

Coolpad Group Limited (HKSE:2369.HK)

2016 Interim Results Corporation Presentation

August, 2016

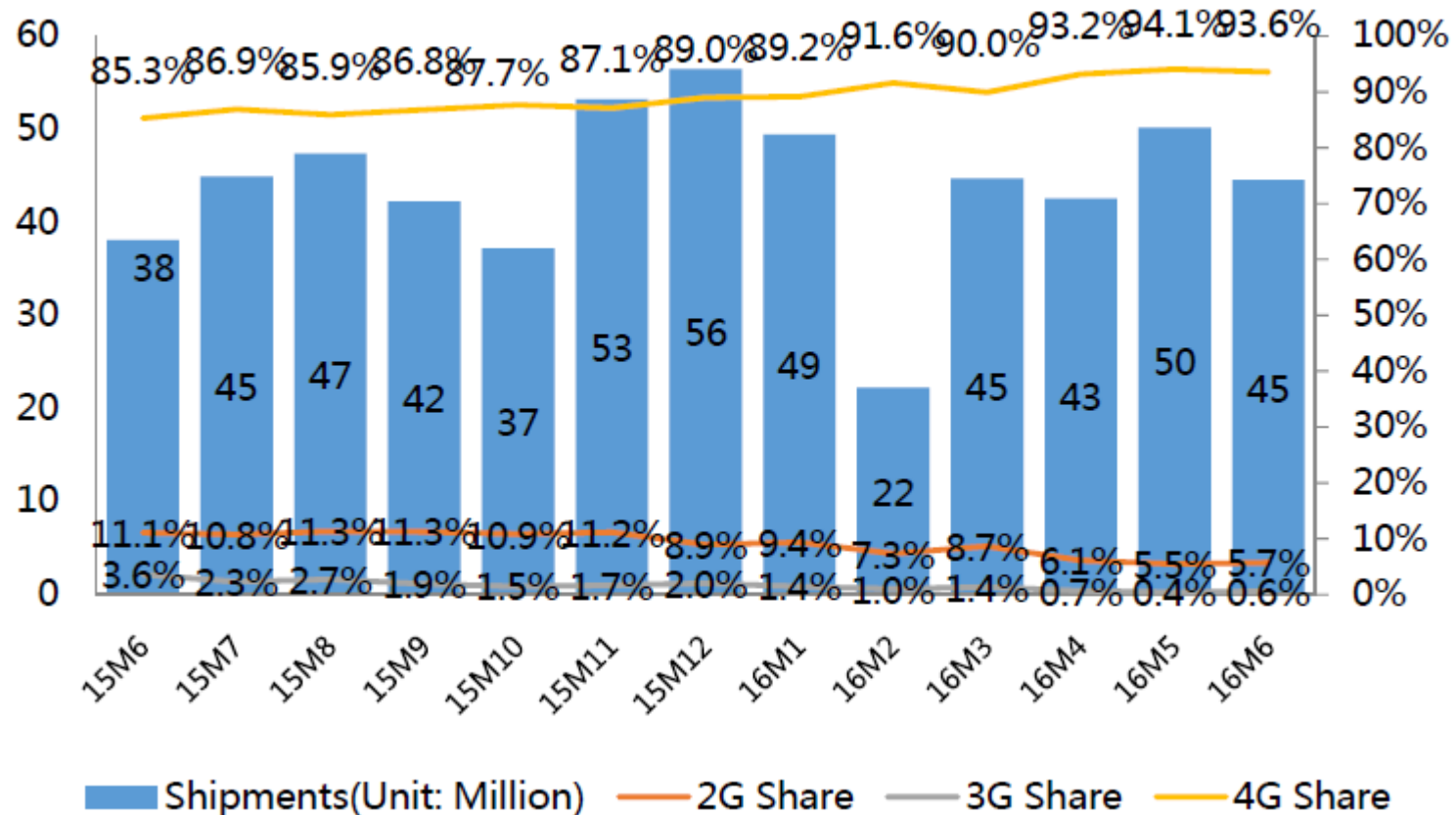


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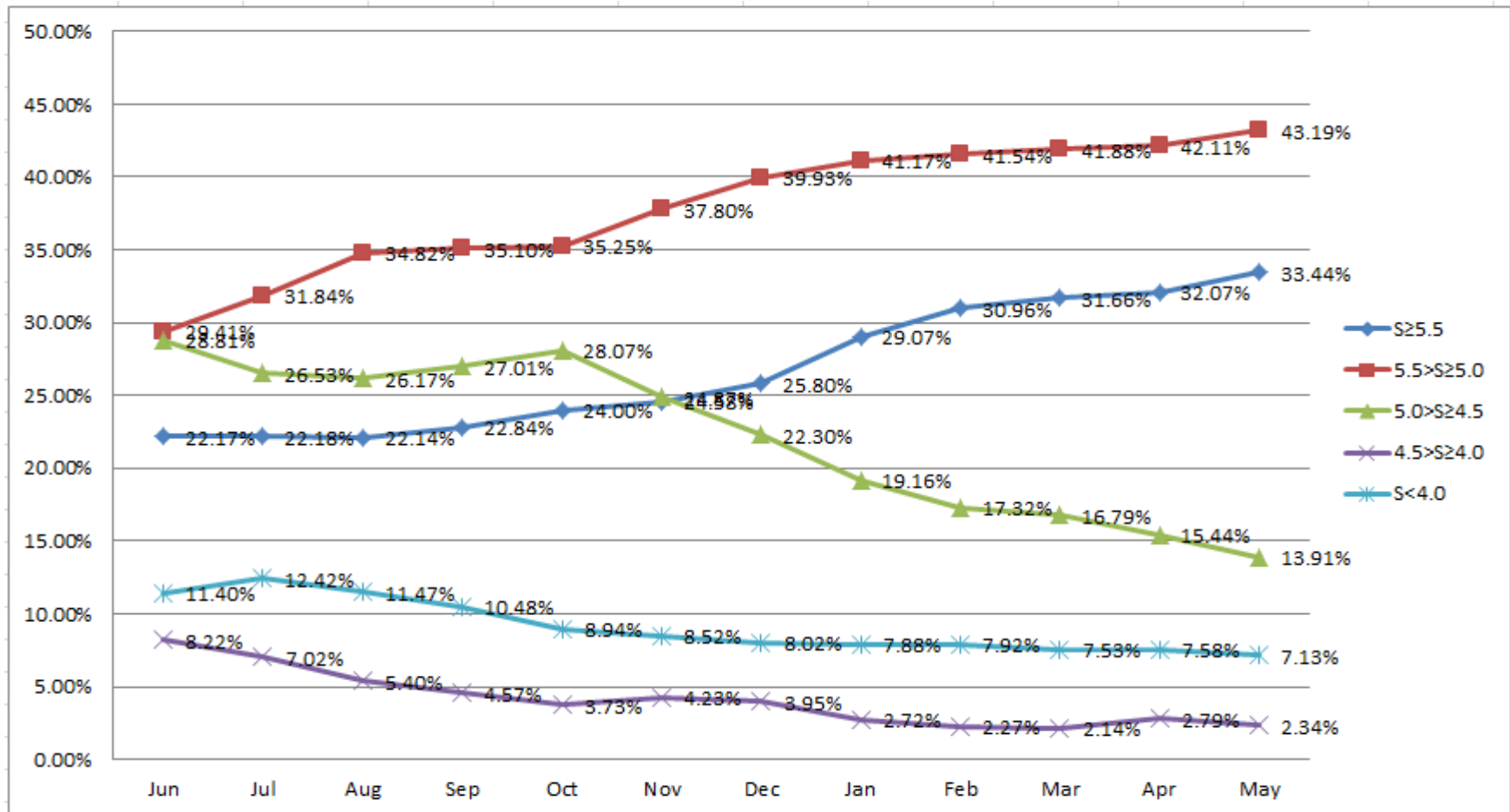
The growth of the smartphone market

The number of smartphone shipment units in Mainland China increased 7.1% year-on-year in 1H2016. The percentage of 4G smartphone was much higher than 2G & 3G



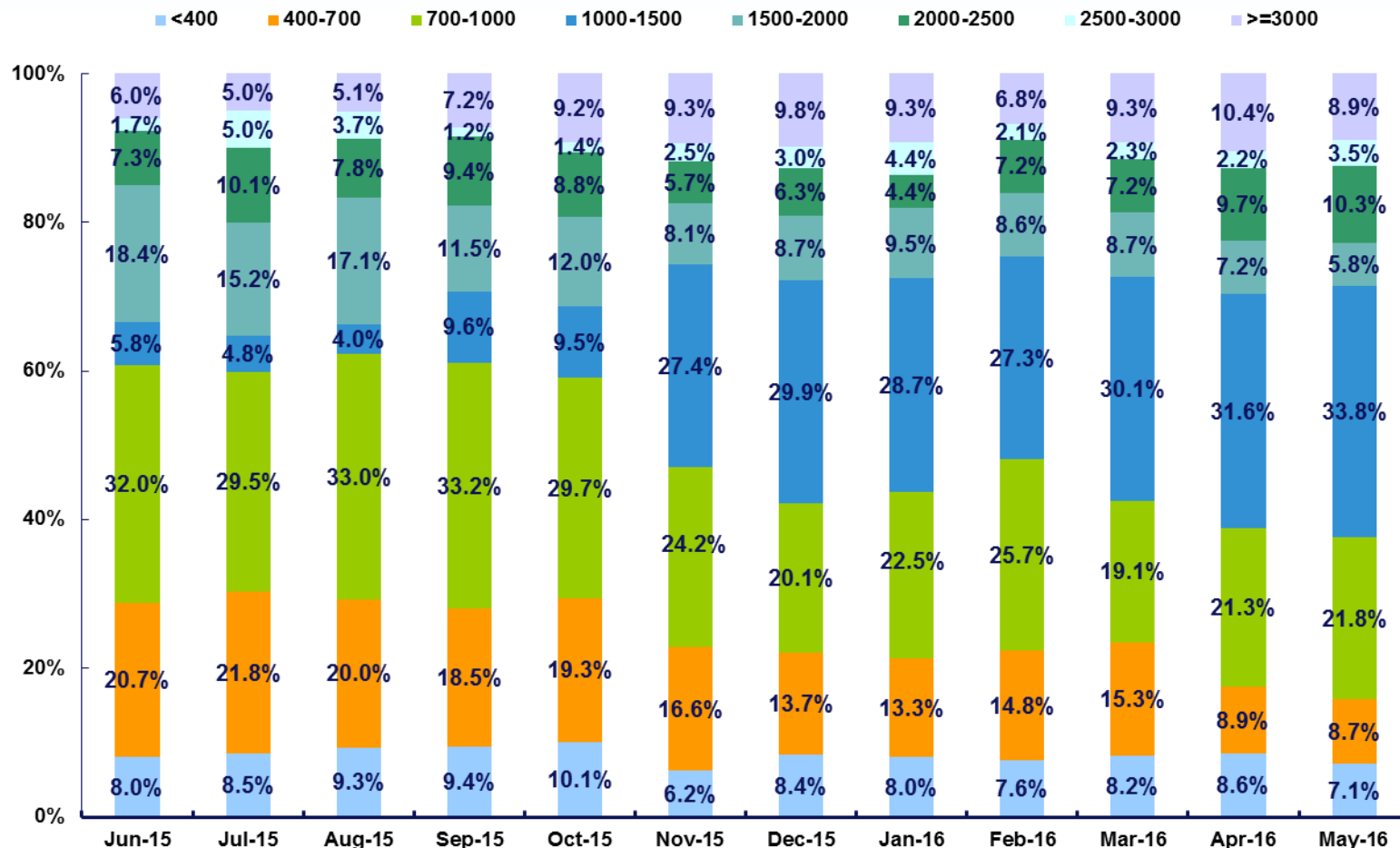
The trend of market share by screen size in China

Since bigger screen brings a better user experience in gaming and video, the market share of smartphones with 5-inch screen and above accounts up to 76.63% and increases steadily



The trend of smartphone price in online market

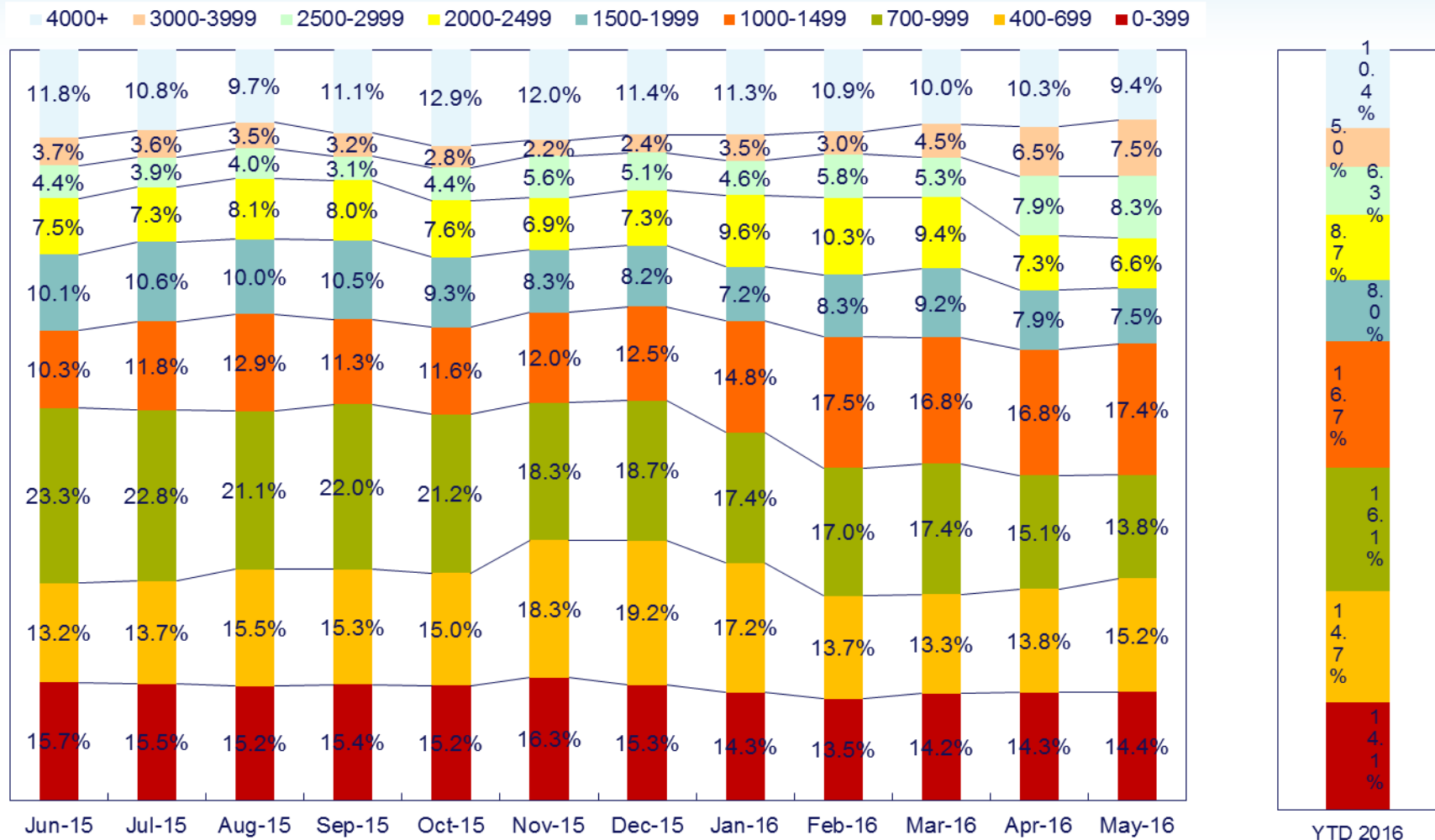
Smartphones within RMB price range of 1000-1500 accounts for the largest market share in online market



Source: Sino Research Market Ltd.

The trend of smartphone price in offline market

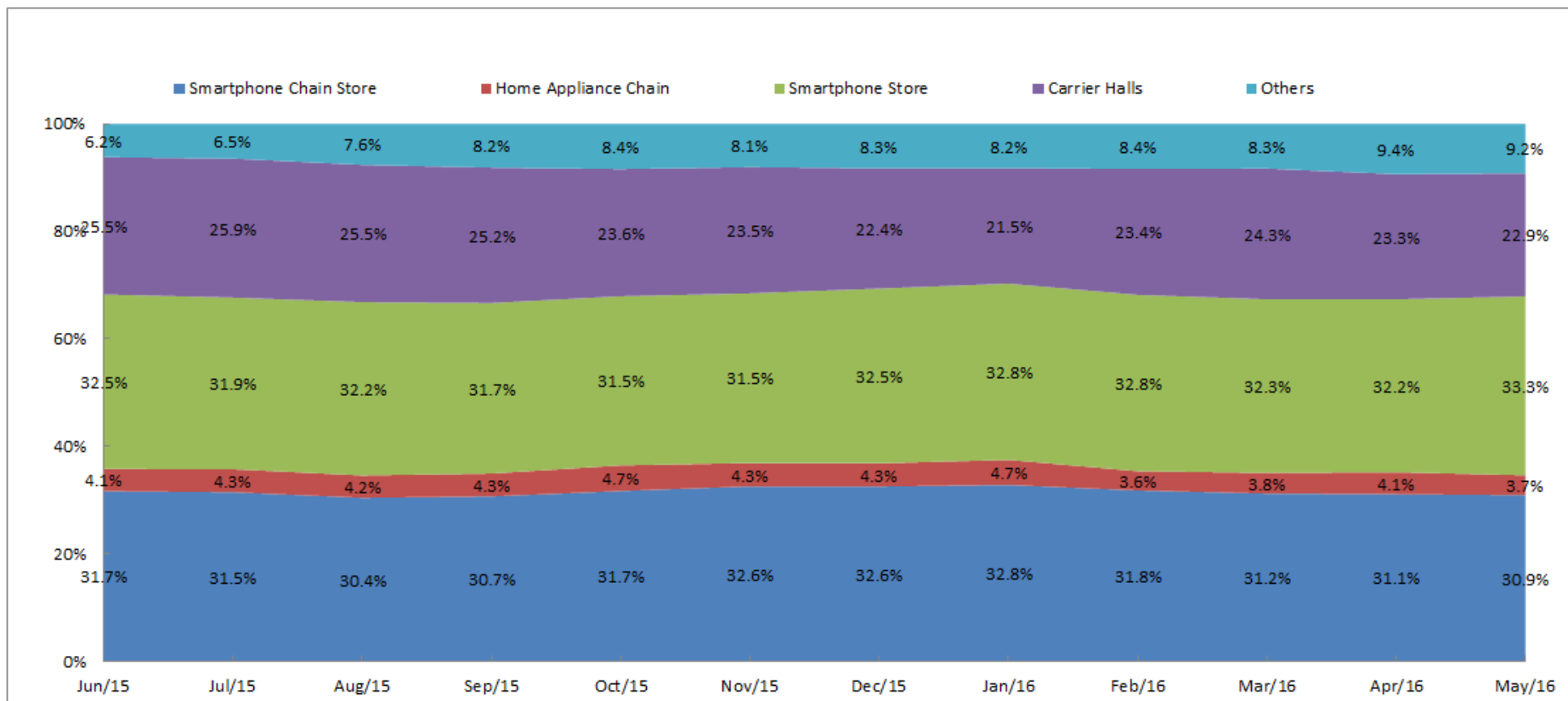
Mid-end smartphones can ensure a good balance between cost and user experience



Source: Sino Research Market Ltd.

The trend of market share in offline channel

The sales in retail open channel is still accounting for the largest part of offline channel and is enlarging steadily.



Company Introduction









China's leading 4G smartphone developer & supplier

- An **innovative** wireless telecom product company with **core technologies**
- Owns famous smartphone brands (*Coolpad, ivvi, Cool series*)
- **Leads in** China's 4G smartphone market with new models of **all-network**
- Strategic cooperations with Internet companies to focus on **the mobile Internet business** under the notion of opening and sharing
- Provides **Coolcloud solution** in the PMCC (Personal, Mobile, Cloud, Computing)
- **Outstanding R&D capabilities** in mobile's software & hardware design
- **Diversified sales channels** in the smartphone market
- A key member of **LeEco**

Asia's Fab 50 Companies

Forbes Asia's Fab 50 Companies

2015 RANKING

0									
f Share									
0									
320									
in Share									
reddit									
0									
Submit									
		China Zhenyong Auto Services	Hong Kong	\$1.4 B	\$5 B	Specialty Stores			
		Coolpad Group	China	\$1.2 B	\$3.2 B	Telecommunications Equipment			
		Cosmos Pharmaceutical	Japan	\$2.8 B	\$3.7 B	Drugstore Chains			
		CP All	Thailand	\$12.3 B	\$11 B	Food Retail			
		CWT	Singapore	\$0.9 B	\$12 B	Trucking			
		Goertek	China	\$7.1 B	\$2.1 B	Electronic Components			
		Great Wall Motor	China	\$14.9 B	\$9.9 B	Motor Vehicles			
		Gree Electric Appliances	China	\$23 B	\$22.7 B	Electronics/Appliances			

The Group debuted on the **Asia's Fab 50 Companies** in 2015, owing to the initial success of the 4G strategy and expanding overseas market

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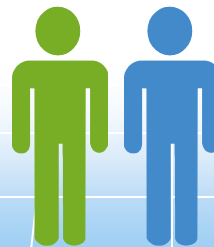
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Investment highlights

- Mobile Internet
- Brand Image
- Sales Channels

Investment Highlights

- Strong R&D Team
- Rich 4G Products
- Intellectual Property



Provide every individual with the privilege to enjoy the extravagant experience of using integrated terminal of wireless data solutions

Building a strong mobile Internet ecosystem

The Group's experience in the smartphone business and LeEco's reserves in software/content will create a unique competitive edge in providing high-quality hardware together with rich content

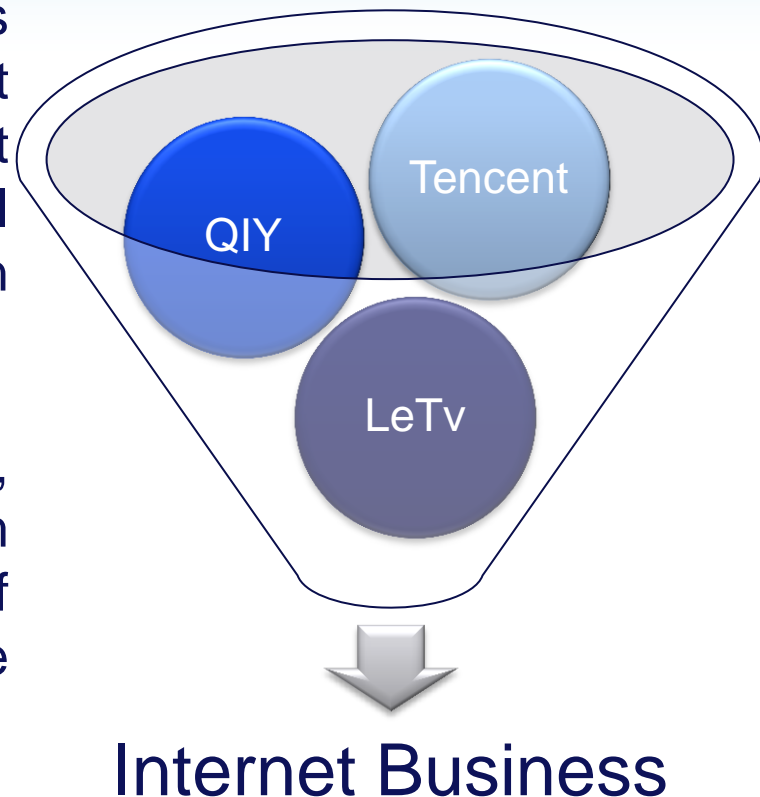
The Group will have an unique advantage of LeEco content comparing to other smartphone vendors, which will bring users different mobile Internet experience



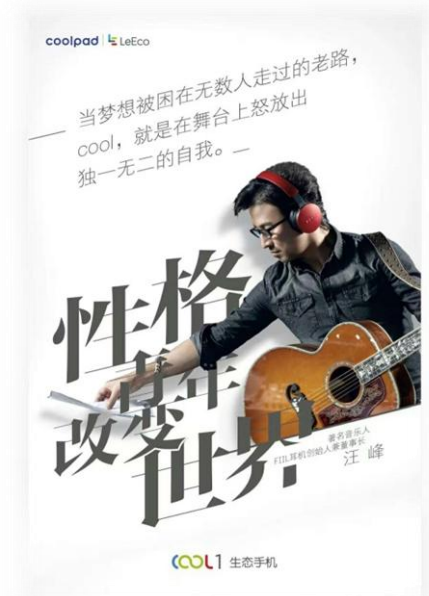
Strengthen the operation of Internet business

The Group endeavors to bring users better experience of mobile Internet through the cooperation with Internet parties after regaining the full control of the Internet Related Business on 24 April 2016

Through the internet related business, the Group will keep long-term interaction with the users instead of the one-off sale of the products like before



Continuous brand image building



The Group put much more continuous investment into brand image building and received satisfactory result

Diversified sales channels to boost sales growth



Carriers channel



Retail open channel



**Overseas market
including USA, India, Southeast Asia, Europe**



Online channel

The Group owns diversified sales channels to cover different consumers

Strive to raise online sales to a new high level



The Group has successfully built official B2C store, landed official flagship store into JD and Tmall platform and cooperated with LeTV Mall to serve more consumers



Owning strong R&D capabilities



Possesses the global R&D teams concentrating on **cutting-edge technologies** to keep core competencies

Joined the **IMT 2020(5G) Promotion Group**, and participated in the projects of 5G in Mainland China



Rich 4G smartphones mix

The Group provides rich handset mix with latest innovative feature and extraordinary design to meet different consumers' demand



Coolpad



Cool

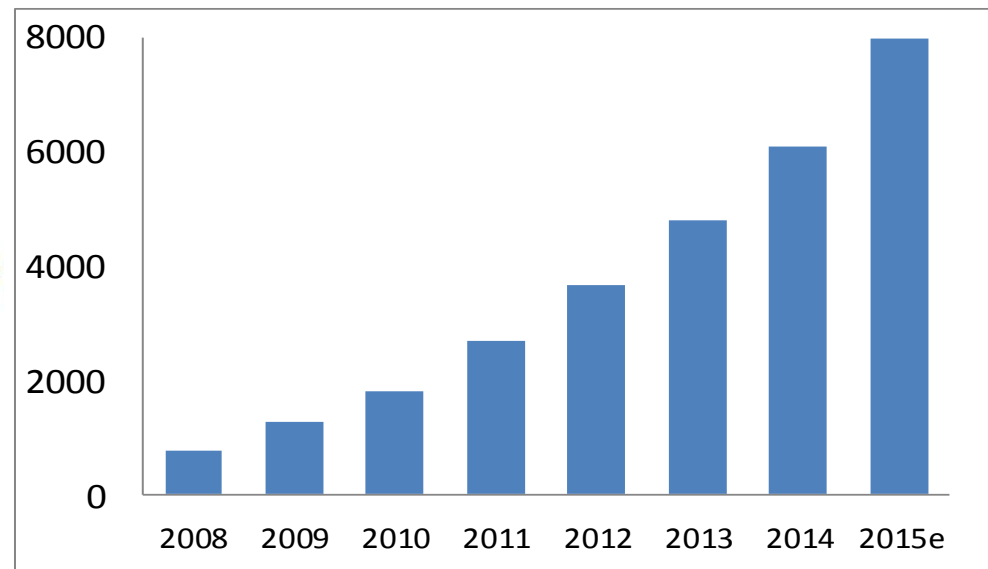


ivvi

Intellectual property rights

Being the member of key international/domestic standards organizations, such as IETF, 3GPP, IMT2020, and CCSA, and participate in the stipulation of **some network standards**

Apply patents and keep conducting research in various fields, such as **5G, D2D technology, LAA technology, TSC technology, the internet of vehicle**



Number of patents (including both patents granted and patents applied)

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Financial performance

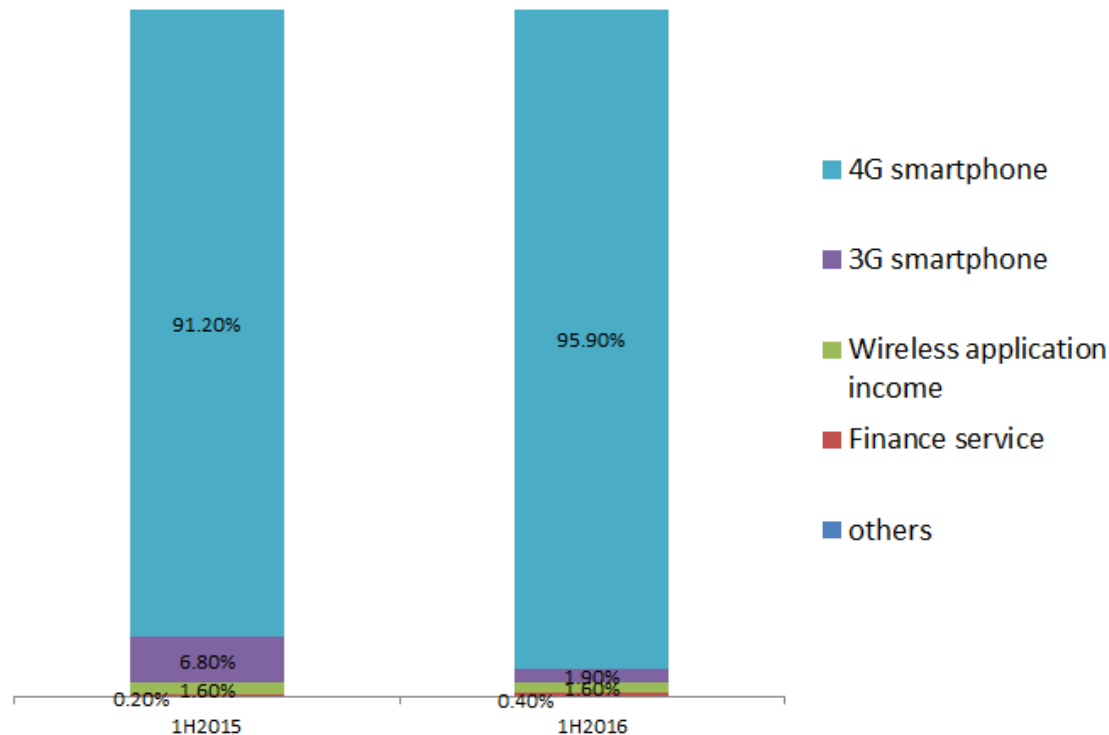
<i>HK\$'000</i>	1H2016	1H2015	Change (%)
Revenue	5,277,394	8,782,787	↓39.91%
Profit before tax*	(2,071,178)	2,869,783	↓172.17%
Tax	(1,248)	(32,602)	↓96.17%
Net profit attributable to owners of the Company	(2,053,124)	2,842,841	↓172.22%
Basic earnings per share (HK cents)	(40.90)	57.33	↓171.34%
Gross profit margin (%)	13.5	12.7	↑0.8ppt
%S&D	7.3	5.5	↑1.8ppt
%G&A	7.7	5.6	↑2.1ppt
Proposed final dividend per share (HK cent)	-	-	-

* The profit before tax included a loss on disposal of certain interest in a joint venture of the Group.

Revenue

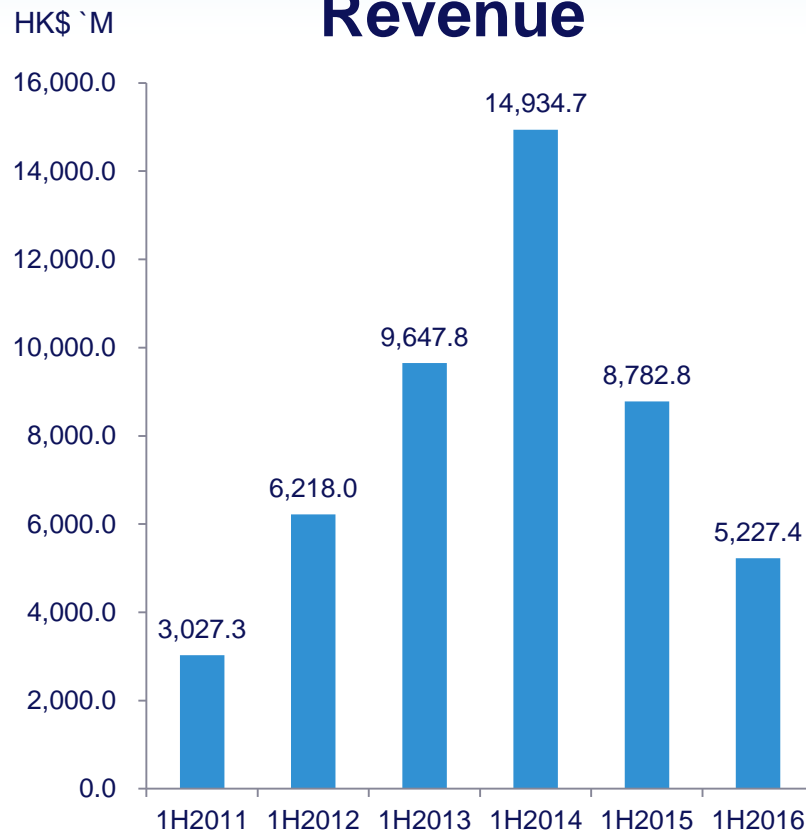
The revenue of **4G Smartphone** contributed **95.9%** of the total revenue in 1H2016

The percentage of 3G smartphone revenue declined to 1.9% as the Group ceased to release new 3G models in 1H2016.



Recent 6 years' revenue in 1H

Revenue

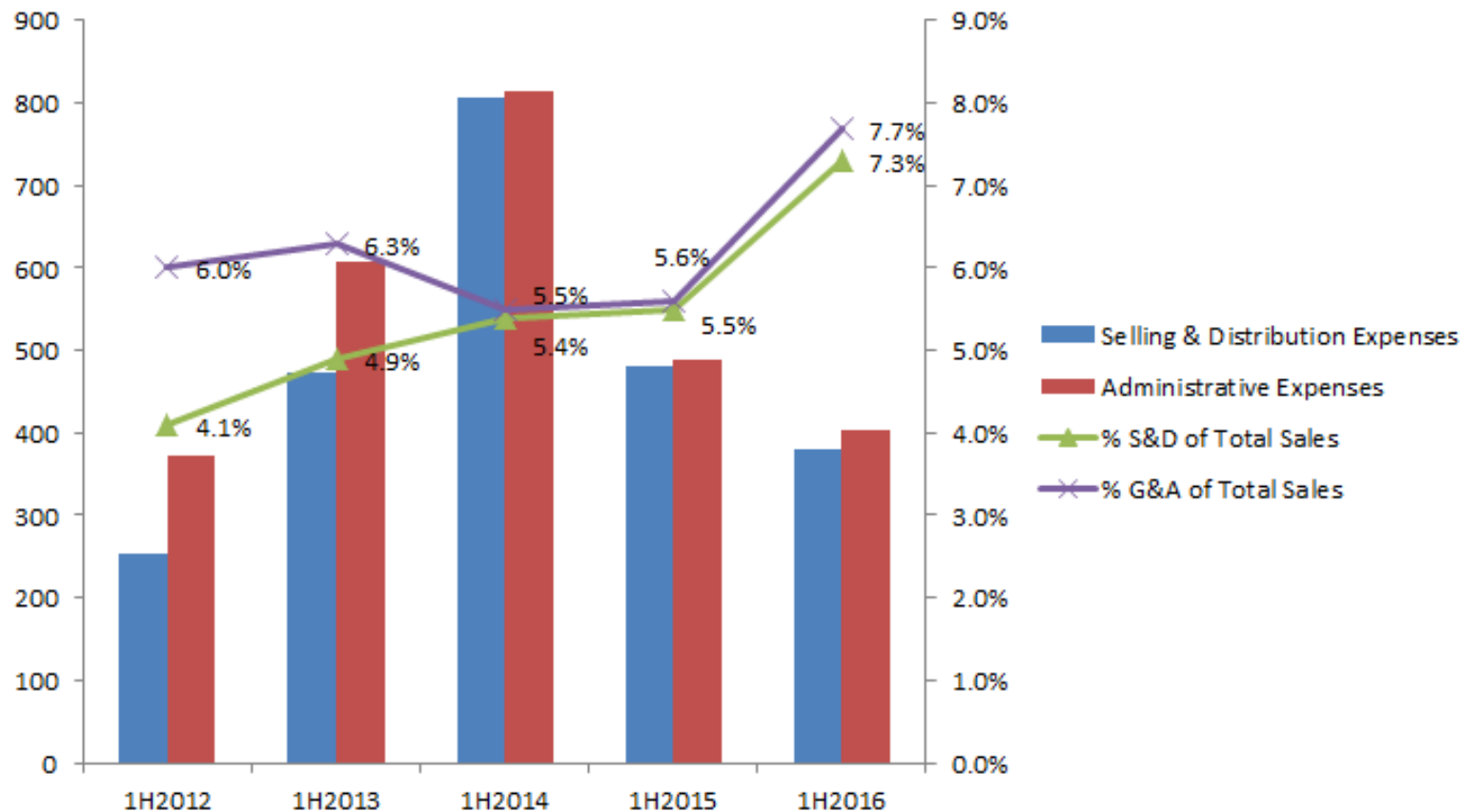


Revenue declined by 39.9% to HK\$5,227.4 million in 1H2016 compared with that of 1H2015

The decline was mostly due to **the restructuring** of the Group's business units and **fierce competition** in the industry

Stable operational efficiency

SG&A decreased to HK\$ 781.8 million in 1H2016. The SG&A ratio increased 3.9ppt YoY from 11.1% to 15.0% in 1H2016, due to the process of restructuring



Balance sheet summary

	1H2016	2015A
Cash & Cash Equivalents (HK\$'M)	2,231.5	2,516.0
Receivable Turnover Days	51.7	56.2
Payables Turnover Days	57.9	55.5
Inventory Turnover Days	54.5	61.7
Total Debt/ Book Equity	0.9	0.9
Gearing Ratio (%)	33.3	36.4

The balance sheet of the Group is healthy, and free cash flow is relatively strong

Change of the Group's equity interests in CE

Transaction 1: On 16 December 2014, the Group entered into a share subscription agreement with Tech Time to allot 900 shares of Coolpad E-commerce Inc. ("CE") to Tech Time. Upon completion of the transaction, the Group's equity interest in CE was lowered from 100% to 55%.

Transaction 2: On 25 May 2015, the Group entered into an equity transfer agreement with Tech Time to transfer 4.5% of the equity interest of CE to Tech Time. Upon completion of the transaction, the Group's equity interest in CE was decreased to 50.5%.

Transaction 3: On 18 September 2015, the Group, Tech Time and CE entered into a share adjustment agreement. Upon completion of this transaction, the Group's interest in CE was further diluted from 50.5% to 25%.

Change of the Group's interest in CE

Financial Impact

Transaction	Equity Interests in CE	Change in Net Asset (HK\$'million)	Accounts in financial statements	Completion Date
Transaction 1	100%→55%	1,774	Equity	April 2015
Transaction 2	55%→50.5%	2,635	Profit or loss	May 2015
Transaction 3	50.5%→25%	(1,890)	Profit or loss	April 2016
Total		2,519		

Upon completion of the three transactions, the Group recorded a credit of HK\$2,519 million in aggregate to its net assets

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Future growth strategies



Being an important member of LeEco, the Group will leverage the rich resources of content and software from LeEco to acquire more attention and brand premium in the future.

Future growth strategies

The Group is becoming one of the key members of LeEco, being the important terminals part/access point of the whole ecosystem

With the ultimate goal to build a LeEco with “Platform + Content + Terminals + Applications”, LeEco will inject its content and software into the Coolpad’s handset, thereby creating add-valued to the Group and attaining a win-win situation.

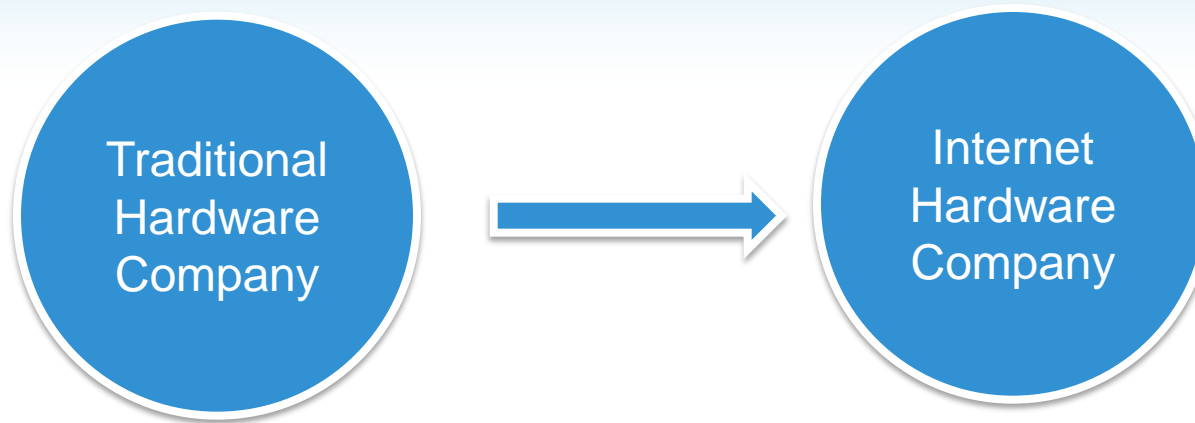


Future growth strategies



The Group and LeEco will share supply chain resources, R&D techniques, sales channels and others that can make both respective advantages complementary to each other

Future growth strategies



With the business integrating with LeEco and increasing online sales, as well as further expanding in Internet business, the Group will turn itself into an **Internet hardware company** operating both hardware and software at the same time, which will bring higher software revenue and lift gross margin to a new high level

Future growth strategies



Keep enhancing brand image and awareness all around the world.

Future growth strategies



Improve R&D capability and optimize the operating system and mobile applications of the smartphone to further improve user experience

Thank You !

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