

coolpad 酷派

COOLPAD GROUP LIMITED

酷派集團有限公司

(Incorporated in the Cayman Islands with limited liability)

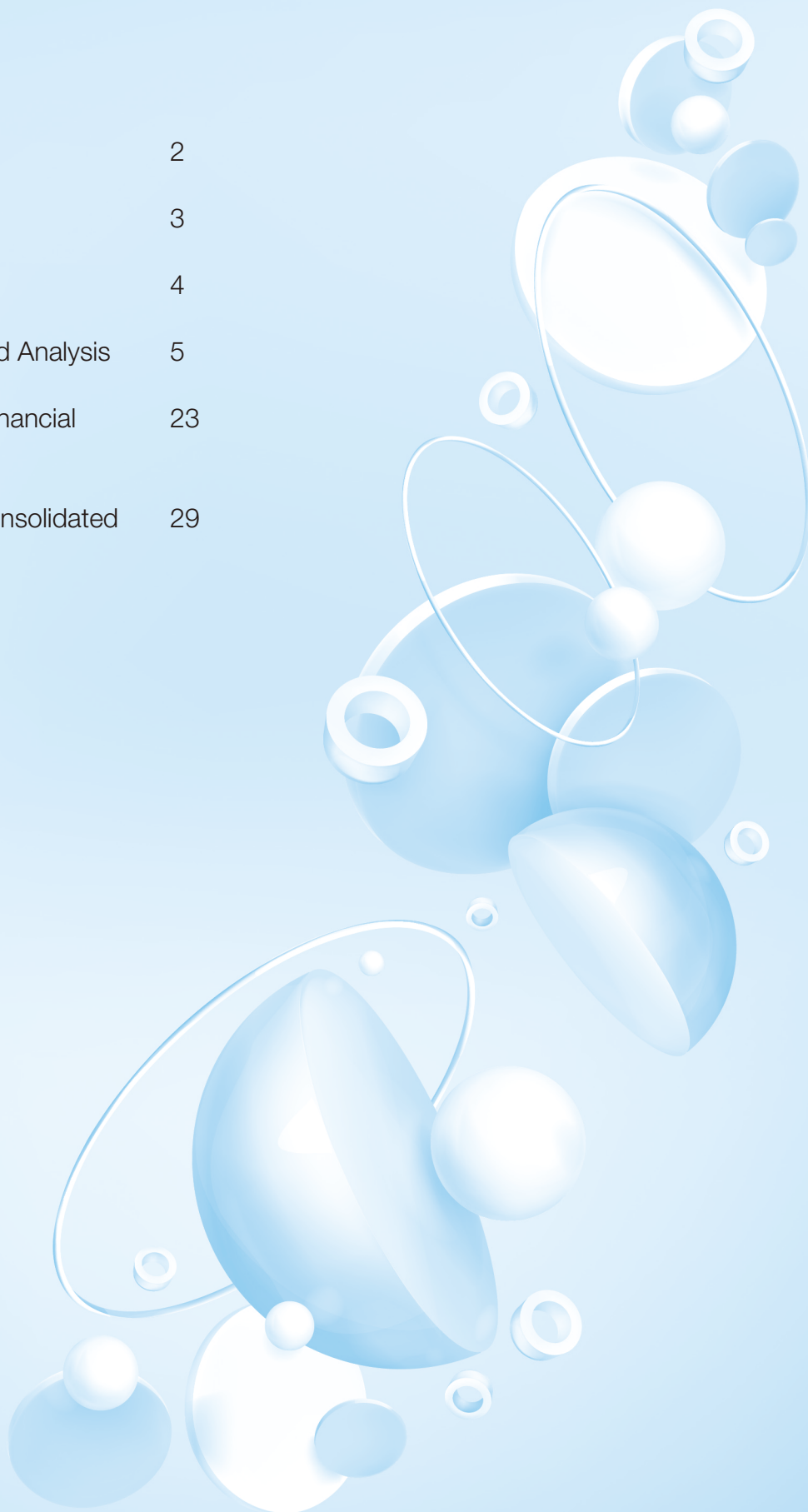
(Stock code: 2369)



INTERIM REPORT 2021

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CORPORATE PROFILE

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”), founded, in April 1993 is an indirect wholly owned subsidiary of the Company. 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”).

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.

The Group has succeeded in breaking into the global telecommunications market in respect of the Coolpad brand. Leveraging on our strong R&D capability and our globalized layout, Coolpad is going to become a leader in industry innovation in the digital era and is going to provide constantly upgraded products and ecosystem services to our consumers.

The Group’s vision and mission is to “contribute to technological advancements and strive for the aspirants”. 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

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Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Hi-Tech Industry Park (Northern)
Nanshan District
Shenzhen

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Harbour Road
Wanchai, Hong Kong

JOINT COMPANY SECRETARIES

Mr. MA Fei
Mr. TSANG Hing Bun

AUDIT COMMITTEE & REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. CHAN King Chung (*Chairperson*)
Mr. CHEN Jiajun
Mr. XIE Weixin

AUTHORISED REPRESENTATIVES

Mr. MA Fei
Mr. TSANG Hing Bun

CONTACT INFORMATION FOR INVESTOR RELATIONS

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Registered Public Interest Entity Auditor
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LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

DBS Bank (Hong Kong) Ltd.
Bank of China Limited
China Construction Bank (Asia) Corporation Limited

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 2021 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		Change (%)
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	
Revenue	320,119	385,920	-17.1
Loss before tax	(210,698)	(28,767)	632.4
Income tax expense	(27,436)	(40,103)	-31.6
Net loss attributable to owners of the Company	(238,134)	(65,927)	261.2
Basic and diluted loss per share (2020 restated)	(HK3.11 cents)	(HK1.04 cents)	199.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Non-current assets	3,287,208	3,233,696
Current assets	1,841,131	1,087,820
Non-current liabilities	408,038	383,479
Current liabilities	2,444,686	2,619,184
Net assets	2,275,615	1,318,853
Cash and cash equivalents	1,174,687	208,773

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL REVENUE HK\$320.1 MILLION

The financial data below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CONTINUING OPERATIONS		
REVENUE		
Sale of mobile phones and related accessories	318,596	385,413
Wireless application service income	1,523	507
Total revenue	320,119	385,920
Cost of sales	(334,590)	(301,841)
Gross (loss)/profit	(14,471)	84,079
Other income and gains	123,074	202,229
Selling and distribution expenses	(80,344)	(99,444)
Administrative expenses	(124,535)	(98,175)
Other expenses	(84,893)	(69,602)
Finance costs	(27,149)	(18,102)
Share of (losses)/profits of:		
Joint ventures	(12,837)	(451)
Associates	10,457	(29,301)
Loss before tax from continuing operations	(210,698)	(28,767)
Income tax expense	(27,436)	(40,103)
Loss for the period from continuing operations	(238,134)	(68,870)
DISCONTINUED OPERATION		
Profit for the period from a discontinued operation	–	2,943
Loss for the period	(238,134)	(65,927)
Basic and diluted for the period (2020 restated)	(HK3.11 cents)	(HK1.04 cents)
Basic and diluted for continuing operations (2020 restated)	(HK3.11 cents)	(HK1.08 cents)

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	Six months ended 30 June			
	2021		2020	
	Revenue HK\$ million (Unaudited)	% of total revenue	Revenue HK\$ million (Unaudited)	% of total revenue
Sale of mobile phones and related accessories	318.6	99.5	385.4	99.9
Wireless application service income	1.5	0.5	0.5	0.1
Total	320.1	100	385.9	100

The Group's unaudited revenue for the six months ended 30 June 2021 amounted to HK\$320.1 million, representing a decline of 17.1% as compared with HK\$385.9 million for the six months ended 30 June 2020. Although the Group announced its return to the PRC market at the end of 2020, the first half of 2021 was mainly in the time-consuming stages of resource integration, design and R&D and production of new products. The yearly first product, COOL 20 was officially launched on 25 May 2021. Moreover, due to the insufficiency of the front-end retail delivery system, the sales volume of the product has not improved to a great extent. Therefore, the product has yet to be able to make a significant contribution to the Group's financial performance in the first half of 2021.

GROSS (LOSS)/PROFIT

	Six months ended 30 June			
	2021		2020	
	Gross loss HK\$ million (Unaudited)	Gross loss margin	Gross profit HK\$ million (Unaudited)	Gross profit margin
Total	(14.5)	(4.5%)	84.1	21.8%

The Group's overall gross profit for the six months ended 30 June 2021 decreased substantially to a gross loss of HK\$14.5 million, representing a decrease of 117.2% as compared with a gross profit of HK\$84.1 million for the corresponding period in 2020. Its overall gross loss margin decreased to 4.5% in the six months ended 30 June 2021 as compared with a gross profit margin of 21.8% in the corresponding period of 2020. The decrease in gross profit was mainly due to tight upstream supply, resulting in a rise in cost of certain core raw materials and the ensuing increase in overall cost of sales, while the sales price of mobile phone orders in the US market (the main source of operating revenue of the Group in the first half of 2021) was fixed before the products were launched, and was thus difficult to adjust upwards.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Selling and distribution expenses (HK\$ million)	80.3	99.4
As a percentage of total revenue	25.1%	25.8%

Selling and distribution expenses of the Group decreased by HK\$19.1 million from HK\$99.4 million for the six months ended 30 June 2020 to HK\$80.3 million for the six months ended 30 June 2021. The selling and distribution expenses as percentage of revenue for the six months ended 30 June 2021 was 25.1%, decreasing by 0.7% compared with 25.8% for the corresponding period in 2020. The decrease of selling and distribution expense was primarily due to the fact that the Group has strived to controlled and reduce the sales channel-related expenses of the US market to minimize overall loss.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Administrative expenses (HK\$ million)	124.5	98.2
As a percentage of total revenue	38.9%	25.4%

Administrative expenses increased by HK\$26.3 million to HK\$124.5 million for the six months ended 30 June 2021 from HK\$98.2 million for the corresponding period in 2020. The administrative expenses as percentage of revenue for the six months ended 30 June 2021 was 38.9%, increasing by 13.5% compared with 25.4% for the corresponding period in 2020. The increase of administrative expenses as percentage of revenue was primarily due to the fact that the Group continued to focus on increasing investments in research and development during the first half of the year, including but not limited to creating a self-developed Cool OS operating system, and strived to lay a solid foundation for the internet business of the Group in the future.

INCOME TAX EXPENSE

For the six months ended 30 June 2021, the Group's income tax expenses for the period from continuing operations were HK\$27.4 million which was primarily due to the tax generated from the gain on disposal of a parcel of land and construction in progress.

NET LOSS BEFORE TAX FROM CONTINUING OPERATIONS

For the six months ended 30 June 2021, the Group recorded a net loss before tax from continuing operations of HK\$210.7 million, compared with the net loss before tax from continuing operations of HK\$28.8 million for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2021, operating capital was mainly generated from cash from its daily operation, borrowings and capital supports. 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 34% as at 30 June 2021 (31 December 2020: 64%).

Cash and cash equivalents of the Group as at 30 June 2021 amounted to HK\$1,174.7 million, while it was HK\$208.8 million as at 31 December 2020.

As at 30 June 2021, the Group had total debts (i.e. total borrowings) of approximately HK\$775.2 million, which were all denominated in RMB. The Group's borrowings are subject to floating rates ranging from 6.5% to 8% per annum with maturity periods within one year.

As at 30 June 2021, the Company had 10,802,399,220 ordinary shares of par value HK\$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

INVENTORY

For the six months ended 30 June 2021, the Group's inventory turnover days was 84.9 days (year ended 31 December 2020: 113.7 days).

TRADE RECEIVABLES

The trade receivables turnover days were 49.7 days for the six months ended 30 June 2021 (year ended 31 December 2020: 117.0 days).

TRADE PAYABLES

The trade payables turnover days were 134.5 days for the six months ended 30 June 2021 (year ended 31 December 2020: 198.0 days).

PLEDGE OF ASSETS

As at 30 June 2021, time deposits of approximately HK\$83.0 million in which (i) HK\$60.1 million were used as a pledge for issuance of letters of credit (31 December 2020: HK\$59.4 million); and (ii) HK\$22.9 million were used as a security for the banks to provide performance guarantees (31 December 2020: HK\$20.0 million).

As at 30 June 2021, the Group's investment in 20% of the shares of an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK\$24,320,000 were pledged as security for a shareholder loan of this associate.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL SUPPORT

On 8 March 2021, the Company completed an issuance of 666,000,000 ordinary shares at a subscription price of HK\$0.28 per share and successfully raised funds (after deduction of relevant expenses) of approximately HK\$186 million. Further details of the subscription are set out in the Company's announcement dated 3 February 2021.

On 28 June 2021, the Company completed the rights issue of 3,600,799,740 rights shares at a subscription price of HK\$0.28 per share (the "Rights Issue") and successfully raised funds (before expenses) of approximately HK\$1,008 million. Further details of the Rights Issue and its results were set out in the Company's prospectus dated 3 June 2021 (the "Rights Issue Prospectus") and the announcement dated 25 June 2021, respectively.

Saved as disclosed in this section, the Company has not conducted any equity fund raising activities during the six months ended 30 June 2021. The primary details of the equity fund raising activities are as follows:

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed HK\$ per Share	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds up to the date of 30 June 2021
28 June 2021	Rights issue on the basis of one (1) rights share for every two (2) existing shares held on the record date at HK\$0.28 per rights share	-	0.475	HK\$981 million	(i) Approximately 30% for the repayment of existing indebtedness of the Group during the year ending 31 December 2021. (ii) Approximately 50% for the expansion of the Group's business during the two years ending 31 December 2022, in particular the mobile business in the PRC (iii) Approximately 10% for the acquisition of and/or the investment in businesses that can take advantage of the Group's competitive edge when suitable opportunities arise, which is expected to be utilised in the two years ending 31 December 2022. (iv) Approximately 10% for the general working capital of the Group, of which 5% is expected to be utilised for each of the years ending 31 December 2021 and 2022, respectively.	As at 30 June 2021, the proceeds raised from the right issue has not been utilized. The Company intends to use the proceeds as stated in the Rights Issue Prospectus.
8 March 2021	Issue and allotment of 666,000,000 new ordinary shares at a subscription price of HK\$0.28 per share	Mr. Zhuo Kun	0.345	HK\$186 million	Business expansion, capital expenditures and general working capital of research, development, manufacturing and sale of smart phones	The net proceeds of HK\$186 million have been fully applied as intended and as disclosed in the announcement of the Company dated 3 February 2021, amongst which approximately HK\$102.3 million was utilized for general working capital of manufacturing and sale of smart phones, approximately HK\$10.3 million was utilized for capital expenditures and approximately HK\$73.4 million was utilized for daily operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's unaudited revenue for the six months ended 30 June 2021 amounted to HK\$320.1 million, representing a decline of 17.1% as compared with HK\$385.9 million for the six months ended 30 June 2020. In the first half of 2021, after returning to the domestic market, the Group was mainly in the stages of resource integration, design and R&D and production of new products, which required more time. The yearly first product, COOL 20 was officially launched on 25 May 2021. Moreover, the front-end retail delivery capacity was still insufficient, and the sales volume improvement was not obvious temporarily. Therefore, the product has yet to be able to make a significant contribution to the results of the first half of 2021. The Group's overall gross profit for the six months ended 30 June 2021 decreased substantially to a gross loss of HK\$14.5 million, representing a decrease of 117.2% as compared with a gross profit of HK\$84.1 million in the corresponding period of 2020. Its overall gross loss margin decreased to 4.5% in the six months ended 30 June 2021 as compared with a gross profit margin of 21.8% in the corresponding period of 2020. The decrease in gross profit was mainly due to tight upstream supply, resulting in a rise in cost of certain core raw materials and the ensuing increase in overall cost of sales, while the sales price of mobile phone orders in the US market (the main source of operating revenue of the Group in the first half of 2021) was fixed before the products were launched, and was thus difficult to adjust upwards. The Group's selling and distribution expenses as a percentage of total revenue was 25.1%, representing a decrease of 0.7 percentage points over the corresponding period in 2020, which was primarily because that the Group actively and effectively controlled sales channel expenses of the US market to minimize the effect of the losses. Administrative and research and development expenses as a percentage of revenue was 38.9%, representing an increase of 13.5 percentage points over the corresponding period in 2020, mainly because the Group continued to focus on increasing investments in research and development during the first half of the year, including but not limited to creating a self-developed Cool OS operating system, and strived to lay a solid foundation for the Internet business of the Company in the future. The Group's loss before tax from continuing operations was HK\$210.7 million in the first half of 2021, and the loss before tax from continuing operations in the corresponding period in 2020 was HK\$28.8 million. The Group's net loss amounted to HK\$238.1 million in the first half of 2021, representing an increase of HK\$172.2 million as compared with the net loss of HK\$65.9 million in the corresponding period in 2020. According to the interim report of the Group in 2020, the item of other income and gains in the interim condensed consolidated statement of profit or loss and other comprehensive income included a gain in fair value of investment properties of approximately HK\$157 million, while such change in fair value of investment properties had a smaller impact on profit or loss in the results for the six months ended 30 June 2021.

BUSINESS REVIEW

2021 is a pivotal year for Coolpad.

This year, we began to fully implement strategies in relation to our return to the PRC market. In the face of the severe COVID-19 outbreak in foreign countries, the Group has started to further reduce overseas operating costs since the end of last year to minimize loss. More importantly, Coolpad has started to rebuild its operation management team since the end of 2020. Moreover, we have developed new channels, products and brands, and started to firmly implement relevant strategies.

In regard to marketing channels, the Group began to increase its efforts in expanding marketing channels in the open market. On one hand, we actively collaborated with Jingdong, Tmall, Kwaihou and other online platforms, while actively developing our points of sale offline. On the other hand, we began to experiment new ways to enhance the efficiency of marketing channels in lower-tier cities.

In regard to our products, the yearly first new phone product developed by our newly built team – Coolpad COOL 20 – was launched on 25 May 2021. Despite being an inexpensive “hundred-yuan” phone priced at RMB699, this product is the first in the industry to offer a two-year warranty and a 90-day product return guarantee as part of our after-sales service, which more than doubles the industry’s after-sales service standards. Under the new “phone insurance” feature, phone users can be compensated up to RMB50,000 for any loss caused by telecommunications frauds in safe mode. Moreover, for the first time, our self-developed Cool OS operating system comes with the EROFS file system developed by an industry peer, which greatly enhances the system efficiency and user experience.

In regard to our brand, the new Coolpad upholds the philosophy of “paying tribute to hard work” and aims to create quality products and services for aspirers. Upon the new product launch and subsequent promotion on social media platforms, the Group has regained attention in the industry and among users.

When adjusting the Group’s strategies, we will inevitably face new challenges. Due to the insufficient upstream production capacity in the industry chain, sourcing costs are relatively high in general and gross profit is less than expected. Meanwhile, we have a relatively weak brand strength and an insufficient delivery capacity on the front-end of our retail business. Therefore, the increase in sales volume was insignificant.

On one hand, we have made our first step back to the PRC market. However, as we are still in the initial stage of development, time would be needed to test the effectiveness of the reformation of each business module. Nevertheless, our entire team is fully confident about the prospects of our new strategies. On the other hand, we understand that we have a heavy responsibility and a long way to go. We will therefore be well prepared to face the risks and challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

Looking ahead, we will continue to implement our new strategies, focus on the PRC market, and make creative changes to our marketing channels, products, and brand.

In regard to marketing channels, the Group will continue to speed up the establishment of our e-commerce system and the construction of our offline retail terminals, with an aim to constantly improve our operation management efficiency. In regard to products, in addition to constantly improving our self-developed Cool OS mobile phone operating system, we will also develop more 5G products, so as to expand our product portfolio by offering phones with different pricings and enhance the overall competitiveness of our products. In regard to our brand, we will continue to cultivate our brand in accordance with our philosophy of “paying tribute to hard work” and join hands with industry peers along the domestic supply chain to revitalize our national brands.

As the saying goes, good tools are prerequisite to the success of a job. To this end, the Company will continue to carry out digital transformation in all areas of our internal operations and improve our management efficiency. To enhance our long-term competitiveness, we will recruit outstanding IT talents worldwide to boost our vitality and improve the innovativeness of our R&D team. We aim to become a high-tech eco-enterprise that is favored by aspirers.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional foreign currency exchange risks. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue, cost of sales 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 2021.

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily related to its short-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 2021 amounted to approximately HK\$126.38 million (six months ended 30 June 2020: HK\$96.7 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 2021, the Group had 506 employees (31 December 2020: 604 employees).

SIGNIFICANT INVESTMENTS

Save as disclosed in this report, there were no significant investments held by the Group as at 30 June 2021.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code for securities transactions. All the Directors 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. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, the Group had no significant event after the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2021, 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 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 child	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share option	Total	Approximate % of the Company's issued share capital as at 30 June 2021
Mr. CHEN Jiajun	1	-	-	2,316,155,500	-	-	-	2,316,155,500	21.44
Mr. LIANG Rui	2	-	-	-	-	-	32,647,060	32,647,060	0.30
Mr. XU Yibo	2	4,500,000	-	-	-	-	30,470,589	34,970,589	0.32
Mr. MA Fei	2	-	-	-	-	-	13,058,819	13,058,819	0.12
Mr. LAM Ting Fung Freeman	2	-	-	-	-	-	2,285,295	2,285,295	0.02
Mr. NG Wai Hung	2	-	-	-	-	-	3,047,060	3,047,060	0.03
Mr. CHAN King Chung	2	662,400	-	-	-	-	1,958,824	2,621,224	0.02
Mr. HUANG Dazhan	2	288,000	-	-	-	-	1,958,824	2,246,824	0.02
Mr. XIE Weixin	2	384,000	-	-	-	-	1,958,824	2,342,824	0.02
Mr. GUO Jinghui	2	-	-	-	-	-	1,958,824	1,958,824	0.02

MANAGEMENT DISCUSSION AND ANALYSIS

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

Notes:

1. The 2,316,155,500 shares are directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and hold 100% shares of Great Splendid Holdings Limited. Therefore, Mr. Chen Jiajun is indirectly interested in the 2,316,155,500 shares of the Company.
2. 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 adopted by the Company on 23 May 2014. Due to the completion of the rights issue on 28 June 2021, the number of underlying shares of options held by the relevant Directors were adjusted.

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

As at 30 June 2021, 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 interested	Nature of interest	Total number of shares interested	Approximate % of issued share capital as at 30 June 2021
Mr. CHEN Jiajun	1	2,316,155,500	Interest in a controlled corporation	2,316,155,500	21.44
Mr. QIN Tao	2	772,500,000	Interest in a controlled corporation	904,128,472	8.37
		76,176,472	Interest of share option		
		55,452,000	Beneficial owner		
Mr. TU Erfan	3	903,696,000	Interest in a controlled corporation	903,696,000	8.37
Mr. ZHUO Kun	4	666,000,000	Beneficial owner	666,000,000	6.17
Great Shine Investment Limited	1	2,316,155,500	Beneficial owner	2,316,155,500	21.44
New Prestige Developments Limited	3	903,696,000	Beneficial owner	903,696,000	8.37
ALLOVE Group Limited	2	772,500,000	Beneficial owner	772,500,000	7.15
Zeal Limited	5	551,367,386	Beneficial owner	551,367,386	5.10

MANAGEMENT DISCUSSION AND ANALYSIS

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

Notes:

1. The 2,316,155,500 shares were directly held by Great Shine Investment Limited (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and hold 100% shares thereof. Therefore, Mr. Chen Jiajun is indirectly interested in the 2,316,155,500 shares of the Company.
2. The 772,500,000 Shares were directly held by Allove Group Limited which was ultimately wholly-owned by Mr. Qin Tao. The 55,452,000 shares were directly held by Mr. Qin Tao. Due to the completion of the rights issue on 28 June 2021, the number of underlying shares of options held by Mr. Qin Tao under the share option scheme adopted by the Company on 23 May 2014 were adjusted from 70,000,000 to 76,176,472.
3. The 903,696,000 shares were directly held by New Prestige Developments Limited which was ultimately wholly-owned by Mr. Tu Erfan. Therefore, Mr. Tu Erfan is indirectly interested in the 903,696,000 shares of the Company.
4. The 666,000,000 shares were directly held by Mr. Zhuo Kun.
5. The 551,367,386 shares were directly held by Zeal Limited, and Zeal limited was wholly owned by Shenzhen LETV Bridge Merger Acquisition Fund Investment Management Enterprise (Limited Partnership) (深圳市樂視鑫根併購基金投資管理企業(有限合夥)).

Save as disclosed above, as at 30 June 2021, 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 2021 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.

SHARE OPTION SCHEME

Name or category of participant	Number of share options				As at 28 June 2021 before adjustment	As at 28 June 2021 after adjustment	Expired/ lapsed during the period	Forfeited/ cancelled during the period	As at 30 June 2021	Date of grant of share options	Exercise period of share options	price of share options before completion of the Rights issue	exercise price of share options after completion of the Rights issue	Original Adjusted exercise price of share options immediately before the grant date of options	Price of the Company's listed shares immediately preceding the date of grant	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant
	As at 1 January 2021	Granted during the period	Exercised during the period	As at 28 June 2021												
Employees																
In aggregate – granted on 22 January 2015	200,000	-	-	-	-	-	-	-	-	22-01-15	22-1-17 to 22-1-21	1,492	-	1,490	1,492	1,492
In aggregate – granted on 13 November 2019	150,000,000	-	-	150,000,000	163,235,292	-	-	163,235,292	13-11-19	14-5-20 to 13-5-24	0.2242	0.2060	0.2060	0.218	0.2242	0.2242
In aggregate – granted on 13 November 2019	124,400,000	-	18,741,000	104,167,000	113,358,206	19,953,876	93,404,330	13-11-19	14-11-20 to 13-11-24	14-11-20 to 13-11-24	0.2242	0.2060	0.2060	0.218	0.2242	0.2242
In aggregate – granted on 8 April 2021	-	571,500,000	-	571,500,000	621,926,472	6,529,408	615,397,064	08-04-21	09-04-22 to 08-04-26	09-04-22 to 08-04-26	0.510	0.4686	0.4686	0.490	0.473	0.473
Subtotal	274,600,000	571,500,000	1,492,000	825,667,000	898,519,970	26,483,284	872,036,686									

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options	HK\$ per Share (Note 5)	Original Adjusted exercise price of share options before completion of the Rights issue	HK\$ per Share	Price of the Company's listed shares immediately before the grant date of options	HK\$ per Share	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant of options	
	As at 1 January 2021	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period	As at 28 June 2021 before adjustment									As at 28 June 2021 after adjustment
Directors															
In aggregate - granted on 22 January 2015															
Mr. Xu Yibo	2,000,000	-	-	2,000,000	-	-	-	-	-	-	-	1,492	-	1,490	1,492
In aggregate - granted on 16 October 2015															
Mr. Xu Yibo	10,000,000	-	-	-	10,000,000	10,882,353	16-10-15	16-10-17 to 22-1-21 (Note 4)	1,620	1,4886	1,600	1,576			
In aggregate - granted on 13 November 2019															
Mr. Liang Rui	30,000,000	-	-	-	30,000,000	32,647,060	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242			
Mr. Xu Yibo	12,000,000	-	-	-	12,000,000	13,058,824	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242			
Mr. Ma Fei	8,000,000	-	-	-	8,000,000	8,705,879	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242			

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options	HK\$ per Share (Note 5)	Original Adjusted exercise price of share options before completion of the Rights issue	HK\$ per Share	Price of the Company's listed shares immediately before the grant date of options	HK\$ per Share	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant of options	HK\$ per Share
	As at 1 January 2021	Granted during the period	Expired/ lapsed during the period	Forfeited/ cancelled during the period	As at 28 June 2021 before adjustment due to the completion of the rights issue	As at 28 June 2021 after adjustment due to the completion of the rights issue									
Mr. Lam Ting Fung Freeman	2,800,000	-	700,000	-	2,100,000	2,285,295	2,285,295	-	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242	
Mr. Ng Wai Hung	2,800,000	-	-	-	2,800,000	3,047,060	3,047,060	-	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242	
Dr. Huang Dazhan	1,800,000	-	-	-	1,800,000	1,958,824	1,958,824	-	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242	
Mr. Xie Weixin	1,800,000	-	-	-	1,800,000	1,958,824	1,958,824	-	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242	
Mr. Chan King Chung	1,800,000	-	-	-	1,800,000	1,958,824	1,958,824	-	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242	
Mr. Guo Jinghui	1,800,000	-	-	-	1,800,000	1,958,824	1,958,824	-	13-11-19	14-5-20 to 13-5-24 (Note 3)	0.2242	0.2060	0.218	0.2242	
Subtotal	62,800,000	-	700,000	-	62,100,000	67,579,414	67,579,414	-							

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options							Date of grant of share options	Exercise period of share options	Rights issue of options	Original Adjusted exercise price of share options before completion of the Rights issue	Price of the Company's listed shares immediately before the grant date of options	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant of options
	As at 1 January 2021	Granted during the period	Expired/ lapsed during the period	Forfeited/ cancelled during the period	As at 28 June 2021 before adjustment due to the completion of the rights issue	As at 28 June 2021 after adjustment due to the completion of the rights issue	As at 30 June 2021						
In aggregate - granted on 8 April 2021							(Note 1)						
Mr. Xu Yibo	-	6,000,000	-	-	6,000,000	6,529,412	08-04-21	09-04-22 to 08-04-26	0.510	0.4686	0.490	0.473	
Mr. Ma Fei	-	4,000,000	-	-	4,000,000	4,352,940	08-04-21	09-04-22 to 08-04-26	0.510	0.4686	0.490	0.473	
Subtotal	-	10,000,000	-	-	10,000,000	10,882,352							
Subtotal	74,800,000	10,000,000	700,000	2,000,000	82,100,000	89,344,119							
Total	349,400,000	561,500,000	2,192,000	2,200,000	907,767,000	987,864,089							

SHARE OPTION SCHEME (continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised a year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
3. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised half a year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
4. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised two years after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
5. The exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option.
6. The fair value of the share options granted on 8 April 2021 was HK\$127,930,000 (HK\$0.22 each).
7. The fair value of the 571,500,000 options granted to the employees on 8 April 2021 was HK\$125,380,000 (HK\$0.22 each).
8. The fair value of the 10,000,000 options granted to the Directors during on 8 April 2021 was HK\$2,550,000 (HK\$0.26 each). The fair value of each such option so granted to the Directors on 8 April 2021 was identical.

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

There is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate governance. The Board continuously observes the principles of good corporate governance in the interests of Shareholders and devotes considerable effort identifying and formalizing the best practice. During the Reporting Period, the Company had reviewed its corporate governance documents and the Board is of the view that the Company had fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENTS

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

For and on behalf of
Coolpad Group Limited
CHEN Jiajun
Chairman

Hong Kong, 24 August 2021

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

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	320,119	385,920
Cost of sales		(334,590)	(301,841)
Gross (loss)/profit		(14,471)	84,079
Other income and gains	4	123,074	202,229
Selling and distribution expenses		(80,344)	(99,444)
Administrative expenses		(124,535)	(98,175)
Other expenses		(84,893)	(69,602)
Finance costs		(27,149)	(18,102)
Share of (losses)/profits of:			
Joint ventures		(12,837)	(451)
Associates		10,457	(29,301)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	(210,698)	(28,767)
Income tax expense	6	(27,436)	(40,103)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(238,134)	(68,870)
DISCONTINUING OPERATION			
Profit for the period from a discontinued operation		–	2,943
LOSS FOR THE PERIOD		(238,134)	(65,927)
Attributable to:			
Owners of the Company		(238,134)	(65,927)
Non-controlling interests		–	–
LOSS FOR THE PERIOD		(238,134)	(65,927)

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

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD		(238,134)	(65,927)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		2,111	9,355
Share of other comprehensive income/(loss) of:			
Joint ventures		2,301	(3,774)
Associates		8,807	(264)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		13,219	5,317
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(224,915)	(60,610)
Attributable to:			
Owners of the Company		(224,919)	(60,607)
Non-controlling interests		4	(3)
		(224,915)	(60,610)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8	HK cents	HK cents
Basic and diluted for the period (2020 restated)		(3.11)	(1.04)
Basic and diluted for continuing operations (2020 restated)		(3.11)	(1.08)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	354,163	305,048
Investment properties		2,327,774	2,287,583
Right-of-use assets		88,459	89,951
Intangible assets		5,415	6,867
Investments in joint ventures		177,785	188,321
Investments in associates		286,948	265,717
Financial assets at fair value through profit or loss	18	44,121	86,935
Other non-current assets		2,123	2,804
Deferred tax assets		420	470
Total non-current assets		3,287,208	3,233,696
CURRENT ASSETS			
Inventories		134,009	181,568
Trade receivables	10	71,944	104,906
Bills receivable	11	–	3,373
Prepayments, deposits and other receivables		374,465	299,889
Amounts due from associates	17	3,052	3,170
An amount due from a joint venture	17	–	7,937
Pledged deposits		82,974	79,427
Cash and cash equivalents		1,174,687	208,773
		1,841,131	889,043
Assets classified as held for sale		–	198,777
Total current assets		1,841,131	1,087,820
CURRENT LIABILITIES			
Trade payables	12	247,093	252,755
Bills payables	13	27,704	–
Other payables and accruals		1,190,372	1,500,899
Interest-bearing bank and other borrowings	15	540,813	534,670
Lease liabilities		1,967	3,562
Amounts due to associates	17	45,911	43,578
An amount due to a joint venture	17	1,785	1,764
Amounts due to related parties	17	272,631	167,225
Tax payable		116,410	114,731
Total current liabilities		2,444,686	2,619,184

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Note</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NET CURRENT LIABILITIES		(603,555)	(1,531,364)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,683,653	1,702,332
NON-CURRENT LIABILITIES			
Lease liabilities		2,618	3,518
Deferred tax liabilities		383,816	375,514
Other non-current liabilities		21,604	4,447
Total non-current liabilities		408,038	383,479
Net assets		2,275,615	1,318,853
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	108,024	65,334
Reserves		2,167,188	1,253,120
Non-controlling interests		2,275,212	1,318,454
		403	399
Total equity		2,275,615	1,318,853

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
At 1 January (Audited)	1,318,454	708,002
Total comprehensive loss for the period attributable to owners of the Company	(224,919)	(60,607)
Issue of shares	1,195,195	26,000
Share issue expenses	(28,068)	–
Equity-settled share option arrangements	14,550	9,638
At 30 June – equity attributable to owners of the Company	2,275,212	683,033
Non-controlling interests	403	219
At 30 June – total equity (Unaudited)	2,275,615	683,252

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash flows used in operating activities	(186,373)	(118,291)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	677	1,907
Purchases of items of property, plant and equipment	(72,400)	(98,285)
Additional payment in respect of premium of a parcel of land	(134)	(23,309)
Proceeds from disposal of items of property, plant and equipment	1,057	145
Additional investment in an associate	(1,007)	–
Purchase of a financial asset at fair value through profit or loss	(19,402)	–
Proceeds from disposal of a financial asset at fair value through profit or loss	3,624	1,368
Advance received in respect of a disposal of a subsidiary	–	353,608
Cash transferred to restricted bank deposits	(22,819)	(13,334)
Cash transferred from restricted bank deposits	20,192	10,933
Net cash flows (used in)/generated from investing activities	(90,212)	233,033
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,195,195	26,000
Share issue expenses	(28,068)	–
New bank and other borrowings	–	299,662
Repayment of bank and other borrowings	–	(316,832)
New borrowings from a related party	143,810	–
Repayment of borrowings to a related party	(48,416)	–
Principal portion of lease payments	(2,602)	(5,014)
Interest paid	(18,922)	(3,487)
Net cash flows generated from financing activities	1,240,997	329
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	208,773	297,420
Effect of foreign exchange rate changes, net	1,502	(5,184)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	1,174,687	407,307
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,174,687	228,465
Cash and cash equivalents as stated in the statement of financial position	1,174,687	228,465
Cash attributable to a discontinued operation	–	178,842
Cash and cash equivalents as stated in the statement of cash flows	1,174,687	407,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE AND GROUP INFORMATION

Coolpad Group Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company (the “Company”) is Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) are wireless solution and equipment providers. During the period, the Group continued to focus on the production and sale of mobile phones and accessories, and the provision of wireless application services.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Going concern basis

For the six months ended 30 June 2021, the Group incurred a net loss of HK\$238 million and the Group recorded net current liabilities of HK\$604 million as at 30 June 2021. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Taking into account the successful completion of a placement and a rights issue as of 30 June 2021, the available unutilized loan facilities from a related party of the Group and the bank facilities provided by a reputable financial institution, the Directors are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had an interest-bearing bank borrowing denominated in RMB based on the Loan Prime Rate ("LPR") as at 30 June 2021. Since the interest rates of this borrowing were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rate of this borrowings is replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of this borrowing when the "economically equivalent" criterion is met.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

- (b) Amendments to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any significant impact on the financial position and performance of the Group as no lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic.

3. OPERATING SEGMENT INFORMATION

	Mobile phone HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 30 June 2021			
Segment revenue (note 4)			
Sales to external customers	320,119	–	320,119
Other revenue and gains	90,781	31,616	122,397
Total	410,900	31,616	442,516
Segment results	(201,241)	19,177	(182,064)
<i>Reconciliation:</i>			
Interest income			677
Finance costs (other than interest on lease liabilities)			(26,931)
Share of losses of joint ventures			(12,837)
Share of profits of associates			10,457
Loss before tax from continuing operations			(210,698)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

	Mobile phone HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 30 June 2020			
Segment revenue (note 4)			
Sales to external customers	385,920	–	385,920
Other revenue and gains	32,260	167,522	199,782
Total	418,180	167,522	585,702
Segment results	(150,223)	166,289	16,066
<i>Reconciliation:</i>			
Interest income			1,835
Finance costs (other than interest on lease liabilities)			(17,528)
Gain on disposal of investments in associates			612
Share of loss of a joint venture			(451)
Share of losses of associates			(29,301)
Loss before tax from continuing operations			(28,767)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively.

	Mobile phone HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets			
At 30 June 2021 (Unaudited)	886,672	2,344,465	3,231,137
At 31 December 2020 (Audited)	868,027	2,288,271	3,156,298
Segment liabilities			
At 30 June 2021 (Unaudited)	1,459,459	22,280	1,481,739
At 31 December 2020 (Audited)	1,743,717	7,162	1,750,879

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Non-current assets

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Mainland China	3,238,546	3,133,731
Overseas	2,339	10,113
	3,240,885	3,143,844

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	318,596	385,413
Wireless application service income	1,523	507
	320,119	385,920

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customer

For the six months ended 30 June 2021

Segments	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China	45,321
Overseas	274,798
Total revenue from contracts with customers	320,119
Timing of revenue recognition	
Goods and services transferred at a point of time	320,119
Total revenue from contracts with customers	320,119

For the six months ended 30 June 2020

Segments	Total HK\$'000 (Unaudited)
Geographical markets	
Mainland China	30,246
Overseas	355,674
Total revenue from contracts with customers	385,920
Timing of revenue recognition	
Goods and services transferred at a point of time	385,920
Total revenue from contracts with customers	385,920

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS (continued)

Other income

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	677	1,835
Gross rental income from investment property operating leases:		
Fixed lease payments	31,616	10,278
Government grants and subsidies*	10,147	20,316
Fair value gains on investment properties	–	157,244
Gain on disposal of a parcel of land and construction in progress	63,230	–
Foreign exchange gain	11,834	–
Others	5,570	12,556
	123,074	202,229

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	315,844	273,644
Depreciation of property, plant and equipment	9,163	10,015
Amortisation of patents and licences*	1,528	700
Depreciation of right-of-use assets	2,636	5,926
Research and development costs:		
Expenditure for the period*	74,288	97,783
Minimum lease rental expense in respect of short-term leases*	1,190	901
Interest expense recognised related to lease liabilities	218	574
Gain on disposal of a parcel of land and construction in progress	(63,230)	–
Write-down of inventories to net realisable value ^{&}	18,746	28,197
Recognition of equity-settled share option expense	14,550	9,638
Gain on disposal of investments in associates	–	(612)
Loss on disposal of items of property, plant and equipment [#]	183	110
Impairment of financial assets, net [#]	15,736	7,305
Fair value losses on financial assets at fair value through profit or loss, net [#]	58,908	38,978
Fair value gains on investment properties	–	(157,244)

* Included in "Administrative expenses" in profit or loss

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

Included in "Other expenses" in profit or loss

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

6. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made (2020: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group's subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs and other property development expenditures. The Group has made and included in taxation a provision for land appreciation tax according to the requirements set forth in the relevant tax laws and regulations.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current		
Corporate income tax	9,862	151
Land appreciation tax*	13,427	–
Deferred	4,147	39,952
Total tax charge for the period from continuing operations	27,436	40,103
Total tax charge for the period from a discontinued operation	–	2,046
	27,436	42,149

* On 25 April 2019, the Group entered into an agreement with Xi'an Hi-Tech Industrial Development Zone in respect of the disposal of a certain parcel of land and the construction in progress held by Xi'an Coolpad Equipment with a transaction price of RMB236,293,000 (equivalent to HK\$283,979,000). The relevant transfer procedures were completed in February 2021.

7. DIVIDEND

The Directors did not recommend the payment of any interim dividends for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$238,134,000 (six months ended 30 June 2020: a loss of HK\$65,927,000), and the weighted average number of ordinary shares of 7,664,572,666 in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 6,349,315,768 (restated)), as adjusted to reflect the rights issue during the six months ended 30 June 2021.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2021 in respect of a dilution as the impact of the share option outstanding had no dilution effect on the basic loss per share amount presented.

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation:		
From continuing operations	(238,134)	(68,870)
From a discontinued operation	–	2,943
Loss for the purposes of basic and diluted loss per share	(238,134)	(65,927)

	Number of shares Six months ended 30 June	
	2021	2020 (Restated)*
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	7,664,572,666	6,349,315,768

* The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the period ended 30 June 2020 has been restated to reflect the impact of the rights issue of the Company on 28 June 2021. Further details are set out in note 14 to the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets at a cost of HK\$55,643,000 (six months ended 30 June 2020: HK\$153,254,000).

Assets with a net book value of HK\$1,240,000 were disposed of by the Group during the six months ended 30 June 2021 (30 June 2020: HK\$255,000), resulting in a net loss on disposal of HK\$183,000 (six months ended 30 June 2020: a loss of HK\$110,000).

During the six months ended 30 June 2021, no impairment loss (six months ended 30 June 2020: Nil) was recognised for assets carried at historical cost.

10. TRADE RECEIVABLES

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	75,087	100,229
4 to 6 months	1,658	2,777
7 to 12 months	2,866	5,192
Over 1 year	306,530	302,310
Less: Impairment	386,141 (314,197)	410,508 (305,602)
	71,944	104,906

11. BILLS RECEIVABLE

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	-	3,373

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	132,278	159,905
4 to 6 months	30,129	15,677
7 to 12 months	8,494	8,564
Over 1 year	76,192	68,609
	247,093	252,755

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

13. BILLS PAYABLES

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	27,704	–

The bills payables as at 30 June 2021 are non-interest-bearing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

14. SHARE CAPITAL

On 8 March 2021, a total of 666,000,000 shares were allotted and issued by the Group to a subscriber at the subscription price of HK\$0.28 per subscription share, resulting in the issue of 666,000,000 shares for a total consideration, before expenses, of HK\$186,480,000.

On 28 June 2021, 3,600,799,740 new right shares of HK\$0.01 each were allotted and issued at a price of HK\$0.28 per share on the basis of one new rights share for every two existing shares held on 2 June 2021 (the "Rights Issue"). The proceeds of HK\$36,008,000 representing the par value were credited to the Company's share capital and the remaining proceeds of HK\$972,216,000, before expense, were credited to the share premium account. Further details of the Rights Issue are set out in the prospectus dated 3 June 2021 and the announcement dated 25 June 2021 issued by the Company.

The subscription rights attaching to 2,192,000 share options were exercised at the subscription price of HK\$0.224 per share, resulting in the issue of 2,192,000 shares for a total cash consideration, before expenses, of HK\$491,000. An amount of HK\$153,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Current		
Bank loans – secured	300,451	297,039
Other borrowings – secured	240,362	237,631
	540,813	534,670

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for construction in progress	2,024,513	2,037,825
Capital contributions payable to certain associates and an unlisted investment measured at fair value	24,036	23,763
	2,048,549	2,061,588

17. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Amounts due from associates (i)	3,052	3,170
An amount due from a joint venture (ii)	–	7,937
	3,052	11,107
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Amounts due to associates (i)	45,911	43,578
An amount due to a joint venture (iii)	1,785	1,764
Amounts due to other related parties (iv)	272,631	167,225
	320,327	212,567

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

17. RELATED PARTY TRANSACTIONS (continued)

(a) Balances with related parties (continued)

- (i) Amounts due from/to associates represented the trade receivables from and the deposits and advances payable to associates which arose from in the course of the Group's operation.
- (ii) The amount due from a joint venture as at 31 December 2020 were non-trade in nature except for the amount due from a joint venture amounting to HK\$1,378,000, which is related to the sale of fixed assets.
- (iii) An amount due to a joint venture represented the payable for the capital injection of Chuangku New Material Technology (Shenzhen) Co., LTD pursuant to the articles of association. This balance is unsecured, interest-free and has no fixed terms of repayment.
- (iv) The balance represented:
 - (a) an amount due to Kingkey Property Management Co., Ltd. for the property management service expense amounting to HK\$18,610,000 as at 30 June 2021, which is unsecured, interest-free and has no fixed terms of repayment and;
 - (b) the loan and related interest due to Kingkey Group amounting to HK\$254,021,000 as at 30 June 2021, which is unsecured, on demand at an annual interest rate of 6.5%.

Kingkey Group is an associate of Great Shine Investment Limited, a substantial shareholder of the Company, and therefore a related party of the Group. Kingkey Property Management Co., Ltd. is a subsidiary of Kingkey Group.

(b) Transactions with related parties

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Associates:		
Purchase of service	1,696	–
Service income	–	1,014
Other related parties:		
Loan arrangement (i)	143,810	–
Interest expense (i)	7,735	8,011
Management service expense (ii)	8,645	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

17. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

- (i) In 2018, Kingkey Group has agreed to provide a loan with a maximum amount of no more than RMB500 million to the Group for corporate operation with a term of 12 months at an annual interest rate of 6.5%. In 2019 and 2020, the loan arrangement was extended to 20 May 2021 and further extended to a date no later than 31 December 2022. The specific due date after extension is subject to further negotiation between both parties according to their own capital needs. Up to 30 June 2021, the accumulated loan amount drawn down by the Group was HK\$234,352,000 and the associates interest expense recognised for the current period amounted to HK\$7,735,000.
- (ii) Commencing from 1 September 2020, the Group purchases the property management service from Shenzhen Kingkey Property Management Co., Ltd. The purchase price of the management service is RMB 25 per month per square meter and other extra service expense. Property management service expense were made according to the prevailing market rates charged by independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity.

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 below:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	4,954	9,757
Pension scheme contributions	391	909
Equity-settled share option expense	2,468	1,233
Total compensation paid to other key management personnel	7,813	11,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Financial assets				
Financial assets included in prepayments, deposits and other receivables, non-current portion	1,782	2,447	1,782	2,447
Financial assets at fair value through profit or loss	44,121	86,935	44,121	86,935
	45,903	89,382	45,903	89,382
Financial liabilities				
An amount due to a related party	254,021	157,431	254,021	157,431
Interest-bearing bank and other borrowings	540,813	534,670	540,813	534,670
	794,834	692,101	794,834	692,101

Management has assessed that the fair values of trade and bills receivables, the current portion of financial assets included in prepayments, deposits and other receivables, amounts due from associates, an amount due from a joint venture, pledged deposits, cash and cash equivalents, trade and bill payables, financial liabilities included in other payables and accruals, an amount due to a joint venture, amounts due to associates and an amount due to a related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The valuation process and results are discussed with the chief financial officer twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables, 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 changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings and an amount due to a related party as at 30 June 2021 was assessed to be insignificant.

For the fair value of the unlisted equity investments at fair value through profit or loss estimated using market-based valuation technique, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	1.40% to -1.40% (31 December 2020: 1.40% to -1.40%)	1% (31 December 2020: 1%) increase/decrease in multiple would result in increase/decrease in fair value by approximately HK\$33,000 (31 December 2020: HK\$33,000)
		Discount for lack of marketability	1.93% to -1.93% (31 December 2020: 1.93% to -1.93%)	1% (31 December 2020: 1%) increase/decrease in multiple would result in decrease/increase in fair value by approximately HK\$46,000 (31 December 2020: HK\$46,000)
	Asset-based approach	Net assets	N/A	N/A

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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 2021

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Financial assets at fair value through profit or loss	–	–	44,121	44,121

As at 31 December 2020

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (Level 1) HK\$'000 (Audited)	Significant observable inputs (Level 2) HK\$'000 (Audited)	Significant unobservable inputs (Level 3) HK\$'000 (Audited)	
Financial assets at fair value through profit or loss	2,056	–	84,879	86,935

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Fair value hierarchy (continued)

Assets measured at fair value (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
At 1 January	84,879	342,530
Addition	19,402	281,709
Total losses recognised in the statement of profit or loss, net	(60,476)	–
Disposal	–	(491,695)
Transfer to level 1	–	–
Exchange realignment	316	(597)
At 30 June	44,121	131,947

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities measured at fair values

As at 30 June 2021

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Interest-bearing bank and other borrowings	–	300,451	240,362	540,813
An amount due to a related party	–	254,021	–	254,021
	–	554,472	240,362	794,834

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Fair value hierarchy (continued)

Liabilities measured at fair values (continued)

As at 31 December 2020

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (Level 1) HK\$'000 (Audited)	Significant observable inputs (Level 2) HK\$'000 (Audited)	Significant unobservable inputs (Level 3) HK\$'000 (Audited)	
Interest-bearing bank and other borrowings	–	297,039	237,631	534,670
An amount due to a related party	–	157,431	–	157,431
	–	454,470	237,631	692,101

19. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.