

INTELLIGENT SOLUTIONS  
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INTERIM REPORT 2019



中國全通  
ALL ACCESS

中國全通(控股)有限公司

CHINA ALL ACCESS (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 633

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## CORPORATE INFORMATION

### Directors

#### *Executive Directors*

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

#### *Non-Executive Directors*

Mr. Bao Tiejun  
(Appointed on 15 February 2019)

#### *Independent Non-Executive Directors*

Mr. Wong Che Man Eddy (*FCPA*)  
Mr. Lam Kin Hung Patrick  
Mr. Fung Ka Kin (Retired on 12 July 2019)  
Mr. Tam Sui Kwan  
(Appointed on 12 July 2019)

### Authorised Representatives

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

### Audit Committee

Mr. Wong Che Man Eddy (*Chairman*)  
(*FCPA*)  
Mr. Lam Kin Hung Patrick  
Mr. Fung Ka Kin  
(Retired on 12 July 2019)  
Mr. Tam Sui Kwan  
(Appointed on 12 July 2019)

### Remuneration Committee

Mr. Fung Ka Kin (*Chairman*)  
(Retired on 12 July 2019)  
Mr. Tam Sui Kwan (*Chairman*)  
(Appointed on 12 July 2019)  
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  
(Resigned on 9 August 2019)  
Mr. Shao Kwok Keung (*FCPA*)  
(Appointed on 9 August 2019)

### Head Office and Principal Place of Business in Hong Kong

Room 1506-08, 15/F  
Greenfield Tower, Concordia Plaza  
1 Science Museum Road  
Tsimshatsui, Kowloon  
Hong Kong

### Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Hong Kong Legal Adviser

Chiu & Partners  
40th Floor, Jardine House  
1 Connaught Place, Central  
Hong Kong

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Following the completion of the business transforming of the Group in 2018, during the first half of 2019, the Group focuses on developing its businesses in the Information and Communication Technology (“ICT”) and the New Energy segments. During the six months ended 30 June 2019, the major business highlights for the period are as follows:

1. Revenue for the six months ended 30 June 2019 increased by approximately 175.84% to approximately RMB1,994,326,000 as compared to the corresponding period in 2018 from continuing operations;
2. Gross profit for the six months ended 30 June 2019 decreased by approximately 90.43% to approximately RMB11,715,000 as compared to the corresponding period in 2018 from continuing operations; and
3. Loss attributable to owners of the Company arises from continuing operations for the six months ended 30 June 2019 was approximately RMB514,214,000, compared to a profit of approximately RMB25,132,000 as compared to the corresponding period in 2018.

### ICT

Revenue generated from ICT during the six months ended 30 June 2019 increased by approximately 172.68% to approximately RMB1,967,326,000 as compared to the corresponding period in last year from continuing operations, which accounted for approximately 98.65% of the Group’s total revenue for the six months ended 30 June 2019.

In view of the Sino-US trade war and increasing challenges in the global market, our ICT business actually realized very encouraging increase in product shipment and revenue generation. This was mainly attributable to the Group's effort in securing a number of new customers who are the major market leaders in the mobile phone market. These included both very famous international brands and local brands. It also reinforced the success of implementing the Group's strategy in diversifying our customer base from very high customer concentration to more wide spread number of customers. Moreover, the Group also enlarged our product portfolio from very focused on mobile phone to tablet, motor vehicle electronic application, electronic label, AMOLED panel and wearable. Benefitted from the expansion of customer base and increase in sales orders, we demonstrated positive growth momentum in first half of 2019.

### *New Energy*

In 2018, with the advancement of technology, the Group found that the first generation products still have rooms for upgrade to achieve better performance. The upgrade of the product has been completed and the commissioning phase is undergoing. The Group also installed the first generation products in the solar power station in Nanning, Guangxi Province, for field experiment, product testing and product display purpose.

Through the continuous research and development of our new technology, sales and marketing effort of the business team and the production facility which was built up in Shandong Province, we accomplished some initiatives in the aspects of entering into partnership agreements with some industry players as well as market development. The foundation laid by us in the market opened very good sales and marketing opportunities to our products and solutions in the new energy segment. As a result, we delivered very promising result in first half of 2019.

Revenue generated from New Energy segment for the six months ended 30 June 2019 was approximately RMB27,000,000, accounting for approximately 1.35% of the Group's total revenue for the six months ended 30 June 2019.



## *Investment Activities*

Owing to the adverse situation in the market, the Group did not rollout any investment activity during the six months ended 30 June 2019. Revenue generated from investment activities was nil for the six months ended 30 June 2019, compared to a revenue of RMB1,528,000 for the six months ended 30 June 2018 from continuing operations.

## *Financial Review*

### *Revenue*

Revenue increased from approximately RMB723,004,000 for the six months ended 30 June 2018 to approximately RMB1,994,326,000 for the six months ended 30 June 2019, representing an increase of approximately 175.84%. The increase in revenue in the period under review was mainly attributable to the factors below:

- ICT recorded an increase in revenue from approximately RMB728,958,000 for the six months ended 30 June 2018 to approximately RMB1,967,326,000 for the six months ended 30 June 2019, representing an increase of approximately 169.88%. The increase was mainly attributable to the effort in securing a number of new customers who are the major market leaders in the mobile phone market.
- Revenue generated from New Energy segment for the six months ended 30 June 2019 was approximately RMB27,000,000. It was mainly due to the continuous research and development of our new technology, sales and marketing effort of the business team and the production facility which was built up in Shandong Province.

### *Gross profit*

Gross profit decreased from approximately RMB122,406,000 for the six months ended 30 June 2018 to approximately RMB11,715,000 for the six months ended 30 June 2019, representing a decrease of approximately 90.43%. Gross profit margin decreased from approximately 16.93% for the six months ended 30 June 2018 to approximately 0.59% for the six months ended 30 June 2019. The decrease was mainly attributable to the entry costs in gaining new customers in a highly competitive market. By rapidly growing the volume, we believe the gross profit margin will be gradually improved.

### *Other revenue*

Other revenue decreased from approximately RMB56,606,000 for the six months ended 30 June 2018 to approximately RMB15,704,000 for the six months ended 30 June 2019, representing a decrease of approximately 72.26%. It was mainly attributable to the one-off significant amount of compensation received from customer in 2018.

### *Other net (loss)/gain*

The Group recorded other net loss of approximately RMB664,000 for the six months ended 30 June 2019 as compared to approximately RMB3,703,000 other net gain recorded for the six months ended 30 June 2018. The changes in other net (loss)/gain was mainly due to the net exchange loss recognised in 2019.

### *Distribution costs, administrative expenses and research and development expenses*

Distribution costs, administrative expenses and research and development expenses decreased from approximately RMB67,040,000 for the six months ended 30 June 2018 to approximately RMB61,078,000 for the six months ended 30 June 2019, representing a decrease of approximately 8.89%. The decrease was mainly attributed to the decrease in administrative expenses incurred during the six months ended 30 June 2019. The Group will continue to take all necessary measures to control the costs to improve profitability of the Group in the future.

The percentage of distribution costs, administrative expenses and research and development expenses as a percentage of the Group's total revenue decreased from approximately 9.27% for the six months ended 30 June 2018 to approximately 3.06% for the six months ended 30 June 2019, representing a decrease of approximately 6.21 percentage points. The decrease was mainly due to the increase of revenue in the six months ended 30 June 2019.

### *Finance income and finance costs*

Finance income increased from approximately RMB10,755,000 for the six months ended 30 June 2018 to approximately RMB92,188,000 for the six months ended 30 June 2019, representing an increase of approximately 757.16%. The increase was mainly attributable to the increase of imputed interest income from other receivables during the six months period ended 30 June 2019 as compared with that of 2018.

Finance costs increased from approximately RMB63,239,000 for the six months ended 30 June 2018 to approximately RMB360,172,000 for the six months ended 30 June 2019, representing an increase of approximately 469.54%. The increase was mainly caused by overdue interests amounting to approximately RMB349,197,000.

### *Income tax*

Income tax decreased from approximately RMB17,543,000 for the six months ended 30 June 2018 to approximately RMB3,251,000 for the six months ended 30 June 2019, representing a decrease of approximately 81.47%. The decrease in income tax was mainly due to the decrease in taxable income in the six months ended 30 June 2019.

### *(Loss)/profit for the period attributable to owners of the Company*

Loss for the period attributable to owners of the Company for the six months ended 30 June 2019 was RMB514,214,000, compared to a profit of RMB25,132,000 of the corresponding period in 2018.

## **Liquidity and Capital Resources**

### *Liquidity, financial resources and capital structure*

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB23,760,000 (31 December 2018: RMB70,731,000), restricted cash of approximately RMB256,545,000 (31 December 2018: RMB154,729,000), borrowings of approximately RMB1,411,843,000 (31 December 2018: RMB1,392,251,000). The gearing ratio (calculated by dividing borrowings by total assets) as at 30 June 2019 was approximately 21.60% (31 December 2018: 23.56%). As at 30 June 2019, the Group had current assets of approximately RMB5,132,927,000 (31 December 2018: RMB4,353,205,000) and current liabilities of approximately RMB3,426,998,000 (31 December 2018: RMB2,547,849,000). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.50 as at 30 June 2019, as compared with the current ratio of approximately 1.71 as at 31 December 2018. The decrease of the current ratio was mainly attributable to the increase in trade and other payables.

The approach of the board of 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 Renminbi. 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 six months ended 30 June 2019, the Group's total capital expenditure amounted to approximately RMB369,365,000 (31 December 2018: RMB158,143,000), which was mainly used for procurement for upgrading plant, machinery and equipment.

### *Capital commitment*

As at 30 June 2019, the Group had capital commitment amounting to nil (31 December 2018: RMB72,084,000). The decrease was mainly attributable to the cancellation of the procurement of additional plant and equipment.

### *Charge on material assets*

As at 30 June 2019, assets of the Group amounting to approximately RMB234,118,000 (31 December 2018: RMB214,891,000) were pledged for the Group's borrowings and bills payables.

### **Human Resources**

As at 30 June 2019, the Group had 1,988 employees (31 December 2018: 1,172 employees). The increase in the number of employees was mainly due to the increase in the production scale. The Group offers its employees competitive salary packages, as well as contribution to defined retirement plans.

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 business segments, i.e. ICT and New Energy segments. The Company expects these two business segments to provide very strong impetus for its growth in the future.

### *Latest development in the ICT segment*

On 30 April 2019, the Group entered into a sale and purchase agreement with each of Hongda Capital Limited, Primawin Limited and Eastman Ventures Limited in respect of the acquisition of the Metro Ethernet Telecommunication Network, comprising of sectors one, two and three, within the Klang Valley of Kuala Lumpur, Malaysia (the "Acquisition").

The Company is exploring expansion into new markets and believes that by acquiring a newly completed network infrastructure, it will mitigate the risk of uncompleted network. The Acquisition will support the Company's expansion plan into fiber infrastructure and will enable the Company to offer telecommunication connectivity in the greater Klang Valley in Kuala Lumpur, Malaysia. Although the network is currently non-revenue generating, acquiring these completed network will allow the Company to jump start into this business, alleviating the project construction time if the Company chooses to build the network on its own. This Acquisition is the beginning of a long journey for the Company towards achieving its strategic venture in building its Association of Southeast Asian Nations ("ASEAN") connectivity. The Company believes that the growth of the telecommunication industry in this region is amongst the highest in the world and it expects to benefit from this underserved market.

In addition, the Directors consider that it is in the interest of the Company and its Shareholders as a whole to retain more cash for general working capital requirements and the future business development of the Group after the completion of the Acquisition. The settlement of the Consideration in full by the issue of Consideration Shares allows the Group to (i) minimise immediate cash outflow; (ii) avoid increasing its liabilities; (iii) complete the Acquisition without cash outlay; and (iv) maintain its liquidity position and financial leverage with readily available and accessible cash resources for its daily operations and future development demands for capital.

For details, please refer to the Company's announcements dated 30 April 2019, 9 May 2019 and 24 May 2019.

### *Latest development in the New Energy segment*

The Group's Chief Technology Officer, Dr. Li Hiu Yeung, and the team led by him, has invented another patented technology, mirror array photovoltaic technology (the "MA-PV"). This technology can increase the power generation efficiency of photovoltaic power plant. The Group is making use of MA-PV in its development of the New Energy business.

The Group entered into a strategic cooperation agreement with Hongda Energy and Telecom Sdn Bhd. in relation to, among others, the appointment of Hongda to exclusively represent the Group in application for certification of the MA-PV and marketing of MA-PV in the ASEAN, Australia and New Zealand.

The Board is of the view that entering into the Agreement is beneficial to the Company as this innovative technology can be implemented in a massive territory outside China rapidly. The increase in power generation efficiency will enable the photovoltaic power plant to become as competitive as conventional thermo power plant in terms of power generation cost. Its environmental friendliness and renewability characteristics confirm its major role in power generation method in many years to go. For details, please refer to the Company's announcement dated 19 August 2018.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in any of the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange, were as follows:

Name of Director	Company/name of associated corporation	Nature of interest	Number of shares interested (Note 1)	Percentage of relevant class of issued share capital of the Company/ associated corporation (Note 2)
Mr. Chan Yuen Ming	The Company	Interest of a controlled corporation (Note 3)	589,501,546 ordinary Shares (L)	25.83%
		Beneficial owner	1,000,000 ordinary Shares (L)	0.05%
Mr. Shao Kwok Keung	The Company	Beneficial owner (Note 4)	15,800,000 ordinary Shares (L)	0.69%

Notes:

- The letter "L" denotes a long position in the shares or underlying shares of the Company or any of its associated corporations and the letter "S" denotes a short position in the shares or underlying shares of the Company or any of its associated corporations.
- Calculated on the basis of 2,281,890,683 Shares in issue as at 30 June 2019.

3. 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.
4. On 26 September 2018, a total of 15,800,000 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 2019, all these share options remained outstanding.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise 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 2019, 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	Capital/number of shares/underlying shares held (Note 1)	Approximate percentage of shareholding (Note 4)
Creative Sector Limited	Beneficial owner	589,501,546 ordinary Shares (L)	25.83%
Li Hiu Yeung	Beneficial owner	36,056,000 ordinary Shares (L)	1.63%
	Interest in a controlled corporation	148,000,000 ordinary Shares (L)	6.72%
Light Group Field Sci-Tech Limited	Beneficial owner (Note 2)	148,000,000 ordinary Shares (L)	6.72%
Tianan Property Insurance Co., Ltd	Beneficial owner (Note 3)	117,000,000 ordinary Shares (L)	5.13%



#### 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 DI Notice filed by Light Group Filed Sci-Tech Limited and Dr. Li Hiu Yueng under Part XV of the SFO in respect of their respective interests in Shares and underlying Shares as of 24 May 2019 being the last DI Notice filed by each of them in respect of their respective interest in Shares and underlying Shares by 30 June 2019, the entire issued share capital in Light Group Field Sci-Tech Limited was owned by Dr. Li Hiu Yueng. Dr. Li Hiu Yueng was deemed to be interested in all the Shares in which Light Group Field Sci-Tech Limited was interested by virtue of the SFO.
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 on 4 June 2015, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 30 June 2019, Tianan Property Insurance Co., Ltd has long position in 117,000,000 Shares in the capacity of a beneficial owner.
4. Calculated on the basis of 2,281,890,683 Shares in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## Share Option Scheme

On 12 June 2019, the shareholders of the Company approved and adopted a new share option scheme and terminated the share option scheme adopted 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. Please refer to the Company's announcement dated 10 June 2015 for further information. As at 30 June 2019, 80,000,000 share options remained outstanding.

## Significant Transactions During the Period under Review

- (i) On 20 March 2019, the Company and Ever Joy Securities Limited (the “Placing Agent”) entered into a placing agreement, that the Placing Agent has agreed to procure investors to subscribe for 30,182,000 shares at the placing price of HK\$0.48 per placing share of the Company. The placing was completed on 29 March 2019.
- (ii) On 30 April 2019, the Company and three vendors entered into a sales and purchase agreement in respect of the acquisition of telecommunication networks in Malaysia, the consideration for the acquisition payable by the Company to the vendors is HK\$218,279,600 which shall be satisfied by the allotment and issue of 291,039,467 consideration shares to the Vendors. The acquisition was completed on 24 May 2019.
- (iii) On 30 May 2019, the Company and Ms. Ho Sue Bia (the “Subscriber”) entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, 78,000,000 Subscription Shares at the Subscription Price of HK\$0.48 per Subscription Share for a cash consideration of HK\$37,440,000.

## Compliance with the Corporate Governance Code

Save as disclosed below, during the six months ended 30 June 2019, 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 12 June 2019 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 2019.

## Review By the Audit Committee

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019.

## Interim Dividend

The Board had not declared any payment of interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

## Disclosure Pursuant to Rule 13.21 of the Listing Rules

- (i) As disclosed in the announcement of the Company dated 1 July 2019, Prosper Talent Limited ("Prosper Talent"), a promissory note holder of the promissory note issued by the Company, with an outstanding principal amount of US\$56,000,000 was due since August 2018 and remains unsettled. On 27 June 2019, the Company, Mr. Chan Yuen Ming ("Mr. Chan"), an executive director of the Company, and an indirect wholly owned subsidiary of the Company (collectively referred to as the "Defendants"), received a writ of summons issued in the Court of First Instance of High Court of Hong Kong by Prosper Talent as a plaintiff against the Defendants. According to the indorsement of claim enclosed in the writ of summons, US\$95,383,187.40 (equivalent to approximately RMB654,487,000) was due and outstanding under a note purchase agreement entered into between the Plaintiff, the Company and Mr. Chan which was secured by a personal guarantee entered into by Mr. Chan and security assignment entered into by the indirect wholly owned subsidiary in favour of the Plaintiff. The Plaintiff's claims are for (i) the sum of US\$95,383,187.40 or its Hong Kong dollars equivalent at the time of payment; (ii) further interest; (iii) costs; and (iv) further and/or reliefs.

- (ii) Dundee Greentech Limited (“Dundee”), a promissory note holder of the promissory note issued by the Company, with an outstanding principal amount of HK\$847,080,000 was due since December 2018 and remains unsettled.
- (iii) Mortgage loan of approximately RMB61,579,000 was overdue since June 2019 and remains unsettled. The mortgage loan is secured by the Group’s buildings held for own use with carrying amount of approximately RMB92,666,000. The lender has given consent to the Group to dispose the aforesaid buildings with proceeds to settle the outstanding principal amount and overdue interests. The Group has entered into preliminary sales and purchases agreement with independent third parties in August 2019 to dispose the buildings at aggregate consideration of HK\$80,800,000 (equivalent to approximately RMB71,080,000).

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,  
30 August 2019

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

(Expressed in RMB)

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	3	<b>1,994,326</b>	723,004
Cost of sales		<b>(1,982,611)</b>	(600,598)
<b>Gross profit</b>		<b>11,715</b>	122,406
Other revenue	4	<b>15,704</b>	56,606
Other net (loss)/gain		<b>(664)</b>	3,703
Distribution costs		<b>(2,051)</b>	(2,756)
Impairment loss recognised in respect of trade and other receivables		<b>(201,879)</b>	(19,306)
Loss arising in change in fair value of financial assets at fair value through profit or loss		<b>(5,795)</b>	—
Administrative expenses		<b>(53,501)</b>	(57,071)
Research and development expenses		<b>(5,526)</b>	(7,213)
<b>(Loss)/profit from operations</b>		<b>(241,997)</b>	96,369
Finance income	5(a)	<b>92,188</b>	10,755
Finance costs	5(b)	<b>(360,172)</b>	(63,239)
Share of results of associates		<b>(982)</b>	—
<b>(Loss)/profit before taxation</b>	5	<b>(510,963)</b>	43,885
Income tax expense	6	<b>(3,251)</b>	(17,543)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(514,214)</b>	26,342
<b>DISCONTINUED OPERATION</b>			
Loss for the period from discontinued operation	7	<b>—</b>	(1,210)
<b>(Loss)/profit for the period</b>		<b>(514,214)</b>	25,132



## Condensed Consolidated Statement of Profit or Loss (Continued)

For the six months ended 30 June 2019

(Expressed in RMB)

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>(Loss)/profit for the period attributable to owners of the Company</b>		<b>(514,214)</b>	25,132
<b>(Loss)/earnings per share</b>	8		
<b>From continuing and discontinued operations</b>			
Basic and diluted (RMB)		<b>(0.260)</b>	0.013
<b>From continuing operations</b>			
Basic and diluted (RMB)		<b>(0.260)</b>	0.014

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

(Expressed in RMB)

	<b>Six months ended 30 June</b>	
	<b>2019</b> <b>(Unaudited)</b> <b>RMB'000</b>	2018 (Unaudited) RMB'000
<b>(Loss)/profit for the period</b>	<b>(514,214)</b>	25,132
<b>Other comprehensive income/(loss) for the period (after tax and reclassification adjustments):</b>		
<b><i>Item that may be reclassified subsequently to profit or loss:</i></b>		
Exchange differences arising on translation of financial statements	<b>1,654</b>	(8,698)
<b>Total comprehensive (loss)/income for the period attributable to owners of the Company</b>	<b>(512,560)</b>	16,434

## Condensed Consolidated Statement of Financial Position

At 30 June 2019

(Expressed in RMB)

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	395,740	170,814
Intangible assets		350,296	361,638
Goodwill		93,892	93,892
Interests in associates		3,134	1,709
Other receivables	11	487,286	790,345
Prepayments		72,968	—
Deposits paid for acquisition of property, plant and equipment		—	135,580
Deferred tax assets		800	800
		<b>1,404,116</b>	1,554,778
<b>Current assets</b>			
Inventories		277,741	234,796
Trade and other receivables	11	3,303,385	2,671,108
Prepayments		1,045,877	1,029,558
Discounted bills receivable		210,871	169,607
Bills receivable		14,660	17,278
Financial asset at fair value through profit or loss		88	5,398
Restricted cash		256,545	154,729
Cash and cash equivalents		23,760	70,731
		<b>5,132,927</b>	4,353,205

## Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2019

(Expressed in RMB)

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>Current liabilities</b>			
Trade and other payables	12	1,747,518	919,997
Contract liabilities		87,704	67,655
Deferred income		3,077	3,630
Borrowings	13	1,191,843	1,192,251
Bank advances on discounted bills receivable		210,871	170,321
Lease liabilities		4,111	—
Income tax payable		181,874	193,995
		<b>3,426,998</b>	2,547,849
<b>Net current assets</b>			
		<b>1,705,929</b>	1,805,356
<b>Total assets less current liabilities</b>			
		<b>3,110,045</b>	3,360,134
<b>Non-current liabilities</b>			
Borrowings	13	220,000	200,000
Deferred income		6,909	8,152
Lease liabilities		2,020	—
Deferred tax liabilities		6,648	6,648
		<b>235,577</b>	214,800
<b>NET ASSETS</b>			
		<b>2,874,468</b>	3,145,334
<b>CAPITAL AND RESERVES</b>			
Share capital	15	19,520	16,017
Reserves		2,854,948	3,129,317
<b>TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>			
		<b>2,874,468</b>	3,145,334

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

(Expressed in RMB)

	Attributable to owners of the Company									
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Capital reserve	Share-based compensation reserve	Statutory general reserve	Translation reserve	Retained earnings	Total equity
	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000
Balance at 1 January 2018 (Audited)	16,993	1,709,157	104	164,155	429,762	24,503	95,210	(72,913)	1,623,544	3,990,515
Profit for the period	–	–	–	–	–	–	–	–	25,132	25,132
Other comprehensive loss	–	–	–	–	–	–	–	(8,698)	–	(8,698)
Total comprehensive income	–	–	–	–	–	–	–	(8,698)	25,132	16,434
Share repurchase	–	–	–	–	(64,547)	–	–	–	–	(64,547)
Cancellation of shares repurchased	–	–	–	–	–	–	–	–	–	–
– par value paid	(787)	–	–	–	787	–	–	–	–	–
– premium paid	–	(57,122)	–	–	57,122	–	–	–	–	–
– transfer between reserves	–	–	787	–	–	–	–	–	(787)	–
Share-based payment expenses	–	–	–	–	–	5,631	–	–	–	5,631
Balance at 30 June 2018 (Unaudited)	16,206	1,652,035	891	164,155	423,124	30,134	95,210	(81,611)	1,647,889	3,948,033
<b>Balance at 1 January 2019 (Audited)</b>	16,017	1,635,312	104	248,297	226,613	19,929	24,446	(80,961)	1,055,577	3,145,334
Loss for the period	–	–	–	–	–	–	–	–	(514,214)	(514,214)
Other comprehensive income	–	–	–	–	–	–	–	1,654	–	1,654
Total comprehensive loss	–	–	–	–	–	–	–	1,654	(514,214)	(512,560)
Issue of consideration shares	2,559	189,331	–	–	–	–	–	–	–	191,890
Placing of new shares	258	12,129	–	–	–	–	–	–	–	12,387
Subscription of new shares	686	32,243	–	–	–	–	–	–	–	32,929
Share-based payment expenses	–	–	–	–	–	5,160	–	–	–	5,160
Share issuing expenses	–	(672)	–	–	–	–	–	–	–	(672)
<b>Balance at 30 June 2019 (Unaudited)</b>	<b>19,520</b>	<b>1,868,343</b>	<b>104</b>	<b>248,297</b>	<b>226,613</b>	<b>25,089</b>	<b>24,446</b>	<b>(79,307)</b>	<b>541,363</b>	<b>2,874,468</b>



## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

(Expressed in RMB)

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Net cash (used in)/generated from operating activities</b>	<b>(36,741)</b>	692,491
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(16,306)</b>	(275,666)
Repayment from entrusted loans	—	230,000
Withdrawal of bank deposits with original maturities over three months	—	450,985
Addition to bank deposits with original maturities over three months	—	(780,000)
Net cash (outflow)/inflow arising from other investing activities	<b>(3,291)</b>	42,839
<b>Net cash used in investing activities</b>	<b>(19,597)</b>	(331,842)
<b>Financing activities</b>		
Proceeds from borrowings	<b>20,000</b>	139,872
Repayment of borrowings	—	(454,514)
Redemption of convertible bonds	—	(101,172)
Shares repurchase	—	(64,547)
Net cash outflow arising from other financing activities	<b>(3,319)</b>	(33,505)
<b>Net cash generated from/(used in) financing activities</b>	<b>16,681</b>	(513,866)
<b>Net decrease in cash and cash equivalents</b>	<b>(39,657)</b>	(153,217)
<b>Cash and cash equivalents at 1 January</b>	<b>70,731</b>	204,420
<b>Effect of foreign exchange rates changes</b>	<b>(7,314)</b>	7,690
<b>Cash and cash equivalents at 30 June</b>	<b>23,760</b>	58,893

## Notes to the Interim Financial Statements

*For the six months ended 30 June 2019*

*(Expressed in RMB unless otherwise indicated)*

### 1. Basis of preparation

This interim financial statements 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 approved and authorised for issue by the board of directors (the "Board") on 30 August 2019.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements of the Group, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the interim financial statements 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 statements contain 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial statements 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.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 1. Basis of preparation (Continued)

#### Going concern basis

The Group incurred a net loss of approximately RMB514,214,000 for the six months ended 30 June 2019. At 30 June 2019, The Group recorded current and non-current borrowings of approximately RMB1,191,843,000 and RMB220,000,000 respectively and restricted cash and cash and cash equivalents in aggregate of approximately RMB280,305,000. The total borrowings exceeding restricted cash and cash and cash equivalents of approximately RMB1,131,538,000.

In preparing the condensed consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group in light of the fact that at 30 June 2019, the Group had borrowings of approximately RMB1,411,843,000, of which approximately RMB1,191,843,000 were overdue. Overdue interests were included in trade and other payables with amount of approximately RMB349,197,000. These borrowings are further explained below:

- (i) Prosper Talent Limited ("Prosper Talent"), a promissory note holder of the promissory note issued by the Company, with an outstanding principal amount of US\$56,000,000 was due since August 2018 and remains unsettled. On 27 June 2019, the Company, Mr. Chan Yuen Ming ("Mr. Chan"), an executive director of the Company, and an indirect wholly owned subsidiary of the Company (collectively referred to as the "Defendants"), received a writ of summons issued in the Court of First Instance of High Court of Hong Kong by Prosper Talent as a plaintiff against the Defendants. According to the indorsement of claim enclosed in the writ of summons, US\$95,383,187.40 (equivalent to approximately RMB654,487,000) was due and outstanding under a note purchase agreement entered into between the Plaintiff, the Company and Mr. Chan which was secured by a personal guarantee entered into by Mr. Chan and security assignment entered into by the indirect wholly owned subsidiary in favour of the Plaintiff. The Plaintiff's claims are for (i) the sum of US\$95,383,187.40 or its Hong Kong dollars equivalent at the time of payment; (ii) further interest; (iii) costs; and (iv) further and/or reliefs.

## Notes to the Interim Financial Statements (*Continued*)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 1. Basis of preparation (*Continued*)

#### *Going concern basis (Continued)*

- (ii) Dundee Greentech Limited (“Dundee”), a promissory note holder of the promissory note issued by the Company, with an outstanding principal amount of HK\$847,080,000 was due since December 2018 and remains unsettled.
- (iii) Mortgage loan of approximately RMB61,579,000 was overdue since June 2019 and remains unsettled. The mortgage loan is secured by the Group’s buildings held for own use with carrying amount of approximately RMB92,666,000. The lender has given consent to the Group to dispose the aforesaid buildings with proceeds to settle the outstanding principal amount and overdue interests. The Group has entered into preliminary sales and purchases agreement with independent third parties in August 2019 to dispose the buildings at aggregate consideration of HK\$80,800,000 (equivalent to approximately RMB71,080,000).

In addition, the Group has experienced a significant slow-down in the collection of trade and other receivables and an impairment of approximately RMB201,879,000 has been recognised in respect of the receivables during the six months ended 30 June 2019. Although the Group has implemented active collection measures, most of the past due receivables at 30 June 2019 have not yet been collected at the date of approval of this interim financial statements. In the event that the Group is unable to collect these receivables, the Group may not have sufficient resources to repay its borrowings.

The directors had proposed a final dividend of HK\$5.0 cents per ordinary shares subsequent to the financial year ended 31 December 2017, of amount approximately RMB87,988,000 in total, which is still outstanding as at the date of approval of this interim financial statements.

The above conditions indicate the existence of material uncertainties, which may cast significant doubt upon the Group’s ability to continue as a going concern.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 1. Basis of preparation (Continued)

#### Going concern basis (Continued)

In view of these circumstances, the directors have given careful consideration to the future liquidity and its available sources of financing to assess whether the Group will have sufficient funds to fulfill its financial obligations to continue as a going concern. The Group has taken the following measures to improve the Group's financial position and alleviate its liquidity pressure, which include, but not limited to, the following:

- (i) The Company is in the process of negotiating with the relevant note holders for further arrangements, including, but not limited to, the extension of maturity dates;
- (ii) The Group has been taking active measures to collect trade and other receivables through various channels to improve operating cash flows and its financial position;
- (iii) The directors are considering various alternatives to strengthen the capital base of the Company through various fundraising exercises, including but not limited to, private placements, open offers or right issue of new shares of the Company. In particular, as disclosed in the Company's announcements dated 11 July 2019, 9 August 2019 and 10 September 2019, the Company has located a possible subscriber who intended to subscribe more than 30% of the enlarged issued share capital of the Company in cash (the "Possible Subscription"). Completion of such subscription will be conditional upon satisfying certain conditions, including but not limited to, obtaining a whitewash waiver. At the date of approval of the interim financial statements, the Possible Subscription is still in progress; and
- (iv) The Group continues to take active measures to control administrative costs through various channels to improve operating cash flows and its financial position.



## Notes to the Interim Financial Statements (*Continued*)

*For the six months ended 30 June 2019*

*(Expressed in RMB unless otherwise indicated)*

### 1. Basis of preparation (*Continued*)

#### *Going concern basis (Continued)*

Notwithstanding the above, significant uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon (i) negotiating with promissory note holders for further arrangements including, but not limited to, the extension of the maturity dates; (ii) the Group's debtors will timely settle their debts following the agreed settlement schedules; (iii) the Group will success in raising sufficient fund to meet its financial obligations; (iv) the Group can satisfy the conditions precedent listed out in the Company's announcement dated 11 July 2019; and (v) the Group will be able to improve its business operations.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Group's condensed consolidated financial statement.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs which are first effective for the current accounting period of the Group. Except as described below, the application of other new and revised HKFRSs has no material impact on the Group's accounting policies, presentation, reported results and the financial position of the Group for the current and prior accounting periods.

#### HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

#### *Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provision of HKFRS 16.

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *As a lessee*

##### Allocation of consideration to components of a contract

For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

##### Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date underlying assets is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

##### Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

*As a lessee (Continued)*

##### Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

##### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

## Notes to the Interim Financial Statements (*Continued*)

*For the six months ended 30 June 2019*

*(Expressed in RMB unless otherwise indicated)*

### 2. Changes in accounting policies (*Continued*)

#### HKFRS 16 Leases (*Continued*)

##### *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

*As a lessee (Continued)*

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

##### Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

##### Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

##### Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.



## Notes to the Interim Financial Statements (*Continued*)

*For the six months ended 30 June 2019*

*(Expressed in RMB unless otherwise indicated)*

### 2. Changes in accounting policies (*Continued*)

#### **HKFRS 16 Leases (*Continued*)**

##### *Transition and summary of effects arising from initial application of HKFRS 16*

###### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

###### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

## Notes to the Interim Financial Statements (*Continued*)

*For the six months ended 30 June 2019*

*(Expressed in RMB unless otherwise indicated)*

### 2. Changes in accounting policies (*Continued*)

#### HKFRS 16 Leases (*Continued*)

##### *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

###### *As a lessee (Continued)*

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has recognised lease liabilities of approximately RMB8,150,000 and right-of-use assets of approximately RMB8,150,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee's incremental borrowing rate applied is ranging from 5.4-5.7%.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

	At 1 January 2019 RMB'000
Operating lease commitments disclosed at 31 December 2018	17,131
Discounted using the lessee's incremental borrowing rate of at the date of initial application	16,490
Add: finance lease liabilities recognised as at 31 December 2018	337
Less: short-term lease recognised on a straight-line basis as expense	(8,677)
Lease liabilities recognised as at 1 January 2019	8,150
Analysed as:	
Current	4,144
Non-current	4,006
	8,150

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

#### Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	<b>Right-of- use assets</b>
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	7,813
By class:	
Other properties leased for own use, carried at depreciated cost	7,813

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

#### Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	170,814	7,813	178,627
<b>Current liabilities</b>			
Lease liabilities	—	(4,144)	(4,144)
Trade and other payables	(919,997)	337	(919,660)
<b>Non-current liabilities</b>			
Lease liabilities	—	(4,006)	(4,006)
<b>Net assets</b>	3,145,334	—	3,145,334

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

#### Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

The following tables summarise the impacts of applying HKFRS 16 on the Group's condensed consolidated statement of financial position at 30 June 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

*Impact on the condensed consolidated statement of financial position*

	As reported	Adjustments	Amounts without application of HKFRS 16
	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	395,740	(5,955)	389,785
<b>Current liabilities</b>			
Lease liabilities	(4,111)	4,111	—
Trade and other payables	(1,747,518)	(249)	(1,747,767)
<b>Non-current liabilities</b>			
Lease liabilities	(2,020)	2,020	—
<b>Net assets</b>	<b>2,874,468</b>	<b>(73)</b>	<b>2,874,395</b>

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 2. Changes in accounting policies (Continued)

#### HKFRS 16 Leases (Continued)

Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

Impact on the condensed consolidated statement of profit and loss

	As reported	Adjustments	Amounts without application of HKFRS 16
	RMB'000	RMB'000	RMB'000
<b>Continuing operations</b>			
Administrative expenses	(53,501)	84	(53,417)
Finance costs	(360,172)	(196)	(360,368)
Loss before tax	(510,963)	(112)	(511,075)

Impact on the condensed consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 16
	RMB'000	RMB'000	RMB'000
Net cash used in operating activities	(36,741)	(20,049)	(56,790)
Net cash generated from financing activities	16,681	2,100	18,781

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective.



## Notes to the Interim Financial Statements (*Continued*)

*For the six months ended 30 June 2019*

*(Expressed in RMB unless otherwise indicated)*

### 3. Revenue and segment information

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 presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

- ICT: including but not limited to the services provided in the field of unified communications and integration of telecommunications, computers as well as necessary enterprise software, middleware, storage, and audio-visual systems, which enable users to access, store, transmit, and manipulate information. During the period, the Group has engaged in (1) system design, installation, testing, software development, provision of application services for satellite and wireless communication, (2) distribution of satellite receivers and equipment, and (3) research and development, manufacture and distribution of wireless terminals and equipment, including display modules, casings and keyboards.
- New Energy: including but not limited to development, investment, operation and management of solar power plants. During the period, the Group has engaged in research and development, installation and application of devices for increasing the luminous flux per unit area for photovoltaic plants.
- Investment activities: revenue generated from interest earned from provision of facilitating capital to supply steam and investment returns generated from direct investment and high yield treasury products.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 3. Revenue and segment information (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:

	ICT		New Energy		Investment activities		Total	
	For six months ended		For six months ended		For six months ended		For six months ended	
	30 June		30 June		30 June		30 June	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue	1,967,326	721,476	27,000	–	–	1,528	1,994,326	723,004
Segment operating profit	(204,880)	106,361	(16,460)	(20,199)	–	1,528	(221,340)	87,690
	At	At	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	4,137,018	3,879,988	520,265	532,829	222	3,983	4,657,505	4,416,800
Reportable segment liabilities	1,480,646	1,017,810	50,098	50,697	–	–	1,530,744	1,068,507

The timing of revenue recognition for revenue recognised in ICT operation and New Energy operation was at point in time for ICT segment during the period ended 30 June 2019 and 30 June 2018.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 3. Revenue and segment information (Continued)

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

*Disaggregation of revenue from contracts with customers*

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Continuing operations</b>		
Sales of electronic components	1,994,326	720,370
System operations management services income	—	1,106
<b>Revenue from contracts with customers</b>	1,994,326	721,476
Loan interest income	—	1,528
<b>Total revenue</b>	1,994,326	723,004
<b>Continuing operations</b>		
Timing of revenue recognition		
— At a point in time	1,994,326	721,476

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 3. Revenue and segment information (Continued)

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

Revenue from customers amounting to 10% or more of the Group's revenue is set out below.

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Customer A	1,108,394	140,388
Customer B	N/A <sup>1</sup>	120,000
Customer C	514,514	92,344
Customer D	N/A <sup>1</sup>	91,882
Customer E	N/A <sup>1</sup>	73,869

<sup>1</sup> The corresponding revenue contributed to less than 10 percent of the total revenue of the Group.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 3. Revenue and segment information (Continued)

#### (b) Reconciliations of reportable segment profit or loss

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Reportable segment (loss)/profit	(221,340)	87,690
Other revenue	559	29,481
Other net gain	—	4,117
Finance income	91,884	9,295
Finance costs	(360,172)	(58,580)
Share of results of associates	(982)	—
Unallocated head office and corporate expenses	(20,912)	(28,118)
(Loss)/profit before taxation	(510,963)	43,885

### 4. Other revenue

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Continuing operations</b>		
Government subsidy	10,644	13,772
Reversal of impairment loss recognised in respect of trade receivables	372	8,951
Others	4,688	33,883
	15,704	56,606

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 5. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after:

#### (a) Finance income

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Continuing operations</b>		
Interest income from bank deposits	309	1,828
Interest income from entrusted loans	—	8,927
Interest income from structured deposits and other receivables	91,879	—
	<b>92,188</b>	10,755

#### (b) Finance costs

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Continuing operations</b>		
Interest on borrowings	354,930	29,153
Interest on convertible bonds	—	29,681
Interest on discounted bills receivable	547	3,521
Interest on lease liabilities	196	—
Bank charges	4,499	884
	<b>360,172</b>	63,239

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 5. (Loss)/profit before taxation (Continued)

#### (c) Other items

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Continuing operations</b>		
Cost of inventories sold (included in cost of sales)	<b>1,852,518</b>	562,414
Depreciation of property, plant and equipment	<b>9,156</b>	8,257
Depreciation of right-of-use assets	<b>1,780</b>	—
Amortisation of intangible assets	<b>16,595</b>	17,742
Write-down of obsolete inventories (included in cost of sales)	—	5,240
Gain on disposal of property, plant and equipment (included in other net (loss)/gain)	—	(1,514)
Exchange loss/(gain), net (included in net (loss)/gain)	<b>1,155</b>	(363)
Gain on fair value change of investment property (included in other net (loss)/gain)	—	(2,281)
Operating lease charges in respect of leased premises	<b>4,829</b>	7,457



## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 6. Income tax expense

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current tax – PRC Enterprise Income Tax	3,251	17,918
Deferred tax	—	(375)
	<b>3,251</b>	17,543

No provision for Hong Kong Profits Tax has been made since there were no assessable profits arising in Hong Kong.

### 7. Discontinued operation

On 3 June 2018, the Group entered into a conditional sale and purchase agreement to dispose the entire equity interest in Hebei Noter Communication Technology Co., Limited\* (河北諾特通信技術有限公司) (“Hebei Noter”), an indirect wholly-owned subsidiary of the Company, and its subsidiary which engaged in development and provision of communication equipment, application services system operating management, application upgrade and system maintenance, at total consideration of RMB1,750,000,000. The disposal of Hebei Noter and its subsidiary (collectively, “Hebei Noter Group”) was consistent with the Group’s long-term policy to focus its activities on the Group’s other business. The disposal was completed on 7 December 2018, on which date the control of Hebei Noter Group ceased.

\* for identification purposes only

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 7. Discontinued operation (Continued)

The result of the discontinued operation for the six months ended 30 June 2018, which have been included in the condensed consolidated statement of profit or loss, were as follows:

	2018 RMB'000 (Unaudited)
<b>Revenue</b>	7,482
Cost of sales	(8,023)
<b>Gross loss</b>	(541)
Other revenue	2,944
Other net loss	(38)
Distribution expenses	(1,401)
Administrative expenses	(20,259)
Research and development expenses	(3,671)
<b>Loss from operation</b>	(22,966)
Finance income	24,108
<b>Profit before taxation</b>	1,142
Income tax expense	(2,352)
<b>Loss and total comprehensive loss for the period attributable to owners of the Company</b>	(1,210)
<b>Loss per share</b>	
Basic and diluted (RMB)	(0.001)

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 7. Discontinued operation (Continued)

Loss for the period from discontinued operation has been arrived at after charging:

	2018
	RMB'000
<b>Discontinued operation</b>	
Cost of inventories sold	6,271
Depreciation of property, plant and equipment	1,700
Operating lease rental in respect of leased premises	451
Staff costs (excluding directors' remuneration)	5,235

Cash flows of the discontinued operation for the period was as follow:

	2018
	RMB'000
Net cash generated from operating activities	241,066
Net cash used in investing activities	(305,803)
Net cash outflow	(64,737)

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 8. (Loss)/earnings per share

#### From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	<b>For six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share		
(Loss)/profit for the period attributable to owners of the Company	<b>(514,214)</b>	25,132
	<b>For six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<b>1,974,167</b>	1,980,160

As the Company's outstanding share option where applicable had an anti-dilutive effect to the basis (loss)/earnings per share calculation for the period ended 30 June 2019 and 2018, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted (loss)/earnings per share.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 8. (Loss)/earnings per share (Continued)

#### From continuing operations

The calculation of the basic and diluted (loss)/earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	<b>For six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share		
(Loss)/profit for the period attributable to owners of the Company	<b>(514,214)</b>	26,342

The denominators used are the same as detailed above for basic and diluted (loss)/earnings per share.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 8. (Loss)/earnings per share (Continued)

#### From discontinued operation

The calculation of the basic and diluted (loss)/earnings per share from discontinued operations attributable to the owners of the Company is based on the following data:

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	—	(1,210)

The denominators used are the same as detailed above for basic and diluted (loss)/earnings per share.

### 9. Dividends

The Board had not declared any payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

### 10. Property, plant and equipment

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of approximately RMB227,059,000 (six months ended 30 June 2018: RMB128,086,000)

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 11. Trade and other receivables

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Trade receivables	<b>1,022,893</b>	676,916
Less: Allowance for credit losses	<b>(154,232)</b>	(118,784)
	<b>868,661</b>	558,132
Other receivables and deposits	<b>1,331,898</b>	1,351,160
Consideration receivables for disposal of subsidiaries	<b>1,590,112</b>	1,502,161
Entrusted loans	<b>—</b>	50,000
	<b>3,790,671</b>	3,461,453
Analysed for reporting purpose as:		
Current assets	<b>3,303,385</b>	2,671,108
Non-current assets	<b>487,286</b>	790,345
	<b>3,790,671</b>	3,461,453



## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 11. Trade and other receivables (Continued)

#### Aging analysis

At the end of the reporting period, the aging 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 expected credit losses, is as follows:

	<b>At 30 June 2019 (Unaudited) RMB'000</b>	At 31 December 2018 (Audited) RMB'000
Within 1 month	<b>110,329</b>	274,318
1 to 2 months	<b>5,807</b>	21,362
2 to 3 months	<b>77,424</b>	19,020
3 to 6 months	<b>391,287</b>	18,709
Over 6 months but within 1 year	<b>82,855</b>	6,320
Over 1 year	<b>200,959</b>	218,403
	<b>868,661</b>	558,132

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 12. Trade and other payables

	<b>At 30 June 2019 (Unaudited) RMB'000</b>	At 31 December 2018 (Audited) RMB'000
Trade and bills payables (note (ii))	<b>906,450</b>	491,772
Other payables and accruals	<b>841,068</b>	428,225
	<b>1,747,518</b>	919,997

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

	<b>At 30 June 2019 (Unaudited) RMB'000</b>	At 31 December 2018 (Audited) RMB'000
Within 1 month	<b>281,637</b>	136,254
1 to 3 months	<b>133,041</b>	64,364
3 to 6 months	<b>213,436</b>	117,569
Over 6 months but within 1 year	<b>110,561</b>	50,174
Over 1 year	<b>167,775</b>	123,411
	<b>906,450</b>	491,772

Note:

- (i) At 30 June 2019, bills payable of approximately RMB221,451,000 (31 December 2018: RMB119,141,000) was supported by guarantee deposits of equivalent amount as requested by banks and presented as restricted cash.

The credit period granted by suppliers ranging from 30 to 180 days.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 13. Borrowings

	<b>At 30 June 2019 (Unaudited) RMB'000</b>	At 31 December 2018 (Audited) RMB'000
Credit loans (note (i))	<b>20,000</b>	—
Guaranteed loans (note (ii))	<b>150,000</b>	150,000
Promissory notes (note (iii))	<b>1,130,264</b>	1,130,651
Mortgage loans (note (iv))	<b>61,579</b>	61,600
Unsecured loans (note (v))	<b>50,000</b>	50,000
	<b>1,411,843</b>	1,392,251

Notes:

- (i) At 30 June 2019, credit loans of RMB20,000,000 were provided by commercial banks (31 December 2018: RMB22,048,000). The annual interest rate of the above loan was 8.4% (31 December 2018: 5.50% to 5.80%). The principal is repayable within one year.
- (ii) At 30 June 2019, guaranteed loans of approximately RMB150,000,000 (31 December 2018: RMB150,000,000) were guaranteed by the Company, subsidiaries of the Company, Mr. Chan Yuen Ming ("Mr. Chan") and the government of the PRC. The guaranteed loans were interest-free (31 December 2018: interest-free).

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 13. Borrowings (Continued)

Notes: (continued)

(iii) Promissory notes

- (a) On 23 August 2016, the Company and Mr. Chan entered into a note purchase agreement (the "Prosper Talent Note Purchase Agreement") with 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 in October 2018. Pursuant to the Prosper Talent 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 Prosper Talent Note Purchase Agreement and other documents in connection with the transaction contemplated under the Prosper Talent Note Purchase Agreement.

The interest rate is charged at 13%.

At 30 June 2019, the outstanding principal amount of the Prosper Talent Notes was US\$56,000,000 (equivalent to approximately RMB385,088,000) (31 December 2018: US\$56,000,000 (equivalent to approximately RMB385,221,000)).

- (b) On 19 November 2018, the Company entered into agreements with Dundee to redeem the outstanding convertible bonds of HK\$847,080,000 (equivalent to approximately RMB745,430,000) and issue a promissory note (the "Dundee Note") at the same outstanding principal amount. The Dundee Note was matured on 10 December 2018 and Mr. Chan shall also provide a personal guarantee in favour of Dundee to secure, among others, the due and punctual observance and performance by the Company under the agreement in connection with the transaction contemplated under the Dundee Note agreement.

The interest rate will be charged at 12% per annum.

At 30 June 2019, the Dundee Note was remained unsettled and the outstanding principal amount of the Dundee Note was HK\$847,080,000 (equivalent to approximately RMB745,175,000). (31 December 2018: HK\$847,080,000 (equivalent to approximately RMB745,430,000)).

## Notes to the Interim Financial Statements (*Continued*)

*For the six months ended 30 June 2019*

*(Expressed in RMB unless otherwise indicated)*

### 13. Borrowings (*Continued*)

Notes: (*continued*)

- (iv) At 30 June 2019, mortgage loans of approximately RMB61,579,000 (31 December 2018: RMB67,518,000) were secured by the Group's building held for own use and investment property with the amounts of approximately RMB92,666,000 (31 December 2018: RMB95,137,000). The mortgage loan with the amount of approximately HK\$70,000,000 (equivalent to approximately RMB61,579,000) (31 December 2018: HK\$70,000,000 equivalent to approximately RMB61,600,000) was also guaranteed by the Company. The mortgage loan is interest bearing at 9.25% per annum (31 December 2018: 9.25% per annum).
- (v) At 30 June 2019, unsecured loan of RMB50,000,000 (31 December 2018: RMB50,000,000) with interest bearing at 8% per annum.

### 14. Fair value measurement of the financial instruments

#### *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 30 June 2019.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 15. Capital and reserves

#### Share capital

	As at 30 June 2019		As at 31 December 2018	
	No. of Shares '000	Amount HK\$'000	No. of Shares '000	Amount HK\$'000
<b>Authorised:</b>	<b>100,000,000</b>	<b>1,000,000</b>	100,000,000	1,000,000
<b>Issued and fully paid:</b>				
At the beginning of the period/year	<b>1,882,669</b>	<b>18,826</b>	1,999,723	19,997
Placing of new shares (Note (i))	<b>30,182</b>	<b>302</b>	—	—
Issue of consideration shares (Note (ii))	<b>291,039</b>	<b>2,910</b>	—	—
Subscription of new shares (Note (iii))	<b>78,000</b>	<b>780</b>	—	—
Shares repurchased (Note (iv))	—	—	(117,054)	(1,171)
At the end of the period/year	<b>2,281,890</b>	<b>22,818</b>	1,882,669	18,826
		<b>RMB'000</b>		RMB'000
Equivalent to		<b>19,520</b>		16,017

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 15. Capital and reserves (Continued)

#### Share capital (Continued)

Notes:

- (i) On 20 March 2019, the Company entered into a placing agreement with a placing agent, pursuant to which the Company issued 30,182,000 shares of the Company to no less than six placees at the placing price of HK\$0.48 per share.
- (ii) On 30 April 2019, the Company entered into three sale and purchase agreements with three independent third parties (collectively, the "Vendors"), pursuant to which the Vendors have agreed to sell and the Company has agreed to purchase, three sectors of Metro Ethernet telecommunication network in Malaysia at the aggregate consideration of approximately HK\$218,280,000 (equivalent to approximately RMB192,021,000), satisfied by the allotment and issuance of 291,029,000 shares at HK\$0.75 per share.
- (iii) On 30 May 2019, the Company and Ms. Ho Sue Bia (the "Subscriber") entered into a subscription agreement, pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, 78,000,000 shares of the Company at the subscription price of HK\$0.48 per share.
- (iv) During the year ended 31 December 2018, the Company repurchased and cancelled its own shares as follows:

Month of repurchase	No. of ordinary share of HK\$0.01 each '000	Price per share		Aggregate Consideration price paid HK\$ '000
		Highest HK\$	Lowest HK\$	
May 2018	92,604	1.90	0.69	71,078
June 2018	10,616	0.78	0.73	8,150
July 2018	13,834	0.78	0.73	10,486
	117,054			89,714
Equivalent to (RMB'000)	117,054			74,821

The above ordinary shares were cancelled in June 2018 and September 2018.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 16. Commitments

#### Capital commitments

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

	<b>At 30 June 2019 (Unaudited) RMB'000</b>	At 31 December 2018 (Audited) RMB'000
Authorised and contracted, but not provided for:		
Acquisition of an associate	—	7,664
Acquisition for property, plant and equipment	—	64,420
	—	72,084



## Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2019

(Expressed in RMB unless otherwise indicated)

### 17. Material related party transactions

#### (a) Material related party transactions

	For six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Rental expenses		
Mr. Chan	—	164

#### (b) Guarantee by related party

At 30 June 2019, promissory note with principal amount of US\$56,000,000 (equivalent to approximately RMB384,810,000) (31 December 2018: US\$56,000,000 equivalent to approximately RMB385,221,000) were guaranteed by Mr. Chan without any charge.

### 18. Major non-cash transaction

The Group entered into the following major non-cash investing and financing activities which were not reflected in the consolidated statement of cash flow:

- (i) On 20 March 2019, the Company issued 30,182,000 shares to no less than six placees at the placing price of HK\$0.48 per share for the prepayment of consultancy service in relation to development of business in Malaysia.
- (ii) On 30 April 2019, the Company allotted and issued 291,029,000 shares at HK\$0.75 per share as consideration for the acquisition of property, plant and equipment.
- (iii) On 30 May 2019, the Company allotted and issued 78,000,000 shares at the subscription price of HK\$0.48 per share, of which the share subscription proceeds with amounts of HK\$21,827,760 and HK\$15,612,240 were used to settle the consideration for acquisition of property, plant and equipment and prepayment of consultancy services in relation to development of business in Malaysia respectively.