



中國全通
ALL ACCESS

Interim Report 2016



INTELLIGENT SOLUTIONS ACCESS FOR ALL

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 (FCPA)
Mr. Xiu Zhi Bao
Mr. Yan Wei
Mr. Tian Zheng

Independent Non-Executive Directors

Mr. Pun Yan Chak
(retired on 14 June 2016)
Mr. Wong Che Man Eddy (FCPA)
Mr. Lam Kin Hung Patrick
Mr. Fung Ka Kin (FCPA)
(appointed on 1 April 2016)

Authorised Representatives

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung (FCPA)

Audit Committee

Mr. Wong Che Man Eddy
(Chairman) (FCPA)
Mr. Pun Yan Chak
(resigned on 1 April 2016)
Mr. Lam Kin Hung Patrick
Mr. Fung Ka Kin (FCPA)
(appointed on 1 April 2016)

Remuneration Committee

Mr. Pun Yan Chak (Chairman)
(resigned on 1 April 2016)
Mr. Fung Ka Kin (Chairman) (FCPA)
(appointed on 1 April 2016)
Mr. Wong Che Man Eddy (FCPA)
Mr. Shao Kwok Keung (FCPA)

Nomination Committee

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

Company Secretary

Mr. Au Ki Lun (CPA)

Head Office and Principal Place of Business in Hong Kong

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Hong Kong

Registered Office

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Grand Cayman KY1-1111
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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The first half of 2016 was the final stage of the business restructuring of China All Access (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group"). During the six months ended 30 June 2016, the Group completed the disposal of equity interest in Shenzhen Xing Fei Technology Co., Ltd. ("Shenzhen Xingfei") and the entering into of the patent license agreement with New Concept Aircraft (Zhuhai) Co., Ltd. ("Zhuhai NCA") and Dr. Li Hiu Yeung ("Dr. Li"). Some major highlights were as follows:

1. Revenue from continuing operations decreased by approximately 55.99% to approximately RMB540,056,000 as compared to the corresponding period in 2015;
2. Gross profit from continuing operations decreased by approximately 12.06% to approximately RMB113,033,000 as compared to the corresponding period in 2015; and
3. Profit attributable to owners of the Company for the six months ended 30 June 2016 decreased by approximately 14.01% to approximately RMB27,816,000 as compared to the corresponding period in 2015.

Disposal of Shenzhen Xingfei

During the six months ended 30 June 2016, the Group completed the disposal of 54% equity interest in Shenzhen Xingfei (which together with its operating subsidiaries were principally engaged in the research and development, manufacturing and sales of mobile phones and mobile power source products) for the cash consideration of RMB702,000,000. Following the completion of such disposal, Shenzhen Xingfei and its subsidiaries ceased to be subsidiaries of the Group. The Group considers that such disposal represents an attractive return on its investment in the mobile terminals business and it will enable the Group to focus its resources in pursuing development opportunities that may generate higher return in the future.



Communication Application Solutions and Services

Revenue generated from communication application solutions and services during the six months ended 30 June 2016 decreased by approximately 62.41% to about RMB460,986,000 as compared to the corresponding period last year, which accounted for approximately 85.36% of the Group's total revenue for the six months ended 30 June 2016. The decrease was mainly due to the fact that as the Group focused on completing the business restructuring process in the first half of this year, quite a number of projects were shifted to be completed in the second half of this year as mutually agreed between the Group and its business partners.

The market of communication application solutions remains very robust. However, the Group's focus in the first half of this year was to complete the business restructuring process. Its entire business momentum was in the transformation stage. Entering into the second half of this year, the Company expects it will accelerate its business development in the emergency communication, public safety and integrated city administration to increase its market share. It will continue to explore new opportunities in the vertical markets and address the growing demand for smart city applications.

New Business — Green Optical Applications

Based on the patent licence agreement dated 12 May 2016 and entered into between the Group, Zhuhai NCA and Dr. Li in relation to the sub-licence of certain patents (the "Patents") by Dr. Li to the Group (as amended by the supplemental agreement entered into by the same parties on 13 June 2016 (details of the agreement and the amendment are set out in the announcements of the Company dated 12 May 2016 and 13 June 2016)) (collectively, the "Patent Licence Agreement"), the Group grasped on the new business opportunity to develop green optical products for application in the solar energy sector, which is a growing energy source in the world. This lays a new cornerstone in the Group's business evolution.

During the second half of 2016, the Group plans to commence the production of its solar products using the Patents. Nowadays, the major bottlenecks faced by solar energy sector are high initial set-up costs and low efficiencies of the solar battery modules. The Group's products using the Patents are expected to be able to tackle these issues which in turn will drive the price of solar energy to very favorable level as compared with all other available energy sources.

Investment

In the course of rolling out investment, the Group aimed at increasing the return on assets at risk adverse approach. During the period under review, the Group took positions in direct investment, high yield treasury products and provided facilitating capital to supply stream leading to a solid contribution in finance income. Revenue generated from investment increased from approximately RMB905,000 for the six months ended 30 June 2015 to approximately RMB79,070,000 for the six months ended 30 June 2016.

Moreover, on 8 June 2016, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has granted the Group approval on the Practice Note 15 Proposal regarding the potential spin-off and separate listing of the Group's interest in China Lide Holdings Limited (the display module business of the Group) on the Growth Enterprise Market of the Stock Exchange. Please refer to the announcement of the Company dated 16 June 2016 for further details.

Financial Review

From Continuing Operations

Revenue

Revenue decreased from approximately RMB1,227,254,000 for the six months ended 30 June 2015 to approximately RMB540,056,000 for the six months ended 30 June 2016, representing a decrease of approximately 55.99%. The decrease in revenue during the period as compared with that of the corresponding period of last year was mainly attributable to the factors described below:

- Communication application solutions and services exhibited a decrease in revenue from approximately RMB1,226,349,000 for the six months ended 30 June 2015 to approximately RMB460,986,000 for the six months ended 30 June 2016, representing a decrease of approximately 62.41%. The decrease was caused by the delay of completion of quite a number of projects to the second half of this year as mutually agreed between the Group and its business partners so as to cater for the Group's focus in the business restructuring process in the first half of this year.



- Investment exhibited an increase in revenue from approximately RMB905,000 for the six months ended 30 June 2015 to approximately RMB79,070,000 for the six months ended 30 June 2016, representing an increase of approximately 8,637.02%. The increase was mainly due to increase in interest income generated from provision of facilitating capital to supply stream in Hong Kong and investment returns from direct investment and high yield treasury products.

Gross profit

Gross profit dropped from approximately RMB128,529,000 for the six months ended 30 June 2015 to approximately RMB113,033,000 for the six months ended 30 June 2016, representing a decrease of approximately 12.06%. Meanwhile, gross profit margin increased from approximately 10.47% for the six months ended 30 June 2015 to approximately 20.93% for the six months ended 30 June 2016. The increase was mainly attributable to convergence of satellite and wireless data communication application solutions which carries a higher gross profit margin and disposal of Shenzhen Xingfei with provision of high volume products with low gross margin.

Other revenue

Other revenue climbed from approximately RMB2,450,000 for the six months ended 30 June 2015 to approximately RMB12,940,000 for the six months ended 30 June 2016, representing an increase of approximately 428.16%. It was mainly attributable to government grants for innovation and research and development projects.

Other net loss

The Group recorded other net loss of approximately RMB718,000 for the six months ended 30 June 2016 as compared with other net income of approximately RMB101,000 for the six months ended 30 June 2015. The change was mainly due to a loss on disposal of property, plant and equipment.

Distribution costs, administrative expenses and R&D expenses

Distribution costs, administrative expenses and R&D expenses increased from approximately RMB98,547,000 for the six months ended 30 June 2015 to approximately RMB119,369,000 for the six months ended 30 June 2016, representing an increase of approximately 21.13%. The increase was mainly due to the increase in administrative expenses as a result of provision of impairment in trade and other receivables.

Finance income and finance costs

Finance income declined from approximately RMB51,338,000 for the six months ended 30 June 2015 to approximately RMB20,836,000 for the six months ended 30 June 2016, representing a decrease of approximately 59.41%. The decrease was mainly attributable to the lost of interest income earned from directional asset management in last corresponding period.

Finance costs increased from approximately RMB84,064,000 for the six months ended 30 June 2015 to approximately RMB127,928,000 for the six months ended 30 June 2016, representing a rise of approximately 52.18%. The rise was mainly attributable to increased interest associated with interest-bearing borrowings and convertible bonds during the period.

Income tax

Income tax decreased from approximately RMB39,256,000 for the six months ended 30 June 2015 to approximately RMB13,295,000 for the six months ended 30 June 2016, representing a decrease of approximately 66.13%. The decrease in income tax was mainly due to one-off PRC Corporate Income Tax incurred during the corresponding period of last year for the Group reorganisation.

Profit/(loss) from continuing operations

Profit from continuing operations declined from approximately RMB32,533,000 for the six months ended 30 June 2015 to a profit of approximately RMB5,886,000 for the six months ended 30 June 2016, representing a decrease of approximately 81.91%. The decrease was mainly attributable delay in revenue recognition.

Profit for the period

Profit for the period from continuing and discontinued operations attributable to owners of the Company decreased from approximately RMB32,349,000 for the six months ended 30 June 2015 to approximately RMB27,816,000 for the six months ended 30 June 2016, representing a decrease of approximately 14.01%. The decrease was caused by the delay of completion of quite a number of projects to the second half this year as mutually agreed between the Group and its business partners so as to cater for the Group's focus in the business restructuring process in the first half of this year.



Liquidity and Capital Resources

Liquidity, financial resources and capital structure

As at 30 June 2016, the Group had unrestricted cash and cash equivalents of approximately RMB76,092,000 (as at 31 December 2015: approximately RMB275,065,000 (excluded assets of disposal group classified as held for sale)), restricted cash of approximately RMB554,126,000 (as at 31 December 2015: approximately RMB419,915,000 (excluded assets of disposal group classified as held for sale)), bank deposits with original maturities over three months RMB1,093,000,000 (as at 31 December 2015: approximately RMB1,093,000,000 (excluded assets of disposal group classified as held for sale)) and borrowings of approximately RMB2,150,928,000 (as at 31 December 2015: approximately RMB2,954,905,000 (excluded liabilities of disposal group classified as held for sale)). The gearing ratio (calculated by dividing borrowings by total assets) as at 30 June 2016 was approximately 31.48% (as at 31 December 2015 approximately 34.74%). As at 30 June 2016, the Group had current assets of approximately RMB6,114,216,000 (as at 30 December 2015: approximately RMB6,572,479,000 (excluded assets of disposal group classified as held for sale)) and current liabilities of approximately RMB2,715,964,000 (as at 31 December 2015 approximately RMB3,434,453,000 (excluded liabilities of disposal group classified as held for sale)). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 2.25 as at 30 June 2016, as compared with the current ratio of approximately 1.91 as at 31 December 2015 (excluded assets and liabilities of disposal group classified as held for sale). The significant increase of the current ratio was mainly attributable to the decrease in interest bearing borrowings and convertible bond.

The approach of the board (the "Board") of directors (the "Directors") of the Company to manage 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 currently does not expect 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 RMB3,056,000, which was mainly used for the procurement for upgrading plant, machinery and equipment.

Capital commitment

During the six months ended 30 June 2016, the Company entered into the Patent License Agreement with Zhuhai NCA and Dr. Li in relation to the proposed consideration for the grant of the patent licenses of HK\$470,000,000, concerned a device for increasing the luminous flux per unit area with the ability to reduce the light-taking distance.

As at 30 June 2016, the Group's total capital commitment amounted to approximately RMB451,321,000 (31 December 2015: approximately RMB75,253,000).

Charge on assets

The pledged assets of the Group for the six months ended 30 June 2016 are set out in notes 12 and 13 to the financial statements.

Contingent liabilities

Financial guarantee issued

As at the end of the reporting period, the Company has issued a single guarantee, which was made by the Company, to a bank in respect of a mortgage loan granted to CAA HK that expires upon full repayment of the mortgage loan on 25 February 2035. As at 30 June 2016, 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 2016 under the guarantee was the total outstanding amount of the loan of approximately RMB8,439,000 (equivalent to approximately HK\$9,876,000) (31 December 2015: approximately RMB8,468,000 (equivalent to approximately HK\$10,108,000)).



Human Resources

As at 30 June 2016, the Group had approximately 1,120 employees (as at 31 December 2015: approximately 3,787 employees). The decrease in the number of employees was mainly due to i) disposal of Shenzhen Xingfei, ii) centralisation of production facilities and iii) automation of production line.

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

Prospects

Looking ahead, the Group will direct all resources to further develop its two major areas, i.e. communication applications solutions and services and green optical applications. The Company expects these two business areas can provide very strong propelling power for future growth of the Group.

Global and China solar energy market: Huge growth potential

There has been a rising awareness that solar energy is the energy type with largest potential and the only way to tackle the reliance on fossil fuels nowadays. IHS Markit remains bullish on the global solar photovoltaic (PV) market in 2016, forecasting PV installations to reach 69GW in 2016, representing an increase of 17% from 2015. According to the solar energy roadmap by International Energy Agency (IEA), solar energy as a proportion of total electricity supply will rise to 10% in 2030 and even further to 27% or above in 2050. By achieving this, solar energy will be the world's largest source of electricity by 2050, ahead of other energy sources.

According to the 13th Five-year Plan of solar energy sector outlined by the National Energy Administration of PRC, the total accumulated installed solar PV capacity will increase nearly 4-fold to 150GW in 2020, of which the distributed generation will be 70GW and centralised power generation will be 80GW. Industry experts believe that the spending in renewable energy sector (including solar sector) will still be one of the important drivers for China's GDP growth and the government will continue to launch favorable policy to this sector.

By offering revolutionary new product for the solar energy sector at a substantially lower cost and operating in a more efficient and environmentally-friendly way, the Group expects the new product using the Patents will be well recognised by the market and potential customers which in turn capture good market share in newly installed capacity in China and global market, and will become a substantial revenue growth driver of the Group in the future.

The Group's solar product: Brings revolution to the market

The Group is riding on the Patent Licence Agreement to enter into the solar energy sector with tremendous market potential. Its solar product is designed for increasing the luminous flux per unit area and reducing the light-taking distance. Experimental results reveals that products using the Patents can raise the solar energy conversion per unit area substantially.

The entire PV value chain is divided into three parts: namely, upstream, midstream and downstream industry. The upstream industry is mainly responsible for production and manufacturing of polysilicon and wafer. Then, the midstream manufacturers make use of the materials to produce solar cells or modules and even the solar energy generating system. The downstream players in the industry are the solar plants which generate electricity for the mass public.

The Group's product is positioned as an add-on device which can significantly increase the efficiency and reduce cost of solar panel manufacturers and power plants. It is expected that the Group's future collaboration with the solar panel manufacturers can create synergies along the value chain and generate higher returns for the Group and its partners.

Popularity of communications applications in the emergency communications, public safety and urban integrated administration market segments

In order to adapt the popular trend of communications applications in the consumer market, the Group proactively promote its solutions in the emergency communications, public safety and urban integrated administration. Introducing customised communications terminals for its customers to access real-time online operating data or video signal from their internal systems via the convergence of terrestrial communication network and satellite network substantially enhances the operating efficiency of the Group's customers and would bring lower costs, faster response to emergencies, higher data accuracy and enhanced ability of instant information collection.



China's promotion of the Cyberpower strategy and implementation of the "Internet Plus" driving the pursuit of high-end technology-driven products

China's economic development has entered its next stage and transformed from traditional manufacturing to an emphasis on promotion of the Cyberpower strategy, implementation of the "Internet Plus" and high-end technology-driven supply side structural reform. The Group has been proactively searching for self-innovating scientific research which can be commercialised as its core competence in its business development. In the core area of telecommunications technology, the Group is targeting optical communications technology which is expected to be the next generation of telecommunications technology beyond radio frequency technology. Based on the Patent Licence Agreement, the Group can make use of the Patents to develop new products and new applications such as visible light communications, light remote transmission, recycling of various light which can enhance its core competencies in the market.

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

As at 30 June 2016, 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 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 (Note 5)
Mr. Chan Yuen Ming ("Mr. Chan")	The Company	Interest of a controlled corporation (Note 2)	582,566,000 ordinary shares (L)	31.73%
		Beneficial owner	1,000,000 ordinary shares (L)	0.05%
Mr. Shao Kwok Keung ("Mr. Shao")	The Company	Beneficial owner (Note 3)	9,000,000 ordinary shares (L)	0.49%
Mr. Xiu Zhi Bao ("Mr. Xiu")	The Company	Beneficial owner (Note 4)	7,000,000 ordinary shares (L)	0.38%

Notes:

- (1) The letter "L" denotes a long position in the shares (the "Shares") or underlying Shares of the Company or any of its associated corporations.
- (2) These 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) On 10 June 2015, a total of 9,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to Mr. Shao under the share option scheme of the Company. As at 30 June 2016, all these share options remained outstanding.
- (4) On 10 June 2015, a total of 7,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to Mr. Xiu under the share option scheme of the Company. As at 30 June 2016, all these share options remained outstanding.
- (5) Calculated on the basis of 1,835,723,216 Shares in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, 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 2016, 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 were as follows:

Name of shareholder	Capacity/ Nature of interest	Number and class interest of securities Held (Note 1)	Approximate percentage of shareholding (Note 7)
Creative Sector Limited	Beneficial owner	582,566,000 Ordinary Shares (L)	31.73%
Asia Equity Value Ltd ("AEV")	Beneficial owner (Note 2)	264,445,557 Ordinary Shares (L)	14.41%
	Beneficial owner (Note 2)	29,646,000 Ordinary Shares (S)	1.61%
	Security interest in Shares (Note 2)	12,949,742 Ordinary Shares (L)	0.71%
Tianan Property Insurance Co.,Ltd	Beneficial owner (Note 3)	117,000,000 Ordinary Shares (L)	6.37%
Oriental (Asia) Investment Holdings Limited	Beneficial owner (Note 4)	109,375,000 Ordinary Shares (L)	5.96%

Name of shareholder	Capacity/ Nature of interest	Number and class interest of securities Held (Note 1)	Approximate percentage of shareholding (Note 7)
Ms. Li Bi	Interest of a controlled corporation (Note 4)	109,375,000 Ordinary Shares (L)	5.96%
Dundee Greentech Limited	Beneficial owner (Note 5)	362,000,000 Ordinary Shares (L)	19.72%
Mr. Liu Hailong	Interest of a controlled corporation (Note 5)	362,000,000 Ordinary Shares (L)	19.72%
Dr. Li	Beneficial owner (Note 6)	164,000,000 Ordinary Shares (L)	8.93%

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) Based on the disclosure of interest notice ("DI Notice") filed by AEV under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 6 January 2016, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 30 June 2016, AEV had long position in 277,395,299 Shares and short position in 29,646,000 Shares. The long position in 277,395,299 Shares comprised (i) beneficial interest in 264,445,557 Shares, of which 254,190,945 Shares were in the form of derivative interests; and (ii) security interest in 12,949,742 Shares. The short position in 29,646,000 Shares comprised derivative interests.

Following the early redemption by the Company of the convertible notes issued by the Company in the original principal amount of HK\$230,000,000 (which can be converted into 27,242,943 Shares based on the outstanding principal amount of HK\$57,500,000 and accrued interest as at 24 June 2016 and the then conversion price of HK\$2.17) and HK\$170,000,000 (which can be converted into 79,448,198 Shares based on the outstanding principal amount of HK\$170,000,000 and accrued interest as at 24 June 2016 and the then conversion price of HK\$2.22) subscribed by AEV on 27 June 2014 and 6 July 2015, respectively, on 24 June 2016 (details of which are set out in the announcement of the Company dated 24 June 2016), the convertible notes issued to AEV were cancelled.



- (3) Based on the DI Notice filed by Tianan Property Insurance Co., Ltd. under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 3 June 2015, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 30 June 2016, Tianan Property Insurance Co., Ltd. had long position in 117,000,000 Shares in the capacity of beneficial owner.
- (4) Based on the DI Notice filed by each of Oriental (Asia) Investment Holdings Limited and Ms. Li Bi under Part XV of the SFO in respect of their respective interests in Shares and underlying Shares as of 24 March 2016, being the last DI Notice filed by each of them in respect of their respective interests in Shares and underlying Shares by 30 June 2016, Oriental (Asia) Investment Holdings Limited had long position in 109,375,000 Shares (all being derivative interests) in the capacity of beneficial owner. Ms. Li Bi was deemed to be interested in all the Shares in which Oriental (Asia) Investment Holdings Limited (a company wholly-owned by Ms. Li Bi) was interested by virtue of the SFO. On 30 June 2015, Oriental (Asia) Investment Holdings Limited became the registered holder of the convertible bonds in the outstanding principal amount of HK\$350,000,000 (the "Oriental Asia CB") which might be converted into new Shares at the conversion price of HK\$2.34 per Share (subject to further adjustment). Please refer to the Company's announcements dated 30 June 2015 and 8 July 2015 for further information. As set out in the Company's announcement dated 20 July 2015 and the Company's circular dated 24 August 2015, certain amendments to the terms and conditions of the Oriental Asia CB had been proposed which were approval by the shareholders of the Company at the extraordinary general meeting of the Company on 16 September 2015.
- (5) Based on the DI Notice filed by each of Dundee Greentech Limited and Mr. Liu Hailong under Part XV of the SFO in respect of their respective interests in Shares and underlying Shares as of 9 June 2015, being the last DI Notice filed by each of them in respect of their respective interests in Shares and underlying Shares by 30 June 2015, Dundee Greentech Limited had long position in 362,000,000 Shares (all being derivative interests) in the capacity of beneficial owner. Mr. Liu Hailong was deemed to be interested in all the Shares in which Dundee Greentech Limited (a company wholly-owned by Mr. Liu Hailong) was interested by virtue of the SFO.

As set out in the Company's announcement dated 9 June 2015, the Company and Dundee Greentech Limited entered into a subscription agreement for the issue and subscription of convertible bonds in the total principal amount of HK\$847,080,000 (the "Dundee Greentech CB") which might be converted into new Shares at the conversion price of HK\$2.34 per Share (subject to adjustment). On 10 August 2015, the issue and subscription of the Dundee Greentech CB was completed. Please refer to the Company's announcements dated 9 June 2015 and 10 August 2015 and the Company's circular dated 16 July 2015 for further information.

- (6) Pursuant to the Patent Licence Agreement, HK\$410,000,000 of the consideration for the grant of the sub-licence of the Patents by Dr. Li to the Group shall be settled by the Group by the Company's issue of a total of 164,000,000 consideration shares (at the price of HK\$2.50 per consideration share). As at 30 June 2016, such consideration shares had not been issued yet to Dr. Li and/or his nominee.

(7) Calculated on the basis of 1,835,723,216 Shares in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, 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 2016, save for the early redemption of the convertible notes issued by the Company in the principal amount of HK\$230,000,000 and HK\$170,000,000 subscribed by AEV on 27 June 2014 and 6 July 2015, respectively, on 24 June 2016 (details of which are set out in the announcement of the Company dated 24 June 2016), 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 2016.

Issue of Securities

Issue of consideration shares pursuant to the Patent Licence Agreement

The consideration for the grant of the sub-licence of the Patents by Dr. Li to the Group under the Patent Licence Agreement is HK\$470,000,000. Pursuant to the Patent Licence Agreement, HK\$410,000,000 of the consideration shall be settled by the Group by the Company's issue of a total of 164,000,000 consideration shares (at the price of HK\$2.50 per consideration share). The consideration shares shall be issued in the following manner: 1) HK\$200,000,000 had be settled by the allotment and issue of the first batch consideration shares (being 80,000,000 shares) to Dr. Li and/or his nominee on 22 July 2016 and 2) HK\$210,000,000 shall be settled by the issue of the second batch consideration shares (being 84,000,000 shares) to Dr. Li and/or his nominee at the first anniversary after the allotment and issue of the first batch consideration shares and within ten business days after delivery of the relevant application for shares signed by Dr. Li and/or his nominee. The closing price of the shares of the Company as quoted on the Stock Exchange on the 11 May 2016, being the last trading date for the shares of the Company before the date of the Patent Licence Agreement, was HK\$2.48.

Please refer to the Company's announcements dated 12 May 2016 and 13 June 2016, and the circular of the Company dated 27 June 2016 for further details.



Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the six months ended 30 June 2016 and up to the latest practicable date prior to the printing of this interim report, the Group had undertaken the following acquisitions and disposals of subsidiaries:

i) Disposal of 54% equity interest in Shenzhen Xingfei to 福建實達集團股份有限公司 (Fujian Start Group Co., Ltd.) (“Fujian Start”)

On 14 August 2015, Changfei Investment Company Limited (“Changfei Investment”), 深圳市騰興旺達有限公司 (Shenzhen City Teng Xing Wang Da Co., Ltd.) (“Tengxing Wangda”), 中興通訊股份有限公司 (ZTE Corporation) (“ZTE”), Mr. Chen Feng and 深圳市隆興茂達投資管理有限合夥企業(有限合夥) (Shenzhen Longxing Maoda Investment Management Limited Partnership Enterprise (Limited Liability Partnership) (“Longxing Maoda”) and Fujian Start entered into an agreement, pursuant to which (among other matters) Fujian Start has conditionally agreed to purchase the entire equity interest in Shenzhen Xingfei at a total consideration of approximately RMB1,500 million. Under the terms of the agreement, among other matters:

- (1) Changfei Investment has conditionally agreed to sell 54% equity interest in Shenzhen Xingfei (the “Sale Interest”) to Fujian Start for a total consideration of RMB702 million payable wholly in cash; and
- (2) Tengxing Wangda, ZTE, Mr. Chen Feng and Longxing Maoda have conditionally agreed to sell in aggregate 46% equity interest in Shenzhen Xingfei (the “Minority Sale Interest”) to Fujian Start for a total consideration of RMB798 million payable as to RMB110 million in cash and RMB688 million in consideration shares to be issued by Fujian Start. The transfer of the Sale Interest and the Minority Sale Interest has been completed in January 2016 and Shenzhen Xingfei and its subsidiaries had ceased to be subsidiaries of the Company accordingly.

Please refer to the Company’s announcements dated 14 August 2015, 23 September 2015, 14 October 2015, 28 January 2016 and 18 May 2016 for further details of this disposal.

ii) *Deemed disposal of shares in China Lide Holdings Limited (“China Lide”) and grant of put option for the acquisition of interest in China Lide.*

On 4 January 2016, China Lide and China All Access Investment Limited (“CAA Investment”), being two of the wholly owned subsidiaries of the Company, entered into the subscription agreement with the investor, pursuant to which the investor agreed to subscribe for shares of China Lide, representing about 25.0% of the enlarged issued share capital of China Lide, for cash at the subscription price of HK\$40,400,000.

Under the subscription agreement, CAA Investment has granted the put option to the investor, pursuant to which the parties have agreed that, if the proposed spin-off is not consummated on or before 31 December 2016, the investor may require CAA Investment to acquire all (but not part) of the relevant shares in China Lide then legally and beneficially owned by the investor in cash. Please refer to the Company’s announcement dated 4 January 2016 for further details of this deemed 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.

On 10 June 2015, a total of 50,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to eligible participants including two Directors and the rest were employees of the Group.



Details of the movements in the Company's outstanding share options granted under the Share Option Scheme for the six months ended 30 June 2016 were as follows:

Grantee	Number of Shares in respect of share options				Outstanding as at 30 June 2016	Exercise Period	Exercise price per share (HK\$)	Closing price per share on the trading day immediately before the date of grant (HK\$)
	Outstanding as at 1 January 2016	Granted during the six months ended 30 June 2016	Exercised during the six months ended 30 June 2016	Lapsed or cancelled during the six months ended 30 June 2016				
A. Directors								
Shao Kwok Keung	–	3,000,000	–	–	3,000,000	10 June 2016 to 9 June 2019	3.05	3.01
	–	3,000,000	–	–	3,000,000	10 June 2017 to 9 June 2019	3.05	3.01
	–	3,000,000	–	–	3,000,000	10 June 2018 to 9 June 2019	3.05	3.01
Xiu Zhi Bao	–	2,333,333	–	–	2,333,333	10 June 2016 to 9 June 2019	3.05	3.01
	–	2,333,333	–	–	2,333,333	10 June 2017 to 9 June 2019	3.05	3.01
	–	2,333,334	–	–	2,333,334	10 June 2018 to 9 June 2019	3.05	3.01
B. Employees								
In aggregate	–	11,333,333	–	–	11,333,333	10 June 2016 to 9 June 2019	3.05	3.01
		11,333,333	–	–	11,333,333	10 June 2017 to 9 June 2019	3.05	3.01
		11,333,334	–	–	11,333,334	10 June 2018 to 9 June 2019	3.05	3.01
Total	–	50,000,000	–	–	50,000,000			

Compliance with the Corporate Governance Code

Save as disclosed below, during the six months ended 30 June 2016, 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 14 June 2016 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 during the six months ended 30 June 2016.

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 2016 and this interim report.

Interim Dividend

The Board had not declared any payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: HK2.5 cents).



Disclosure Pursuant to Rule 13.21 of the Listing Rules

As disclosed in the announcement of the Company dated 25 July 2013, the Company and Mr. Chan entered into a convertible notes subscription agreement (the "Convertible Notes Subscription Agreement") with Chance Talent Management Limited ("CTM"), pursuant to which the Company agreed to issue, and CTM agreed to subscribe from the Company, convertible notes in the total principal amount of HK\$200,000,000 (the "Convertible Notes"). The issue and subscription of the Convertible Notes was completed on 4 September 2013. As set out in the Company's announcement dated 8 July 2015, the conversion price of the Convertible Notes was adjusted to HK\$2.832 per Share with effect from 29 May 2015. As at 30 June 2016, the entire principal amount of the Convertible Notes remained outstanding. On the basis of the adjusted conversion price of HK\$2.832 per Share (subject to further adjustment) and the total outstanding principal amount of the Convertible Notes in the amount of HK\$200,000,000, up to 70,621,468 Shares would be issuable upon the exercise of conversion rights attaching to the Convertible Notes. Pursuant to the amendments to the Convertible Notes as described in the Company's circular dated 15 October 2014, the maturity date of the Convertible Notes has been extended to 4 September 2016.

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

- (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 Notes Subscription Agreement and also an event of default under the Convertible Notes, pursuant to which CTM may require the Convertible Notes to be repaid immediately pursuant to the terms and conditions of the Convertible Notes.

As at the latest practicable date prior to the printing of this interim report, the above specific performance obligations continued to subsist.

As disclosed in the announcement of the Company dated 23 August 2016, on 23 August 2016, the Company and Mr. Chan entered into a note purchase agreement (the "Note Purchase Agreement") with Prosper Talent Limited (the "Prosper Talent"), pursuant to which the Company has agreed to issue, and Prosper Talent has agreed to purchase from the Company, US\$70,000,000 guaranteed notes (the "Prosper Talent Notes") due 2017. Pursuant to the Note Purchase Agreement, Mr. Chan shall also provide a personal guarantee in favour of Prosper Talent to secure, among others, the due and punctual observance and performance by the Company under the Note Purchase Agreement and other documents in connection with the transaction contemplated under the Note Purchase Agreement.

Pursuant to the Note Purchase Agreement, the following specific performance obligations are imposed on Mr. Chan that, during the term of the Note Purchase Agreement and the Prosper Talent Notes:

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



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

As at the latest practicable date prior to the printing of this interim report, the above specific performance obligations continued to subsist.

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

Hong Kong,
31 August 2016

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

(Expressed in RMB)

		Six months ended 30 June		
		2016	2015	
		(Unaudited)	(Unaudited)	
		RMB'000	RMB'000	
Note				
CONTINUING OPERATIONS				
	Revenue	3	540,056	1,227,254
	Cost of sales		(427,023)	(1,098,725)
	Gross profit		113,033	128,529
	Other revenue	4	12,940	2,450
	Other net (loss)/income		(718)	101
	Distribution costs		(8,057)	(9,532)
	Administrative expenses		(105,717)	(76,993)
	Research and development expenses		(5,595)	(12,022)
	Profit from continuing operations		5,886	32,533
	Finance income	5(a)	20,836	51,338
	Finance costs	5(b)	(127,928)	(84,064)
	Loss on disposal of associates		—	(3,750)
	Share of profits less losses of associates		(11)	(37)
	Loss before taxation	5	(101,217)	(3,980)
	Income tax	6	(13,295)	(39,256)
	Loss for the period from continuing operations		(114,512)	(43,236)
DISCONTINUED OPERATIONS				
	Profit for the period from discontinued operations	7	153,484	80,521
	Profit for the period from continuing and discontinued operations		38,972	37,285
	Profit for the period from continuing and discontinued operations attributable to:			
	Owners of the Company		27,816	32,349
	Non-controlling interests		11,156	4,936
			38,972	37,285



Condensed Consolidated Statement of Profit or Loss (Continued)

For the six months ended 30 June 2016

(Expressed in RMB)

	Note	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Attributable to owners of the Company arises from:			
Continuing operations		(114,127)	(11,132)
Discontinued operations		141,943	43,481
Profit for the period		27,816	32,349
Earnings per share	8		
From continuing and discontinued operations			
Basic (RMB)		0.015	0.019
Diluted (RMB)		0.015	0.019
From discontinued operations			
Basic (RMB)		0.078	0.048
Diluted (RMB)		0.078	0.048

The notes on pages 33 to 66 form part of this interim financial report. Details of dividend payable to owners of the Company are set out in note 15(a).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

(Expressed in RMB)

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Profit for the period	38,972	37,285
Other comprehensive income 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	(664)	(1,659)
Total comprehensive income for the period	38,308	35,626
Attributable to:		
Owners of the Company	27,152	30,690
Non-controlling interests	11,156	4,936
Total comprehensive income for the period	38,308	35,626

The notes on pages 33 to 66 form part of this interim financial report.



Condensed Consolidated Statement of Financial Position

At 30 June 2016

(Expressed in RMB)

	Note	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		80,682	86,348
Intangible assets		51,137	59,460
Goodwill		92,735	92,735
Interest in associates		182	193
Prepayment for land leases		70,587	71,300
Other receivables	9	190,000	202,380
Prepayments		221,013	221,013
Deferred tax assets		11,098	11,098
		717,434	744,527
Current assets			
Inventories		299,023	186,944
Trade and other receivables	9	2,295,865	2,655,058
Prepayments		452,934	376,143
Loans receivable		1,083,472	1,189,927
Discounted bills receivable	10	144,004	4,188
Bills receivable	11	115,700	372,239
Restricted cash		554,126	419,915
Bank deposits with original maturities over three months		1,093,000	1,093,000
Cash and cash equivalents		76,092	275,065
		6,114,216	6,572,479
Assets of disposal group classified as held for sale		—	3,318,504
		6,114,216	9,890,983

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2016

(Expressed in RMB)

	Note	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Current liabilities			
Trade and other payables	12	1,337,276	1,390,804
Deferred income		10,792	8,307
Borrowings	13	931,214	1,594,341
Convertible bonds	14	170,940	265,887
Bank advances on discounted bills receivable	10	144,004	4,188
Income tax payable		121,738	170,926
		2,715,964	3,434,453
Liabilities of disposal group classified as held for sale		—	2,544,685
		2,715,964	5,979,138
Net current assets		3,398,252	3,911,845
Total assets less current liabilities		4,115,686	4,656,372
Non-current liabilities			
Borrowings	13	35,184	177,780
Convertible bonds	14	869,586	912,709
Deferred consideration payable		—	15,912
Deferred income		5,391	15,885
Deferred tax liabilities		15,811	16,135
		925,972	1,138,421
NET ASSETS		3,189,714	3,517,951



Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2016

(Expressed in RMB)

	Note	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
CAPITAL AND RESERVES	15		
Share capital		15,579	15,468
Reserves		3,198,371	3,278,500
Total equity attributable to owners of the Company		3,213,950	3,293,968
Non-controlling interests		(24,236)	223,983
TOTAL EQUITY		3,189,714	3,517,951

The notes on pages 33 to 66 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

(Expressed in RMB)

Note	Attributable to owners of the Company								Total	Non-controlling interests	Total Equity
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Capital reserve	Statutory general reserve	Translation reserve	Retained profits			
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
Balance at 1 January 2015	13,571	1,130,936	95	164,155	136,716	78,195	(18,286)	958,564	2,463,946	761,591	3,225,537
Changes in equity for the six months ended 30 June 2015:											
Profit for the period	–	–	–	–	–	–	–	32,349	32,349	4,936	37,285
Other comprehensive loss	–	–	–	–	–	–	(1,659)	–	(1,659)	–	(1,659)
Total comprehensive income	–	–	–	–	–	–	(1,659)	32,349	30,690	4,936	35,626
Issuance of shares	15(b)	1,026	232,243	–	–	–	–	–	233,269	–	233,269
Repurchase of shares		(9)	(2,351)	9	–	–	–	(9)	(2,360)	–	(2,360)
Issuance of convertible bonds		–	–	–	48,307	–	–	–	48,307	–	48,307
Issuance of share options	15(c)	–	–	–	947	–	–	–	947	–	947
Acquisition of non-controlling interests		–	–	–	52,987	–	–	–	52,987	(153,623)	(100,636)
Sale of equity interests to non-controlling interests		–	–	–	16,721	–	–	–	16,721	191,180	207,901
Conversion of convertible bonds		812	183,656	–	–	–	–	–	184,468	–	184,468
Dividends approved in respect of the previous year	15(a)	–	(78,676)	–	–	–	–	–	(78,676)	–	(78,676)
Balance at 30 June 2015 (unaudited)		15,400	1,465,808	104	164,155	255,678	78,195	(19,945)	990,904	804,084	3,754,383
Balance at 1 January 2016		15,468	1,442,505	104	164,155	424,433	78,200	(56,439)	1,225,542	3,293,968	3,517,951
Changes in equity for the six months ended 30 June 2016:											
Profit for the period		–	–	–	–	–	–	27,816	27,816	11,156	38,972
Other comprehensive loss		–	–	–	–	–	–	(664)	–	(664)	(664)
Total comprehensive income		–	–	–	–	–	–	(664)	27,816	27,152	38,308
Disposal of subsidiaries		–	–	–	–	(53,648)	–	–	(53,648)	(258,273)	(311,921)
Non-controlling interests arising on change in ownership interests in subsidiaries without lost of control		–	–	–	–	–	–	–	–	(1,102)	(1,102)
Conversion of convertible bonds		111	31,350	–	–	–	–	–	31,461	–	31,461
Dividends approved in respect of the previous year	15	–	(84,983)	–	–	–	–	–	(84,983)	–	(84,983)
Balance at 30 June 2016 (unaudited)		15,579	1,388,872	104	164,155	370,785	78,200	(57,103)	1,253,358	(24,236)	3,189,714



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

(Expressed in RMB)

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Net cash (used in)/generated from operating activities	(114,563)	76,850
Net cash generated from investing activities	471,398	37,822
Net cash (used in)/generated from financing activities	(656,464)	3,562
Net (decrease)/increase in cash and cash equivalents	(299,629)	118,234
Cash and cash equivalents at 1 January	275,065	461,783
Effect of foreign exchange rates changes	100,656	(2,278)
Cash and cash equivalents at 30 June	76,092	577,739

The notes on pages 33 to 66 form part of this interim financial report.

Notes to the Interim Financial Information

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

1. Basis of preparation

This unaudited condensed financial statements (the "Interim Financial Information") of China All Access (Holdings) Limited (the "Company") and its subsidiaries (collectively 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 31 August 2016.

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements of the Group, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of the Interim Financial Information 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 Information 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 2015 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").



Notes to the Interim Financial Information (*Continued*)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

1. Basis of preparation (*Continued*)

The Interim Financial Information is unaudited, but has been reviewed by the Company's Audit Committee. This interim financial information has also been reviewed by HLB Hodgson Impey Cheng Limited 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. HLB Hodgson Impey Cheng Limited's independent review report to the Board of Directors is included on pages 67 to 68.

The financial information relating to the financial year ended 31 December 2015 that is included in the Interim Financial Information as comparative information does not constitute the Group's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

Certain comparative figures have been adjusted to conform to current period's presentation.

2. Changes in accounting policies

HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2016. The adoption has no significant impact on the Group's accounting policies, presentation, reported results and the financial position of the Group for the current period and prior accounting periods.

The Group has not applied the new and revised HKFRSs, which have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

3. Segment reporting

During the six months ended 30 June 2016, operations regarding the provision of wireless data communication application were discontinued as a result of the disposal group classified as held for sale (Note 7). The segment information reported below does not include any figures for the discontinued operations.

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 communication application solutions and services: including system design, installation, testing, software development, provision of application services for satellite and wireless communication, distribution of satellite receivers and equipment, as well as research and development, manufacture and distribution of wireless terminals and equipment, including display modules, casings and keyboards.
- Investment income represents revenue generated from interest earned from provision of facilitating capital to supply steam in Hong Kong and investment returns generated from direct investment and high yield treasury products.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB 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:

For six months ended 30 June	Provision of communication application solutions and services		Investment activities		Total	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue from customers (note)	460,986	1,226,349	79,070	905	540,056	1,227,254
Reportable segment profit	33,963	127,624	79,070	905	113,033	128,529
	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Reportable segment assets	4,289,055	3,614,623	2,095,270	1,973,266	6,384,325	5,587,889
Reportable segment liabilities	1,591,787	3,316,269	217,009	143,330	1,808,796	3,459,599

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB 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 total revenue is set out below:

For six months ended 30 June	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Customer A	150,265	—
Customer B	87,827	—
	238,092	—

Customer A and B as above are under the segment of provision of communication application solutions and services.

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Reportable segment profit		
derived from the Group's customers	113,033	128,529
Other revenue	12,940	2,450
Other net (loss)/income	(718)	101
Finance income	20,836	51,338
Finance costs	(127,928)	(84,064)
Loss on disposal of associates	—	(3,750)
Share of profits less losses of associates	(11)	(37)
Unallocated head office and corporate expenses	(119,369)	(98,547)
Consolidated loss before tax and discontinued operations	(101,217)	(3,980)



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

4. Other revenue

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Subsidy income	12,526	1,362
Others	414	1,088
	12,940	2,450

5. Loss before taxation

Loss before taxation is arrived at after:

(a) Finance income

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest income from bank deposits	13,085	12,587
Interest income from structured deposits	7,751	8,297
Interest income from directional asset management	—	30,454
	20,836	51,338

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

5. Loss before taxation (Continued)

(b) Finance costs

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest expenses:		
— Borrowings	64,588	26,934
— Convertible bonds	55,502	31,716
— Factored trade receivables, discounted bills receivable and letter of credit	3,479	7,679
Change in fair value of derivative component of convertible bonds	285	20,266
Net loss on early redemption of convertible bond	2,704	—
Bank charges and others	1,370	1,804
Less: interest expense capitalised into property, plant and equipment	—	(4,335)
	127,928	84,064



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

5. Loss before taxation (Continued)

(c) Other items

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of inventories	417,929	1,071,459
Depreciation of property, plant and equipment	8,318	13,222
Amortisation of intangible assets	8,323	11,848
Amortisation of land lease prepayments	713	635
Write-down of inventories	726	1,323
Reversal of write-down of inventories	—	(376)
Impairment loss/(reversal) on trade and other receivables, net	48,923	(4,858)

6. Income tax

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current tax — Hong Kong Profits Tax	9,057	9,637
Current tax — PRC Corporate Income Tax ("CIT")	4,562	34,222
Deferred taxation	(324)	(4,603)
	13,295	39,256

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB 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% (six months ended 30 June 2015: 16.5%).
- (c) Certain PRC subsidiaries of the Group in the People's Republic of China (the "PRC") 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% (six months ended 30 June 2015: 25%).

7. Discontinued operations/disposal group held for sale

On 14 August 2015, the Group entered into a sale agreement to dispose of a subsidiary for a total consideration of RMB702,000,000, namely Shenzhen Xing Fei Technology Co., Ltd (together with its subsidiaries, the "Xingfei Group"), which carried out a part of the Group's wireless data communication application solutions and services operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The transaction was completed in January 2016.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

7. Discontinued operations/disposal group held for sale (Continued)

The profit from the discontinued operations for the interim period is analysed as follow:

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Profit for the period from the Xingfei Group	25,089	80,521
Gain on disposal of the Xingfei Group	128,395	—
	153,484	80,521

For the six months ended 30 June 2016, up to the date of the completion of disposal, the net profit of the Xingfei Group was approximately RMB25,089,000. The Xingfei Group was not wholly-owned subsidiaries of the Company. Accordingly, the Group has recognised the profit approximately RMB13,549,000 and the remaining was attributable to non-controlling interest of approximately RMB11,540,000.

On completion of the disposal of Xingfei Group, the Group has derecognised (i) the assets (including any goodwill) and liabilities of the Xingfei Group at their carrying amounts at the date when control was lost and (ii) the carrying amount of any non-controlling interests in the Xingfei Group at the date when control was lost (including any components of other comprehensive income attributable to them). Further, the Group has recognised (i) the fair value of the consideration received, (ii) reclassified to profit or loss, or transfer directly to retained earnings for the amounts recognised in other comprehensive income and (iii) recognised any resulting difference as a gain or loss in profit or loss attributable to the Group.

For the six months ended 30 June 2016, The Group has recognised the gain on disposal of approximately RMB128,395,000.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to owners of the Company of approximately RMB27,816,000 (six months ended 30 June 2015: RMB32,349,000) for continuing and discontinued operations and approximately RMB141,943,000 (six months ended 30 June 2015: RMB43,481,000) for discontinued operations, and the weighted average of 1,829,681,000 ordinary shares (six months ended 30 June 2015: 1,688,855,000 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 2016 is based on the profit attributable to owners of the Company of approximately RMB27,816,000 (six months ended 30 June 2015: RMB32,349,000) for continuing and discontinued operations and approximately RMB141,943,000 (six months ended 30 June 2015: RMB43,481,000) for discontinued operations, and the diluted weighted average of 1,829,681,000 ordinary shares (six months ended 30 June 2015: 1,688,855,000 ordinary shares). No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2016 and 2015 in respect of a dilution as the impact of the conversion of the convertible bonds and issuance of share options would have had an anti-dilutive effect on the basic earnings per share.

After the reporting period, the Group issued additional shares, impact of which are not adjusted as these transaction do not affect the amount of capital used to produce profit or loss for the reporting period. For details, please refer to the Company's announcements dated 12 May 2016 and 22 July 2016.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

9. Trade and other receivables

	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Non-current		
Property deposit (note (i))	180,000	180,000
Rental deposits	—	980
Other receivables from disposal of associates (note (iv))	10,000	21,400
	190,000	202,380
Current		
Trade receivables due from related parties	—	333,904
Other trade receivables	1,454,190	2,580,961
Less: Allowance for doubtful debts	(123,283)	(74,360)
	1,330,907	2,840,505
Other receivables and deposits (note (v) and (vi))	705,317	954,522
Other receivables from disposal of associates (note (iv))	868	8,200
Performance guarantee deposit	30,000	30,000
Interest receivables	18,773	13,505
Entrusted loans (note (ii) and (iii))	210,000	210,000
	2,295,865	4,056,732
Reclassification to assets of disposal group held for sale	—	(1,401,674)
	2,295,865	2,655,058

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

9. Trade and other receivables (Continued)

Notes:

- (i) On 10 August 2015, the Group entered into an agreement with a third party to purchase building for Hebei office. At 30 June 2016, deposits for purchases of building amounted to RMB180,000,000 (at 31 December 2015: RMB180,000,000).
- (ii) At 30 June 2016, RMB10,000,000 (31 December 2015: RMB10,000,000) of entrusted loans was provided by a non-wholly owned subsidiary of the Group to a third party through a commercial bank. RMB10,000,000 was due on 15 July 2016. The Group does not hold any collateral over this balance from the third party.
- (iii) At 30 June 2016, RMB200,000,000 (31 December 2015: RMB200,000,000) of entrusted loans were provided by two of the subsidiaries of the group to a third party through a commercial bank. RMB200,000,000 are due on 29 July 2016 and 23 December 2016 respectively. The Group does not hold any collateral over this balance from the third party.
- (iv) At 30 June 2016, the other receivables from disposal of associates represent the remaining balance of consideration for the disposal of associates to Mr. Zhu Wei Min. A total amount of approximately RMB10,868,000 (31 December 2015: RMB29,600,000) will be payable by instalment till 2019.
- (v) At 30 June 2016, RMB500,000,000 (31 December 2015: RMB500,000,000) of other receivables and deposits were structured deposits in a commercial bank, with maturity periods of 12 months. The deposits could be withdrawn prior to maturity.
- (vi) On 15 August 2015, the Group entered into several agreements with a third party pursuant to which the Group agreed to entrust the third party to quote pricing and/or 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 terms are not satisfied. At 30 June 2016, deposits for purchases of raw materials amounted to RMB124,400,000 (31 December 2015: RMB376,500,000). The Group does not hold any collateral over this balance from the third party.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

9. 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 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Within 1 month	268,918	1,846,642
1 to 2 months	147,954	384,746
2 to 3 months	82,966	128,630
3 to 6 months	415,098	400,706
Over 6 months	415,971	79,781
Trade receivables, net of allowance for doubtful debts	1,330,907	2,840,505

10. Discounted bills receivable

At 30 June 2016, the Group has discounted its bills receivable of approximately RMB58,544,000 (31 December 2015: RMB53,154,000) to banks and approximately RMB85,460,000 (31 December 2015: RMB92,651,000) to a third party. Accordingly, the advances from banks of approximately RMB58,544,000 (31 December 2015: RMB53,154,000) and a third party of approximately RMB85,460,000 (31 December 2015: RMB92,651,000) received by the Group as consideration for the discounted bills receivable at financial year end were recognised as liabilities.

At 31 December 2015, the carrying amount of discontinued bills receivable of approximately RMB141,617,000 was reclassified to assets and liabilities of disposal group as held for sale.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

11. Bills receivable

At 30 June 2016, the Group had bills receivable amounted to approximately RMB115,700,000 (31 December 2015: RMB690,160,000). Bank acceptance bills of approximately RMB27,675,000 (31 December 2015: RMB83,892,000) were pledged as security to issue bills payable for operating use and bills receivable of approximately RMB653,000 (31 December 2015: RMB153,155,000) had been endorsed to other parties but not yet due.

At 31 December 2015, the carrying amount of bills receivable of approximately RMB317,921,000 was reclassified to assets of disposal group as held for sale.

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 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Within 1 month	8,106	187,309
1 to 2 months	33,576	139,538
2 to 3 months	4,356	168,579
3 to 6 months	69,662	194,334
Over 6 months	—	400
	115,700	690,160
Reclassification to assets of disposal group held for sale	—	(317,921)
Bills receivable	115,700	372,239



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

12. Trade and other payables

	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Trade payables due to related parties (Note 19(b))	—	84,735
Bills payable due to related parties (Note 19(b))	—	58,518
Other trade and bills payable (note)	779,644	2,141,715
	779,644	2,284,968
Other payables and accruals	541,706	753,587
Financial liabilities measured at amortised cost	1,321,350	3,038,555
Receipts in advance	15,926	33,253
	1,337,276	3,071,808
Reclassification to liabilities of disposal group held for sale	—	(1,681,004)
	1,337,276	1,390,804

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

12. Trade and other payables (Continued)

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

	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Within 1 month	225,962	729,404
1 to 3 months	71,188	150,747
3 to 6 months	324,299	950,659
Over 6 months but within 1 year	142,375	389,449
Over 1 year	15,820	64,709
	779,644	2,284,968

Note:

- (i) At 30 June 2016, approximately RMB329,028,000 of the bills payable was pledged by bank deposits with carrying value of approximately RMB126,326,000.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

13. Borrowings

At 30 June 2016, the borrowings comprise of:

	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Credit loans (note (i))	75,641	1,193,900
Mortgage loans (note (ii))	10,440	231,421
Guaranteed loans (note (iii))	200,000	498,000
Pledged loans (note (iv))	456,000	446,800
Promissory note (note (v))	224,317	—
	966,398	2,370,121
Reclassification to assets of disposal group held for sale	—	(598,000)
Total borrowings	966,398	1,772,121

All of the borrowings are carried at amortised cost.

Notes:

- (i) At 30 June 2016, RMB50,000,000 and RMB25,641,000 (2015: RMB600,000,000 and RMB593,900,000) of credit loans were provided by commercial banks and a commercial company. The annual interest rate of the above loans ranged from 4.95-5.22% (31 December 2015: 4.62%-8.00%). The principals are repayable within one year and three years respectively.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

13. Borrowings (Continued)

Notes: (continued)

- (ii) At 31 December 2015, approximately RMB220,710,000 of the loans were secured by two pieces of land of the Group with carrying value of approximately RMB136,554,000 (including an asset of the disposal group). The annual interest rate of above loans ranged from 4.95% to 6.48%. The loan was fully repaid during the six months ended 30 June 2016.

At 30 June 2016, approximately RMB10,440,000 (31 December 2015: RMB10,711,000) of the loans were secured by the Group's buildings with carrying value of approximately RMB21,255,000 (31 December 2015: RMB21,457,000). The secured loans with an amount of approximately RMB8,439,000 (31 December 2015: RMB10,108,000) were also guaranteed by the Company. The annual interest rate of above loan charged at 1.38% to 7.26% (31 December 2015: 1.23% to 14.95%).

- (iii) At 30 June 2016, the guaranteed loan amounting to RMB200,000,000 (31 December 2015: RMB468,000,000) was guaranteed by the Company and none (31 December 2015: RMB30,000,000) of the loans were guaranteed by a subsidiary of the Company. The principal is repayable in one year and the interest rate charged at 5.06% (31 December 2015: 5.06% to 6.34%).

- (iv) At 30 June 2016, RMB416,000,000 (31 December 2015: RMB406,800,000) of the loans were pledged by bank deposits of the Group with carrying amount to RMB427,800,000 (31 December 2015: RMB419,915,000). The principals are due within one year with the interest rate charged at 1.16% to 5.00% (31 December 2015: 1.62% to 5.39%).

At 30 June 2016, RMB40,000,000 (31 December 2015: RMB40,000,000) of the loans was pledged by bills receivable of the Group with carrying value of RMB47,919,000 (31 December 2015: RMB44,381,000). This principal is due in 2016 with the interest rate charged at 6.55% (31 December 2015: due in 2016 with the interest rate charged at 6.55%).

- (v) At 30 June 2016, a promissory note amounting to approximately RMB224,317,000 (31 December 2015: Nil) which was issued to Asia Equity Value Ltd ("AEV") was guaranteed by a subsidiary of the Company. The principal is interest free and repayable within one year.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

14. Convertible bonds

(a) Convertible bonds that contain an equity component

- (i) On 4 September 2013, the Company issued a tranche of convertible bond to Chance Talent Management Limited (“CTM”) for the principal amount of HK\$200,000,000 (equivalent to approximately RMB157,240,000) with a maturity of one year and interest rate of 8% per annum. 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\$3.00 per share. On 10 September 2014, the Company, Mr. Chan Yuen Ming and CTM entered into the supplemental deed pursuant to which the parties agreed to extend the maturity date of convertible bonds from 4 September 2014 to 4 September 2016. Following the completion of the amendments to the HK\$350,000,000 convertible bonds due 2016 of the Company and the declaration of the interim dividends on 2 October 2015 and 31 August 2015 respectively, the conversion price of the convertible bond is adjusted to HK\$2.662 per share.
- (ii) On 23 December 2014, the Company entered into the subscription agreement with ZTE (H.K.) Limited, being a wholly-owned subsidiary of ZTE Corporation, pursuant to which the Company has conditionally agreed to allot and issue, and ZTE (H.K.) Limited has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$350,000,000 (equivalent to approximately RMB280,249,000) at the conversion price of HK\$3.20 per conversion share (subject to adjustment). On 26 February 2015, the Company has completed the issuance and the proceeds from issuance of these convertible bonds of the net proceeds of approximately HK\$349,000,000 were received. Following the completion of the placing and subscription on 8 June 2015, the conversion price of the convertible bonds is adjusted to HK\$3.177 per share. On 30 June 2015, ZTE (H.K.) Limited has transferred all the convertible bonds to a third party company – Oriental (Asia) Investment Holdings Limited.

On 20 July 2015, the Company entered into a supplemental deed with Oriental (Asia) Investment Holdings Limited to, among others, extend the maturity date of the convertible bond from 26 February 2017 to 26 February 2018 and adjust of the conversion price to HK\$2.34 per conversion share resulting in amending of terms of convertible bonds.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

14. Convertible bonds (Continued)

(a) Convertible bonds that contain an equity component (Continued)

- (iii) On 9 June 2015, the Company entered into the subscription agreement with Dundee Greentech Limited pursuant to which the Company has conditionally agreed to issue, and Dundee Greentech Limited has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK\$847,080,000 (equivalent to approximately RMB710,446,000) at 100% of the face value of such principal amount, which may be converted into 362,000,000 conversion shares at the conversion price of HK\$2.34 per conversion share (subject to adjustment). The conditions precedent for completion have been fulfilled and the completion took place on 10 August 2015.

(b) Convertible bonds which do not contain an equity component

- (i) On 27 June 2014, the Company issued a tranche of convertible notes to AEV for the principal amount of HK\$230,000,000 (equivalent to approximately RMB181,794,000) (the "AEV Initial Notes") with a maturity of 27 months and interest rate of 7.5% per annum. The Company will redeem, in eight equal instalments, the principal amount of such convertible notes at 100% of such principal amount together with any accrued but unpaid interest thereto. The convertible notes, at the option of the noteholders, 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 notes is HK\$3.35 per share (subject to adjustment). Following the completion of the placing and subscription as mentioned in Note 15(b), the conversion price of the convertible notes is adjusted to HK\$3.00 per share.

On 24 March 2016, AEV converted 13,248,848 conversion shares of the convertible notes (principal amount of HK\$28,750,000.00) at HK\$2.17 per conversion share.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

14. Convertible bonds (Continued)

(b) Convertible bonds which do not contain an equity component (Continued)

- (ii) On 6 July 2015, the Company completed the issue of the additional convertible notes to AEV in the principal amount of HK\$170,000,000 (approximately RMB134,171,000) for a cash consideration of HK\$170,000,000, representing 100% of the face value of such principal amount with an initial conversion price of HK\$3.07 per share (subject to adjustment).

On 24 June 2016, the Company exercised the right of early redemption in accordance with the terms and conditions of the convertible notes and additional convertible notes issued to AEV as amended by the deed of amendment dated 24 June 2016 and entered into among the Company, China All Access Group Limited and AEV. Pursuant to the amended terms and conditions, the Company has issued the promissory note with principal amount of HK\$270,000,000 to AEV and China All Access Group Limited has executed a guarantee in favour of AEV guaranteeing the payment obligation of the Company pursuant to the promissory note. Upon completion of the early redemption on 24 June 2016, the convertible notes and additional convertible notes have been cancelled. For details, please refer to the Company's announcement dated 24 June 2016.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

15. Capital, reserves and dividends

(a) Dividends

- (i) Dividends payable to owners of the Company attributable to the interim period:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend declared after the interim period, of HKNil cents per ordinary share (six months ended 30 June 2015: HK2.5 cents per ordinary share)	—	45,562
	RMB'000	RMB'000
Equivalent to	—	37,561



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

15. Capital, reserves and dividends (Continued)

(a) Dividends (Continued)

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Final dividend attributable to the financial year ended 31 December 2015, approved during the following interim period, of HK5.5 cents per ordinary share (for the year ended 31 December 2014: HK5.5 cents per ordinary share)	100,964	99,766
	RMB'000	RMB'000
Equivalent to	84,984	78,676

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

15. Capital, reserves and dividends (Continued)

(b) Share capital

	30 June 2016		31 December 2015	
	Number of shares (Unaudited) '000	Amount (Unaudited) HK\$'000	Number of shares (Audited) '000	Amount (Audited) 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	1,822,474	18,225	1,582,156	15,821
Issuance of new shares (note)	13,249	132	240,318	2,404
At the end of the period/year	1,835,723	18,357	1,822,474	18,225
		RMB'000		RMB'000
Equivalent to		15,579		15,468

Note:

On 24 March 2016, AEV converted the convertible bonds in principal amount of HK\$28,750,000 and a total of 13,248,848 conversion shares were allotted and issued at HK\$2.17 per conversion share. After the conversion, the outstanding principal amount of the Initial Notes amounted to HK\$57,500,000.



Notes to the Interim Financial Information (*Continued*)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

15. Capital, reserves and dividends (*Continued*)

(c) *Equity settled share-based transactions*

On 10 June 2015, 50,000,000 share options were granted to the Group's directors and employees under the Company's share option scheme. No share options were granted during the six months ended 30 June 2016. Each option gives the holder the right to subscribe for one ordinary share of the Company. The exercise price is \$3.05 per share, being closing price of the share on the date of grant. The share options shall be exercisable at any time during the period from 10 June 2016 to 9 June 2019 (both dates inclusive) in the following manner:

- (i) one-third of the share options shall be exercisable for the period from 10 June 2016 to 9 June 2019;
- (ii) one-third of the share options shall be exercisable for the period from 10 June 2017 to 9 June 2019; and
- (iii) one-third of the share options shall be exercisable for the period from 10 June 2018 to 9 June 2019.

No options were exercised during the six months ended 30 June 2016.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

16. Fair value measurement of the financial instruments

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 30 June 2016.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

17. Commitments

Capital commitments outstanding not provided for in the interim financial report were as follows:

	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Contracted for	451,321	75,253

18. Contingent liabilities

Financial guarantee issued

As at the end of the reporting period, the Company has issued a single guarantee, which was made by the Company, to a bank in respect of a mortgage loan granted to CAA HK that expires upon full repayment of the mortgage loan on 25 February 2035.

As at 30 June 2016, 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 2016 under the guarantee was the total outstanding amount of the loan of approximately RMB8,439,000 (equivalent to approximately HK\$9,876,000) [31 December 2015: approximately RMB8,468,000 (equivalent to approximately HK\$10,108,000)].

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

19. Material related party transactions

Name of party	Relationship
Chan Yuen Ming 陳元明	Controlling Shareholder
ZTE Corporation (note (i))	Shareholder with influence
Subsidiaries of ZTE Corporation 中興通訊股份有限公司及其子公司 (together referred to as the "ZTE Group") (note (i))	Subsidiaries of Shareholder
Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited (note (i))	Shareholder with influence
Subsidiaries of Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited 深圳市中興新通訊設備有限公司及其子公司 (together referred to as the "ZX Group") (note (i))	Subsidiaries of Shareholder
Shenzhen Tengxing Wangda Limited 深圳市騰興旺達有限公司 (referred to as "Tengxing Wangda") (note (i))	A company owned by core management of a non-wholly owned subsidiary
Associates of the Group 本集團聯營公司	Significant influence
CTM	Note (ii)

Notes:

- (i) On 21 January 2016, the change in registration particulars of Shenzhen Xingfei in relation to the equity transfers was completed, and it is no longer classified as a related party since then.
- (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 Notes 13 and 14.



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

19. Material related party transactions (Continued)

(a) Material related party transactions

	Six months ended 30 June	
	2016 (Unaudited) RMB\$'000	2015 (Unaudited) RMB\$'000
Sales of goods and rendering of services		
ZTE Group	9,207	1,260,128
ZX Group	30,663	—
	39,870	1,260,128
Purchases of goods and services		
ZTE Group	223	384,233
ZX Group	85	7,116
Associates of the Group	—	10,460
	308	401,809
Finance cost		
ZTE Group	365	10,946
CTM	6,733	7,580
	7,098	18,526
Professional expenses		
ZTE Group	—	428
Rental expenses		
Mr. Chan Yuen Ming	91	91
Acquisition of non-controlling interests from ZX Group	—	37,311
Sales of equity interests to Tengxing Wangda	—	234,000

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

19. Material related party transactions (Continued)

(b) Material related party balances

	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Trade receivables		
ZTE Group	—	333,434
ZX Group	—	470
Less: Allowance for doubtful debts	—	(993)
	—	332,911
Other receivables		
ZTE Group	—	178
Associates of the Group	—	8,160
	—	8,338
Prepayment		
ZTE Group	—	31,773
Discounted bills receivable		
ZTE Group	—	92,651
Bills receivable		
ZTE Group	—	427,050



Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

19. Material related party transactions (Continued)

(b) Material related party balances (Continued)

		At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Trade payables	12		
ZTE Group		—	69,026
ZX Group		—	10,335
Associates of the Group		—	5,374
		—	84,735
Bills payable	12		
ZTE Group		—	53,000
Associates of the Group		—	5,518
		—	58,518
Other payables			
ZTE Group		—	8,443
ZX Group		—	24,621
		—	33,064
Receipts in advance			
ZTE Group		—	7,171

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

19. Material related party transactions (Continued)

(b) Material related party balances (Continued)

	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
Bank advances on discounted bills receivable ZTE Group	—	92,651
Convertible bonds CTM	170,940	161,560

20. Non-adjusting post balance sheet events

On 7 July 2016, a loan agreement was entered into between the Company as borrower, Hebei Offshore Listed Shares Investments Fund Limited* (河北境外上市股權投資基金有限公司) (the "Lender") as lender and CAA BVI, a wholly-owned subsidiary of the Company, as guarantor, pursuant to which the Lender has agreed to make available to the Company a loan (the "Loan") of RMB40,000,000 at an interest rate of 7% per annum for a term of two years commencing from the date of drawdown. The Company shall pay the interest on a quarterly basis and shall repay the loan upon the expiry of the term. Pursuant to the loan agreement, the Company's repayment obligations under the loan agreement shall be guaranteed by CAA BVI for a term of two years commencing from the date of expiry of the term.

* For identification purpose only



Notes to the Interim Financial Information (*Continued*)

For the six months ended 30 June 2016

(Expressed in RMB unless otherwise indicated)

21. 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.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
 Certified Public Accountants

31/F, Gloucester Tower
 The Landmark
 11 Pedder Street
 Central
 Hong Kong

**INDEPENDENT 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 information of China All Access (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 25 to 66 which comprises the condensed consolidated statement of financial position as at 30 June 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and explanatory notes. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to express a conclusion, based on our review, on this interim financial information 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 interim financial information consists of making inquiries, 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 information as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

Other matter

The comparative interim financial information for the six months ended 30 June 2015 were reviewed by another auditor who expressed an unmodified review conclusion on 31 August 2015.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Yu Chi Fat

Practising Certificate Number: P05467

Hong Kong, 31 August 2016