

**Coolpad 酷派**

**Coolpad's Half-year Profit Reaches around HK\$2.84 billion**

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**Strengthen 4G Business and Capture Opportunities in Mobile Internet Ecosystem**

**Financial Summary (Unaudited)**

(HK\$'000)	For the Six Months Ended 30 June		
	2015	2014	Change
Revenue	<b>8,782,787</b>	14,934,734	-41.2%
Gross Profit	<b>1,113,865</b>	2,025,907	-45.0%
Profit Attributable to Owners of the Company*	<b>2,842,841</b>	412,862	+588.6%
Earnings per Share:			
- Basic	<b>65.93 cents</b>	9.71 cents	+579.0%
- Diluted	<b>64.50 cents</b>	9.46 cents	+581.8%

\*Net profit attributable to owners of the Company included a gain of HK\$2,657 million resulting from the disposal of certain interests in a subsidiary of the Group.

(Hong Kong, 21 August 2015) – **Coolpad Group Limited** (“Coolpad” or the “Group”) (stock code: 2369), China’s leading provider of smartphones and integrated wireless data solutions, announced its interim results for the six months ended 30 June 2015.

The Chinese smartphone market was affected by the weak economy, decreasing subsidies for smartphones and plummeting 4G smartphone prices during the period, so the Group’s average selling price and shipment dropped compared with last corresponding period. Revenue of the Group for the period declined by 41.2% to HK\$8.783 billion and gross profit amounted to HK\$1.114 billion. After including a gain of HK\$2,657 million from establishing a joint venture with Qihoo 360, the net profit attributable to owners of the Company rose 588.6% to HK\$2.843 billion. Basic and diluted earnings per share climbed to HK65.93 cents and HK64.50 cents respectively.

**Mr. Guo Deying, Chairman of Coolpad**, said, “Although the smartphone market in China was not as good as expected during the period, the Group’s first-mover advantage enabled it to build a solid foundation with Qihoo 360 and Leview Mobile for the exploration of the mobile internet business and establishment of a mobile internet eco-system. This will increase user loyalty and provide better service and resources for users. During the period, the Group continued to execute its 4G development strategy and has expanded into overseas markets. The Group also achieved recognition with its selection within Forbes’ 2015 Asia’s Fab 50 Companies for the first time.”

The Group has restructured the sales channels and divided its businesses into four business units (BU) in the year of 2014: Coolpad for the carriers channel, Dazen for the e-commerce channel, ivvi for the retail open channel, and the overseas sales channel. The four BUs operated smoothly during the reporting period, and achieved steady development in each segment. The performance of the four BUs in the first half of 2015 signified the initial success of the business restructuring of the Group.

### **Coolpad for the carriers channel**

During the reporting period, the smartphone sales in the carriers channel were still weak because of the impact of the ongoing cuts on subsidies on smartphones and slower implementation of 4G (especially in the progress of the Frequency Division Duplex Long Term Evolution (“FDD-LTE”). Coolpad brand sales declined in the first half of 2015 compared with the same period of 2014, but the shipments units of 4G smartphones increased in terms of the products mix. The smartphone market situation was the worst in the first quarter of 2015, however, it improved as sales of smartphones started to ramp up in the second quarter. The commercial licences of FDD-LTE were issued to two telecommunications carriers, China Unicom and China Telecom, in late February, which injected growth momentum into the 4G smartphone market in 2015 and spurred the sales of Coolpad 4G products. Coolpad launched the new Fengshang flagship model with fingerprint technology in the first half, which generated a favourable response from the users.

### **Dazen and Qiku for the e-commerce channel**

On 23 April 2015, the Company, Coolpad E-Commerce (a direct wholly-owned subsidiary of the Company) and Tech Time Development Limited (a wholly-owned subsidiary of Qihoo360) had completed the subscription agreement. So the joint venture (“JV”) with Qihoo has been set up devoted to the Dazen brand to explore the e-commerce channel. Later, the JV introduced another new brand, Qiku, targeting the higher price segment of its products while Dazen covered the lower price segment.

The JV has combined the advantages of the Group’s smartphone experience and Qihoo’s software and Internet experience to develop the mobile Internet business. Cooperation of the new team of the JV has been smoothly proceeding. In the first half of 2015, the shipment volume of Dazen increased much faster, benefiting from aggressive and effective Internet marketing.

For the purpose of exploring the potential of the mobile Internet business and constructing its ecosystem, the Group has not only partnered with Qihoo360, but is also planning to cooperate with Leview Mobile HK Limited, the second largest shareholder of the Group. Leveraging its strong smartphone research and development capability and mature supply chain, the Group could provide both the JV and Leview Mobile strong support for their products. Meanwhile, the content and mobile Internet businesses of the Group’s products could also become more diversified and richer. Given the low gross profit margin of smartphones because of the fierce market competition, the creation of the mobile ecosystem may bring the Group better and more sustainable profitability in the long term.

### **Ivvi for the retail open channel**

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

### **Overseas sales channel**

During the period, the Group has established close partnerships with several global telecommunications operators to further develop its telecommunications markets around the world. It has only been the Coolpad brand that has been mainly distributed overseas including the US, Europe and India through operators. Other brands including Dazen, Qiku and ivvi are set to hit the overseas markets very soon, in particular the emerging markets, through online and retail networks. The Group will enhance its marketing and promotion activities to strengthen the reputation of their brands around the world.

Meanwhile, the Group has continued to strengthen its R&D capability as it aims to bring users the best smartphone experience. The Group has not only kept researching and developing smart terminals of the present 4G technology, but has also started work on the next 5G technology and its smart terminals. The Group has also focused on delicacy management. A series of measures were taken to improve its administrative efficiency and internal operating procedures during the reporting period. These measures have been a great aid to the success of the Group in the massive smartphone market.

Looking ahead, the Group expects that the smartphone market growth will improve in the second half of the year. There will be two major factors supporting the growth of the smartphone market. The first one will be the more active promotion of FDD-LTE after the issue of the commercial FDD-LTE licenses. The second one will be the better network coverage of the TDD-LTE and FDD-LTE along with a reduction in the network tariffs, which could spur users to upgrade their smartphones to 4G. 4G smartphones will be the mainstream trend promoting the entire smartphone market to grow in Mainland China during 2015.

The Group will launch a richer 4G product mix to the market through the diversified sales channels in the second half of 2015, which covers the high-end through the mid-range down to the low-end. The excellent R&D team of the Group will steadfastly pursue technology innovation, concentrate on improving the user experience of the new flagship smartphones, and apply for more patents in software, hardware, wireless telecommunication networks, etc. The Group plans to construct a strategic alliance with Leview Mobile and Qihoo360 to increase user loyalty. Through these efforts smartphone users could appreciate the excellent design and the high quality of the smartphones, and enjoy the extensive ecosystem and the comprehensive content in the future.

The Group will also continue to strengthen its supply chain management to guarantee the procurement of the best components and just-on-time delivery. As some suppliers may be hard pressed to get loans from local banks, Huiying Micro-credit Company of the Group could also provide the financing service to help them and subsequently strengthen the relationship with the suppliers.

**Mr. Guo** concluded, “Looking ahead, the Group will continue to utilise innovation and expertise to satisfy diverse user needs, enhance our core competitive strengths and the user experience of the products in the rapidly evolving global smartphone industry. Even though the environment of the smartphone market may be volatile, the Group will further consolidate its domestic 4G smartphone market and expand the overseas market aggressively through the four BUs and a more powerful mobile communications ecosystem. The Group believes that the 4G smartphone market and the fast growth of the mobile Internet market present greater opportunities in 2015. The Group will strive to tap the development trend of the market in order to sustain growth through collaboration with partners, innovative technologies, fast response to market demands, a philosophy of diligent concerted effort of our team, and strongly 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.

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