

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 former chairman, former executive director and former 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. The Group never stops enhancing its R&D ability and is striving to be an important participant and a leader in the latest field of 5G and Artificial Intelligence.

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 telecommunication operators and is striving to further develop its business in the global telecommunication 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 realize its dream by providing customized products and services based on its differentiated mobile operating systems and applications.

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Coolpad Information Harbor
NO.2 Mengxi Road
Hi-Tech Industry Park (Northern)
Nanshan District
Shenzhen

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1902, Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. JIANG Chao, ACCA (*Resigned on 19 January 2018*)
Mr. LEUNG Siu Kee (*Appointed on 19 January 2018*)

AUDIT COMMITTEE & REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. JIA Yueting
(*Chairperson appointed on 5 August 2016,
resigned on 17 November 2017*)
Mr. CHAN King Chung
(*Chairperson appointed on 17 November 2017*)
Mr. JIANG Chao (*Appointed on 17 November 2017*)
Mr. XIE Weixin

AUTHORISED REPRESENTATIVES

Mr. JIANG Chao
Mr. LI Bin (*Resigned on 1 March 2017*)
Mr. LIU Hong (*Appointed on 1 March 2017*)
Mr. LIU Hong (*Resigned on 8 February 2018*)
Mr. LEUNG Siu Kee (*Appointed on 8 February 2018*)

CONTACT INFORMATION FOR INVESTOR RELATIONS

Tel: +86 755 3302 3607
Email: ir@yulong.com

AUDITORS

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

DLA Piper Hong Kong
17th Floor
Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House, 24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Ltd.
Hong Kong and Shanghai Banking (Hong Kong) Co., Ltd.

COMPANY WEBSITE

www.coolpad.com.hk

STOCK CODE

2369

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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		
	2017 (HK\$'000) (Unaudited)	2016 (HK\$'000) (Unaudited)	Change (%)
Revenue	2,390,165	5,277,394	-54.7
Loss before tax	(1,057,420)	(2,071,178)	-48.9
Tax	1,398	1,248	12
Net loss attributable to owners of the Company [#]	(1,049,097)	(2,053,124) ^{#1}	-48.9
Basic loss per share	(HK20.84 cents)	(HK40.90 cents)	-49.0
Diluted loss per share	(HK20.84 cents)	(HK40.90 cents)	-49.0

^{#1} Net loss attributable to owners of the Company for the six months ended 30 June 2016 included a loss of HK\$1,890.3 million resulting from the disposal of certain interests in a joint venture of the Group.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2017 (HK\$'000) (Unaudited)	At 31 December 2016 (HK\$'000) (Audited)
Non-current assets	2,564,112	2,741,032
Current assets	4,282,717	7,113,372
Non-current liabilities	67,348	67,213
Current liabilities	4,275,164	6,248,881
Net assets	2,504,317	3,538,310
Cash and cash equivalents	719,607	1,308,082

MANAGEMENT DISCUSSION & ANALYSIS

TOTAL REVENUE HK\$2,390.2 MILLION

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
REVENUE		
Sale of mobile phones and related accessories	2,320,625	5,174,214
Wireless application service income	52,305	81,891
Finance service income	17,235	21,289
Total revenue	2,390,165	5,277,394
Cost of sales	(2,296,561)	(4,571,945)
Gross profit	93,604	705,449
Other income and gains	162,638	130,307
Selling and distribution expenses	(477,407)	(379,035)
Administrative expenses	(506,788)	(402,807)
Other expenses	(265,584)	(1,932,079)
Finance costs	(10,447)	(26,682)
Share of losses of		
Associates	(52,851)	(46,753)
A joint venture	(585)	(119,578)
Loss before tax	(1,057,420)	(2,071,178)
Income tax expense	(1,398)	(1,248)
Loss for the period	(1,058,818)	(2,072,426)
Basic loss per share	(HK20.84 cents)	(HK40.90 cents)
Diluted loss per share	(HK20.84 cents)	(HK40.90 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			
	2017		2016	
	Revenue HK\$ million (Unaudited)	% of total revenue	Revenue HK\$ million (Unaudited)	% of total revenue
Sale of mobile phones and related accessories	2,320.6	97.1	5,174.2	98.0
Wireless application service income	52.3	2.2	81.9	1.6
Finance Service	17.3	0.7	21.3	0.4
Total	2,390.2	100	5,277.4	100

The Group's unaudited revenue for the six months ended 30 June 2017 amounted to HK\$2,390.2 million, representing a decline of 54.7% as compared with HK\$5,277.4 million for the six months ended 30 June 2016. The decline in revenue during the reporting period was mostly because of the restructuring of the Group's business units and the intensifying competition of the smartphone market in Mainland China and the decrease in market share and sales volume in China region during the first half of 2017.

GROSS PROFIT

Gross profit	Six months ended 30 June			
	2017		2016	
	Gross profit HK\$ million (Unaudited)	Gross profit margin	Gross profit HK\$ million (Unaudited)	Gross profit margin
Total	93.6	3.9%	705.4	13.4%

The Group's overall gross profit for the six months ended 30 June 2017 decreased by HK\$611.8 million, representing a decrease of 86.7% as compared with HK\$705.4 million for the corresponding period in 2016. Its overall gross profit margin decreased by 9.5% to 3.9% in the reporting period as compared with 13.4% in the corresponding period of 2016. The decline in total gross profit was primarily attributable to the fierce competition of the 4G smartphone market in Mainland China, the decline of the shipments volume of the Group, and the Group strengthened the stock management and accelerated the disposal of slow-moving inventories in the first half of 2017.

MANAGEMENT DISCUSSION & ANALYSIS

OTHER INCOME AND GAINS

Other income and gains of the Group increased by HK\$32 million, or 24.6%, to HK\$162.3 million for the six months ended 30 June 2017 as compared with HK\$130.3 million for the corresponding period in 2016. The increase was because of the net change in foreign exchange difference.

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Selling and distribution expenses (HK\$ million)	477.4	379.0
As a percentage of total revenue	20.0%	7.2%

Selling and distribution expenses of the Group for the six months ended 30 June 2017 increased by HK\$98.4 million to HK\$477.4 million from HK\$379.0 million for the corresponding period in 2016. The net increase of HK\$98.4 million was primarily attributable to increased expenditures for marketing, advertising and promotion expenses to support new product launches. The net increase of 12.8% as a percentage of total revenue was because of the decline of sales volume and excessive expenditure on marketing, advertising and promotion activities to improve the brand image in the domestic market during the reporting period.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Administrative expenses (HK\$ million)	506.8	402.8
As a percentage of total revenue	21.2%	7.6%

Administrative expenses increased by HK\$104 million to HK\$506.8 million for the six months ended 30 June 2017 from HK\$402.8 million for the corresponding period in 2016. The net increase of HK\$104 million was primarily attributable to the excessive operating and R&D expenses in the first half of 2017. As a percentage of total revenue, administrative expenses increased by 13.6% to 21.2% in the first half of 2017 as compared with 7.6% in the corresponding period of 2016. The net increase of 13.6% as a percentage of total revenue was primarily because of the decrease of overall revenue and the increase of R&D expenditures on new technologies during the reporting period.

INCOME TAX EXPENSE

For the six months ended 30 June 2017, the Group's income tax expenses decreased to HK\$1.4 million. The decrease in the current income tax expense was primarily due to the decrease of the Group's assessable profit in the corresponding period in 2017.

NET LOSS

For the six months ended 30 June 2017, the Group recorded a net loss of HK\$1,058.8 million, representing a decline of HK\$1,013.6 million, or 48.9%, as compared with the net profit of HK\$2,072.4 million for the six months ended 30 June 2016. The loss was mainly because of the decrease of sales volume of the Group.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2017, 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 67.5% as at 30 June 2017 (31 December 2016: 58.0%). The gearing ratio is equal to net debt divided by the sum of capital and net debt.

Cash and cash equivalents of the Group as at 30 June 2017 amounted to HK\$719.6 million, while it was HK\$1,308.1 million as at 31 December 2016.

As at 30 June 2017, the Group had total debts (i.e. total borrowings) of approximately HK\$258.4 million, which was all denominated in RMB. The Group's borrowings are subject to floating rates ranging from 3.92% to 6.96% per annum with maturity periods ranging from within one year to two years.

As at 30 June 2017, the Company had 5,033,407,480 ordinary shares of par value HK\$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

INVENTORY

For the reporting period, the Group's inventory turnover period was 135.2 days (year ended 31 December 2016: 54.5 days).

MANAGEMENT DISCUSSION & ANALYSIS

TRADE RECEIVABLES

Credit period was one to three months on average, extending up to 120 days for some overseas customers, and the trade receivable turnover period was 121.7 days for the reporting period (year ended 31 December 2016: 51.7 days).

TRADE PAYABLES

The trade payable turnover period was 182.5 days for the reporting period (year ended 31 December 2016: 57.9 days).

PLEGDED OF ASSETS

As at 30 June 2017, the following assets of the Group were pledged for certain bank borrowings: Certain properties and plants of the Group located in Mainland China, the total book value of which were approximately HK\$198.6 million (31 December 2016: HK\$200.8 million). As at 30 June 2017, the Group's time deposits of approximately (i) HK\$106.3 million were also used to secure bills payable (31 December 2016: HK\$296.8 million); and (ii) HK\$69.5 million were used as a security for the banks to provide a performance guarantee (31 December 2015: HK\$23.0 million).

BUSINESS REVIEW

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9 a.m. on 31 March 2017 due to certain outstanding audit issues. The Group has been providing the Auditor necessary information and documents to perform and complete the audit procedures in the first half of 2017. Meanwhile, the Group takes various ways to control expenses and minimise losses.

The Group saw a large decline in both shipments and revenue in the first half of 2017, due to the fierce competition of the smartphone market and the restructuring of its businesses, strategies and organization structure. The Group's unaudited revenue for the six months ended 30 June 2017 amounted to HK\$2,390.2 million, representing a decline of 54.7% as compared with HK\$5,277.4 million for the six months ended 30 June 2016. The Group recorded a net loss of HK\$1,058.8 million for the six months ended 30 June 2017. Accordingly, both of the basic and diluted loss per share of the Group was HK20.84 cents for the six months ended 30 June 2017.

Development and sales of smartphones still remain as the main business of the Company for the first half of 2017. During the mentioned period, the Group recorded a significant decrease in the revenue from the sales of smartphones as compared to the corresponding period. The decrease in revenue was mainly attributable to the fierce competition arising from smartphones markets in China and sales in China's regional and Southeast Asian markets continued to decline, as a result of which, the Company gave up part of its products that generate revenue but may cause losses so as to minimize losses.

BUSINESS REVIEW (continued)

Whereas regional sales in the United States continue to maintain its growth momentum, but sales contribution and growth rate were limited for the first half of 2017. At the same time, the contribution of revenue from United States region continued to enlarge aggressively. The sales channel in United States became more diversified as compared to the corresponding year, despite of the fact that the major clients are concentrated in telecommunications carriers.

Meanwhile, side by side with carrier field team, the Group developed strong relationship inside national retail channels and dealer channels progressively so as to build a healthy retailing networks in the retail open channel. The Group also attached great importance to branding, as a result of which, the Group had been in hundreds of events with local carrier partners to promote new product and brand.

The Group deeply realized the importance of R&D ability for the Company and recognized itself as a tech-driven company, The Group owned a high-ranking design team, deeply differentiated and optimized the functions and features of the Android operation system and continued to strengthen its R&D capability to bring users the best smartphone experience.

On 29 June 2017, the Board of the Company received a from the Stock Exchange, in which the Stock Exchange stated the following conditions for the resumption of trading in the shares of the Company. (a) publish all outstanding financial results required under the Listing Rules and address any audit qualifications; (b) conduct appropriate investigation(s) to address the Audit Issues; and (c) inform the market of all material information for shareholders and the investors to appraise the Company's position.

The Stock Exchange noted that it may modify the above and/or impose further conditions if the situation changes. The Company is now taking appropriate steps to fulfill the Resumption Conditions and will keep its shareholders and potential investors informed of the progress as and when appropriate.

In face of going concern issues raised by the Auditor, the Group continues to take various measures to enhance its liquidity and financial position, including but not limited to the consideration of the disposal of certain investment properties of the Group and the equity of individual subsidiaries of the Company, and communicate and negotiate proactively with banks, organizations and interested parties to acquire banking borrowings or financing.

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 raw materials 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 2017.

MANAGEMENT DISCUSSION & ANALYSIS

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. 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 for the six months ended 30 June 2017 amounted to approximately HK\$308.5 million (six months ended 30 June 2016: HK\$312.6 million). The remunerations of the Group's employees 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 2017, the Group had 2,821 employees (31 December 2016: 4,497 employees).

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

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

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 2017.

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

As at 30 June 2017, 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:

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 as at 30 June 2017
Mr. JIANG Chao	1	23,000,000	-	-	483,000	-	-	23,483,000	0.47
Mr. CHAN King Chung		441,600	-	-	-	-	-	441,600	0.01
Mr. HUANG Dazhan		288,000	-	-	-	-	-	288,000	0.01
Mr. XIE Weixin		384,000	-	-	-	-	-	384,000	0.01

Notes:

- As at 30 June 2017, Mr. JIANG Chao was interested in the 483,000 Shares held by Wintech Consultants Limited as he was one of the discretionary objects under the Coolpad Group Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group and the Coolpad Group Share Award Plan.
- The interests of these Directors are in the underlying Shares of the options granted to the relevant Directors by the Company under the Share Option Scheme.

MANAGEMENT DISCUSSION & ANALYSIS

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

As at 30 June 2017, 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:

Name	Notes	Number of shares in which interested	Nature of interest	Total number of shares	Percentage of the Company's issued share capital
Mr. Jia Yueting	1	1,448,804,386	Interest of controlled corporation	1,448,804,386	28.78
Mr. Guo Deying	2	462,889,484	Founder of a discretionary trust	463,372,484	9.21
		483,000	Through controlled corporation		
Data Dreamland Holding Limited ("Data Dreamland")	2	462,889,484	Beneficial owner	462,889,484	9.20
HSBC International Trustee Limited ("HSBC Trustee")	3	463,889,484	Trustee	463,889,484	9.22
Lele Holding Ltd.	1	1,448,804,386	Interest of controlled corporation	1,448,804,386	28.78

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

Notes:

1. *The 1,448,804,386 shares were directly held by Leview Mobile HK Ltd, the entire issued share capital of which is held by a wholly owned group of corporations namely (from bottom to top) Leview Mobile Ltd, Le Ltd, LeEco Global Holding Ltd. and Lele Holding Ltd. and is ultimately wholly owned by Mr. Jia Yueting. Therefore, Mr. Jia Yueting is indirectly interested in the 1,448,804,386 shares of the Company.*
2. *The entire issued share capital of Data Dreamland is held by Barrie Bay (PTC) Limited. Barrie Bay (PTC) Limited is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust 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 Deying and Ms. Yang Xiao (the spouse of Mr. Guo Deying) and the beneficiary objects of which include the children of Mr. Guo Deying and Ms. Yang Xiao. Mr. Guo Deying is taken to be interested in the 483,000 shares held by Wintech Consultants Limited as he is one out of the three directors of Wintech Consultants Limited and the other two directors are accustomed to act in accordance with Mr. Guo Deying's direction.*
3. *The 462,889,484 shares were held by Data Dreamland, the entire share capital of which is held by Barrie Bay (PTC) Limited, which is acting as the trustee of the Barrie Bay Unit Trust and the entire issued share capital of which is held by HSBC Trustee. The rest 1,000,000 shares were held by HSBC Trustee privately as the trustee.*

Save as disclosed above, as at 30 June 2017, 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 2017 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 2016 Annual Report:

Mr. Jia Yueting has resigned as the chairman of the Board and Mr. Liu Jiangfeng has resigned as the chief executive officer of the Company. In addition, with effect from 31 August 2017, Mr. Jiang Chao has been appointed as the chief executive officer of the Company.

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

MANAGEMENT DISCUSSION & ANALYSIS

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company with all the directors, that they have fully complied with the required standard as set out in the Model Code for the period under review.

AUDIT COMMITTEE

The audit committee (“Audit Committee”) of the Company, which currently comprises three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Company, and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group’s interim results for the six months ended 30 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Code Provision A.2.1 of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules, stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period from 1 January 2017 to 30 June 2017, Mr. Jia Yueting was the chairman of the Board and Mr. Liu Jiangfeng was the chief executive officer of the Company. Such arrangement separates the roles of the chairman of the Board and the chief executive officer of the Company, which indicates the Company was complied with the requirements of the Code Provision A.2.1 of the Code.

The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial year ended 31 December 2017; and (ii) publishing the annual report for the year ended 31 December 2017. Such delay has constituted non-compliance with Rules 13.46(2)(a) and 13.49 of the Listing Rules.

The Company failed to hold its annual general meeting for the year ended 31 December 2017 within the times stipulated under the Listing Rules and the articles of association of the Company (the “Articles”). An annual general meeting will be convened as soon as reasonably practicable.

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 2016, in compliance with the Code.

For and on behalf of

Coolpad Group Limited

JIANG CHAO

Vice Chairman, Executive Director & Chief Executive Officer

Hong Kong, 4 December 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
REVENUE	4	2,390,165	5,277,394
Cost of sales		(2,296,561)	(4,571,945)
Gross profit		93,604	705,449
Other income and gains	4	162,638	130,307
Selling and distribution expenses		(477,407)	(379,035)
Administrative expenses		(506,788)	(402,807)
Other expenses		(265,584)	(1,932,079)
Finance costs	6	(10,447)	(26,682)
Share of losses of:			
Associates		(52,851)	(46,753)
A joint venture		(585)	(119,578)
LOSS BEFORE TAX	5	(1,057,420)	(2,071,178)
Income tax expense	7	(1,398)	(1,248)
LOSS FOR THE PERIOD		(1,058,818)	(2,072,426)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		18,923	(41,202)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		18,923	(41,202)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,039,895)	(2,113,628)
PROFIT OR LOSS FOR THE PERIOD			
Attributable to:			
Owners of the Company		(1,049,097)	(2,053,124)
Non-controlling interests		(9,721)	(19,302)
		(1,058,818)	(2,072,426)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD			
Attributable to:			
Owners of the Company		(1,030,174)	(2,094,326)
Non-controlling interests		(9,721)	(19,302)
		(1,039,895)	(2,113,628)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		(HK20.84 cents)	(HK40.90 cents)
Diluted		(HK20.84 cents)	(HK40.90 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		995,022	997,534
Investment properties		101,688	106,427
Prepaid land lease payments		304,917	348,646
Intangible assets		20,020	26,451
Investments in joint ventures		107,702	108,288
Investments in associates		988,271	1,050,857
Available-for-sale investments		33,215	31,068
Long-term loan receivables		–	25,001
Other non-current assets		11,104	41,062
Deferred tax assets		2,173	5,698
Total non-current assets		2,564,112	2,741,032
CURRENT ASSETS			
Inventories		849,883	1,395,870
Trade receivables	10	900,222	860,599
Bills receivable	11	–	82,491
Short-term loans receivable		219,240	369,545
Prepayments, deposits and other receivables		1,397,059	2,540,530
Due from directors		–	500
Due from associates		20,937	11,261
Due from other related parties		–	182,683
Pledged time deposits		175,769	361,811
Cash and cash equivalents		719,607	1,308,082
Total current assets		4,282,717	7,113,372
CURRENT LIABILITIES			
Trade payables		1,239,976	1,784,925
Bills payable	13	621,818	1,321,077
Other payables and accruals		1,886,677	1,605,686
Interest-bearing bank borrowings	14	258,423	1,123,095
Due to associates		172,827	268,420
Due to joint ventures		4,406	4,406
Due to other related parties		265	50,538
Tax payable		90,772	90,734
Total current liabilities		4,275,164	6,248,881

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NET CURRENT ASSETS		7,553	864,491
TOTAL ASSETS LESS CURRENT LIABILITIES		2,571,665	3,605,523
NON-CURRENT LIABILITIES			
Deferred tax liabilities		59,003	57,493
Other non-current liabilities		8,345	9,720
Total non-current liabilities		67,348	67,213
Net assets		2,504,317	3,538,310
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	50,334	50,326
Reserves		2,468,302	3,492,582
Non-controlling interests		(14,319)	(4,598)
Total equity		2,504,317	3,538,310

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
At 1 January – equity attributable to owners of the Company	3,538,310	7,326,715
Total comprehensive expenses for the period attributable to owners of the Company	(1,027,378)	(2,094,326)
Issue of shares, including share premium	272	708,538
Equity-settled share option arrangements	8,802	35,620
Transfer to share premium account from share option reserve	2,342	13,024
Transfer from share option reserve to share premium account	(2,342)	(13,024)
Other reserve from the disposal of certain interests in a subsidiary without loss of control	(1,370)	–
At 30 June – equity attributable to owners of the Company	2,518,636	5,976,547
Non-controlling interests	(14,319)	70,678
At 30 June – total equity	2,504,317	6,047,225

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before tax		(1,057,420)	(2,071,178)
Adjustments for:			
Bank interest income	4	(31,342)	(49,402)
Finance costs	6	10,447	26,682
Share of loss of a joint venture		585	119,578
Share of losses/(profits) of associates		52,851	46,753
Depreciation	5	38,230	39,403
Changes in fair value of investment properties		64	(81)
Amortisation of patents, licences and computer software	5	952	20,142
Amortisation of product development costs	5	7,023	38,403
Recognition of prepaid land lease payments	5	3,904	23,062
Loss on disposal of items of property, plant and equipment	5	280	356
Gain on disposal of certain interests in associates		589	–
Loss from disposal of certain interests in a joint venture		–	1,890,272
Impairment of trade and other receivables	5	16,520	3,425
Write-down of inventories to net realisable value	5	10,892	33,252
Equity-settled share option expense		3,250	19,425
		(943,175)	140,092
Decrease in inventories		545,987	605,475
Decrease in trade receivables		(39,623)	206,996
(Increase)/decrease in bills receivable		82,491	(23,007)
Decrease in prepayments, deposits and other receivables		26,621	94,767
(Increase)/decrease in loans receivable		150,305	–
Increase in an amount due from directors		500	(1,905)
Increase in an amount due from an associate		(9,676)	(138,964)
Decrease in an amount due from a joint venture		182,683	195,051
Decrease in other non-current assets		29,958	5,053
Decrease in trade payables		(544,949)	(891,132)
Decrease in bills payable		(699,259)	(248,690)
Decrease in other payables and accruals		280,991	(660,948)
Increase/(decrease) in an amount due to an associate		(95,593)	617
(Decrease)/increase in an amount due to a joint venture		(50,273)	(2,359)
Decrease in other non-current liabilities		(1,375)	(6,017)
Cash generated (used in)/from operations		(1,084,387)	(724,971)
Tax paid		(3,680)	(13,932)
Net cash flows (used in)/from operating activities		(1,088,067)	(738,903)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		13,405	49,402
Loans advanced to certain third parties		(546,668)	–
Repayment of loans advanced to certain third parties		481,550	–
Repayment in respect of a potential equity investment		916,850	–
Purchases of items of property, plant and equipment		(53,860)	(195,625)
Proceeds from disposal of items of property, plant and equipment		2,485	1,450
Additions to product development costs		–	(38,510)
Additional investments in associates		(9,570)	(92,050)
Decrease in pledged deposits		186,042	34,616
Net cash flows (used in)/generated from investing activities		990,234	(240,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options	15	272	708,539
New bank and other borrowings		496,621	2,025,987
Repayment of bank and other borrowings		(987,950)	(2,003,064)
Interest paid		(12,035)	(26,680)
Net cash flows from/(used in) financing activities		(503,092)	704,782
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		1,308,082	2,515,974
Effect of foreign exchange rate changes, net		12,450	(9,623)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		719,607	2,231,513
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		719,607	2,231,513

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, the provision of wireless application service and finance service.

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 2017 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 2016.

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 2016 except for the first time adoption of the following new and revised standards and interpretations:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	<i>Disclosure of interests in Other Entities: Clarification of the scope of HKFRS 12</i>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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:

HKFRS 9	<i>Financial Instruments</i> ¹
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ³
HK(IFRIC) Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC) Interpretation 23	<i>Uncertainty over Income Tax Treatments</i> ²
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15</i> ¹
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Annual Improvements 2014-2016 Cycle	<i>Amendments to HKFRS 1 and HKAS 28</i> ¹
Annual Improvements 2015-2017 Cycle	<i>Amendments to a number of HKFRSs</i> ²

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

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 Mandatory effective date not yet determined

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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 directors, an amount due from a joint venture, an amount due from an associate, 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 2017 (Unaudited)				
Segment revenue:				
Sales to external customers	2,372,930	–	17,235	2,390,165
Other revenue and gains	123,891	7,405	–	131,296
Total	2,496,821	7,405	17,235	2,521,461
Segment results	(994,236)	5,960	2,890	(985,386)
<i>Reconciliation:</i>				
Interest income				31,342
Finance costs				(10,447)
Share of losses of a joint venture				(585)
Share of losses of associates				(53,440)
Corporate and other unallocated expenses				(38,904)
Loss before tax				(1,057,420)
Six months ended 30 June 2016 (Unaudited)				
Segment revenue:				
Sales to external customers	5,256,105	–	21,289	5,277,394
Other revenue and gains	75,702	5,203	–	80,905
Total	5,331,807	5,203	21,289	5,358,299
Segment results	(10,426)	4,586	10,352	4,512
<i>Reconciliation:</i>				
Interest income				49,402
Finance costs				(26,682)
Share of losses of a joint venture				(119,578)
Share of profits of associates				(46,753)
Gain on the loss of control of a subsidiary				(1,890,272)
Corporate and other unallocated expenses				(41,807)
Loss before tax				(2,071,178)
Segment assets				
At 30 June 2017 (Unaudited)	4,638,905	110,358	490,395	5,239,658
At 31 December 2016 (Audited)	6,194,969	109,054	490,133	6,794,156
Segment liabilities				
At 30 June 2017 (Unaudited)	3,910,845	895	1,035	3,912,775
At 31 December 2016 (Audited)	4,719,120	1,619	500	4,721,239

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Mainland China	1,008,260	4,113,573
Overseas	1,381,905	1,163,821
	2,390,165	5,277,394

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

(b) Non-current assets

	30 June	31 December
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Mainland China	2,521,201	4,013,028
Overseas	7,523	8,103
	2,528,724	4,021,131

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the invoiced value of goods sold, net of value-added tax (“VAT”) and other sales taxes, after allowances for returns, sales incentives and trade discounts, service income received and receivable from the provision of wireless application service, and the finance service income from the provision of finance services.

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of mobile phones	2,320,625	5,174,214
Wireless application service income	52,305	81,891
Finance service income	17,235	21,289
	2,390,165	5,277,394
Other income		
Bank interest income	31,342	49,402
Gross rental income	7,405	5,203
Government grants and subsidies*	75,843	66,409
Others	48,048	9,293
	162,638	130,307

* 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cost of inventories sold	2,108,920	4,270,213
Depreciation	38,230	39,403
Amortisation of patents and licences*	952	20,142
Amortisation of prepaid land lease payments	3,904	23,062
Research and development costs:		
Product development costs amortised*	7,023	38,403
Expenditure for the period*	243,065	203,412
	250,088	241,815
Operating lease rental	18,452	10,301
Loss on disposal of items of property, plant and equipment	280	356
Net impairment of trade receivables	16,520	3,425
Provision for inventories	10,892	33,252
Loss from disposal of certain interests in a joint venture	–	1,890,272
Loss from disposal of associates	589	–

* 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 condensed consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank and other borrowings	10,447	26,682

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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Group:		
Current	1,534	1,368
Deferred	(136)	(120)
Total tax charge for the period	1,398	1,248

8. DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2017 and 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The calculation of basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$1,049,097,000 (six months ended 30 June 2016: a loss of HK\$2,053,124,000), and the weighted average number of ordinary shares of 5,033,080,403 in issue during the six months ended 30 June 2017 (six months ended 30 June 2016: 5,019,886,253).

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for six months ended 30 June 2017 in respect of a dilution as the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

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, extending up to 120 days for some overseas customers. Trade receivables are non-interest-bearing.

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	761,131	778,273
4 to 6 months	128,795	38,942
7 to 12 months	89,430	153,962
Over 1 year	219,538	157,019
	1,198,894	1,128,196
Less: Impairment	(298,672)	(267,597)
	900,222	860,559

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	–	82,491

Bills receivable are non-interest-bearing.

At 30 June 2017, the Group did not have any past due or impaired bills receivable.

12. TRADE PAYABLES

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	769,988	1,181,752
4 to 6 months	135,095	405,151
7 to 12 months	195,043	118,855
Over 1 year	139,850	79,167
	1,239,976	1,784,925

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	471,003	862,726
Over 3 months	150,815	458,351
	621,818	1,321,077

As at 30 June 2017, certain bills payable of the Group were secured by the Group's time deposits of approximately HK\$106,318,000 (31 December 2016: HK\$296,842,000).

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Current		
Bank loans – secured	210,371	145,331
Bank loans -unsecured	–	760,193
Bank loans – import and trust receipt loans	–	217,246
Other loans -unsecured	48,052	325
	258,423	1,123,095
Non-current		
Bank loans – secured	–	–
Other loans -unsecured	–	–
	–	–
	258,423	1,123,095

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Authorised: 20,000,000,000 (31 December 2016: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid: 5,033,407,480 (31 December 2016: 5,032,607,480) ordinary shares of HK\$0.01 each	50,334	50,326

During the six months ended 30 June 2017, the movements in share capital were as follows:

(a) 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
800,000	0.337	272
Total	800,000	272

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. Eligible participants of the Scheme include the Company's non-executive directors, including independent non-executive directors, employees, consultants, advisers, customers and any shareholder of any member of the Group. The Company's first share option scheme with a valid period of 10 years became effective on 21 November 2004 and was terminated on 23 May 2014 since this scheme would be due to expire on 21 November 2014. A new share option scheme was adopted by the Company and became effective on 23 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Group is an amount equivalent, upon their exercise, to 10% of the shares in issue at the time dealings in the shares first commence on the Stock Exchange. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The weighted average share price at the date of exercise for share options exercised during the period was HK\$0.740 per share (Six months ended 30 June 2016: HK\$1.527).

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 2017 were as follows:

Name or category of participant	Number of share options					At 30 June 2017	Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	At 1 January 2017	Grant during the period	Exercised during the period	Expired during the period	Forfeited during the period				
Employees									
In aggregate – granted on 20 May 2008	3,564,000		800,000	-	-	2,764,000	20-05-08	20-05-14 to 19-05-18	0.337
In aggregate – granted on 30 Jun 2010	13,448,000		-	13,448,000	-	-	28-06-10	28-06-13 to 27-06-17	1.620
In aggregate – granted on 30 Jun 2010	15,000,000		-	-	504,000	14,496,000	28-06-10	28-06-14 to 27-06-18	1.620
In aggregate – granted on 12 July 2011	336,000		-	-	-	336,000	12-07-11	12-07-14 to 11-07-18	0.839
In aggregate – granted on 27 Dec 2012	23,819,000		-	-	-	23,819,000	27-12-12	27-12-13 to 27-12-17	1.164
In aggregate – granted on 27 Dec 2012	4,656,000		-	-	592,000	4,064,000	27-12-12	27-12-15 to 27-12-19	1.164
In aggregate – granted on 10 Jan 2014	28,576,000		-	-	1,942,000	26,634,000	10-01-14	10-1-15 to 10-1-19	1.540
In aggregate – granted on 10 Jan 2014	2,000,000		-	-	1,500,000	500,000	10-01-14	10-1-17 to 10-1-21	1.540
In aggregate – granted on 22 Jan 2016	45,448,000		-	-	3,296,000	42,152,000	22-1-15	22-1-16 to 22-1-20	1.492
In aggregate – granted on 22 Jan 2016	8,416,000		-	-	1,356,000	7,060,000	22-1-15	22-1-17 to 22-1-21	1.492
In aggregate – granted on 16 Oct 2016	46,480,000		-	-	4,176,000	42,304,000	16-10-15	16-10-16 to 16-10-20	1.620
In aggregate – granted on 16 Oct 2016	66,000,000		-	-	13,000,000	53,000,000	16-10-15	16-10-17 to 16-10-21	1.620
Directors									
In aggregate – granted on 30 Jun 2010	4,000,000		-	-	-	4,000,000	28-06-10	28-06-14 to 27-06-18	1.620
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
In aggregate – granted on 16 Oct 2016	40,000,000		-	-	-	40,000,000	16-10-15	16-10-17 to 16-10-21	1.620
Subtotal	305,743,000		80,000	13,448,000	26,366,000	265,129,000			
Total	305,743,000		80,000	13,448,000	26,366,000	265,129,000			

* 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Associates:		
Sale of products	49,050	–
Sale of assets	1,448	–
Purchase of raw materials	–	4,010
A joint venture:		
Sales of products	–	243,905
Other related parties:		
Sale of products (i)	7,171	–
Purchase of raw materials (ii)	9,085	–

(i) Due to the completion of the remaining orders of certain products in 2017, a certain revenue amount under the transaction arrangement with other related parties in 2016 was recorded in the current year. The transaction arrangement constituted a connected transaction with details disclosed in 2016 Annual Report.

(ii) The related party transactions with other related party were with the entity under the control of a then director of the Group, which constitute connected transactions or continuing connected transactions ("CCTs") as defined in Chapter 14A of the Listing Rules. Further details about the CCTs are set out in the announcement of the Company dated 16 May 2017.

The above transactions with related parties 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	9,015	6,802
Pension scheme contributions	159	120
Equity-settled share option expense	1,405	1,655
Total compensation paid to the key management personnel	10,579	8,577

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. 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 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Financial assets				
Available-for-sale investments – listed	1,926	2,358	1,926	2,358
Financial liabilities				
Interest-bearing bank borrowings and other borrowings	258,423	1,123,095	258,423	1,123,095

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, an amount due from a joint venture, an amount due from an associate, pledged deposits, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals and an amount due to associate, and an amount 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 2017 and 31 December 2016 was assessed to be insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. 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 2017 (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	1,926	–	–	1,926

As at 31 December 2016 (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	2,358	–	–	2,358

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. EVENT AFTER THE REPORTING PERIOD

- a) On 4 January 2018, Leview Mobile HK Limited has sold and a purchaser has purchased 897,437,000 shares of the Group at HK\$0.9 per share in cash, representing a total consideration of HK\$807,693,300.00. Accordingly, Leview Mobile HK Limited ceased to be the single largest shareholder of the Group and the purchaser has become the single largest shareholder of the Group. Details of the transaction are set out in the announcement of the Group dated 4 January 2018.
- b) On 11 January 2018, Leview Mobile HK Limited has sold and a purchaser had purchased 551,367,386 shares of the Group. Accordingly, Leview Mobile HK Limited ceased to be the shareholder of the Group and the purchaser has become a substantial shareholder of the Group. Details of the transaction are set out in the announcement of the Group dated 11 January 2018.
- c) On 18 May 2018, Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (“Yulong”), a wholly-owned subsidiary of the Company, and Kingkey Group Company Limited (“Kingkey Group”) entered into a maximum loan contract, whereby Kingkey Group has agreed to provide a loan with maximum amount no more than RMB500,000,000 to Yulong for corporate operation with a term of 12 months at annual rate of 6.5%. Details of the transaction are set out in the announcement of the Group dated 18 May 2018.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 4 December 2018.