which are held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a discretionary trust set up by Mr. Guo and Ms. Yang and the discretionary objects of which include the minor children of Mr. Guo and Ms. Yang.
2. The 881,962,496 shares (long positions) and 780,380,000 shares (short positions) were held by Data Dreamland, the entire share capital of which is held by Barrie Bay, which is acting as the trustee of the Barrie Bay Trust and the entire issued share capital of which is held by HSBC Trustee.
3. Data Dreamland entered into an agreement with Leview Mobile HK Limited ("the Purchaser") on 27 June 2015 pursuant to which Data Dreamland agreed to sell and the Purchaser agreed to purchase 780,380,000 Shares (the "Target Shares") at a consideration of HK\$3.508 per Target Share. On 20 July 2015, Data Dreamland has completed the sale of the Target Shares. Immediately before completion of the said sale, Data Dreamland is interested in a total of 1,662,342,496 Shares, representing approximately 38.23% of the then issued share capital of the Company. Immediately after completion of the said sale, Data Dreamland is interested in a total of 881,962,496 shares, representing approximately 20.28% of the issued share capital of the Company as at the date after the completion.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES (continued)

Short positions in shares of the Company: (continued)

Notes: (continued)

3. (continued)

Mr. Jia Yueting is interested in 780,380,000 shares of the Company as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Number of shares
Leview Mobile HK Limited	Leview Mobile Ltd.	100.00	Y	Long position 780,380,000
Leview Mobile Ltd.	Le Ltd.	100.00	N	Long position 780,380,000
Le Ltd.	Lele Holding Ltd.	100.00	N	Long position 780,380,000
Lele Holding Ltd.	Jia Yueting	100.00	N	Long position 780,380,000

Save as disclosed above, as at 30 June 2015, so far as the Directors are aware, there are no other persons, other than the directors and chief executive of the Company, who had interests or short positions in the shares, underlying shares or debentures of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time for the six months ended 30 June 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CHANGES OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF LISTING RULES

Below are the information relating to the changes of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2014 Annual Report:

Mr. Jiang Chao, the Executive Director of the Company, has been appointed as the vice chairman of the Company with effect from 18 June 2015.

Save as disclosed above, there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Code Provision A.2. 1 of the Corporate Governance Code (the “Code”) as was set out in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently, Mr. Guo Deying is the chairman of the Board and the Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management and believes that this structure enables the Group to make and thus implement decisions promptly and efficiently.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the six months ended 30 June 2015, in compliance with the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code, throughout the accounting period under review.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprising the three independent non-executive Directors, namely Mr. Chan King Chung (the Chairman), Dr. Huang Dazhan and Mr. Xie Weixin, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Group’s unaudited financial statements for the six months ended 30 June 2015 have been reviewed by the members of the Audit Committee, who are of the opinion that such statements comply with applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made therein.

For and on behalf of

Coolpad Group Limited

Guo Deying

Chairman & Chief Executive Officer

Hong Kong, 20 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

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

Details of the dividends declared for the period are disclosed in note 8 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,052,835	906,006
Investment properties		112,810	113,029
Prepaid land lease payments		361,123	268,231
Intangible assets		100,842	113,486
Investments in a joint venture		4,012,151	4,891
Investments in associates		58,020	58,500
Available-for-sale investments		55,201	56,152
Other non-current assets		80,152	86,671
Deferred tax assets		18,507	18,620
Total non-current assets		5,851,641	1,625,586
CURRENT ASSETS			
Inventories		2,229,652	2,797,660
Trade receivables	10	2,924,732	3,019,063
Bills receivable	11	193,003	553,099
Loans receivable		213,017	290,768
Prepayments, deposits and other receivables		672,077	957,108
Pledged time deposits		342,712	641,659
Cash and cash equivalents		3,945,570	2,959,143
Total current assets		10,520,763	11,218,500
CURRENT LIABILITIES			
Trade payables	12	1,976,580	2,117,840
Bills payable	13	1,138,507	2,179,404
Other payables and accruals		2,708,492	2,853,419
Interest-bearing bank borrowings	14	–	547,798
Due to an associate		–	3,830
Due to a joint venture		1,213,117	–
Tax payable		42,010	77,470
Total current liabilities		7,078,706	7,779,761

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
NET CURRENT ASSETS		3,442,057	3,438,739
TOTAL ASSETS LESS CURRENT LIABILITIES		9,293,698	5,064,325
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	1,209,912	1,615,624
Deferred tax liabilities		54,216	54,839
Other non-current liabilities		32,485	33,946
Total non-current liabilities		1,296,613	1,704,409
Net assets		7,997,085	3,359,916
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	43,484	42,950
Reserves		7,952,666	3,310,371
Non-controlling interests		935	6,595
Total equity		7,997,085	3,359,916

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
At 1 January – equity attributable to owners of the Company	3,353,321	2,757,942
Total comprehensive income for the period attributable to owners of the Company	2,840,829	404,456
Issue of shares, including share premium	38,047	6,973
Equity-settled share option arrangements	20,416	9,035
Vesting of awarded shares	–	240
Transfer to share premium account from share option reserve	8,051	4,236
Transfer from share option reserve to share premium account	(8,051)	(4,236)
Share award reserve from shares awarded under the Share Award Plan	–	(19,916)
Other reserve from the disposal of certain interests in a subsidiary without loss of control	1,743,537	–
At 30 June – equity attributable to owners of the Company	7,996,150	3,158,730
Non-controlling interests	935	3,122
At 30 June – total equity	7,997,085	3,161,852

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,869,783	482,734
Adjustments for:			
Bank interest income	4	(35,183)	(35,139)
Finance costs	6	50,340	31,197
Share of loss of a joint venture		37,532	61
Share of losses/(profits) of associates		97	(125)
Depreciation	5	38,243	27,436
Changes in fair value of investment properties		–	25,352
Amortisation of patents, licences and computer software	5	18,201	16,815
Amortisation of product development costs	5	39,250	34,915
Recognition of prepaid land lease payments	5	15,201	1,607
Loss on disposal of items of property, plant and equipment	5	180	1,306
Profit on disposal of certain interests in a subsidiary		(2,656,687)	–
Impairment of trade and other receivables	5	3,052	2,599
Write-down of inventories to net realisable value	5	60,007	118,757
Equity-settled share option expense		18,404	9,035
		458,420	716,550
Decrease/(increase) in inventories		568,008	(2,391,320)
Decrease/(increase) in trade receivables		94,331	(477,667)
Decrease/(increase) in bills receivable		360,096	(224,491)
Decrease/(increase) in prepayments, deposits and other receivables		285,031	(20,117)
Decrease in an amount due from a director		–	53
Decrease in other non-current assets		6,632	957
(Decrease)/increase in trade payables		(141,260)	1,132,363
(Decrease)/increase in bills payable		(1,040,897)	222,751
(Decrease)/increase in other payables and accruals		(144,927)	886,195
(Decrease)/increase in an amount due to an associate		(3,830)	3,702
Increase in an amount due to a joint venture		1,213,117	–
Decrease in other non-current liabilities		(2,084)	(3,390)
Cash generated from/(used in) operations		1,652,637	(154,414)
Tax paid		(28,975)	(42,567)
Net cash flows from/(used in) operating activities		1,623,662	(196,981)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		35,183	35,139
Purchases of items of property, plant and equipment		(184,203)	(172,406)
Proceeds from disposal of items of property, plant and equipment		1,025	1,435
Additions to product development costs		(32,504)	(51,259)
Additions to patents and licences		(5,621)	(24,501)
Additions to computer software		–	(1,582)
Additions to prepaid land lease payments		(92,892)	–
Investments in associates		–	(4,892)
Purchase of available-for-sale investments		–	(6,241)
Decrease in pledged deposits		298,947	312,751
Net cash flows generated from investing activities		19,935	88,444
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	15	68,047	51,189
New bank loans		1,950,145	1,862,304
Repayment of bank loans		(2,635,817)	(1,039,769)
Interest paid		(38,520)	(29,862)
Net cash flows (used in)/from financing activities		(656,145)	843,862
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		2,959,143	1,628,266
Effect of foreign exchange rate changes, net		(1,025)	(3,015)
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,945,570	2,360,576
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,945,570	2,360,576

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

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

HKFRS 19, Amendments <i>Annual Improvements 2010-2012 Cycle</i> <i>Annual Improvements 2011-2013 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to numbers of HKFRSs Amendments to numbers of HKFRSs
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The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements.

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

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

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

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

3 Effective for an entity that first adopted HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

3. OPERATING SEGMENT INFORMATION

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

- (a) the mobile phone segment engages in the research, development, production and sale of mobile phones and related accessories and provision of wireless application service;
- (b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation; and
- (c) the finance service segment commences operating in the second half of the year 2014 and engages in the provision of a range of financing services in Mainland China.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns and trade discounts.

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. PROFIT BEFORE TAX

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

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

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

6. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

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

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

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

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

8. DIVIDENDS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	2,842,841	412,862
	Number of shares	
	2015	2014 (Restated) [#]
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	4,311,654,758	4,251,110,641
Effect of dilution – weighted average number of ordinary shares: share options	95,782,089	112,709,985
	4,407,436,847	4,363,820,626

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

Sales of the Group's products are normally settled on a cash-on-delivery basis. However, in the cases of long-standing customers and those with a good repayment history, the Group may offer these customers with a credit period of 30 to 90 days. Trade receivables are non-interest-bearing.

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

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

11. BILLS RECEIVABLE

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

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

Bills receivable are non-interest-bearing.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE PAYABLES

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

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

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

13. BILLS PAYABLE

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

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

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

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Current		
Bank loans – secured	–	82,396
Bank loans – import and trust receipt loans	–	465,402
	–	547,798
Non-current		
Bank loans – secured	1,209,912	1,615,624
	1,209,912	2,163,422

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Authorised: 20,000,000,000 (31 December 2014: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid: 4,348,401,200 (31 December 2014: 4,295,027,200) ordinary shares of HK\$0.01 each	43,484	42,950

During the six months ended 30 June 2015, the movements in share capital were as follows:

The movements in share capital due to the share option exercised:

Numbers of the shares issued due to the share option exercised (par value per share of HK\$0.01)	Exercised price HK\$	Total cash consideration (before expenses) HK\$'000
2,908,000	0.337	980,000
17,776,000	1.620	28,797,000
7,536,000	0.839	6,323,000
18,058,000	1.164	21,019,000
7,096,000	1.540	10,928,000
Total	53,374,000	68,047,000

16. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The weighted average share price at the date of exercise for share options exercised during the period was HK\$2.523 per share (Six months ended 30 June 2014: HK\$1.980).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE OPTION SCHEME (continued)

Movements of the share options (the "Options") during the six months ended 30 June 2015 were as follows:

Name or category of participant	Number of share options					At 30 June 2015	Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	At 1 January 2015	Grant during the period	Exercised during the period	Expired during the period	Forfeited during the period				
Employees									
In aggregate – granted on 20 May 2008	1,888,000	-	1,888,000	-	-	-	20-05-08	20-05-11 to 19-05-15	0.337
In aggregate – granted on 20 May 2008	6,184,000	-	1,020,000	-	600,000	4,564,000	20-05-08	20-05-14 to 19-05-18	0.337
In aggregate – granted on 30 Jun 2010	8,964,000	-	8,324,000	640,000	-	-	28-06-10	28-06-11 to 27-06-15	1.620
In aggregate – granted on 30 Jun 2010	14,000,000	-	4,340,000	-	352,000	9,308,000	28-06-10	28-06-12 to 27-06-16	1.620
In aggregate – granted on 30 Jun 2010	18,768,000	-	3,616,000	-	608,000	14,544,000	28-06-10	28-06-13 to 27-06-17	1.620
In aggregate – granted on 30 Jun 2010	15,000,000	-	1,496,000	-	-	13,504,000	28-06-10	28-06-14 to 27-06-18	1.620
In aggregate – granted on 12 July 2011	26,124,800	-	7,536,000	-	2,624,000	15,964,800	12-07-11	12-07-12 to 11-07-16	0.839
In aggregate – granted on 12 July 2011	432,000	-	-	-	-	432,000	12-07-11	12-07-14 to 11-07-18	0.839
In aggregate – granted on 27 Dec 2012	57,696,000	-	18,058,000	-	4,062,000	35,576,000	27-12-12	27-12-13 to 27-12-17	1.164
In aggregate – granted on 27 Dec 2012	5,952,000	-	-	-	-	5,952,000	27-12-12	27-12-15 to 27-12-19	1.164
In aggregate – granted on 10 Jan 2014	54,136,000	-	7,096,000	-	4,680,000	42,360,000	10-01-14	10-1-15 to 10-1-19	1.540
In aggregate – granted on 10 Jan 2014	2,000,000	-	-	-	-	2,000,000	10-01-14	10-1-17 to 10-1-21	1.540
In aggregate – granted on 22 Jan 2015	-	78,832,000	-	-	5,650,000	73,182,000	22-1-15	22-1-16 to 22-1-20	1.492
In aggregate – granted on 22 Jan 2015	-	12,032,000	-	-	800,000	11,232,000	22-1-15	22-1-17 to 22-1-21	1.492
Directors									
In aggregate – granted on 27 Feb 2009	6,000,000	-	-	-	-	6,000,000	27-02-09	27-02-13 to 26-02-17	0.199
In aggregate – granted on 30 Jun 2010	8,000,000	-	-	-	-	8,000,000	28-06-10	28-06-14 to 27-06-18	1.620
In aggregate – granted on 12 July 2011	2,800,000	-	-	-	-	2,800,000	12-07-11	12-7-12 to 11-07-16	0.839
In aggregate – granted on 27 Dec 2012	4,000,000	-	-	-	-	4,000,000	27-12-12	27-12-15 to 27-12-19	1.164
Total	231,944,800	90,864,000	53,374,000	640,000	19,376,000	249,418,800			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option.

17. SHARE AWARD PLAN

On 3 March 2008, the directors approved the adoption of a share award plan (the “Share Award Plan”) to recognise and reward the contribution of certain employees to the growth and development of the Group through an award of the Company’s shares. The Share Award Plan became effective on 3 March 2008 and will remain in force for 10 years from that date.

The Group has appointed a trustee (the “Trustee”) for the purposes of administering the Share Award Plan. The Trustee will be notified by the directors in writing upon making of an award to an eligible employee under the Share Award Plan. Upon the receipt of such notice, the Trustee will set aside the appropriate number of awarded shares out of a pool of shares comprising the following:

- (a) the Company’s shares which will be purchased by the Trustee on the Stock Exchange at such times and prices as may be considered by the Trustee to be appropriate by utilising the fund to be paid by the Company to the Trustee;
- (b) such shares as may be purchased by the Trustee on the Stock Exchange by utilising the funds allocated by the directors out of the Company’s resources; and
- (c) such shares which remain unvested and revert to the Trustee by reason of a lapse of an award.

The legal and beneficial ownership of the relevant awarded shares shall vest in the relevant selected employee within 10 business days after the latest of: (a) the date specified by the directors on the notice of the award (which shall not be earlier than the first business day immediately following the expiry of six months after the adoption date); (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected employee as specified in the related notice of award have been attained and notified to the Trustee by the directors in writing; and (c) where applicable, the date on which the Trustee has completed the purchase of shares for the purpose of making the relevant award.

During the reporting period, there were no shares (six months ended 30 June 2014: 1,204,000 shares) awarded to any employee.

At the end of the reporting period, no shares of the Company under the Share Award Plan have yet to be awarded.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	6,850	6,137
In the second to fifth years, inclusive	10,548	10,551
After five years	8,590	9,482
	25,988	26,170

(b) As lessee

The Group leases certain of its warehouses and office premises under operating lease arrangements for lease terms ranging from one to five years. The total future minimum lease payments under non-cancellable operating leases committed at the end of reporting period to be made by the Group were as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	48,670	50,288
In the second to fifth years, inclusive	35,402	44,240
	84,072	94,528

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Contracted, but not provided for:		
Land and buildings	350,480	335,897

At the end of the reporting period, the Company had no significant capital commitments.

20. RELATED PARTY TRANSACTIONS

(a) Balance with a related party

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Due to an associate	–	3,830
Due to a joint venture	1,213,117	–

The amounts due to an associate and a joint venture are unsecured, non-interest-bearing and has no fixed terms of repayment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
An associate:		
Purchase of raw materials	6,048	27,880
A joint venture:		
Sales of products	484,832	–

Purchases of materials from the Group's associate and the sales to the joint venture were made based on mutually agreed terms.

(c) Compensation of key management personnel of the Group

Compensation of the key management personnel of the Group is set out as follows:

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	9,540	11,852
Pension scheme contributions	168	184
Equity-settled share option expense	1,280	1,672
Total compensation paid to the key management personnel	10,988	13,708

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Financial assets				
Available-for-sale investments – listed	4,838	3,159	4,838	3,159
Financial liabilities				
Interest-bearing bank borrowings	1,209,912	2,163,422	1,209,912	2,163,422

Management has assessed that the fair values of unlisted available-for-sale investments, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, an amount due from a director, pledged deposits, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, an amount due to an associate and an amounts due to a joint venture approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at 30 June 2015 and 31 December 2014 was assessed to be insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2015 (Unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investments – listed	4,838	–	–	4,838

As at 31 December 2014 (Audited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investments – listed	3,159	–	–	3,159

22. EVENT AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 20 August 2015.