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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2019 ANNUAL RESULTS ANNOUNCEMENT AND 2019 ANNUAL REPORT

Reference is made to (i) the results announcement (the "**2019 Results Announcements**") of China All Access (Holdings) Limited (the "**Company**", together with its subsidiaries, the "**Group**") issued on 25 September 2020 for the year ended 31 December 2019 ("**FY2019**"); and (ii) the annual report of the Company for FY2019 published on 25 September 2020 (the "**2019 Annual Report**") in relation to, among others, the consolidated financial information of the Group for FY2019. Terms used herein shall have the same meanings as defined in the 2019 Results Announcement and the 2019 Annual Report unless the context requires otherwise.

The board of directors (the "**Board**") of the Company hereby provide supplemental information for the information contained in the 2019 Results Announcement and the 2019 Annual Report as follows:

According to the 2019 Annual Report P12 "Management Discussion and Analysis", the Company wishes to supplement the management discussion and analysis regarding the recoverability of the Hebei Noter Group Receivables that:

Recoverability of the Hebei Noter Group Receivables

Included in other receivables disclosed in Note 20 to the consolidated financial statements are consideration receivable for disposal of Hebei Noter Group and amount due from Hebei Noter Group with carrying amounts, net of allowance for credit losses, of approximately RMB1,101,202,000 and RMB795,785,000 respectively as at 31 December 2019 which were overdue for repayment and remained unsettled as at the date of this report.

The Company reviewed the business portfolio of the Purchaser at the time of the disposal agreement. Based on its business portfolio, the Company assessed the Purchaser's credit status to ascertain that its financial position was sound enough to honour the payments. Upon defaulting the first instalment payment, the Company has been reviewing the business portfolio to assess the Purchaser's credit status. The aging situation of the inventory and receivables of the Purchaser's business portfolio is unavoidable due to the adverse economic situation caused by the Sino-US trade battle since 2018 and the pandemic outbreak of COVID-19 since the end of 2019.

According to the disposal agreement, the entire ownership of the disposal company is pledged to the Company after completion. There is no change in the ultimate beneficial owner of the Purchaser since disposal agreement on 3 June 2018. The Purchaser has been maintaining dialogue with the Company on its plan to pay the consideration. Both parties are actively working on solutions to resolve the problem. In view of the unexpected adverse economic situation as mentioned above, the businesses of both the Company and the Purchaser have been seriously affected. The Company is taking the view that working actively with the Purchaser to resolve the payment is more constructive than taking any claim on the Purchaser.

Since the Purchaser's failure to pay first instalment of the consideration on timely basis, the Company has been chasing after the Purchaser to pay the consideration as soon as possible. Also, the Company has been urging the Purchaser to provide additional valuable collaterals which can be liquidated in the market to generate cash for paying the consideration. The Purchaser provided certain quantity of commodity as additional collaterals (the "**Collaterals**"). It is being stored in an overseas warehouse. Based on the valuation report provided by the Purchaser, the market value of the assets far exceeds the amount due from the Purchaser to the Company.

According to the 2019 Annual Report P20 "Management Discussion and Analysis — Remedial Measures To Address The Audit Qualification", the Company wishes to supplement the remedial measures to address the audit qualification regarding the recoverability of the Hebei Noter Group Receivables that:

Recoverability of the Hebei Noter Group Receivables

The Auditor did not express opinion on the consolidated financial statements of the Group for the year ended 31 December 2019 as they were unable to (i) satisfy themselves about the existence and ownership of the assets pledged in favour of the Group; (ii) satisfy themselves about the validity of the guarantee agreement arranged by the holding company of Hebei Noter Group and entered into in December 2019, including the validity of the collateral referred to in (i); and (iii) satisfy themselves about the valuation of the assets pledged to the Group as collateral by the holding company of Hebei Noter Group and whether the credit exposures represented by the Hebei Noter Group Receivables are adequately covered by these collaterals.

In order to address the issues, up to the date of this annual report, the Group continues to focus on implementing the following Measures to resolve the issues (i), (ii), and (iii) as mentioned above.

(a) The Company has reviewed the photos, videos, copy of the Collateral original purchase documentation, warehouse rental supporting of the Collaterals to confirm the existence;

(b) The Company arranged video conferencing interview to walk through a list of questionnaires with the responsible person of the Purchaser;

(c) The Company performed research to the current market value and relevant selling price offered on trading website in recent years record for reference;

(d) The Company sold certain portion of the Collateral to a trading company in Hong Kong to further support the market price of the Collateral;

(e) The Company reviewed the business portfolio of the Purchaser at the time of the disposal agreement. Based on its business portfolio, the Company assessed the Purchaser's credit status to ascertain that its financial position was sound enough to honour the payments. Upon defaulting the first instalment payment, the Company has been reviewing the business portfolio to assess the Purchaser's credit status. The aging situation of the inventory and receivables of the Purchaser's business portfolio is unavoidable due to the adverse economic situation caused by the Sino-US trade battle since 2018 and the pandemic outbreak of COVID-19 since the end of 2019; and

(f) The Company is closing a transaction of the Collateral with a buyer in the PRC at the selling price which is close to the market value of the Collateral as per the valuation report provided by the Purchaser. For details, please refer to the Company's announcement dated 19 October 2020.

As of the date of the annual report, (a), (b), (c), (d) and (e) of the above measures have been completed. As the measure (f) involves on-going negotiations and communications with various external parties and potential purchasers, it is difficult to define a definite timetable on the completion of the measure (f). Notwithstanding, the Board will strive to complete the above measures before the financial year ending 31 December 2020.

According to the 2019 Annual Report P71 "Audit Committee's view on the Audit Qualification", the Company's Audit Committee wishes to supplement the Disclaimer of Opinion in relation to Hebei Noter Group Receivable that:

Regarding the Disclaimer of Opinion in relation to Hebei Noter Group Receivable

The Audit Committee has reviewed and agreed with the views and concerns of the Auditor with respect to the Disclaimer of Opinion in relation to Hebei Noter Group Receivable. The Audit Committee noted that the Board has undertaken or in the progress of implementing the measures to improve the recoverability of the Hebei Noter Group Receivable. As at the date of this report, the Board was not aware of any indication that any of the measures cannot be completed. Assuming the successful implementation of the measures, the audit committee was satisfied that the Company will obtain sufficient appropriate evidence to satisfy that the impairment assessments of the Hebei Noter Group Receivables and the related measurement of life time expected credit losses on these receivables as at 31 December 2019. 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 to recover the Hebei Noter Group Receivables and removing the Audit Qualification in relation to the Hebei Noter Group Receivables in the next financial year.

According to the 2019 Annual Report P155 "Note 16. Impairment testing on intangible assets and goodwill — ICT business", the Company wishes to supplement the following underlined information:

"**ICT business**

For the purpose of impairment testing, customers relationship and goodwill set out in notes 14 and 15 to the consolidated financial statements respectively have been allocated to the CGU of manufacturing of display and touch modules operations under the ICT business.

The directors have assessed the recoverable amounts of the CGU as at 31 December 2019 by reference to the valuation <u>report</u> as at 31 December 2019 performed by a firm of independent qualified valuers dated <u>25 September 2020</u>. The valuation was based on value in use calculation which used the cash flow forecast projections approved by the directors covering a five-year period. Key assumptions for the cashflow forecast projections include budgeted sales and gross margin, growth rate and discount rate, such estimation is based on past experience and management's expectations of the market development. Cash flows beyond the five-year period are extrapolated using an estimated rate of 3% (2018: 3%), which does not exceed the long-term average growth rates for the business in which the group of units operates. The cash flows are discounted by using a pre-tax discount rate of approximately 20.72% (2018: 23.33%). The discount rates used are pretax and reflect specific risks relating to the relevant operations."

According to the 2019 Annual Report P156 "Note 16. Impairment testing on intangible assets and goodwill — New Energy business", the Company wishes to supplement the following underlined information:

"New Energy business

For the purpose of impairment testing, the license agreement included in intangible assets set out in note 14 to the consolidated financial statements has been allocated to the CGU of solar power plants operations under the New Energy business.

The directors have assessed the recoverable amounts of the New Energy business CGU as at 31 December 2019 by reference to the valuation <u>report</u> as at 31 December 2019 performed by third party qualified valuers <u>dated 25 September 2020</u>. The valuation was based on value in use calculation which used the cash flow forecast projections approved by the directors covering a five-year period. Key assumptions for the cashflow forecast projections include budgeted sales and gross margin, growth rate and discount rate, such estimation is based on past experience and management's expectations of the market development. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3% (2018: 3%) for the 4-year period (2018: 5-year period), up to the end of estimated useful life of the licensing agreement. The cash flows are discounted by using a pre-tax discount rate of approximately 15.3% (2018: 15.7%). The discount rates used are pre-tax and reflect specific risks relating to the relevant operations."

Save as disclosed above, all other information in 2019 Results Announcement and the 2019 Annual Report remains unchanged.

By order of the Board
China All Access (Holdings) Limited
Shao Kwok Keung
Chief Executive Officer

Hong Kong, 18 November 2020

As at the date of this announcement, the executive Directors are Mr. Chan Yuen Ming and Mr. Shao Kwok Keung; the non-executive Director is Mr. Bao Tiejun; and the independent non-executive Directors are Mr. Wong Che Man Eddy, Mr. Lam Kin Hung Patrick and Mr. Tam Sui Kwan.