



Coolpad Reports 47.6 % YOY Growth in Net Profit to HK\$514 million

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Implements Strategic Business Restructuring with A Focus on Three-Pronged Sales Channels

Financial Summary (Audited)

(HK\$'000)	Year Ended 31 December		
	2014	2013	Change (%)
Revenue	24,900,471	19,623,652	↑26.9
Gross Profit	3,015,459	2,530,019	↑19.2
Profit for the Year Attributable to Owners of the Company	512,855	348,547	↑47.1
Earnings per Ordinary Share (2013 restated):			
- Basic	HK11.94 cents	HK8.29 cents	↑44.0
- Diluted	HK11.69 cents	HK8.12 cents	↑44.0

(Hong Kong, 24 March 2015) – **Coolpad Group Limited** (“Coolpad” or the “Group”) (stock code: 2369), China’s leading provider of smartphones and integrated wireless data solutions, announced its audited annual results for the year ended 31 December 2014.

In 2014, the 4G industry still managed to grow further despite the slowdown in economic growth in China and the highly competitive domestic smartphone market. Despite the challenging operating environment, Coolpad’s revenue climbed by 26.9% to HK\$24.9 billion in 2014. Gross profit increased by 19.2% year-on-year to HK\$3.02 billion while gross profit margin declined by 0.8 percentage points to 12.1%, mainly attributable to the more severe competition in the 4G smartphone market in the second half of 2014 and the impact of the subsidy cut by the telecommunications operators for smartphones. Profit for the year attributable to owners of the Company amounted to approximately HK\$513 million, an increase of 47.1% year-on-year. Basic and diluted earnings per share were HK11.94 cents and HK11.69 cents respectively.

Mr. Guo Deying, Chairman of Coolpad Group Limited, said, “In 2014, both the Chinese and global smartphone markets maintained their expansion, which has driven growth for Coolpad. Although market competition in China’s smartphone market continued to be strong, we nonetheless maintained our leadership position in China’s 4G smartphone market riding on our R&D capability in advanced 4G technologies and comprehensive supply chain. Meanwhile, the sales channels of the smartphone market in Mainland China substantially changed in 2014. The smartphone sales through the e-commerce channel increased much faster during the year, and the proportion of sales through this channel rose significantly. Facing the challenging operating environment, we have promptly and effectively executed a business transformation and laid a solid foundation for the Group’s healthy and long term growth through restructuring of the business units (BU) and strategic cooperation with Qihoo 360 to explore the mobile Internet business.

Product Development

Under the development strategy of “Coolpad LTE for All” in 2014, the Group researched and developed more 4G new models in line with the roadmap of the new products, leveraging its advanced R&D capability in 4G technology and solid supply chain. In 2014, the Group launched several 4G new models, and maintained leadership advantages in the 4G smartphone market in Mainland China.

During 2014, the Group launched the 1,000-yuan three-mode 4G smartphone in Mainland China, enabling more users to enjoy the faster 4G network and a superior experience using the mobile Internet. Meanwhile, the Group was also the first provider of the thousand-yuan smartphone supporting five-mode ten-band, and the first dual-standby TD 4G smartphone provider in Mainland China. The new flagship Magview line effectively guaranteed user information security through its "dual-system and hard-isolation" security technology. It was also bolstered by a number of other features including but not limited to appearance, design, hardware configuration (dual 13MP rear camera, 2K display) and system optimization. The models of Dazen (a new smartphone brand of the Group sold through the E-commerce channel) offered more powerful features exceeding the expectations of Dazen fans and Internet users alike.

Business Restructuring – Three-pronged thrust focusing on telecommunications operators’ channel, E-commerce channel and open retail channel

The Group has completed the BU restructuring in 2014. After the restructuring, the smartphone business of the Group has been divided into four BUs: three domestic BUs including Coolpad in the telecommunications operators channel, Dazen in the E-commerce channel, and ivvi in the open retail channel as well as one overseas BU. According to the SINO-MR report, Dazen has vaulted into the Top 3 positions among the domestic brands in the smartphone E-commerce channel in Mainland China for the year of 2014, while the development of ivvi sold through the open retail channel was progressing smoothly. The Group was cooperating closely with a number of provincial tier-1 distributors as of the end of 2014. For the purpose of exploring the mobile Internet business, the Group plans to set up a joint venture (“JV”) under the Dazen brand with Qihoo 360, a leading Internet company in China, combining the complementary strengths of the two companies and benefitting from the market opportunities arising from 4G technology and the mobile Internet.

The Group was engaged in strengthening its R&D capability and bringing users a better smartphone experience during 2014. A new R&D center was set up in Nanjing for recruiting talent in central and eastern China. The Group has not only kept researching and developing 4G smart terminals, but has also started the work on the next-generation 5G technology and its smart terminals. It has also been participating in the projects of the wireless and network technology working group of the IMT 2020(5G) Promotion Group in Mainland China, while at the same time adapting and differentiating the functions and features of the Android operating system, thereby providing the special user-friendly CoolUI user interface in its new models.

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As the advance of technologies has accelerated, the Group has responded quickly and rolled out the new models based on the top hardware platforms. Through outstanding design, larger screens, solid WiFi performance and increased responsiveness, the users could enjoy a superior smartphone experience. Through the strong R&D capabilities and the close collaboration with the components suppliers, the Group has speeded up the smartphone upgrade cycle, and incorporated the top components into its products, such as the OIS technology camera, 64-bit chipsets, and the dual 13 MP rear-facing camera.

The Group executed delicacy sophisticated management techniques in order to improve general operational efficiency in order to control the overall cost in 2014. Refining management was a necessary and critical process to cope with the fierce competition in Mainland China's smartphone market. The Group embarked on a series of measures to improve its administrative efficiency and internal operating process during the reporting period which contributed to its success in 2014. The first phase of the reconstruction plan of the Group in Shenzhen had already started in 2014.

The four BUs will operate autonomously in different sales channels in the future. The Coolpad brand will still focus on the telecommunications operators' channel and the Group will strengthen the close cooperation with the domestic and overseas telecommunications operators. The Dazen brand will focus on the online channel and emphasize the development of the mobile Internet business. The ivvi brand will focus on the retail open channel, and be sold through the provincial distributors. The new Dazen and ivvi models will be more user-centric and with far fewer models than before. A nice added personal touch will also be provided to the users, such as the individualized messages inscribed on the cover as requested.

Mr. Guo concluded, "Looking ahead, the Group will execute the strategy of "LTE for All" guided by the concept of opening and sharing, as it broadens the sales channels in Mainland China and leverages its innovative capability and expertise to satisfy a diverse range of consumer needs to enhance our core competitive strengths and leading position in the 4G smartphone market. The R&D resources of the Group will be exclusively allocated to the 4G products and the development of the mobile application services is to be based on 4G products. We will strive diligently to achieve another new record performance in 2015 through developing innovative technologies guided by a philosophy of hard-work and facilitated by our capability to quickly respond to the market demands and formulate differentiated product positioning."

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About Coolpad Group Limited

Coolpad Group Limited (Formerly known as China Wireless Technologies Limited) was founded in 1993, and was listed on the Main Board of the Stock Exchange of Hong Kong in December 2004. The Group is a leading developer and provider of integrated solutions for smartphones, mobile data platform systems and value-added business operations in China. The Group provides its products and services to enterprises, government organisations and mobile operators as well as individual consumers in China. The Group has developed advanced research and development capabilities in mobile communications. Its “Coolpad” brand has become a renowned leader in China’s smartphone market.

For Enquiries:

Strategic Financial Relations (China) Limited

Winnie Lau (852) 2864 4876 winnie.lau@sprg.com.hk

Coolpad Group Limited

Cao Yuanfu (86 755) 3302 3607 ir@yulong.com