



CHINA ALL ACCESS (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 633

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INTERIM REPORT 2020



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CORPORATE INFORMATION

Directors

Executive Directors

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

Non-Executive Directors

Mr. Bao Tiejun

Independent Non-Executive Directors

Mr. Wong Che Man Eddy *(FCPA)*
Mr. Lam Kin Hung Patrick
Mr. Tam Sui Kwan

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. Tam Sui Kwan

Remuneration Committee

Mr. Tam Sui Kwan *(Chairman)*
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. Shao Kwok Keung *(FCPA)*

Head Office and Principal Place of Business in Hong Kong

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Hong Kong Legal Adviser

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review


The Group reported its unaudited consolidated results for the six months ended 30 June 2020. The Group continued to focus on the development its businesses in the Information and Communication Technology (“ICT”), the New Energy and the Investment activities segments.

The major business highlights for the period are as follows:

1. Revenue for the six months ended 30 June 2020 increased by approximately 13.26% to approximately RMB2,258,806,000 as compared to the corresponding period in 2019;
2. Gross profit for the six months ended 30 June 2020 decreased by approximately 13.06% to approximately RMB10,185,000 as compared to the corresponding period in 2019; and
3. Loss attributable to owners of the Company for the six months ended 30 June 2020 decreased by 59.47% to approximately RMB208,431,000 as compared to the corresponding period in 2019.

ICT

Revenue generated from ICT during the six months ended 30 June 2020 increased by approximately 14.82% to approximately RMB2,258,806,000 as compared to the corresponding period in last year, which accounted for approximately 100% of the Group’s total revenue for the six months ended 30 June 2020.



Despite the adverse effect of the Sino-US trade war and the outbreak of the novel coronavirus (“COVID-19”) on a global basis, our ICT business continued to realise 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 continued to demonstrate positive growth momentum in first half of 2020.

New Energy

After 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 Jiangxi Province in 2019, we accomplished some initiatives in the aspects of entering into partnership agreements with some industry players as well as market development. In the first half of 2020, due to the impact of COVID-19 and subsequent lockdown and travel bans of cities have caused significant disruption for the New Energy segment, with the stable control of the epidemic in China and the full resumption of work and production, it is expected that the performance will gradually resume in the second half of 2020.

Revenue generated from New Energy segment for the six months ended 30 June 2020 was nil, as compared to approximately RMB27,000,000 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 and 30 June 2020.

Financial Review

Revenue

Revenue increased from approximately RMB1,994,326,000 for the six months ended 30 June 2019 to approximately RMB2,258,806,000 for the six months ended 30 June 2020, representing an increase of approximately 13.26%. The increase in revenue in the period under review was mainly attributable to the factors below:

- ICT recorded an increase in revenue from approximately RMB1,967,326,000 for the six months ended 30 June 2019 to approximately RMB2,258,806,000 for the six months ended 30 June 2020, representing an increase of approximately 14.82%. 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.
- New Energy segment recorded a decrease in revenue from approximately RMB27,000,000 for the six months ended 30 June 2019 to nil for the six months ended 30 June 2020. It was mainly due to the impact of COVID-19 and subsequent lockdown and travel bans of cities.

Gross profit

Gross profit decreased from approximately RMB11,715,000 for the six months ended 30 June 2019 to approximately RMB10,185,000 for the six months ended 30 June 2020, representing a decrease of approximately 13.06%. Gross profit margin was maintained and slightly decreased from approximately 0.59% for the six months ended 30 June 2019 to approximately 0.45% for the six months ended 30 June 2020. After we secured a number of new customers who are the major market leaders in the mobile phone market in 2019, the gross profit margin will be gradually improved by rapidly growing the volume.

Other income

Other income increased from approximately RMB15,704,000 for the six months ended 30 June 2019 to approximately RMB18,211,000 for the six months ended 30 June 2020, representing an increase of approximately 15.96%. It was mainly attributable to the government subsidy received for the six months ended 30 June 2020.

Other net loss

Other net loss increased from approximately RMB664,000 for the six months ended 30 June 2019 to approximately RMB1,306,000 for the six months ended 30 June 2020, representing an increase of approximately 96.69%. It was mainly attributable to the loss on disposal of property, plant and equipment for the six months ended 30 June 2020.

Distribution costs, administrative expenses and research and development expenses

Distribution costs, administrative expenses and research and development expenses decreased from approximately RMB61,078,000 for the six months ended 30 June 2019 to approximately RMB34,717,000 for the six months ended 30 June 2020, representing a decrease of approximately 43.16%. The decrease was mainly attributed to the decrease in administrative expenses incurred during the six months ended 30 June 2020. 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 3.06% for the six months ended 30 June 2019 to approximately 1.54% for the six months ended 30 June 2020, representing a decrease of approximately 1.52 percentage points. The decrease was mainly due to the successful measures in costs control in the six months ended 30 June 2020.

Finance income and finance costs

Finance income decreased from approximately RMB92,188,000 for the six months ended 30 June 2019 to approximately RMB142,000 for the six months ended 30 June 2020, representing a decrease of approximately 99.85%. The decrease was mainly due to the fully utilisation of idle capital during the six months period ended 30 June 2020.

Finance costs decreased from approximately RMB360,172,000 for the six months ended 30 June 2019 to approximately RMB192,929,000 for the six months ended 30 June 2020, representing a decrease of approximately 46.43%. The decrease was mainly caused by overdue interests amounting to approximately RMB349,197,000 recorded during the six months ended 30 June 2019.

Income tax

Income tax increased from approximately RMB3,251,000 for the six months ended 30 June 2019 to approximately RMB6,765,000 for the six months ended 30 June 2020, representing an increase of approximately 108.09%. The increase in income tax was mainly due to the increase in taxable income for the six months ended 30 June 2020.

Loss 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 decreased from approximately RMB514,214,000 to approximately RMB208,431,000 for the six months ended 30 June 2020, representing a decrease of approximately 59.47%. The reduction in loss for the six months ended 30 June 2020 was mainly due to the reduction in loss from operations. The reason for the reduction in such area was discussed in the financial review section above.

Liquidity and Capital Resources

Liquidity, financial resources and capital structure

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB38,599,000 (31 December 2019: RMB18,462,000), restricted cash of approximately RMB96,428,000 (31 December 2019: RMB166,004,000), borrowings of approximately RMB1,390,344,000 (31 December 2019: RMB1,378,181,000). The gearing ratio (calculated by dividing borrowings by total assets) as at 30 June 2020 was approximately 31.10% (31 December 2019: 33.21%). As at 30 June 2020, the Group had current assets of approximately RMB4,070,003,000 (31 December 2019: RMB3,734,080,000) and current liabilities of approximately RMB4,019,849,000 (31 December 2019: RMB3,533,832,000). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.01 as at 30 June 2020, as compared with the current ratio of approximately 1.06 as at 31 December 2019. 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 2020, the Group had no capital expenditure (31 December 2019: RMB164,662,000), which was mainly used for procurement for upgrading plant, machinery and equipment.


Capital commitment

As at 30 June 2020, the Group had no capital commitment (31 December 2019: nil).

Going concern

The Group incurred a net loss of approximately RMB208,431,000 for the six months ended 30 June 2020. At 30 June 2020, the Group recorded current and non-current borrowings of approximately RMB1,321,244,000 and RMB69,100,000 respectively and cash and cash equivalents of approximately RMB38,599,000. The total borrowings exceeded the cash and cash equivalents by an amount of approximately RMB1,351,745,000.

These conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.



In view of the circumstances, the Board has undertaken and/or is in the progress of implementing various measures (the “Measures”) to improve the Group’s liquidity position as set out in the below section headed “Remedial Measures To Address the Going Concern”. Up to the date of this interim report, the Measures have not been completed. Assuming the successful implementation of the Measures, a cash flow forecast of the Group was prepared for a period covered not less than twelve months from the date of approval of the consolidated financial statements (the “Approval Date”) (the “Cash Flow Forecast”). With reference to the Cash Flow Forecast, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months from the Approval Date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Charge on material assets

As at 30 June 2020, assets of the Group amounting to approximately RMB110,508,000 (31 December 2019: RMB151,555,000) were pledged for the Group’s borrowings and bills payables.

Human Resources

As at 30 June 2020, the Group had 2,149 employees (31 December 2019: 1,991 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

Update on the Development of the New Energy Segment

The Group had commenced the vanadium-titanium all-ceramic solar panel project in Jinan, Shandong. The Group has established a subsidiary with issued and paid-up capital of RMB255 million. The subsidiary is a world's first clean energy integrated solution provider using solar thermal utilisation technology, and is dedicated to the research and development, production, sales and after-sales technical support of the vanadium-titanium all-ceramic solar heating systems and the multi-energy complementary integrated energy system.

The vanadium-titanium all-ceramic solar panel project proposed by the Group is located in the Jibei economic development zone, Jinan City, Shandong, and will have a total construction floor area of 105,000 square meters. The Group plans to build three production lines for the production of vanadium-titanium all-ceramic heat-collecting panels. The production lines will have an annual capacity of 1 million square meters of vanadium-titanium all-ceramic heat-collecting panels, and an annual output value of RMB1.8 billion after completion. This project was supported by the Jinan Municipal Government. The project was also included in eight key projects for transforming from old to new growth drivers by the Jinan Jiyang District, and was included among the key municipal preparatory projects by the Jinan Municipal Government, underscoring the significant development potential of the market.

The innovative vanadium-titanium material is applied to the surface of the ceramic base and combined at high temperature to form the vanadium-titanium all-ceramic solar panel, with a three-dimensional network structure of sunlight absorbent layer to form a sunlight trap to improve sunlight absorption efficiency. The vanadium-titanium all-ceramic solar panels being developed by the Group has the advantages of environmental protection capability, safe and low production cost, durability and stable performance. Vanadium-titanium all-ceramic material is made from industrial waste. It possesses high strength and high-temperature resistance; non-corrosion corrode, non-colour fading or non-stains; and has high efficiency and high solar absorption ratio. At present, there are 28 patented technologies associated with its vanadium-titanium all-ceramic product line, enabling it to be a prime choice for materials in the new energy field.



Moreover, the vanadium-titanium all-ceramic technology has a wide range of applications, including: (1) providing clean and economically efficient agricultural greenhouse heating systems; (2) providing residential heating and district-scale central heating collection, as well as water heating supply system and (3) industrial use of generate electricity and desalinate brackish water in desert areas, as well as improvement in the ecology.

New energy is a key industry supported by the PRC Government and has a promising future, especially the global restrictions on fossil fuels. There is sizable market space for both domestic and the Belt and Road Initiative countries. At present, the testing of the project products has been completed, and the production line is expected to be completed and commence production in the second half of 2020. The development of the vanadium-titanium all-ceramic solar panel project will help the Group to enrich its new energy project portfolio and expand its business scale, resulting in a sustainable source of revenue for the Group.

Development of engineering procurement construction (“EPC”)

On 28 August 2020, the Company entered into a trade financing agreement (the “Trade Financing Agreement”) with Energy Venture Holding Company (EVHC) LLC (the “Financing Partner”). Whilst the Company is developing the business of EPC, it has to secure trade financing for execution of various telecommunications projects. Pursuant to the Trade Financing Agreement, the Financing Partner agreed to provide trade financing of US\$500 million for the joint development of the telecommunications projects as well as other EPC projects including solar energy projects which are being developed by the Company. The Company is responsible for identifying qualified telecommunications projects and any other projects for the Financing Partner to provide funding, executing equipment procurement, mobilising resources for project construction, monitoring project progress, running testing and commission, finalising project completion and handover as well as managing ongoing maintenance and warranty service.

The Board is of the view that the entering into the Trade Financing Agreement is beneficial to the Company as it provides prominent amount of financing resources for EPC projects which can generate more profitable business and positive operating cashflow for our future development.

For details, please refer to the Company’s announcement dated 31 August 2020.



Remedial Measures to Address the Going Concern

In order to address the issues of going concern set out on pages 8 to 9 under the “Management Dissuasion and Analysis” section, up to the date of this interim report, the Group continues to focus on implementing the following Measures to improve the Group’s liquidity position:

- (a) The Company is negotiating a debt repayment plan (the “Prosper Talent Repayment Plan”) with Prosper Talent to settle the outstanding principal and interests and a consent order executed by the Plaintiff and the Defendants has been filed to the Court of First Instance of High Court of Hong Kong on 22 June 2020 in which the proceedings will be wholly discontinued.
- (b) The Company has negotiated a debt repayment plan (the “Dundee Repayment Plan”) with Dundee to settle the outstanding principal, interests and the arrangement fee by installments in the forthcoming five years.
- (c) The Company has repaid outstanding balances including interest with amount of approximately HK\$11,370,000 (equivalent to approximately RMB10,005,000) to the Creditor and a consent summon executed by the Company and the Creditor has been filed to the Court of First Instance of High Court of Hong Kong on 9 September 2020 in which the winding-up petition will be wholly discontinued.
- (d) 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.

- (e) 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, the Company has entered into the following transactions to raise fund:
- On 28 April 2020, the Company entered into the subscription agreement with ADIB Holdings Limited (“ADIB Holdings”), pursuant to which ADIB Holdings has conditionally agreed to subscribe (or procure the subscription by its nominee(s)), and the Company has conditionally agreed to allot and issue, 420,000,000 shares of HK\$0.16 each for a cash consideration of approximately HK\$67,200,000 (the “Subscription”). At the date of approval of these consolidated financial statements, the Subscription has not been completed. Further details were set out in the Company’s announcements dated 28 April 2020 and 4 May 2020; and
 - the Company entered into a trade financing agreement with Energy Venture Holding Company (EVHC) LLC (“EVHC”) (the “EVHC Trade Financing”). Pursuant to the EVHC Trade Financing, EVHC agreed to provide trade financing of US\$500 million for the joint development of the telecommunications projects and solar energy projects which are being developed by the Company.
- (f) The Group continues to take active measures to control administrative costs through various channels to improve operating cash flows and its financial position.

As at the date of this interim report, (b) and (c) of the above Measures has been completed. As the above Measures involve on-going negotiations and communications with various external parties, potential purchasers and creditors, it is difficult to define a definite timetable on the completion of the Measures. Notwithstanding, the Board will strive to complete the above Measures before the financial year ending 31 December 2020.

In addition, the Company will also explore other avenues to finance the Group’s working capital and to repay the promissory notes and other outstanding borrowings.



Impact of the Going Concern on the Group's Financial Position

Had the Group failed to continue business as a going concern, adjustments would have been made to the consolidated financial statements to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to make provision for further liabilities that may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements of the Group for the six months ended 30 June 2020.

Next Financial Statements

In preparing the financial statements for the year ending 31 December 2020, the Board will be responsible for assessing the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis with reference to the conditions and circumstances as at 31 December 2020.

The Board's assessment of the Company's ability to carry on as a going concern as at 31 December 2020 will take into consideration the relevant conditions and circumstances, and also a then cash flow forecast of the Group for a period covering not less than twelve months from the date of approval of the consolidated financial statement for the year ending 31 December 2020.

Because of the foregoing, as at the date of this interim report, assuming all the Measures are successfully implemented as planned and the Board is satisfied that the Company can continue business as a going concern.

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

As at 30 June 2020, 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)	25.50%
		Beneficial owner	1,000,000 ordinary Shares (L)	0.04%
Mr. Shao Kwok Keung	The Company	Beneficial owner (Note 4)	15,800,000 ordinary Shares (L)	0.68%

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 2,311,890,683 Shares in issue as at 30 June 2020.

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 2020, all these share options remained outstanding.

Save as disclosed above, as at 30 June 2020, 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 2020, 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)	25.50%
Li Hiu Yeung	Beneficial owner	36,056,000 ordinary Shares (L)	1.56%
	Interest in a controlled corporation	148,000,000 ordinary Shares (L)	6.40%
Light Group Field Sci-Tech Limited	Beneficial owner (Note 2)	148,000,000 ordinary Shares (L)	6.40%
Tianan Property Insurance Co., Ltd	Beneficial owner (Note 3)	117,000,000 ordinary Shares (L)	5.06%

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 2020, 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 2020, 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 2,311,890,683 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020, 80,000,000 share options remained outstanding.

Significant Transactions During the Period under Review

- (i) On 11 February 2020, the Company's wholly-owned subsidiary, All Access Global Limited ("AAGL") and CRC-YJ Industry Limited entered into a subscription agreement, pursuant to which CRC-YJ Industry Limited has conditionally agreed to subscribe for, and AAGL has conditionally agreed to allot and issue, 4,286 shares in the share capital of AAGL (representing approximately 30% of the issued share capital of AAGL as enlarged by the issue of the subscription shares) at a consideration in cash of HK\$1,000,000,000, upon and subject to the terms and conditions of the subscription agreement. As at the date of approval of this consolidated financial statements, the subscription has not been completed. Further details were set out in the Company's announcements dated 11 February 2020 and 15 September 2020.
- (ii) As disclosed in the Company's announcement dated 28 April 2020, on 28 April 2020, the Company entered into the subscription agreement with ADIB Holdings, pursuant to which ADIB Holdings has conditionally agreed to subscribe (or procure the subscription by its nominee(s)), and the Company has conditionally agreed to allot and issue, 420,000,000 shares of HK\$0.16 each for a cash consideration of approximately HK\$67,200,000 (the "Subscription"). As at the date of approval of this consolidated financial statements, the Subscription has not been completed. Further details were set out in the Company's announcements dated 28 April 2020 and 4 May 2020.
- (iii) On 28 August 2020, the Company entered into a trade finance agreement with EVHC, pursuant to which EVHC agreed to provide trade financing of US\$500 million for the joint development of the telecommunications projects and solar energy projects which are being developed by the Group.
- (iv) Since the outbreak of the COVID-19 in early 2020, various prevention and control measures have been and continued to be implemented across the PRC. The Group will pay attention to the development of the COVID-19 and evaluate its impact on the financial position and operating results of the Group.

Compliance with the Corporate Governance Code

Save as disclosed below, during the six months ended 30 June 2020, 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 2020.



Audit committee

Special attention of the Audit Committee was drawn to Note 1 “Going concern basis” to the consolidated financial statements that the Group incurred a net loss of approximately RMB208,431,000 for the six months ended 30 June 2020. At 30 June 2020, the Group recorded current and non-current borrowings of approximately RMB1,321,244,000 and RMB69,100,000 respectively and cash and cash equivalents of approximately RMB38,599,000. The total borrowings exceeded the cash and cash equivalents by an amount of approximately RMB1,351,745,000. These conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business. The management’s discussions in relation to the Group’s going concern are set out on pages 8, 9, 12, 13 and 14 of this interim report.

In addition to the judgement that the financial statements shall be prepared on a going concern basis as discussed above, other major judgmental areas in relation to the preparation of the financial statements include the application of the Group’s accounting policies on (i) Impairment of property, plant and equipment and right-of-use assets; (ii) ECL on financial assets at amortised cost; (iii) Net realisable value of inventories; and (iv) Impairment of intangible assets and goodwill.

The Audit Committee has reviewed and agreed with the management’s position on these judgmental areas.

Audit Committee’s view on the Going Concern

The Audit Committee has reviewed the issue of going concern. The Audit Committee noted that the Board has undertaken or in the progress of implementing the Measures to improve the Group’s liquidity position. As at the date of this report, the Board was not aware of any indication that any of the Measures cannot be completed. With reference to the cash flow forecast of the Group which is prepared upon the assumption that the Measures will be successfully implemented, the Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the Approval Date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The Audit Committee has reviewed and agreed with the management's position and is of the view that the Board should continue its efforts in implementing necessary measures for enhancing the Group's liquidity position.

Interim Dividend


The Board had not declared any payment of interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

Disclosure Pursuant to Rule 13.21 of the Listing Rules

- (i) As disclosed in the announcement of the Company dated 23 August 2016, on 23 August 2016, the Company and Mr. Chan Yuen Ming ("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.

On 24 August 2017, a supplemental deed was entered into, among others, the Company, Mr. Chan and Prosper Talent to amend the Note Purchase Agreement and the terms and conditions of note such that, among others, the maturity date of the notes and date of repayment would be extended from August 2017 to various dates up to August 2018 but the above specific performance obligations remain unchanged.


On 27 June 2019, Prosper Talent issued a writ of summons issued in the Court of First Instance of the High Court of Hong Kong against the Company, Mr. Chan and an indirectly wholly owned subsidiary of the Company (collectively the “Defendants”). According to the indorsement of claim enclosed in the writ of summons, US\$95,383,187.40 was due and outstanding under the Prosper Talent Notes.

On 22 June 2020, Prosper Talent took out a consent order, pursuant to which Prosper Talent will discontinue all the proceedings against the Defendants.

Please refer to the announcements of the Company dated 1 July 2019 and 22 June 2020 for further details.

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

- (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.



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 September 2020

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

(Expressed in RMB)

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
	Notes		
CONTINUING OPERATIONS			
Revenue	3	2,258,806	1,994,326
Cost of sales		(2,248,621)	(1,982,611)
Gross profit		10,185	11,715
Other income	4	18,211	15,704
Other net (loss)/gain		(1,306)	(664)
Distribution costs		(1,021)	(2,051)
Impairment loss recognised in respect of trade and other receivables		—	(201,879)
Loss arising in change in fair value of financial assets at fair value through profit or loss		(1,252)	(5,795)
Administrative expenses		(29,148)	(53,501)
Research and development expenses		(4,548)	(5,526)
(Loss)/profit from operations		(8,879)	(241,997)
Finance income	5(a)	142	92,188
Finance costs	5(b)	(192,929)	(360,172)
Share of results of associates		—	(982)
Loss before taxation	5	(201,666)	(510,963)
Income tax expense	6	(6,765)	(3,251)
Loss for the period		(208,431)	(514,214)
Loss attributable to owners of the Company		(208,431)	(514,214)
Loss per share			
Basic and diluted (RMB)	7	(0.09)	(0.260)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

(Expressed in RMB)

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Loss the period	(208,431)	(514,214)
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements	1,067	1,654
Total comprehensive loss for the period attributable to owners of the Company	(207,364)	(512,560)

Condensed Consolidated Statement of Financial Position

At 30 June 2020

(Expressed in RMB)

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	208,432	213,800
Intangible assets		48,635	60,050
Other receivables	10	142,065	142,046
Prepayments		1,383	—
		400,515	415,896
Current assets			
Inventories		527,049	315,560
Trade and other receivables	10	3,100,050	2,923,963
Prepayments		100,378	102,639
Discounted bills receivable		207,156	207,156
Bills receivable		343	260
Financial asset at fair value through profit or loss		—	36
Restricted cash		96,428	166,004
Cash and cash equivalents		38,599	18,462
		4,070,003	3,734,080

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2020

(Expressed in RMB)

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current liabilities			
Trade and other payables	11	2,055,257	1,607,653
Contract liabilities		188,180	186,688
Deferred income		849	1,839
Borrowings	12	1,371,244	1,350,081
Bank advances on discounted bills receivable		207,984	207,984
Lease liabilities		3,378	3,213
Income tax payable		192,957	176,374
		4,019,849	3,533,832
Net current assets			
		50,154	200,248
Total assets less current liabilities			
		450,669	616,144
Non-current liabilities			
Lease liabilities		1,812	923
Borrowings	12	69,100	28,100
Deferred income		6,909	6,909
Deferred tax liabilities		545	545
		78,366	36,477
NET ASSETS			
		372,303	579,667
CAPITAL AND RESERVES			
Share capital	14	19,788	19,788
Reserves		352,515	561,828
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
		374,252	581,616
Non-controlling interests		(1,949)	(1,949)
TOTAL EQUITY			
		372,303	579,667

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

(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/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RMB\$'000	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 2019 (Audited)	16,017	1,635,312	104	248,297	226,613	19,929	24,446	(80,961)	1,055,577	3,145,334	–	3,145,334
Profit for the period	–	–	–	–	–	–	–	–	(514,214)	(514,214)	–	(514,214)
Other comprehensive loss	–	–	–	–	–	–	–	1,654	–	1,654	–	1,654
Total comprehensive income	–	–	–	–	–	–	–	1,654	(514,214)	(512,560)	–	(512,560)
Issue of consideration shares	2,559	189,331	–	–	–	–	–	–	–	191,890	–	191,890
Placing of new shares	258	12,129	–	–	–	–	–	–	–	12,387	–	12,387
Subscription of new shares	666	32,243	–	–	–	–	–	–	–	32,929	–	32,929
Share-based payment expenses	–	–	–	–	–	5,160	–	–	–	5,160	–	5,160
Share issuing expenses	–	(672)	–	–	–	–	–	–	–	(672)	–	(672)
Balance at 30 June 2019 (Unaudited)	19,520	1,868,343	104	248,297	226,613	25,089	24,446	(79,307)	541,363	2,874,468	–	2,874,468
Balance at 1 January 2020 (Audited)	19,788	1,789,899	104	248,297	226,613	8,081	28,950	(150,167)	(1,589,949)	581,616	(1,949)	579,667
Loss for the period	–	–	–	–	–	–	–	–	(208,431)	(208,431)	–	(208,431)
Other comprehensive income	–	–	–	–	–	–	–	1,067	–	1,067	–	1,067
Total comprehensive loss	–	–	–	–	–	–	–	1,067	(208,431)	(207,364)	–	(207,364)
Balance at 30 June 2020 (Unaudited)	19,788	1,789,899	104	248,297	226,613	8,081	28,950	(149,100)	(1,798,380)	374,252	(1,949)	372,303

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

(Expressed in RMB)

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Net cash generated/(used in) from operating activities	11,727	(36,741)
Investing activities		
Purchase of property, plant and equipment	—	(16,306)
Net cash outflow arising from other investment activities	(2,583)	(3,291)
Net cash used in investing activities	(2,583)	(19,597)
Financing activities		
Proceeds from borrowings	21,163	20,000
Repayment of borrowings	(9,600)	—
Net cash outflow arising from other financing activities	—	(3,319)
Net cash generated from financing activities	11,563	16,681
Net increase/(decrease) in cash and cash equivalents	20,707	(39,657)
Cash and cash equivalents at 1 January	18,462	70,731
Effect of foreign exchange rates changes	(570)	(7,314)
Cash and cash equivalents at 30 June	38,599	23,760



Notes to the Interim Financial Statements

For the six months ended 30 June 2020

(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 September 2020.

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 2019 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 2019 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 2020

(Expressed in RMB unless otherwise indicated)

1. Basis of preparation (Continued)

Going concern basis

The Group incurred a net loss of approximately RMB208,431,000 for the six months ended 30 June 2020. At 30 June 2020, The Group recorded current and non-current borrowings of approximately RMB1,321,244,000 and RMB69,100,000 respectively and restricted cash and cash and cash equivalents in aggregate of approximately RMB38,599,000. The total borrowings exceeding restricted cash and cash and cash equivalents of approximately RMB1,351,745,000.

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 2020, the Group had borrowings of approximately RMB1,390,344,000 which approximately RMB1,221,244,000 were overdue. Overdue interests were included in trade and other payables with amount of approximately RMB145,428,000. 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 2020

(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) Other payables with amount of HK\$31,500,000 (equivalent to approximately RMB28,218,000) which were due to some independent parties were due for repayment since January 2020. On 17 June 2020, one of the parties (the “Creditor”) filed a winding-up petition at the Court of First Instance of High Court of Hong Kong against the Company for (i) the outstanding principal of HK\$10,000,000; (ii) interest payable of HK\$500,000; and (iii) default interest at 9% on the sum of HK\$10,500,000 from 27 January 2020 until full and final payment of this petition.

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 RMB99,986,000 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 2020

(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:

- (a) The Company is negotiating a debt repayment plan (the "Prosper Talent Repayment Plan") with Prosper Talent to settle the outstanding principal and interests and a consent order executed by the Plaintiff and the Defendants has been filed to the Court of First Instance of High Court of Hong Kong on 22 June 2020 in which the proceedings will be wholly discontinued.
- (b) The Company has negotiated a debt repayment plan (the "Dundee Repayment Plan") with Dundee to settle the outstanding principal, interests and the arrangement fee by installments in the forthcoming five years.
- (c) The Company has repaid outstanding balances including interest with amount of approximately HK\$11,370,000 (equivalent to approximately RMB10,005,000) to the Creditor and a consent summon executed by the Company and the Creditor has been filed to the Court of First Instance of High Court of Hong Kong on 9 September 2020 in which the winding-up petition will be wholly discontinued.
- (d) 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.

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

1. Basis of preparation (Continued)

Going concern basis (Continued)

- (e) 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, the Company has entered into the following agreement or transaction to raise fund:
- On 28 April 2020, the Company entered into the subscription agreement with ADIB Holdings Limited (“ADIB Holdings”), pursuant to which ADIB Holdings has conditionally agreed to subscribe (or procure the subscription by its nominee(s)), and the Company has conditionally agreed to allot and issue, 420,000,000 shares of HK\$0.16 each for a cash consideration of approximately HK\$67,200,000 (the “Subscription”). At the date of approval of these consolidated financial statements, the Subscription has not been completed. Further details were set out in the Company’s announcements dated 28 April 2020 and 4 May 2020; and
 - the Company entered into a trade financing agreement with Energy Venture Holding Company (EVHC) LLC (“EVHC”) (the “EVHC Trade Financing”). Pursuant to the EVHC Trade Financing, EVHC agreed to provide trade financing of US\$500 million for the joint development of the telecommunications projects and solar energy projects which are being developed by the Company.
- (f) 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 2020

(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; and (iv) 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.

2. Significant Accounting Policies

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2019 (referring to the annual financial statements in the relevant year), as described in those annual financial information except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ended 31 December 2020.

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020

The other standards did not have an impact in the Group's accounting policies and did not require retrospective adjustments.

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

- (ii) *New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted*

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2020

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

Notes to the Interim Financial Statements (*Continued*)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

3. Segment reporting

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

- ICT: including but not limited to 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 2020

(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:

	ICT		New Energy		Investment activities		Total	
	For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Reportable segment revenue	2,258,806	1,947,326	—	27,000	—	—	2,258,806	1,994,326
Segment operating profit	(151,996)	(204,880)	(17,435)	(16,460)	—	—	(169,431)	(221,340)
	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Reportable segment assets	4,391,818	2,995,706	576,968	68,492	3,013	—	4,971,799	3,064,198
Reportable segment liabilities	2,455,397	1,541,367	71,575	39	—	—	2,526,972	1,541,406

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 2020 and 30 June 2019.

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

3. Segment reporting (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	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Customer A	429,544	1,108,394
Customer B	326,945	N/A ¹
Customer C	326,025	514,514

¹ 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 2020

(Expressed in RMB unless otherwise indicated)

3. Segment reporting (Continued)

(b) Reconciliations of reportable segment profit or loss

	For six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Reportable segment loss	(169,431)	(221,340)
Other revenue	625	559
Finance income	142	91,884
Finance costs	(192,929)	(360,172)
Share of results of associates	—	(982)
Unallocated head office and corporate expenses	(12,372)	(20,912)
Loss before taxation	(201,666)	(510,963)

4. Other income

	For six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Government subsidy	17,147	10,644
Reversal of impairment loss recognised in respect of trade receivables	—	372
Others	1,064	4,688
	18,211	15,704

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

5. Loss before taxation

Loss before taxation is arrived at after:

(a) Finance income

	For six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest income from bank deposits	142	309
Interest income from structured deposits and other receivables	—	91,879
	142	92,188

(b) Finance costs

	For six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest on borrowings	189,759	354,930
Interest on discounted bills receivable	625	547
Interest on lease liabilities	163	196
Bank charges	2,382	4,499
	192,929	360,172

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

5. Loss before taxation (Continued)

(c) Other items

	For six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of inventories sold (included in cost of sales)	2,248,619	1,852,528
Depreciation of property, plant and equipment	9,023	9,156
Depreciation of right-of-use assets	1,780	1,780
Amortisation of intangible assets	17,431	16,595
Exchange gain, net (included in other net loss)	1,042	1,155
Operating lease charges in respect of leased premises	4,538	4,829

6. Income tax expense

	For six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax — PRC Enterprise Income Tax	6,765	3,251

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

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

7. Loss per share

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:

	For six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	(208,431)	(514,214)

	For six months ended 30 June	
	2020 (Unaudited) '000	2019 (Unaudited) '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,311,891	1,974,167

As the Company's outstanding share option where applicable had an anti-dilutive effect to the basis loss per share calculation for the period ended 30 June 2020 and 2019, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

8. Dividends

The Board had not declared any payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

9. Property, plant and equipment

During the six months ended 30 June 2020, the Group had not acquired property, plant and equipment (six months ended 30 June 2019: RMB227,059,000).

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

10. Trade and other receivables

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Trade receivables	973,852	911,406
Less: Allowance for credit losses	(322,324)	(326,565)
	651,528	584,841
Other receivables and deposits	1,489,385	1,379,966
Consideration receivables for disposal of subsidiaries	1,101,202	1,101,202
	2,590,587	2,481,168
	3,242,115	3,066,009
Analysed for reporting purpose as:		
Current assets	3,100,050	2,923,963
Non-current assets	142,065	142,046
	3,242,115	3,066,009

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

10. 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:

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Within 1 month	500,626	367,790
1 to 2 months	102,160	188,643
2 to 3 months	41,326	13,679
3 to 6 months	2,208	3,666
Over 6 months but within 1 year	3,510	2,512
Over 1 year	1,698	8,551
	651,528	584,841

11. Trade and other payables

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Trade and bills payable	1,002,348	700,068
Other payables and accruals	1,052,909	907,585
	2,055,257	1,607,653

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

11. Trade and other payables (Continued)

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:

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Within 1 month	369,961	157,999
1 to 3 months	504,904	167,900
3 to 6 months	51,735	180,771
Over 6 months but within 1 year	42,503	131,366
Over 1 year	33,245	62,032
	1,002,348	700,068

Note:

- (i) At 30 June 2020, bills payable of approximately RMB110,508,000 (31 December 2019: RMB151,555,000) 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 2020

(Expressed in RMB unless otherwise indicated)

12. Borrowings

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Guaranteed loans (note (i))	169,100	169,700
Promissory notes (note (ii))	1,221,244	1,149,481
Pledged loans	—	9,000
Unsecured loans (note (iii))	50,000	50,000
	1,440,344	1,378,181

Notes:

- (i) At 30 June 2020, guaranteed loans of approximately RMB169,100,000 (31 December 2019: RMB169,700,000) 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 2019: interest-free).

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

12. Borrowings (Continued)

Notes: (continued)

(ii) 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 2020, the outstanding principal amount of the Prosper Talent Notes was US\$56,000,000 (equivalent to approximately RMB398,973,000) (31 December 2019: US\$56,000,000 (equivalent to approximately RMB391,285,000)).

- (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 2020, the Dundee Note was remained unsettled and the outstanding principal amount of the Dundee Note was HK\$847,080,000 (equivalent to approximately RMB773,722,000). (31 December 2019: HK\$847,080,000 (equivalent to approximately RMB758,814,000)).

- (iii) At 30 June 2020, unsecured loans of RMB50,000,000 with interest bearing at 8% per annum.

Notes to the Interim Financial Statements (Continued)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

13. 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 2020.

14. Capital and reserves

Share capital

	As at 30 June 2020		As at 31 December 2019	
	No. of Shares '000	Amount HK\$'000	No. of Shares '000	Amount HK\$'000
Authorised:	100,000,000	1,000,000	100,000,000	1,000,000
Issued and fully paid:				
At the beginning of the period/year	2,311,890	23,118	1,882,669	18,826
Placing of new shares	—	—	30,182	302
Issue of consideration shares	—	—	291,039	2,910
Subscription of new shares	—	—	108,000	1,080
At the end of the period/year	2,311,890	23,118	2,311,890	23,118
		RMB'000		RMB'000
Equivalent to		19,788		19,788



Notes to the Interim Financial Statements (*Continued*)

For the six months ended 30 June 2020

(Expressed in RMB unless otherwise indicated)

15. Material related party transactions

Guarantee by related party

At 30 June 2020, promissory note with principal amount of US\$56,000,000 (equivalent to approximately RMB398,973,000) (31 December 2019: US\$56,000,000 equivalent to approximately RMB391,285,000) were guaranteed by Mr. Chan without any charge.