Intelligent Solutions Access for All

Interim Report 2014

中國全通
ALL ACCESS

中國全通(控股)有限公司
CHINA ALL ACCESS (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 633

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CORPORATE INFORMATION

Directors

Executive Directors

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung
Mr. Xiu Zhi Bao

Non-Executive Director

Mr. Xu Qiang

Independent Non-Executive Directors

Mr. Pun Yan Chak
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Lam Kin Hung Patrick

Company Secretary

Mr. Au Ki Lun

Authorised Representatives

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung

Audit Committee

Mr. Wong Che Man Eddy
(Chairman) (FCPA)
Mr. Pun Yan Chak
Mr. Lam Kin Hung Patrick

Remuneration Committee

Mr. Pun Yan Chak *(Chairman)*
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Shao Kwok Keung

Nomination Committee

Mr. Lam Kin Hung Patrick *(Chairman)*
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Shao Kwok Keung

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2014, China All Access (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") has maintained its growth trajectory. In February, the Group entered into strategic cooperation with a nationwide mobile broadband network integrated service provider in China to jointly develop and promote various forms of information and communications products and services and expand its business markets. In addition, the Group's satellite communications business has already expanded beyond mainland China to the Taiwan market and export sales is expected to become a new growth engine for the Group. Meanwhile, with the completion of the first phase construction at the "China All Access Information Technology Science Park" in Huizhou, Guangdong Province, the PRC, certain members of the Group have started to relocate their operations to or established new production units at this science park during the reporting period. By centralising the R&D, design, production and quality control functions and production capacity at this science park, it is expected that greater synergy in terms of value chain integration can be achieved and the overall competitiveness of the Group's smart terminal business will be further strengthened. During the six months ended 30 June 2014, (i) the Group's revenue has increased by approximately 53.37% to approximately RMB3,333,354,000 with the growth of revenue from satellite communications application solutions and other services of approximately 140.83%, and the growth of revenue from wireless data communications application solutions and services segment of approximately 47.71% and (ii) the Group's gross profit has increased approximately 51.16% to approximately RMB382,480,000, as compared to the corresponding period last year.

Satellite Communications Application Solutions and Other Services

Satellite communications application solutions and other services accounted for approximately 9.54% of the Group's total revenue (six months ended 30 June 2013: approximately 6%) for the six months ended 30 June 2014. The increase in percentage of contribution from this segment to the Group's total revenue was partly attributable to the steady growth in its underlying business of provision of dynamic satellite communications solutions and related services during the reporting period. Meanwhile, the Group has entered into the supply agreements with a well-known microwave application solutions and high frequency communications solutions provider based in Taiwan, pursuant to which the Group has been supplying microwave satellite communications system solutions and related after-sale services to the customers at an aggregate consideration of approximately US$42.6 million. This

underpins the growth momentum of the Group's satellite communications business. Since the overall market demand has stepped up, the Group's revenue in provision of satellite communications application solutions and other services for the period under review has grown by approximately 140.83% as compared with the corresponding period of 2013. In terms of sales by industry sectors, this segment's sales were still concentrated in fire and civil defense, public security, traffic control, and other industries. In terms of sales by geographical distribution, besides the regions with historically strong sales performance (such as Hebei, Beijing, Shanghai, Guangdong and other regions in the PRC), Taiwan is becoming a strong sales region.

Wireless Data Communications Application Solutions and Services

Wireless data communications application solutions and services accounted for approximately 90.46% of the Group's total revenue (six months ended 30 June 2013: approximately 94%) for the six months ended 30 June 2014. Revenue generated from this segment increased approximately 47.71% to approximately RMB3,015,353,000, as compared to the corresponding period last year (six months ended 30 June 2013 approximately RMB2,041,352,000). The provision of information communications solutions and services accounted for approximately 11.12% of revenue attributable to this segment, while smart terminals and parts accounted for approximately 88.88% of revenue attributable to this segment.

- ### *Information Communications Solutions and Services*

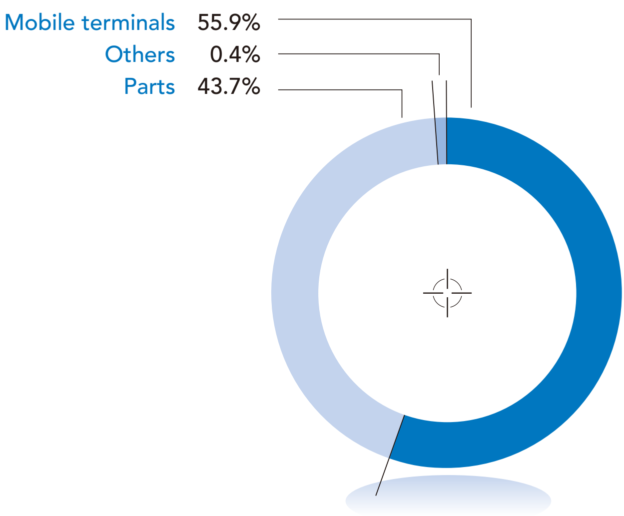
  Revenue from provision of information communications solutions and services mainly represented revenue from the provision of intelligent information terminals and intelligent surveillance systems. During the reporting period, information communications solutions and services generated revenue of approximately RMB335,408,000, representing an increase of approximately 285% compared with that of the same period in 2013. In the first half of 2014, the Group provided intelligent information terminals to clientele in various industries, including public security, traffic control, urban management and other industries. In terms of geographical distribution, while sales remained strong in Hebei, Beijing and Sichuan, it had expanded to other provinces and regions in China.

For the business of provision of intelligent surveillance systems, along with the high-bandwidth applications brought about by 4G mobile communications technologies, the construction of smart city infrastructure has led to more and more new projects undertaken by the government and different industries.

- *Smart Terminals and Parts*

The smart terminals and parts business managed under the wireless data communications segment includes the research and development, manufacturing and sale of mobile terminals, display modules, batteries, chargers, power adapters, casings, keyboards and other types of new generation of mobile terminal products and parts. During the reporting period, this segment achieved revenue of approximately RMB2,679,944,000, representing an increase of approximately 37% as compared with that of the same period in 2013.

The chart below sets out the percentage of contribution of each product category to the revenue of the smart terminals and parts business for the six months ended 30 June 2014:



Mobile Terminals

The mobile terminals business contributed approximately 55.9% of the consolidated revenue of the smart terminals and parts business for the six months ended 30 June 2014. During the reporting period, revenue from the mobile terminal business increased by approximately 30% as compared with that of the corresponding period of 2013. Among the revenue of the mobile terminals business, approximately 85% were contributed by smart phones. The Group is a leading mobile terminal solutions provider in China, and its business integrates the design, development, production and sales of mobile terminals. Its product lines cover mobile phones of all major telecommunications modes (i.e. 2G, 3G, and 4G), fixed stations, data cards and other terminal products, and its end-users are based in more than 30 countries and districts. With its strength in product development and ability to deliver competitive products to meet market demand, the Group has designed and manufactured, among other products, a new model of smart phone for a brand vendor of mobile handsets which has been well-received by the market. The Group has become the exclusive supplier of this mobile handset model for the brand vendor mainly due to the division's excellent design and development expertise, advanced manufacturing and supply chain management capability and stable production capacity.

Parts

The parts business accounted for approximately 43.7% of the consolidated revenue of the smart terminals and parts business for the six months ended 30 June 2014. This business mainly comprises three sub-segments, namely display modules business, mobile power sources business and precision moldings business.

The display modules business accounted for approximately 29.4% of the consolidated revenue of the smart terminals and parts business for the six months ended 30 June 2014, as compared with approximately 19.8% for the same period last year. The key product offering of the display modules business includes small and medium size LCD modules and multi-point capacitive touch screens, which are widely used in mobile phones, MP3/4 players, tablet computers, digital cameras and other consumer electronics products. The sales performance has benefited from the Group's production preparation and planning in response to the market demand at the end of 2013. The Group has become one of the largest suppliers for a few large scale brand vendors of mobile handsets mainly due to its fine workmanship and advanced manufacturing capability. During the reporting period, income from the display modules business soared to record high.

The mobile power sources business, which included development and production of power supplies, battery chargers and power adapters for mobile terminals, accounted for approximately 11.3% of the consolidated revenue of the smart terminals and parts business for the six months ended 30 June 2014. In light of substantial market demand for mobile power source products, the Group has begun to relocate the principal operations of the mobile power sources business to the "China All Access Information Technology Science Park" in Huizhou, Guangdong Province, the PRC in the first half of 2014 for capacity expansion and as part of the Group's effort to create value chain integration by centralising different operations at this science park. Meanwhile, to maximize economies of scale, the Group is increasing its investment into new plant and automation equipment.

The precision moldings business accounted for approximately 3.0% of consolidated revenue of the smart terminals and parts business for the six months ended 30 June 2014. The precision moldings business mainly involves plastic injection molding for the plastic shell of high-end electronic products including mobile phone casings and keyboards, spraying, printing and assembly services for plastic shells used in high-end electronic products. The market for plastic injection molding for household electrical appliances and electronic communications products is set to gradually expand due to the favourable policies of the PRC government. To adapt to the new market situation, the Group continues to refine workmanship and enhance product innovation for its precision moldings business.

Financial Review

Revenue

Revenue increased from approximately RMB2,173,395,000 for the six months ended 30 June 2013 to approximately RMB3,333,354,000 for the six months ended 30 June 2014, which represented an increase of approximately 53.37%. The increase in revenue during the period under review as compared to the corresponding period last year was mainly attributable to significant improvement in performance of the satellite communications application solutions and other services segment and wireless data communications application solution and services segment as compared to the corresponding period last year.

The following sets out the review of the Group's revenue for the six months ended 30 June 2014 by its major business segments:

- Provision of satellite communications application solutions and other services exhibited an increase in revenue from approximately RMB132,043,000 for the six months ended 30 June 2013 to approximately RMB318,001,000 for the six months ended 30 June 2014, representing an increase of approximately 140.83%. The increase was mainly due to the continued development of different applications solutions and services by the Group, which expanded the Group's business to more industry sectors and locations.

- Provision of wireless data communications application solutions and services exhibited an increase in revenue from approximately RMB2,041,352,000 for the six months ended 30 June 2013 to approximately RMB3,015,353,000 for the six months ended 30 June 2014, representing an increase of approximately 47.71%. The increase was mainly due to the strong contribution of the smart terminals and parts business for the six months ended 30 June 2014.

Gross profit

The Group recorded gross profit of approximately RMB382,480,000 for the six months ended 30 June 2014, which represented an increase of approximately 51.16% compared to RMB253,031,000 for the corresponding period last year. Meanwhile, the gross profit margin decreased from approximately 11.64% for the six months ended 30 June 2013 to approximately 11.47% for the six months ended 30 June 2014. The changes were mainly due to the following factors in relation to the Group's major business segments:

- Gross profit generated from provision of satellite communications application solutions and other services increased from approximately RMB54,221,000 for the six months ended 30 June 2013 to approximately RMB118,285,000 for the six months ended 30 June 2014, representing an increase of approximately 118%. Meanwhile, the gross profit margins for the six months ended 30 June 2013 and 30 June 2014 were approximately 41% and 37% respectively. The decrease in the gross profit margin was mainly due to the Group's implementation of an international sales strategy to promote an expansion of international sales that carried slightly lower gross margins than domestic products for the period under review.

- Gross profit generated from provision of wireless data communications application solutions and services increased from approximately RMB200,324,000 for the six months ended 30 June 2013 to approximately RMB266,204,000 for the six months ended 30 June 2014, representing an increase of approximately 33%. Meanwhile, the gross profit margins for the six months ended 30 June 2013 and 30 June 2014 were approximately 10% and 9% respectively. The decrease in the gross profit margin was mainly attributed to the growth in the production volume of products which carried lower gross margins attributed to the smart terminals and parts business.

Other revenue

Other revenue increased from approximately RMB4,530,000 for the six months ended 30 June 2013 to approximately RMB8,575,000 for the six months ended 30 June 2014, which represented a growth of approximately 89.29%. It was mainly attributed to the government grant received by subsidiaries engaged in the smart terminals and parts business.

Other net income

The Group recorded other net income of approximately RMB13,774,000 for the six months ended 30 June 2014 as compared with other net income of approximately RMB750,000 for the six months ended 30 June 2013. It was mainly due to the gains recognized from sale of an intangible asset.

Distribution costs and administrative expenses

Distribution costs and administrative expenses increased from approximately RMB139,180,000 for the six months ended 30 June 2013 to approximately RMB143,560,000 for the six months ended 30 June 2014, representing an increase of approximately 3.15%. The increase was mainly due to growth in the Group's revenue and enhanced sales effort.

Finance income and finance costs

Finance income increased from approximately RMB14,268,000 for the six months ended 30 June 2013 to approximately RMB38,893,000 for the six months ended 30 June 2014, representing a growth of approximately 172.59%. The increase was attributable to interest income recognized from entrusted loans and debt factoring receivables.

Finance costs increased from approximately RMB66,990,000 for the six months ended 30 June 2013 to approximately RMB81,986,000 for the six months ended 30 June 2014, representing a growth of approximately 22.39%. The increase was attributable to increase in interest-bearing borrowings due to the financing needs from the continuous expansion of the Group. Meanwhile the net financial costs (which is calculated by subtracting the finance income from the finance costs) decreased from approximately RMB52,722,000 for the six months ended 30 June 2013 to approximately RMB43,093,000 for the six months ended 30 June 2014 representing a decrease of approximately 18.26%.

Income tax

Income tax decreased from approximately RM77,197,000 for the six months ended 30 June 2013 to approximately RMB49,417,000 for the six months ended 30 June 2014, representing a decrease of approximately 35.99%. Meanwhile, the effective tax rate was approximately 27.81% in the first half of 2014 and approximately 27.77% in the corresponding period in 2013. The decrease in income tax was mainly due to the one-time gain and investment income recognised from disposals of shares in Shenzhen Jufei Optoelectronics Co., Ltd. ("Jufei") in 2013 which were subject to higher income tax rate, for the six months ended 30 June 2013. The effective tax rate remained high for the six months ended 30 June 2014 mainly due to the tax paid for transfer of shareholding interests in a subsidiary from one intermediate holding company to another for Group restructuring purpose.

Profit for the period

Profit for the period decreased from approximately RMB200,799,000 for the six months ended 30 June 2013 to approximately RMB128,253,000 for the six months ended 30 June 2014, representing a decrease of approximately 36.13%. The decrease in profit for the period was mainly attributable to decrease in investment income due to the one-time gain recognised from disposals of shares in Jufei for the six months ended 30 June 2013.

Liquidity and Capital Resources

Liquidity, financial resources and capital structure

As at 30 June 2014, the Group had unrestricted cash and cash equivalents of approximately RMB514,343,000 (as at 31 December 2013: approximately RMB671,145,000) and restricted cash of approximately RMB290,951,000 (as at 31 December 2013: approximately RMB336,080,000). As at 30 June 2014, the Group had borrowings of approximately RMB2,676,709,000 (as at 31 December 2013: approximately RMB1,936,509,000). As at 30 June 2014, the gearing ratio (calculated by dividing total borrowings by total assets) of the Group maintained at a healthy level and was approximately 28.74% (as at 31 December 2013: approximately 25%), and the leverage ratio (which is calculated by dividing total liabilities by total assets) of the Group was approximately 69.14% (as at 31 December 2013: approximately 65.98%). As at 30 June 2014, the Group had current assets of approximately RMB7,376,365,000 (as at 31 December 2013: approximately RMB5,868,807,000).

The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.23 as at 30 June 2014 whilst the current ratio as at 31 December 2013 was approximately 1.29. The approach of the board (the "Board") of directors (the "Directors") of the Company to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Foreign exchange exposure

The Group's sales and purchases were mainly denominated in RMB. Therefore the Group is not exposed to significant foreign currency exchange risks. The Group does not employ any financial instruments for hedging purposes. While the Board does not expect future currency fluctuations to materially impact the Group's operations, the Board will review the foreign exchange exposure of the Group from time to time as appropriate.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately RMB77,841,000 which was mainly due to the payment for the construction of the industrial park in Huizhou, Guangdong Province, the PRC for the Group's use and equipment upgrade attributable to the smart terminals and parts business.

Capital commitment

As at 30 June 2014, the Group had capital commitment amounted to approximately RMB45,430,000 (as at 31 December 2013: approximately RMB19,516,000). The increase was attributable to the increase of amount contracted related to the renovation of the industrial park in Huizhou, Guangdong Province, the PRC for the Group's use, which mainly represented the amounts contracted but not provided for in the financial statements in respect of such construction-in-progress.

Charge on assets

As at 30 June 2014, the assets of the Group with the following carrying amounts were pledged, which included: (i) Hong Kong office property of approximately HK$16,995,000 as security for the outstanding balance of a mortgage loan of approximately HK$10,802,000; (ii) Guangzhou office property of approximately RMB10,768,000 for the outstanding balance of a mortgage loan of approximately RMB2,907,000; (iii) two pieces of land in Huizhou, Guangdong Province, the PRC, of approximately RMB134,097,000, as security for the outstanding balance of mortgage loan of approximately RMB250,000,000.

Contingent liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Human Resources

As at 30 June 2014, the Group had approximately 4,971 employees (as at 30 June 2013: approximately 5,245 employees). The decrease in the number of employees was mainly attributable to the (i) centralization of the production facilities and (ii) the semi-automation of production lines. The Group offered to its employees competitive salary package, as well as contribution to defined contribution retirement plan.

Prospects

As a leading manufacturer and provider of integrated information communications system solutions, the Group has experienced steady business growth benefitting from the robust development of information technology, M2M technology, smart city and 4G services. In addition to consolidating the current business, the Group has been actively exploring new market development opportunities after the acquisition of the smart terminals and parts business in late 2012. With the integration of internal resources, the Group has accelerated its strategy of tapping into the mobile broadband market. To date, the primary focus of the business of the Group is on public security, urban emergency communications systems, urban integrated management businesses and 4G markets, through two major business divisions, namely satellite communications services, and wireless data communications application solutions and services. As the scope of business, product categories and customer base continue to expand, it is expected that the Group will benefit from more growth opportunities in the future. The Group remains committed to realize its goal to become a domestic first-class integrated information and communications technology enterprise.

"Public safety" comprehensive management and maintenance of stability is a high priority of the PRC Government

The PRC Government has attached great importance to the construction of M2M (acronym for "machine to machine" communications) as a strategically emerging industry. In recent years, natural disasters, violent terrorist incidents and accidents have frequently occurred in China, such as the Ludian earthquakes, violent terrorist incidents in Xinjiang, the Kunshan explosion, etc., which posed significant threat to people's lives and properties. The use of the latest M2M technology in public safety and emergency communications is of great strategic significance to the Group. In the context of nationwide M2M development, the Group has been engaged in the provision of intelligent information terminals for police (i.e. "Jingwutong" or "警務通") based on the concept of incorporating information technology in M2M to link up people, vehicles, objects and cases. By leveraging its years of experience and developed expertise in this industry and by utilizing the latest available communications technology, the Group is committed to continuously improving its products and solutions according to customers' feedback. The Group is confident that it is well-positioned to continue to develop and provide smart terminal solutions that can effectively tackle the communications bottleneck caused by an increasingly complex and changing environment and to benefit from the growth opportunities.

"Smart city" springing up

According to Ministry of Housing and Urban-Rural Development of the PRC, the total investment in "Smart City" (智慧城市) applications is expected to reach RMB500 billion during the "12th Five Year Plan" period, bringing huge business opportunities to industries such as intelligent transportation, M2M, "Safe City" (安全城市) and healthcare. The Ministry of Industry and Information Technology of the PRC ("MIIT") has indicated that "Smart City" construction standards will be finalized in 2014, and the construction of the second batch of information consumption and "Smart City" pilot cities (as well as counties and districts) will also be implemented, which will further expand the scale of information consumption. It is expected that the provision of communications solutions and services for urban integrated management, urban emergency communications and public security services by the Group will be greatly benefitted by such favorable policy. Under the leadership of its management team with more than 20 years of experience, and with a market leading strategy, the Group has achieved organic integration between innovative capabilities for its application solutions and R&D and production capabilities for its terminal products. With its comprehensive products, solutions and services portfolio, the Group intends to fully leverage its core competitive advantages and thus achieve a larger market share in the wave of construction of "Smart City" in the PRC.

4G opportunities arise in response to booming market

In June 2014, MIIT announced the issuance of FDD-LTE test licenses to China Unicom and China Telecom. This comes after MIIT awarded TD-LTE licenses to the three major communications operators at the end of 2013. This means that after China Mobile has launched TD-LTE commercial services, China Unicom and China Telecom would soon promote the commercial application of FDD-LTE mode of communications. These steps would drive the development of the whole industry chain for the 4G domestic market, and would therefore be beneficial to 4G smart terminals production and sales growth. It is expected that total production of smart phones in the PRC will reach 210 million units in the second half of 2014 and 392 million units for the full year, representing an increase of approximately 11.3% as compared to 352 million units for 2013 full year. Among these, the production of 4G smart phones is expected to reach 47 million units in the second half of 2014 and 73 million units for the full year. This represents significant market opportunities for the Group's smart terminals and parts business.

The Group's smart terminals and parts division, currently organized under 深圳市長飛投資有限公司 (for identification only, Shenzhen Changfei Investment Company Limited ("Changfei Investment")) and its subsidiaries (collectively, the "Changfei Group"), is a domestic first-tier manufacturer of mobile terminals and parts. With its established research and development capabilities and strong production capacity, the Changfei Group can provide customized and diversified mobile terminal solutions with high quality for its customers. Tapping into the enormous development potential of the 4G market to drive revenue growth, the Changfei Group intends to take advantage of the opportunities for technological innovation, and to strengthen the integration of the value chain of the Group's mobile terminal solutions and services and related production and development capability.

During the reporting period, the Group entered into a 5-year strategic cooperation framework agreement and a purchase contract with a total value of RMB800 million with a large mobile broadband network integrated services provider in the PRC. This cooperation is expected to have a positive effect on the revenue from the smart terminals and parts business of the Group in 2014.

Expanding market coverage and diversifying its customer base

The Group is extending the market coverage of its satellite communications applications solutions and other services business across the PRC. The Group is developing its sales network horizontally, that is from more mature markets such as Beijing, Shanghai and Guangdong to provinces and municipalities such as Yunnan, Guizhou, Sichuan, Hubei and Chongqing, etc. Besides, the Group is expanding its sales network vertically, i.e., from first-tier cities to second-tier and third-tier cities, and expanding its customer base to different industries, to avoid over-dependence on customers in any single industry or region. In addition, the Group is also actively expanding into international markets to diversify and internationalise its customer base, and is committed to improving its sales network. During the reporting period, the Group has entered into two agreements with a high frequency communications solutions provider based in Taiwan at an aggregate consideration of approximately US$42.6 million. This is a milestone in the Group's expansion into international markets and markets outside Mainland China. Moreover, it is expected that the Group will have further and ongoing business development with this Taiwan partner, including new sales orders, in the second half of this year, which is expected to contribute positively to the overall financial performance of the Group in 2014.

Looking ahead, with its competitive strengths in the provision of satellite communications application solutions and services, and wireless data communications application solutions and services including the R&D and manufacturing of smart mobile terminals, the Group will continue to strive to optimize its broad-band, cross-platform and professional product offerings so as to achieve growth and increase market share. The management believes that the Group has a positive future outlook through its efforts to develop its core competitiveness, and that the Group will continue to deliver encouraging results to its shareholders.

Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in any of the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange, were as follows:

Name of Director	Entity in which interests are held	Capacity/ Nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Mr. Chan Yuen Ming ("Mr. Chan")	The Company	Interest of a controlled corporation *(Note 2)*	479,606,000 ordinary shares (L)	33.10%
		Beneficial owner	1,000,000 ordinary shares (L)	0.07%
Mr. Xiu Zhi Bao ("Mr. Xiu")	The Company	Interest of a controlled corporation *(Note 3)*	180,000,000 ordinary shares (L)	12.42%
		Interest of a controlled corporation *(Note 4)*	95,000,000 ordinary shares (S)	6.56%

Notes:

(1) The letter "L" denotes a long position in the shares or underlying shares of the Company or any of its associated corporations and the letter "S" denotes a short position in the shares or underlying shares of the Company or any of its associated corporations.

(2) These shares of the Company (the "Shares") were held by Creative Sector Limited, the entire issued share capital of which was owned by Mr. Chan, an executive Director. Mr. Chan was deemed to be interested in all the Shares in which Creative Sector Limited was interested by virtue of the SFO.

(3) Among these Shares, 57,100,000 of which were held by Novel Ray Investments Limited and 122,900,000 of which were held by Abundant Plus Investments Limited. The entire issued share capital of these companies were owned by Mr. Xiu, an executive Director. Mr. Xiu was deemed to be interested in all the Shares in which Novel Ray Investments Limited and Abundant Plus Investments Limited were interested by virtue of the SFO.

(4) The short position in these Shares was held by Abundant Plus Investments Limited, the entire issued share capital of which was owned by Mr. Xiu, an executive Director. Mr. Xiu was deemed to be interested in all the Shares in which Abundant Plus Investments Limited were interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2014, the interests and short positions of each person (other than a Director or chief executive of the Company) in the Shares or underlying Shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO and based on available information were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number and class of interest securities held *(Note 1)*	Approximate percentage of shareholding
Creative Sector Limited	Beneficial owner	479,606,000 ordinary Shares (L)	33.10%
Asia Equity Value Ltd	Beneficial owner *(Note 2)*	337,888,982 ordinary Shares (L)	23.32%
		44,646,000 ordinary Shares (S)	3.08%
	Security interest in shares	130,768,790 ordinary Shares (L)	9.03%

Name of Shareholder	Capacity/ Nature of interest	Number and class of interest securities held *(Note 1)*	Approximate percentage of shareholding
ZTE (H.K.) Limited ("ZTE HK")	Beneficial owner *(Note 3)*	204,177,493 ordinary Shares (L)	14.09%
ZTE Corporation	Interest of a controlled corporation *(Note 3)*	204,177,493 ordinary Shares (L)	14.09%
Chance Talent Management Limited	Beneficial owner *(Note 4)*	91,253,883 ordinary Shares (L)	6.30%
		21,616,000 ordinary Shares (S)	1.49%
Prosper Talent Limited	Security interest in shares	61,538,462 ordinary Shares (L)	4.25%
CCBI Investments Limited	Interest of controlled corporations *(Note 5)*	152,792,345 ordinary Shares (L)	10.55%
		21,616,000 ordinary Shares (S)	1.49%
CCBI International (Holdings) Limited	Interest of controlled corporations *(Note 5)*	152,792,345 ordinary Shares (L)	10.55%
		21,616,000 ordinary shares (S)	1.49%
CCB Financial Holdings Limited	Interest of controlled corporations *(Note 5)*	152,792,345 ordinary Shares (L)	10.55%
		21,616,000 ordinary Shares (S)	1.49%
CCB International Group Holdings Limited	Interest of controlled corporations *(Note 5)*	152,792,345 ordinary Shares (L)	10.55%
		21,616,000 ordinary Shares (S)	1.49%

Name of Shareholder	Capacity/ Nature of interest	Number and class of interest securities held *(Note 1)*	Approximate percentage of shareholding
China Construction Bank Corporation ("CCB")	Interest of controlled corporations *(Note 5)*	152,792,345 ordinary Shares (L) 21,616,000 ordinary Shares (S)	10.55% 1.49%
Central Huijin Investment Ltd.	Interest of controlled corporations *(Note 5)*	152,792,345 ordinary Shares (L) 21,616,000 ordinary Shares (S)	10.55% 1.49%
Abundant Plus Investment Limited	Beneficial owner	122,900,000 ordinary Shares (L) 95,000,000 ordinary Shares (S)	8.48% 6.56%
Chengwei CAA Holdings Limited ("Chengwei")	Beneficial owner	99,124,263 ordinary Shares (L)	6.84%
Chengwei Evergreen Capital, LP	Interest of a controlled corporation *(Note 6)*	99,124,263 ordinary Shares (L)	6.84%
Chengwei Evergreen Management, LLC	Investment manager *(Note 7)*	99,124,263 ordinary Shares (L)	6.84%
EXL Holdings, LLC	Interest of controlled corporations *(Note 8)*	99,124,263 ordinary Shares (L)	6.84%
Mr. Li Eric Xun	Interest of controlled corporations *(Note 8)*	99,124,263 ordinary Shares (L)	6.84%
Ms. Li Yijing Zhu	Interest of spouse *(Note 9)*	99,124,263 ordinary Shares (L)	6.84%

Notes:

(1) The letter "L" denotes a person's long position in the Shares or underlying Shares and the letter "S" denotes a person's short position in the Shares or underlying Shares.

(2) The long position in these 337,888,982 Shares included derivative interests in 333,527,921 Shares. As disclosed in the Company's announcements dated 23 June 2014, 24 June 2014 and 27 June 2014, Asia Equity Value Ltd had subscribed for HK$230,000,000 convertible notes which (together with interest accrued thereon) might be converted into up to 77,346,078 Shares at the initial conversion price of HK$3.35 per Share (subject to adjustment) and had a right to subscribe for further convertible notes of HK$170,000,000 on or before 15 January 2015. As of 30 June 2014, no conversion of the HK$230,000,000 convertible notes had been made and subscription of the additional HK$170,000,000 convertible notes had not yet taken place.

(3) These Shares represented ZTE HK's interests in (i) 112,000,000 Shares allotted and issued by the Company to ZTE HK pursuant to the subscription agreement (the "Subscription Agreement") dated 16 November 2012 entered into between the Company and ZTE HK; and (ii) 92,177,493 Shares to be issued by the Company upon the exercise in full of the conversion rights attaching to the convertible bond issued by the Company and subscribed by ZTE HK pursuant to the Subscription Agreement at the adjusted conversion price of HK$2.186 per Share. No conversion had been made as of 30 June 2014. Details of the Subscription Agreement and the transactions contemplated thereunder are contained in the announcements of the Company dated 16 November 2012 and 16 May 2014. ZTE HK was a wholly-owned subsidiary of ZTE, and therefore, ZTE was deemed to be interested in all the Shares in which ZTE HK was interested by virtue of the SFO.

(4) These 91,253,883 Shares represented the interests of Chance Talent Management Limited in (i) 21,616,000 Shares and (ii) 69,637,883 Shares to be issued by the Company upon the exercise in full of the conversion rights attaching to the convertible notes issued by the Company and subscribed by Chance Talent Management Limited pursuant to the subscription agreement dated 25 July 2013 at the adjusted conversion price of HK$2.872 per Share. No conversion had been made as of 30 June 2014. Please refer to the announcements of the Company dated 25 July 2013, 4 September 2013, 16 May 2014 and 10 September 2014 for further details of the convertible notes subscribed by Chance Talent Management Limited.

(5) Central Huijin Investment Ltd. held approximately 57.26% equity interest in CCB, which in turn held directly or indirectly the entire issued share capital in each of the direct and indirect holding companies of Chance Talent Management Limited and Prosper Talent Limited, namely CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited (collectively, the "CCB Subsidiaries"). Therefore, each of Central Huijin Investment Ltd., CCB and the CCB Subsidiaries was deemed to be interested in all the Shares in which each of Chance Talent Management Limited and Prosper Talent Limited was interested by virtue of the SFO.

(6) Chengwei Evergreen Capital, L.P. held approximately 90.71% of the issued share capital in Chengwei and therefore Chengwei Evergreen Capital, L.P. was deemed to be interested in all the Shares in which Chengwei was interested by virtue of the SFO.

(7) Chengwei Evergreen Capital, L.P. was an investment fund managed by Chengwei Evergreen Management, LLC and therefore Chengwei Evergreen Management, LLC was deemed to be interested in all the Shares in which Chengwei Evergreen Capital, L.P. was interested by virtue of the SFO.

(8) EXL Holdings, LLC, which was owned as to 50% by Mr. Li Eric Xun, held approximately 31.7% of the issued share capital in Chengwei Evergreen Management, LLC. Therefore, EXL Holdings, LLC was deemed to be interested in all the Shares in which Chengwei Evergreen Management, LLC was interested by virtue of the SFO, and Mr. Li Eric Xun was deemed to be interested in all the Shares in which EXL Holdings, LLC was interested by virtue of the SFO.

(9) Ms. Li Yijing Zhu was the wife of Mr. Li Eric Xun, and therefore Ms. Li Yijing Zhu was deemed to be interested in all the Shares in which Mr. Li Eric Xun was interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2014, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2014.

Issue of Securities

During the six months ended 30 June 2014, the Company had completed the following fund raising activities through issue of equity or convertible securities:

(i) Top-up placing of 120,000,000 Shares under general mandate

On 22 April 2014, pursuant to a placing and subscription agreement entered into between Creative Sector Limited (a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chan), the Company and a placing agent, a total of 120,000,000 ordinary Shares of HK$0.01 each in the Company at HK$3.20 per Share were placed by Creative Sector Limited to not less than six independent placees. On 28 April 2014, the Company allotted and issued, and Creative Sector Limited subscribed for, 120,000,000 Shares at HK$3.20 per Share. Details of the placing and the subscription were set out in the announcements of the Company dated 14 April 2014 and 28 April 2014. As at the date of this interim report, the net proceeds of approximately HK$373 million from the subscription had been fully utilized for the business development purposes of the Group, including as to RMB204 million (equivalent to approximately HK$261 million) for settling the final installment of the consideration for acquisition of 51% equity interest of Changfei Investment and approximately HK$112 million as prepayment for procurements by the Group for the provision of wireless data communications application solutions and services.

(ii) Issue of HK$230,000,000 convertible notes under general mandate

On 27 June 2014, pursuant to subscription agreement dated 23 June 2014 and entered into between the Company, China All Access Group limited a wholly-owned subsidiary of the Company) and Asia Equity Value LTD, the Company issued, and Asia Equity Value LTD subscribed for, the convertible notes in the principal amount of HK$230,000,000 at 100% of the face value of such principal amount. The outstanding principal amount and interest accrued in respect of the convertible notes may be converted into up to 77,346,078 Shares at an initial conversion price of HK$3.35 per Share, which is subject to adjustment pursuant to the terms and conditions of the convertible notes. As at the latest practicable date prior to the printing of this report, no conversion had been made. Pursuant to the subscription agreement, Asia Equity Value LTD has the right to subscribe for the additional convertible notes in the principal amount of HK$170,000,000 at 100% of the face value of such principal amount on or before 15 January 2015. Please refer to the announcements of the Company dated 23 June 2014 and 27 June 2014 for further details. As at the latest practicable date prior to the printing of this report, the subscription of such additional convertible notes had not yet taken place. As at the date of this interim report, the net proceeds of approximately HK$229 million from the issue of the HK$230,000,000 convertible notes completed on 27 June 2014 had been fully utilized in financing procurements by the Group for the provision of communication solutions and services by the Group to its customers outside Mainland China for the purpose of developing the overseas market.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the six months ended 30 June 2014, the Group had undertaken the following acquisitions and disposals of subsidiaries or associated companies:

(i) Disposal of interest in 深圳市富德康電子有限公司(Shenzhen FDC Electronic Company Limited) ("FDC")

On 7 February 2014, Changfei Investment and Mr. Zhu Weimin ("Mr. Zhu") entered into an equity transfer agreement pursuant to which Changfei Investment disposed 30% equity interest in FDC to Mr. Zhu, representing the Group's entire equity interest in FDC, for a consideration of approximately RMB3.48 million. Upon completion of this disposal, the Group ceased to have any equity interest in FDC. Please refer to the announcement of the Company dated 7 February 2014 for further details of this disposal.

(ii) Acquisition and change in equity interest in 深圳市睿德電子實業有限公司 (Ruide Electronical Industrial Co., Ltd.) ("Ruide")

On 14 March 2014, 深圳市興飛科技有限公司 (Shenzhen Xing Fei Technology Co. Ltd.) ("Xing Fei"), an indirect non-wholly owned subsidiary of the Company, and Mr. Feng Xizhang ("Mr. Feng") entered into an equity transfer agreement pursuant to which Xing Fei acquired approximately 19.54% equity interest in Ruide from Mr. Feng for a consideration of approximately RMB25.11 million. Upon completion of the acquisition, Ruide was held as to approximately 57.47% by Changfei Investment, approximately 19.54% by Xing Fei and approximately 22.99% by 深圳市中興新地通信器材有限公司 (for identification only, Shenzhen Zhongxing Xindi Communications Equipment Company Limited) ("ZXX"). Please refer to the announcement of the Company dated 14 March 2014 for further details of this acquisition. On 18 March 2014, Changfei Investment transferred approximately 57.47% equity interest of Ruide to Xing Fei for group restructuring purpose, which was completed on 20 March 2014. As a result of this intra-group equity transfer, Ruide was owned as to approximately 77.01% by Xing Fei and approximately 22.99% by ZXX. On 20 March 2014, the then shareholders of Xing Fei resolved to reduce the registered capital of Ruide from RMB8.7 million to RMB6.7 million by way of ZXX withdrawing its capital contribution in Ruide, which was completed on 23 May 2014. Following the above capital reduction, Ruide became wholly-owned by Xing Fei.

(iii) Disposal of interest in 深圳市德倉科技有限公司 (Shenzhen Decang Technology Company Limited) ("Decang")

On 29 May 2014, 深圳市立德通訊器材有限公司 (Lead Communications Co., Ltd.) ("Lead Communications"), an indirect non-wholly owned subsidiary of the Company, and Mr. Zhu entered into an equity transfer agreement pursuant to which Lead Communications disposed approximately 25.53% equity interest in Decang to Mr. Zhu, representing the Group's entire equity interest in Decang, for a consideration of approximately RMB23.23 million. Upon completion of this disposal, the Group ceased to have any equity interest in Decang. Please refer to the announcement of the Company dated 30 May 2014 for further details of this disposal.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 28 August 2009. During the six months ended 30 June 2014, there was no outstanding share option under the Share Option Scheme and no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

Compliance With the Corporate Governance Code

Save as disclosed below, during the six months ended 30 June 2014, the Company was in due compliance with the code provisions of the Corporate Governance Code (the "CG code") as set out in Appendix 14 to the Listing Rules.

Pursuant to E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Chan Yuen Ming, an executive Director and the chairman of the Board, did not attend the annual general meeting of the Company held on 27 June 2014 due to other business engagements and instead, Mr. Shao Kwok Keung, an executive Director and the chief executive officer of the Company, took the chair at the annual general meeting. The Board considers that the arrangement is appropriate as Mr. Chan, as chairman of the Board, is responsible for the Group's overall business development and strategy whereas Mr. Shao, as chief executive officer, is responsible for the corporate management of the Company. The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry with all the Directors, and all of them confirmed that they had fully complied with the required standards set out in the Model Code and the Company's code of conduct regarding securities transactions by directors during the six months ended 30 June 2014.

Review by the Audit Committee

The audit committee of the Board has reviewed the unaudited interim results of the Group for the six months ended 30 June 2014.

Interim Dividend

The Board declared the payment of an interim dividend of HK2.5 cents per share for the six months ended 30 June 2014 (for the six months ended 30 June 2013: HK2.5 cents). The interim dividend will be paid to shareholders of the Company whose names appear on the register of members of the Company on 3 December 2014. It is expected that the interim dividend will be paid on or about 12 December 2014.

Closure of Register of Members

The register of members of the Company will be closed from 1 December 2014 to 3 December 2014 (both days inclusive), during which period no transfer of shares will be effected for the purpose of determining the qualification for entitlement to the interim dividend. In order to qualify for the proposed interim dividend for the six months ended 30 June 2014, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 28 November 2014.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

1) As disclosed in the announcement of the Company dated 7 February 2013, the Company and Mr. Chan Yuen Ming ("Mr. Chan") (a controlling shareholder of the Company by virtue of his indirect controlling interests in the Shares through Creative Sector Limited ("Creative Sector"), a company wholly owned by Mr. Chan) entered into a note purchase agreement (the "Note Purchase Agreement") with Chance Talent Management Limited (the "Investor"), pursuant to which the Company has agreed to issue, and the Investor has agreed to purchase from the Company, HK$100,000,000 guaranteed note (the "Guaranteed Note") due 2015.

Pursuant to the Note Purchase Agreement, the following specific performance obligations are imposed on Mr. Chan:

1. Mr. Chan undertakes that during the term of the Note Purchase Agreement and the Guaranteed Note:

    (a) he shall remain as the chairman and an executive director of the Board;

    (b) he shall legally and beneficially own the entire issued share capital of Creative Sector;

    (c) he shall procure that Creative Sector shall not, without the prior written consent of the Investor, transfer or agree to transfer any Shares held by Creative Sector; and

    (d) he shall procure that the Company shall perform its obligations under, among others, the Note Purchase Agreement and the Guaranteed Note in accordance with the terms therein.

2. Mr. Chan shall provide a personal guarantee in favour of the Investor to secure, among others, the due and punctual observance and performance by each of the Company and Mr. Chan under the Note Purchase Agreement, the Guaranteed Note and/or the personal guarantee.

Any breach of the specific performance obligations may constitute a breach under the Note Purchase Agreement and also an event of default under the Guaranteed Note, pursuant to which the Investor may require the Guaranteed Note to be repaid immediately pursuant to the terms and conditions of the Guaranteed Note.

As at the date of this interim report, the above specific performance obligations continue to subsist.

2) As disclosed in the announcement of the Company dated 25 July 2013, the Company and Mr. Chan entered into a convertible note subscription agreement (the "Convertible Note Subscription Agreement") with the Investor, pursuant to which the Company has agreed to issue, and the Investor has agreed to subscribe from the Company, HK$200,000,000 convertible note (the "Convertible Note") which may be converted into 69,637,883 Shares at the adjusted conversion price of HK$2.872 per Share.

Pursuant to the Convertible Note Subscription Agreement, Mr. Chan undertakes that during the term of the Convertible Note Subscription Agreement and the Convertible Note:

(a) he shall remain as the chairman of the Company and an executive Director of the Board;

(b) he shall legally and beneficially own the entire issued share capital of Creative Sector and shall not, without the prior written consent of the Investor, transfer or permit the transfer of any such shares;

(c) he shall procure that Creative Sector be the single largest shareholder of the Company and that the total number of Shares held by any person or company and its affiliates be not more than the total number of Shares held by himself and Creative Sector; and

(d) he shall procure that the Shares held by himself and Creative Sector be free and clear of any encumbrances.

Any breach of the above specific performance obligations or undertakings may constitute a breach under the Convertible Note Subscription Agreement and also an event of default under the Convertible Note, pursuant to which the Investor may require the Convertible Note to be repaid immediately pursuant to the terms and conditions of the Convertible Note.

As at the date of this interim report, the above specific performance obligations continue to subsist.

Please also refer to the announcement of the Company dated 10 September 2014 in relation to certain proposed amendments to the terms and conditions of Convertible Note Subscription Agreement and the Convertible Note, including an extension of the maturity date of the Convertible Note.

By Order of the Board
China All Access (Holdings) Limited
Mr. Chan Yuen Ming
Chairman

Hong Kong,
29 August 2014

Consolidated statement of profit or loss

for the six months ended 30 June 2014 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Revenue	3	**3,333,354**	2,173,395
Cost of sales		**(2,950,874)**	(1,920,364)
Gross profit		**382,480**	253,031
Other revenue	4	**8,575**	4,530
Other net income		**13,774**	750
Distribution costs		**(18,607)**	(15,387)
Administrative expenses		**(124,953)**	(123,793)
Research and development expenses		**(38,651)**	(40,319)
Profit from operations		**222,618**	78,812
Finance income		**38,893**	14,268
Finance costs	5(a)	**(81,986)**	(66,990)
(Loss)/gain on disposal of associates		**(1,833)**	241,227
Gain on disposal of subsidiaries		**—**	1,588
Share of profits less losses of associates		**(22)**	9,091
Profit before taxation	5	**177,670**	277,996
Income tax	6	**(49,417)**	(77,197)
Profit for the period		**128,253**	200,799
Attributable to:			
Equity shareholders of the Company		**120,073**	102,228
Non-controlling interests		**8,180**	98,571
Profit for the period		**128,253**	200,799
Earnings per share			
Basic (RMB)	7(a)	**0.087**	0.077
Diluted (RMB)	7(b)	**0.087**	0.077

The notes on pages 36 to 64 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17(a).

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period	**128,253**	200,799
Other comprehensive loss for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(2,547)**	(2,686)
Total comprehensive income for the period	**125,706**	198,113
Attributable to:		
Equity shareholders of the Company	**117,526**	99,542
Non-controlling interests	**8,180**	98,571
Total comprehensive income for the period	**125,706**	198,113

The notes on pages 36 to 64 form part of this interim financial report.

Consolidated statement of financial position

At 30 June 2014 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	8	**487,941**	424,873
Intangible assets		**256,650**	298,788
Goodwill		**332,082**	332,082
Interest in associates		**26,009**	54,575
Prepayment for land leases		**138,457**	139,031
Available-for-sale financial assets	9	**611,714**	503,714
Trade and other receivables	10	**63,728**	64,332
Deferred tax assets		**19,408**	13,434
		1,935,989	1,830,829
Current assets			
Inventories		**586,855**	420,996
Trade and other receivables	10	**3,881,157**	2,073,606
Factored trade receivables	11	**307,226**	248,000
Discounted bills receivable	12	**322,688**	173,069
Bills receivable	13	**1,193,145**	1,345,911
Restricted cash		**290,951**	336,080
Bank deposits with original maturities over three months		**280,000**	600,000
Cash and cash equivalents		**514,343**	671,145
		7,376,365	5,868,807

Consolidated statement of financial position *(Continued)*

At 30 June 2014 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current liabilities			
Trade and other payables	14	3,390,343	2,577,112
Deferred consideration payable		—	200,041
Deferred income		60,000	60,000
Interest-bearing borrowings	15	1,143,834	938,261
Convertible bonds	16	395,771	154,352
Bank advances on factored trade receivables	11	307,226	248,000
Bank advances on discounted bills receivable	12	413,627	173,069
Bank advance on letter of credit		60,000	—
Income tax payable		101,381	207,534
Dividends payable	17(a)	103,507	—
		5,975,689	4,558,369
Net current assets		1,400,676	1,310,438
Total assets less current liabilities		3,336,665	3,141,267
Non-current liabilities			
Trade and other payables	14	19,811	10,000
Interest-bearing borrowings	15	254,027	267,579
Convertible bonds	16	102,224	155,248
Deferred income		32,105	28,105
Deferred tax liabilities		54,834	60,547
		463,001	521,479
NET ASSETS		2,873,664	2,619,788

Consolidated statement of financial position *(Continued)*

at 30 June 2014 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
CAPITAL AND RESERVES	17		
Share capital		12,516	11,562
Reserves		2,116,141	1,796,164
Total equity attributable to equity shareholders of the Company		2,128,657	1,807,726
Non-controlling interests		745,007	812,062
TOTAL EQUITY		2,873,664	2,619,788

The notes on pages 36 to 64 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory general reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		10,657	585,517	95	164,155	115,585	66,363	(16,106)	539,879	1,466,145	740,408	2,206,553
Changes in equity for the six months ended 30 June 2013:												
Total comprehensive income for the period		–	–	–	–	–	–	(2,686)	102,228	99,542	98,571	198,113
Issuance of shares	17(b)	905	162,027	–	–	–	–	–	–	162,932	–	162,932
Issuance of convertible bond		–	–	–	–	5,324	–	–	–	5,324	–	5,324
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(1,429)	(1,429)
Dividends approved and paid in respect of the previous year	17(a)	–	(55,030)	–	–	–	–	–	–	(55,030)	–	(55,030)
Balance at 30 June 2013		11,562	692,514	95	164,155	120,909	66,363	(18,792)	642,107	1,678,913	837,550	2,516,463
Balance at 1 January 2014		11,562	666,233	95	164,155	152,675	70,645	(16,037)	758,398	1,807,726	812,062	2,619,788
Changes in equity for the six months ended 30 June 2014:												
Total comprehensive income for the period		–	–	–	–	–	–	(2,547)	120,073	117,526	8,180	125,706
Issuance of shares	17(b)	954	295,452	–	–	–	–	–	–	296,406	–	296,406
Acquisition of non-controlling interests		–	–	–	–	10,506	–	–	–	10,506	(75,235)	(64,729)
Dividends approved in respect of the previous year	17(a)	–	(103,507)	–	–	–	–	–	–	(103,507)	–	(103,507)
Balance at 30 June 2014		**12,516**	**858,178**	**95**	**164,155**	**163,181**	**70,645**	**(18,584)**	**878,471**	**2,128,657**	**745,007**	**2,873,664**

The notes on pages 36 to 64 form part of this interim financial report.

Condensed consolidated cash flow statement

for the six months ended 30 June 2014 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating activities		
Cash used in operations	**(82,340)**	(379,374)
Tax paid	**(167,258)**	(22,128)
Net cash used in operating activities	**(249,598)**	(401,502)
Investing activities		
Net investment in directional asset management	**(108,000)**	(477,000)
Outflows arising from entrusted loans	**(140,000)**	—
Net cash outflows arising from debt factoring receivables	**(315,000)**	—
Net cash outflow in respect of the final payment on acquisition of subsidiaries	**(204,000)**	—
Other cash flows (used in)/arising from investing activities	**(114,932)**	527,235
Net cash (used in)/generated from investing activities	**(881,932)**	50,235
Financing activities		
Net proceeds from issuance of new shares	**296,406**	162,932
Proceeds from issuance of convertible bonds	**182,574**	160,198
Proceeds from interest-bearing borrowings	**929,050**	595,377
Repayment of interest-bearing borrowings	**(737,029)**	(393,203)
Net cash flows arising from/(used in) other financing activities	**303,313**	(6,129)
Net cash generated from financing activities	**974,314**	519,175
Net (decrease)/increase in cash and cash equivalents	**(157,216)**	167,908
Cash and cash equivalents at 1 January	**671,145**	333,415
Effect of foreign exchange rates changes	**414**	(2,153)
Cash and cash equivalents at 30 June	**514,343**	499,170

The notes on pages 36 to 64 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial report of China All Access (Holdings) Limited (the "Company") and its subsidiaries (together referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements of the Company, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 65 to 66.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation *(Continued)*

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2014.

2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

— Amendments to HKFRS 10, *HKFRS 12 and HKAS 27, Investment entities*

— Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

— Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

— Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

— HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

2 Changes in accounting policies *(Continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have any material impact on the Group's unaudited interim financial report as no impairment of non-financial assets has been recognised as of the end of the reporting period.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

2 Changes in accounting policies *(Continued)*

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's unaudited interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

— Provision of satellite communication application solutions and other services: including system design, installation, testing, software development, provision of application services for satellite communication, call centre application solutions and services, as well as distribution of satellite receivers and equipment.

— Provision of wireless data communication application solutions and services: including system design, installation, testing, software development, provision of application services for wireless data communication, as well as research and development and distribution of wireless terminals and equipment, including mobile phones, display modules, batteries, chargers, power adapters, casings, keyboards and other types of new generation mobile terminal products and parts.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

3 Segment reporting *(Continued)*

(a) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Provision of satellite communication application solutions and other services		Provision of wireless data communication application solutions and services		Total	
For six months ended 30 June	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Revenue from customers (note)	**318,001**	132,043	**3,015,353**	2,041,352	**3,333,354**	2,173,395
Reportable segment profit	**112,871**	52,106	**118,753**	60,453	**231,624**	112,559
	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000	**At 30 June 2014 RMB'000**	At 31 December 2013 RMB'000	**At 30 June 2014 RMB'000**	At 31 December 2013 RMB'000
Reportable segment assets	**648,287**	473,274	**7,335,189**	5,945,596	**7,983,476**	6,418,870
Reportable segment liabilities	**56,236**	39,203	**5,494,208**	4,014,821	**5,550,444**	4,054,024

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

3 Segment reporting *(Continued)*

(a) Information about profit or loss, assets and liabilities (Continued)

Note: Revenue from customers (including related parties) amounting to 10 percent or more of the revenue is set out below:

	Provision of satellite communication application solutions and other services		Provision of wireless data communication application solutions and services		Total	
For six months ended 30 June	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Customer A	**–**	–	**528,463**	139,535	**528,463**	139,535
Customer B	**–**	–	**1,210,893**	1,565,147	**1,210,893**	1,565,147
Customer C	**261,221**	–	**–**	–	**261,221**	–
	261,221	–	**1,739,356**	1,704,682	**2,000,577**	1,704,682

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Reportable segment profit derived from the Group's customers	**231,624**	112,559
Other revenue	**8,575**	4,530
Other net income	**13,774**	750
Finance income	**38,893**	14,268
Finance costs	**(81,986)**	(66,990)
(Loss)/gain on disposal of associates	**(1,833)**	241,227
Gain on disposal of subsidiaries	**—**	1,588
Share of profits less losses of associates	**(22)**	9,091
Unallocated depreciation and amortisation	**(1,882)**	(7,637)
Unallocated head office and corporate expenses	**(29,473)**	(31,390)
Consolidated profit before taxation	**177,670**	277,996

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

4 Other revenue

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Government grants	**2,914**	1,979
Others	**5,661**	2,551
	8,575	4,530

Government grants for the six months ended 30 June 2014 and 2013 primarily represented grants related to income from the government. There is no assurance that the Group will continue to receive such grants in the future.

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
(a) Finance costs		
Interest expenses:		
— Interest-bearing borrowings	**48,087**	38,490
— Convertible bonds	**18,575**	8,582
— Factored trade receivables, discounted bills receivable and letter of credit	**15,043**	13,007
— Discount of deferred consideration payable	**3,959**	5,747
Bank charges	**4,265**	4,534
Less: interest expense capitalised into property, plant and equipment	**(7,943)**	(3,370)
	81,986	66,990

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

5 Profit before taxation *(Continued)*

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
(b) Other items		
Cost of inventories	**2,927,065**	1,877,118
Depreciation of property, plant and equipment	**13,835**	18,677
Amortisation of intangible assets	**33,287**	32,830
Amortisation of land lease prepayments	**574**	665
Inventory write-down	**11,301**	14,638
Impairment loss on trade and other receivables, net	**6,008**	3,384

6 Income tax

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax — Hong Kong Profits Tax	**9,562**	—
Current tax — PRC corporate income tax ("CIT")	**51,542**	146,888
Deferred taxation	**(11,687)**	(69,691)
	49,417	77,197

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

6 Income tax *(Continued)*

(a) The Company and China All Access Group Limited ("CAA BVI") are incorporated in the Cayman Islands and the British Virgin Islands ("BVI"), respectively. They are not subject to tax on income or capital gains under the current laws of the respective jurisdictions in the Cayman Islands and the BVI. In addition, upon any payment of dividend by the Company or CAA BVI, no Cayman Islands and BVI withholding tax is imposed.

(b) The Company, All Access Global Limited ("CAA HK") and CAA BVI are recognised as Hong Kong tax resident enterprises, hence they are subject to Hong Kong Profits Tax with the standard Hong Kong Profits Tax rate of 16.5%.

(c) Certain PRC subsidiaries of the Group are qualified High and New Technology Enterprises ("HNTEs") and entitled to the preferential tax rate of 15%.

Management is of the view that the above qualified HNTEs will continue their status upon renewal for 3 years from their respective years of approval.

(d) Other PRC subsidiaries of the Group are subject to standard PRC CIT rate of 25% (for the six months ended 30 June 2013: 25%).

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB120,073,000 (six months ended 30 June 2013: RMB102,228,000) and the weighted average of 1,375,233,000 ordinary shares (six months ended 30 June 2013: 1,320,161,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB120,073,000 (six months ended 30 June 2013: RMB102,228,000) and the diluted weighted average of 1,375,233,000 ordinary shares (six months ended 30 June 2013: 1,320,161,000 ordinary shares). No adjustment has been made to the basic earnings per share amount presented for the reporting period in respect of a dilution as the impact of the conversion of the convertible bonds issued on 15 January 2013, 4 September 2013 and 27 June 2014 would have had an anti-dilutive effect on the basic earnings per share.

8 Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of RMB77,841,000, most of which is within construction in progress, in which depreciation charges have not begun (six months ended 30 June 2013: RMB74,287,000). Items of property, plant and equipment with a net book value of RMB1,087,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB1,165,000), resulting in a loss on disposal of RMB843,000 (six months ended 30 June 2013: RMB92,000).

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

9 Available-for-sale financial assets

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Available-for-sale		
— Directional asset management (note)	**607,500**	499,500
— Unlisted equity securities	**4,214**	4,214
	611,714	503,714

Note:

On 29 May 2013, a subsidiary of the Company entered into a contract of directional asset management plan with a 3 years' maturity period with a state-owned securities company. During the six months ended 30 June 2014, a net amount of RMB108,000,000 has been invested into the plan. The fair value of the financial asset as at 30 June 2014 is RMB607,500,000.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

10 Trade and other receivables

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current		
Trade receivables	56,037	62,402
Prepayments	4,912	—
Rental deposits	2,779	1,930
	63,728	64,332
Current		
Trade receivables due from related parties (note 20(b))	343,168	558,575
Other trade receivables	1,825,482	1,123,257
Less: Allowance for doubtful debts	(19,149)	(11,652)
	2,149,501	1,670,180
Prepayments (note (i), (ii))	763,338	313,808
Other receivables and deposits (note (iii))	461,344	46,871
Entrusted loans (note (iv))	140,000	—
Debt factoring receivables (note (v))	315,000	—
Performance guarantee deposit	30,000	30,000
Interest receivables	21,974	11,397
Dividend receivables	—	1,350
	3,881,157	2,073,606

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

10 Trade and other receivables *(Continued)*

Notes:

(i) On 16 January 2013, the Group entered into a cooperation framework agreement for a term of 15 years with Hebei Guangdian Network Investment Co., Ltd. ("Hebei Guangdian"), pursuant to which the Group agreed to cooperate with Hebei Guangdian for the joint development of a digital multimedia network covering the households in Hebei Province. Subsequently, the parties entered into a formal cooperation agreement dated 18 April 2013 to vary and supplement the terms and conditions of the parties' joint investment in this project and to facilitate the implementation of this project. To commence this project, the Group has signed a significant contract of RMB330,000,000 with an independent third party for the equipment purchases and network construction. Pursuant to the contract, the Group is required to pay 90% of the contract value for the initial construction upon the effective date of the contract. In addition, the Group has paid RMB10,000,000 to Hebei Guangdian as initial funds of the project. As at 30 June 2014, prepayment for purchases of digital multimedia network amounts to RMB211,538,000 (at 31 December 2013: RMB227,162,000). Currently, the Group is in discussion on modifying certain terms of the agreement with Hebei Guangdian, of which no conclusion has been reached as at 30 June 2014. No provision has been made regarding the prepayment for purchases.

(ii) In the first half of 2014, the Group entered into several entrustment agreements with a third party, pursuant to which the Group agreed to entrust the third party to purchase equipment and raw materials on behalf of the Group based on pre-defined terms. The third party will refund the prepayment without interest if the pre-defined purchase terms are not satisfied. As at 30 June 2014, prepayment for purchases of equipment amounts to RMB112,000,000, and prepayment for purchase of raw materials amounts to RMB293,706,000.

(iii) As at 30 June 2014, RMB385,000,000 of other receivables and deposits were structured deposits in a commercial bank, with maturity periods of 12 months. The deposits could not be withdrawn prior to maturity.

(iv) As at 30 June 2014, RMB40,000,000 and RMB100,000,000 of entrusted loans were provided by a non-wholly owned subsidiary of the Group to a third party through a commercial bank. The principals of the entrusted loans are due on 27 February 2015 and 9 March 2015, respectively, with annual rate of return at 8.4%.

(v) As at 30 June 2014, RMB315,000,000 of accounts receivable factoring was provided by two non-wholly owned subsidiaries of the Group to third parties through a privately-owned factoring company with maturity periods of 3 months to 6 months at annual rates of return ranged from approximately 9.00%-24.00%.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

10 Trade and other receivables *(Continued)*

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 month	**1,069,889**	991,943
1 to 2 months	**427,965**	204,998
2 to 3 months	**191,344**	168,409
3 to 6 months	**62,076**	42,293
Over 6 months	**454,264**	324,939
Trade receivables, net of allowance for doubtful debts	**2,205,538**	1,732,582

11 Factored trade receivables

At 30 June 2014, the Group factored trade receivables of RMB307,226,000 (at 31 December 2013: RMB248,000,000) to a bank with recourse. The subsidiary of the Group still retained the risks and rewards associated with the factored trade receivables. Accordingly, bank advances from the factoring of the Group's trade receivables have been accounted for as liabilities in the consolidated statement of financial position. The maturity dates are within 12 months. No impairment is made on the factored trade receivables.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

12 Discounted bills receivable

At 30 June 2014, the Group has discounted its bills receivable of RMB322,688,000 (at 31 December 2013: RMB173,069,000) to financial institutions with recourse. Accordingly, the advances from financial institutions of RMB413,627,000 (at 31 December 2013: RMB173,069,000) received by the Group as consideration for the discounted bills receivable were recognised as liabilities.

13 Bills receivable

As at 30 June 2014, bills receivable amounted to RMB1,193,145,000 (at 31 December 2013: RMB1,345,911,000) included bills receivable of RMB137,846,000 (at 31 December 2013: RMB284,741,000) which were pledged as security to issue bills payable for operating use and bills receivable of RMB459,126,000 (at 31 December 2013: RMB328,426,000) which had been endorsed to other parties but not yet due.

Ageing analysis

As of the end of the reporting period, the ageing analysis of bills receivable based on the bills received date is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 month	**337,771**	387,695
1 to 2 months	**250,406**	254,761
2 to 3 months	**158,258**	281,989
3 to 6 months	**446,710**	421,466
Bills receivable	**1,193,145**	1,345,911

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

14 Trade and other payables

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables due to related parties (note 20(b))	**36,063**	52,042
Bills payable due to related parties (note 20(b))	**14,650**	46,909
Other trade and bills payable	**2,833,143**	2,169,080
Trade and bills payable	**2,883,856**	2,268,031
Other payables and accruals	**334,843**	299,197
Financial liabilities measured at amortised cost	**3,218,699**	2,567,228
Receipts in advance	**191,455**	19,884
	3,410,154	2,587,112

As of the end of the reporting period, the ageing analysis of trade and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 month	**1,257,788**	768,987
1 to 3 months	**861,931**	826,539
3 to 6 months	**681,140**	481,092
Over 6 months but within 1 year	**76,875**	164,507
Over 1 year	**6,122**	26,906
	2,883,856	2,268,031

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

15 Interest-bearing borrowings

At 30 June 2014, the interest-bearing borrowings comprise of:

	Note	**At 30 June 2014 RMB'000**	At 31 December 2013 RMB'000
Credit loans	(i)	**1,027,000**	761,056
Mortgage loans	(ii)	**261,481**	218,234
Guaranteed loans	(iii)	**30,000**	147,930
Guaranteed note	(iv)	**79,380**	78,620
Total interest-bearing borrowings		**1,397,861**	1,205,840

All of the interest-bearing borrowings are carried at amortised cost.

Notes:

(i) At 30 June 2014, RMB1,007,000,000 (at 31 December 2013: RMB591,056,000) of credit loans were provided by commercial banks and RMB20,000,000 (at 31 December 2013: RMB170,000,000) of credit loans were provided by related party of the Group. The annual interest rate of the above loans ranged from approximately 5.80%-8.40%. The principals are repayable within one year.

(ii) At 30 June 2014, RMB250,000,000 (at 31 December 2013: RMB177,950,000) of the loans were secured by two pieces of land of the Group with carrying value of approximately RMB134,097,000 (at 31 December 2013: approximately RMB141,184,000).

At 30 June 2014, RMB11,481,000 (at 31 December 2013: RMB11,784,000) of the loans were secured by the Group's buildings with carrying value of approximately RMB22,437,000 (at 31 December 2013: approximately RMB22,606,000), of which HK$10,802,000 (approximately RMB8,575,000) (at 31 December 2013: HK$11,032,000, approximately RMB8,673,000) of the loans were guaranteed by the Company.

In March 2014, RMB28,500,000 of mortgage loans was repaid by the Group.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

15 Interest-bearing borrowings *(Continued)*

Notes: *(Continued)*

(iii) At 30 June 2014, RMB30,000,000 (at 31 December 2013: RMB30,000,000) of the loans was guaranteed by a subsidiary of the Company. The principal is repayable in one year and the interest rate is charged at 7.2%. HK$150,000,000 of guaranteed loan was repaid by the Group in March 2014.

(iv) At 30 June 2014, the guaranteed note amounting to HK$100,000,000 (approximately RMB79,380,000) (at 31 December 2013: HK$100,000,000, approximately RMB78,620,000) which was issued to Chance Talent Management Limited ("CTM", a subsidiary of a substantial shareholder of Shenzhen City Changfei Investment Company Limited, a non-wholly owned subsidiary of the Group) was guaranteed by Mr. Chan Yuen Ming ("Mr. Chan", an executive director of the Company). The principal is due in February 2015 with the interest rate charged at 10%.

16 Convertible bonds

On 15 January 2013, the Company issued a tranche of convertible bond to ZTE (H.K.) Limited, being a wholly-owned subsidiary of ZTE Corporation, for the principal amount of HK$201,500,000 (approximately RMB158,419,000) with a maturity of two years and interest rate of 10%. The convertible bond, at the option of the bond holders, will be partly or fully converted into ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price of the convertible bond is HK$2.20 per share. Following the completion of the placing and subscription as mentioned in note 17(b), the conversion price of the convertible bond is adjusted to HK$2.186 per share.

On 4 September 2013, the Company issued a tranche of convertible bond to CTM for the principal amount of HK$200,000,000 (approximately RMB157,240,000) with a maturity of one year and interest rate of 8%. The convertible bond, at the option of the subscriber of the convertible bonds, will be partly or fully converted into ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price of the convertible bond is HK$3.00 per share. Following the completion of the placing and subscription as mentioned in note 17(b), the conversion price of the convertible bond is adjusted to HK$2.872 per share.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

16 Convertible bonds *(Continued)*

On 27 June 2014, the Company issued a tranche of convertible bond to Asia Equity Value LTD for the principal amount of HK$230,000,000 (approximately RMB182,574,000) with a maturity of 27 months and interest rate of 7.5% per annum. The convertible bond, at the option of the subscribers of the convertible bond, will be partly or fully converted into ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price of the convertible bond is HK$3.35 per share. As at 30 June 2014, the fair value of options related to this convertible bond categorised into Level 2 of fair value hierarchy amounts to RMB24,739,000, which is determined using binomial tree option pricing model and Monte Carlo simulation. The unobservable input used in the fair value measurement is expected to be insignificant.

As at 30 June 2014, no conversion rights under the above three convertible bonds have been exercised.

17 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period:

	2014 **HK$'000**	2013 HK$'000
Interim dividend declared after the interim period, of HK2.5 cents per ordinary share (for the six months ended 30 June 2013: HK2.5 cents per ordinary share)	**36,221**	33,221
	RMB'000	RMB'000
Equivalent to	**28,811**	26,434

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

17 Capital, reserves and dividends *(Continued)*

(a) Dividends (Continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Final dividend attributable to the financial year ended 31 December 2013, approved during the following interim period, of HK5.5 cents per ordinary share (for the year ended 31 December 2012: HK5.2 cents per ordinary share)	**79,685**	69,099
	RMB'000	RMB'000
Equivalent to	**63,254**	55,030

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

17 Capital, reserves and dividends *(Continued)*

(a) Dividends (Continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period: *(Continued)*

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Special dividend attributable to the financial year ended 31 December 2013, approved during the following interim period, of HK3.5 cents per ordinary share (for the year ended 31 December 2012: nil per ordinary share)	**50,709**	—
	RMB'000	RMB'000
Equivalent to	**40,253**	—

The final dividend and special dividend attributable to the financial year ended 31 December 2013 was approved at the annual general meeting held on 27 June 2014 and the board meeting held on 31 March 2014 respectively and was subsequently paid on 16 July 2014.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

17 Capital, reserves and dividends *(Continued)*

(b) *Share capital*

	At 30 June 2014		At 31 December 2013	
	Shares '000	Amount HK$'000	Shares '000	Amount HK$'000
Authorised:	100,000,000	1,000,000	100,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	1,328,824	13,288	1,216,824	12,168
Issuance of shares (note)	120,000	1,200	112,000	1,120
At the end of the period/year	1,448,824	14,488	1,328,824	13,288
		RMB'000		RMB'000
Equivalent to		12,516		11,562

Note:

On 22 April 2014, in accordance with the terms of the placing and subscription agreement entered into between Creative Sector Limited (a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chan), the Company and the placing agent, a total of 120,000,000 placing shares at the placing price of HK$3.20 per placing share were placed to not less than six independent placees by Creative Sector Limited. On 28 April 2014, 120,000,000 subscription shares, representing the same number of placing shares, were allotted and issued to Creative Sector Limited at the subscription price of HK$3.20 per subscription share, which was equivalent to the placing price per placing share.

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

18 Commitments

Capital commitments relating to construction in progress outstanding not provided for in the interim financial report were as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for	**45,430**	19,516

19 Contingent liabilities

Financial guarantee issued

As at the end of the reporting period, the Company and a subsidiary has issued the following guarantees:

(a) a corporate guarantee to a bank in respect of a mortgage loan granted to CAA HK, which expires upon full repayment of the mortgage loan on 25 February 2035.

As at 30 June 2014, the directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company as at 30 June 2014 under the guarantee was the total outstanding amount of the loan of approximately HK$10,802,000 (equivalent to approximately RMB8,575,000) (31 December 2013: approximately HK$11,032,000, equivalent to approximately RMB8,673,000).

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

19 Contingent liabilities *(Continued)*

Financial guarantee issued (Continued)

(b) a corporate guarantee provided by a subsidiary of the Company to a bank in respect of a guaranteed loan granted to another subsidiary of the Company, which expires upon the repayment in one year.

As at 30 June 2014, the directors do not consider it probable that a claim will be made against the subsidiary under the guarantee. The maximum liability of the subsidiary as at 30 June 2014 under the guarantee was the total outstanding amount of the loan of RMB30,000,000) (31 December 2013: RMB30,000,000).

20 Material related party transactions

Name of party	**Relationship**
Chan Yuen Ming	Controlling Shareholder
ZTE Corporation	Substantial Shareholder
Subsidiaries of ZTE Corporation (Together referred to as the "ZTE Group")	Subsidiaries of Substantial Shareholder
Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited (note(i))	Substantial Shareholder
Subsidiaries of Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited (Together referred to as the "ZX Group")	Subsidiaries of Substantial Shareholder
Associates of the Group	Significant influence
CTM	Note (ii)

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

20 Material related party transactions *(Continued)*

Notes:

(i) Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited (深圳市中興新通訊設備有限公司), being a limited company established in the PRC, is the controlling shareholder of ZTE Corporation.

(ii) In 2013, the Company entered into two subscription agreements with CTM in respect of a guaranteed note and a convertible bond. The details of the transactions and relationship are disclosed in note 15 (iv) and 16.

(a) Material related party transactions

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of goods and rendering of services		
ZTE Group	**1,274,923**	1,597,617
ZX Group	**—**	293
	1,274,923	1,597,910
Purchases of goods and services		
ZTE Group	**26,198**	43,985
ZX Group	**16,219**	9,669
Associates of the Group	**24,610**	48,278
	67,027	101,932
Finance cost		
ZTE Group	**15,348**	13,632
CTM	**12,838**	—
	28,186	13,632

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

20 Material related party transactions *(Continued)*

(a) Material related party transactions (Continued)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Professional expenses		
ZTE Group	**1,366**	5,688
Rental expenses		
Mr. Chan	**91**	91
ZX Group	**876**	921
	967	1,012
Capital injection received by a subsidiary of the Company from		
ZTE Group	**3,000**	—
Acquisition of non-controlling interests from		
ZX Group	**39,621**	—

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

20 Material related party transactions *(Continued)*

(b) Material related party balances

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Cash and cash equivalents		
ZTE Group	**1,152**	616
Trade receivables		
ZTE Group	**342,659**	558,088
ZX Group	**509**	470
Associates of the Group	**—**	17
	343,168	558,575
Factored trade receivables		
ZTE Group	**307,226**	248,000
Discounted bills receivable		
ZTE Group	**206,380**	76,427
Bills receivable		
ZTE Group	**817,665**	1,237,322
Trade payables		
ZTE Group	**15,453**	12,125
ZX Group	**16,064**	5,131
Associates of the Group	**4,546**	34,786
	36,063	52,042

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

20 Material related party transactions *(Continued)*

(b) Material related party balances (Continued)

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bills payable		
ZTE Group	**6,900**	19,954
ZX Group	**7,750**	5,209
Associates of the Group	**—**	21,746
	14,650	46,909
Other payables		
ZTE Group	**2,449**	8,724
ZX Group	**19,811**	—
	22,260	8,724
Deferred consideration payable		
ZTE Group	**—**	200,041
Interest-bearing borrowings		
ZTE Group	**20,000**	170,000
CTM	**79,380**	78,620
	99,380	248,620
Bank advances on discounted bills receivable		
ZTE Group	**175,946**	—
Convertible bonds		
ZTE Group	**158,246**	155,248
CTM	**158,410**	154,352
	316,656	309,600

Notes to the unaudited interim financial report *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

20 Material related party transactions *(Continued)*

(c) Guarantee by related party of the Company

As at 30 June 2014, Mr. Chan has provided a guarantee in respect of the guaranteed note of HK$100,000,000 (approximately RMB79,380,000) (at 31 December 2013: HK$100,000,000, approximately RMB78,620,000).

21 Non-adjusting post balance sheet event

Subsequent to the end of the reporting period, the directors declared an interim dividend. Further details are disclosed in note 17(a).

22 Comparative figures

Certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed.

Review report to the board of directors of
China All Access (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 29 to 64 which comprises the consolidated statement of financial position of China All Access (Holdings) Limited (the "Company") as of 30 June 2014 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 August 2014