

Triam Research Issues Second Rebuttal to China All Access (Holdings) Limited (HK: 0633) Clarification Announcements. We maintain our valuation at HK\$ 0.17 per share.

This rebuttal covers the following clarification announcements from China All Access (Holdings) Limited's (HK: 0633) ("CAA" or the "company"):

- 18 December 2016 – "Confuse and Distort"
- 20 December 2016 – "Trust Me Blindly"
- 21 December 2016 – "The Typo Defense"

Company's Response to Our First Rebuttal

We issued our original report¹ on CAA on 13 December 2016, setting out our opinions about the company based on our analysis of the company's public statements and reports and other public records. We challenged CAA to explain itself and clear up the discrepancies and apparent misrepresentations and fabrications in its filings with the exchange and to the market.

CAA responded to our report with a Clarification Announcement² on 18 December 2016. We found their response wholly insufficient and disappointing, and in fact, it raised more issues and problems than it answered, which we analyzed and set out in our first rebuttal report³ dated 20 December 2016. We rebutted – with more detailed evidence and analysis – what we believe are the outright lies and indirect guilty admissions by the company, including on the following issues:

1. New outright lies in the Company's response statement.
2. CAA's admission that Skycomm group is an undisclosed related party: a clear and ongoing violation of Hong Kong listing rules.
3. More evidence that the Company's claimed revenues were fabricated.
4. The Financial Statements for 2015 are and remain unreliable.
5. CAA continues to distort facts on DSO.

CAA responded on 20 December 2016 with a blanket "trust me" response to our first rebuttal and did not address a single issue. Their response underlines their total lack of concern for their shareholders in our opinion. Then, late at night on Wednesday, 21 December 2016, they issued a further "clarification" on the first point raised in our rebuttal, of course without mentioning our reports or us.

In this second rebuttal, we lay bare more management's continued lies and deception in their "clarification" statements of 20 December 2016 and 21 December 2016.

Before we start with that, we will answer why the stock price has held up in high volumes since it came off suspension on 19 December 2016.

¹ Available at <https://www.scribd.com/document/334046847/Conviction-Short-Report-on-HK-0633-China-All-Access-by-Triam-Research>

² Available at <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1218/LTN20161218035.pdf>

³ Available at <https://www.scribd.com/document/334674394/Triam-Research-First-Rebuttal-to-HK-0633-China-All-Access>

#1 STOCK PRICE MANIPULATION SINCE 19 DECEMBER 2016

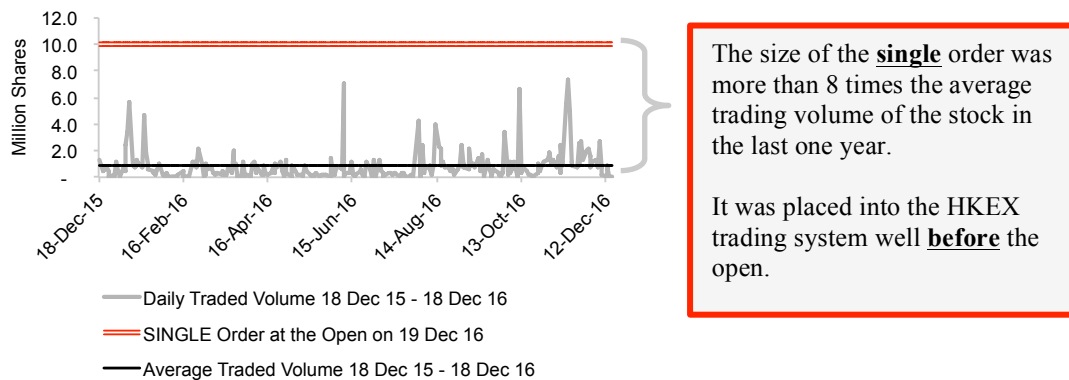
We believe that there has been **blatant** stock price manipulation and a false market with CAA’s stock after it came off suspension on 19 December 2016. We believe that “someone” has been manipulating the stock to 1) induce a short squeeze, 2) keep the price above the exercise price of CAA’s outstanding convertible instruments or 3) possibly save on a margin call of an influential company insider.

We earnestly call for the SFC and the HKEX to investigate this blatant stock price manipulation. SFC can easily start by looking at opening and closing auction order books, and comparing them trades with executed by broker 2108 from Freeman Securities Limited (formerly Dynasty Securities Limited).

The opening auction on 19 December 2016

The day the stock came off suspension, “someone” put in an order to buy **10 million shares** at a **10% premium** to the prior close⁴. The order was placed into the HKEX trading system **well before** the open. The order was put through Freeman Securities Limited (CE Ref: APR560, formerly Dynasty Securities Limited) using broker code 2108.

- As can be seen from the chart below, the size of this *single order* was gigantic⁵ – at more than **8 times** the average daily trading volume of this stock (HK: 0633). The stock has not traded anywhere close to 10 million shares a day in the previous year.

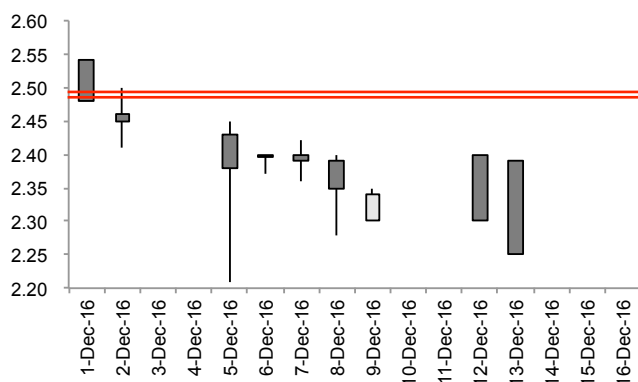


Source: Yahoo Finance, HKEX.

⁴ Stock price at the time of trading suspension on 13 December 2016 was HK\$ 2.25.

⁵ The opening auction order was for 10 million shares. From 1 November 2016 to 13 December 2016, HK: 0633 has traded at an average volume 1,145,919 shares/day, minimum volume of 946,069 and maximum of 1,287,269.

- The order was at 10% premium to the previous close’s trading price.



The open order was at a large 10% premium to the HK\$ 2.25 price on 13 December 2016, the date of trading suspension.

Why was a large, premium bid before the open necessary if it was a normal buyer?

Source: Yahoo Finance, HKEX.

Why was the order size so big? Why was the order to be executed at a 10% premium on a stock that had trended down sharply in the previous session? Why was such a large buy order put in even before the market opened?

To us, the intention is clear – the sole objective of this order was to ensure that the stock price did not fall when the stock reopened for trading after being suspended due to Triam Research’s report.

In addition, we have also observed Freeman and possibly other agents acting with impunity throughout this week – during opening and closing auctions as well as by placing aggressive bids in size to push up the price whenever the stock shows weakness.

We earnestly call upon SFC and HKEX to investigate this blatant stock price manipulation.

In addition, we have also highlighted indications of stock price manipulation going back several years in our report.

Why does (illegally) propping up the stock price make sense?

Suppose that CAA (or its agents or friendly “white knights”) have bought every single share that was traded on high volumes last week (approximately 54 million shares) *and* at the respective day’s highest price, it would “only” have cost around HK\$ 135 million. Since they would not have bought every share that was sold, this amount is likely far lower.

Date	Day's Volume Thousands	Day's High Price HK\$	Traded Value HK\$ Thousands
19-Dec-16	41,211	2.50	103,028
20-Dec-16	2,624	2.48	6,508
21-Dec-16	3,814	2.50	9,535
22-Dec-16	4,914	2.60	12,776
23-Dec-16	1,382	2.51	3,469
	53,945		135,316

Source: Yahoo Finance.

Given that we suspect fake and inflated assets to be around RMB 4.5 billion (HK\$ 5 billion), this “expense” of keeping the stock price high after it came off suspension works out to a paltry 2.7% of the questionable amount.

Suspicious Assets	RMB Thousands	% of 1H 2016 Equity	% of 1H 2016 Assets
1 Suspect Trade Receivables	998,769	31%	16%
2 Property Deposit	180,000	6%	3%
3 Equipment and Raw Materials Prepayment	124,400	4%	2%
4 Non-current Machinery Prepayment	221,013	7%	4%
5 Undisclosed Prepayment	452,934	14%	7%
6 "Potential Equity Investment"	720,628	23%	12%
7 Loans Receivable	1,083,472	34%	18%
8 Structured Deposits	500,000	16%	8%
9 Entrusted Loans	210,000	7%	3%
	4,491,216	141%	73%

Source: Triam Research report dated 13 December 2016.

Misappropriation of capital in the billions is exactly what we suspect with CAA, as detailed in our report. This was only possible because CAA is a listed company with the ability to raise capital from the public markets – which it has repeatedly done, as we have detailed.

Moving on to the rebuttal of CAA’s absurd clarification statements, we start with the latest development.

#2 CAA IS CAUGHT IN OUR FIRST REBUTTAL AND CONFIRMS THAT ITS FINANCIAL STATEMENTS HAVE ERRORS

On 21 December 2016, CAA filed a fresh “clarification” on the Customer Information Table lie that we had highlighted in our first rebuttal report:

- **We reproduce the relevant section from our first rebuttal report:**

In its 18 December 2016 clarification announcement, CAA “clarified” that its 2015 results announcement was based on **total revenue** of RMB 7.5 billion (continuing operations 2.8 billion plus discontinued operations 4.7 billion).

The Company wishes to state and clarify that, as stated in the 2015 Results Announcement, the relevant disclosure there relates to the revenue from customers amounting to 10 percent or more of the Group’s revenue, that is, the total revenue from both the continuing operation and discontinued operation of the Group during FY2015. On the other hand, the disclosure in the 2015 Financial Statements relates to revenue from the continuing operation of the Group during FY2015 contributed by customers amounting to 10% or more of the continuing operation of the Group’s revenue. The bases of disclosure are completely different. As disclosed in the 2015

Source: CAA Clarification Announcement dated 18 December 2016 in response to Triam’s report, available at <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1218/LTN20161218035.pdf>.

In our rebuttal, we pointed out that if this were true, then why is ZTE not shown as a top customer in the 2015 annual results announcement despite purportedly having RMB 2.9 billion revenue contribution in 2015, which would be well over the 10% of revenues threshold. **CAA’s management was clearly caught lying. Refer to our report for a full list of their fraudulent actions.**

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

	Provision of communication application solutions and services	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	1,240,404	899,426
Customer B	<u>N/A¹</u>	<u>785,130</u>

¹ The corresponding revenue did not contribute over 10 percent of the total revenue of the Group.

No other customers contributed 10 percent or more to the Group's revenue for both years.

Source: 2015 annual results announcement, page 15.

Where is ZTE with 2.9 billion in 2015 and 2.7 billion in 2014?

Total revenue was 7.5 billion in 2015 and 7 billion in 2014.

ZTE was well above the required threshold of 10% of revenue contribution in both years.

- **CAA’s response on 21 December 2016:**

In order to try to explain this obvious lie, CAA came up with a laughable “**typo defense**” in response. In effect, when we challenged CAA, they changed the story yet again.

In our original report, we pointed out the discrepancy in this table between its 2015 results announcement and annual report.

CAA responded on 18 December 2016 by saying that the results announcement table is based on total revenues (total revenues of continuing and discontinued operations) and the annual report table is based on only continuing operations. *(We don’t believe that it true, but let us keep that aside for now.)*

In our first rebuttal report, we pointed out that if this table was based on total revenues, **as newly claimed by CAA**, then ZTE with RMB 2.9 billion is glaringly missing from this table.

Coming under pressure, CAA responded late on 21 December 2016, saying, “oh sorry, it’s a typo” and that the table should read “excluding related parties” instead of “including related parties”.

This was a second basis change to suit their convenience. We think that their choice was either telling this new lie or admitting that 2015 financial statements are unreliable as we have been claiming.

The Company wishes to state and clarify that there was an inadvertent typographical error in Announcement-Note 5(a), that the revenue from “Customer A” and “Customer B” therein refers to “revenue from customers (excluding related parties) amounting to 10 percent or more of the Group’s revenue” instead of “revenue from customers (including related parties) amounting to 10 percent or more of the Group’s revenue”. Accordingly, the relevant part of Announcement-Note 5(a) should be read as follows:

“Revenue from customers (excluding related parties) amounting to 10 percent or more of the Group’s revenue is set out below:

	Provision of communication application solution and services	
	2015	2014
	<i>RMB’000</i>	<i>RMB’000</i>
Customer A	1,240,404	899,426
Customer B	<u>N/A¹</u>	<u>785,130</u>

¹ The corresponding revenue did not contribute over 10 percent of the total revenue of the Group.

No other customers contributed 10 percent or more to the Group’s revenue for both years.”

Source: CAA Announcement dated 21 December 2016.

- We believe that this sequence of events make it self evident that 2015 financial statements remain unreliable.
- In earlier years, like in 2013 and 2014, this top customers table was on the basis of “**including related parties**”. Suddenly, when challenged on the 2015 financial statements⁶, CAA now says that only for 2015, and for no apparent reason, and without prior disclosure⁷, the basis was changed to “**excluding related parties**”. *Do they really think investors will be fooled by this transparent lie?*

2014 Annual Results: “Top Customers Table, including related parties”

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

	Provision of satellite communication application solutions and other services		Provision of wireless data communication application solutions and services		Total	
	2014	2013	2014	2013	2014	2013
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Customer A	—	—	2,722,885	3,066,980	2,722,885	3,066,980
Customer B	—	—	899,426	16,317	899,426	16,317
Customer C	—	—	785,130	241,593	785,130	241,593

Source: 2014 Annual Results Announcement, page 10.

2013 Annual Results: “Top Customers Table, including related parties”

Note: Revenue from customers (including related parties) amounting to 10 percent or more of the Group’s revenue is set out below. For the year 2012, operating results of Changfei Investment since the date of acquisition has not been included as the income, expenses and profit that Changfei Investment and its subsidiaries contributed to the Group since the completion of the acquisition on 26 December 2012 was considered immaterial.

	Provision of satellite communication application solutions and other services		Provision of wireless data communication application solutions and services		Total	
	2013	2012	2013	2012	2013	2012
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Customer A	—	—	—	160,754	—	160,754
Customer B	—	—	3,066,980	—	3,066,980	—

Source: 2013 Annual Results Announcement, page 9.

This behavior strongly indicates to us that CAA is trying to cover up their deception (unreliable financial statements) with more and more lies.

CAA can always release their full customer data so investors can recreate these tables again (including/excluding related parties, including/excluding discontinued operations), but we believe that

⁶ Also recall that CAA claimed in its 18 December 2016 statement that this table was based on **total revenues** (continuing operations revenues plus discontinued operations revenues), so such a change of excluding related parties / from including them was also unwarranted due to this reclassification.

⁷ Between 30 March 2016 annual results publication date to 20 December 2016 our first rebuttal date.

they will not do so. It will easily expose their revenue fabrication that we have highlighted in our report.

CAA have also shown that their accounts are unreliable with the admission that the RMB 721 million “potential equity investment” in the cash flow statement in FY 2015 is not a potential equity investment but is now being claimed as changes to non-controlling interests.

In our original report we highlighted a highly irregular RMB 721 million “potential equity investment” cash outflow, which did not show up as a prepayment on the balance sheet. CAA clarified on 18 December 2016 with a clarification that **completely lacks credibility**, in our opinion.

- We reproduce the relevant section from our report dated 13 December 2016.

There was a mysterious outflow of RMB 721 million for a “potential equity investment” in 2015. The amount is large at 21% of 2015 shareholders equity but there is no disclosure on this amount whatsoever.

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash used in operations	27	(574,390)	(281,275)
Tax paid:			
– Hong Kong profits tax paid		(3,478)	–
– PRC income tax paid		(44,418)	(192,599)
Net cash used in operating activities		(622,286)	(473,874)
Investing activities			
Payment for the purchase of property, plant and equipment		(73,763)	(162,155)
Proceeds from disposal of property, plant and equipment		28,589	10,766
Proceeds from disposal of intangible assets		–	24,616
Net cash outflow in respect of the acquisition of subsidiaries		(8,624)	(204,000)
Net cash inflow in respect of the disposal of subsidiaries		2,232	–
Payment for potential equity investment		(720,628)	(227,432)
Investment in structured deposits		–	(560,000)
Withdrawal of structured deposits		60,000	–
Withdrawal of bank deposits with original maturities over three months		–	600,000
Addition of bank deposits with original maturities over three months		(790,000)	(303,000)
Interest received from structure deposits		16,635	–
Proceed from disposal of associates		22,000	8,247
Investment in an associate		–	(2,255)
Interest received from bank deposits		71,493	21,581
Net cash used in investing activities		(1,392,066)	(793,632)

Source: 2015 annual report, page 78.

Strangely, when looking at the balance sheet and the corresponding notes, there is no reference at all to any payment of potential equity investment in 2015. So if it’s not an equity investment, what is it?

22. PREPAYMENTS

	Note	2015 RMB'000	2014 RMB'000
Non-current			
Prepayment for potential equity investment	(i)	—	227,432
Prepayment for machinery	(ii)	221,013	557
		221,013	227,989

Source: 2015 annual report, page 136.

- CAA responded on 18 December 2016 saying that these represent not “potential equity investment” but acquisition of non-controlling interests.

The Allegation Report further questions a payment for potential equity investment of approximately RMB720 million as disclosed in the consolidated statement of cash flows of the Group as contained in page 78 of the 2015 Annual Report but no further details were given in the 2015 Annual Report for such potential equity investment.

The Company wishes to state and clarify that such payment was related to the acquisition of non-controlling interests during FY2015 whose amount was also set out in the consolidated statement of changes in equity of the Group as contained in page 77 of the 2015 Annual Report. Among the equity investment of approximately RMB720 million, (i) approximately RMB19,562,000 was related to capital reduction of 深圳市立德通訊器材有限公司 (Lead Communications Co., Ltd.*); (ii) approximately RMB54,750,000 was related to the acquisition of in aggregate about 6.58% equity interest in Changfei Investment; (iii) approximately RMB588,000,000 was related to acquisition of 100% equity interest in 全通智盛(深圳)投資諮詢有限公司 (All Access Zhisheng (Shenzhen) Investment Consultancy Co., Ltd.*) and (iv) the remaining was related to the acquisition of in aggregate about 9.1% equity interest in Changfei Investment completed during the first half of 2015. Details of the acquisition of non-controlling interests during FY2015 are set out in note 35 to the 2015 Financial Statements as contained in the 2015 Annual Report and the paragraph headed “Report of the Directors — Material acquisitions and disposals of subsidiaries and associated companies” in the 2015 Annual Report. As the aforementioned investment is treated as equity investment in the Company’s accounting treatment, it would not be treated as prepayment for potential equity investment in the consolidated statement of financial position of the Group as at 31 December 2015 as contained in the 2015 Annual Report.

Source: CAA Clarification Announcement dated 18 December 2016.

CAA is changing material accounting items, unaddressed since April 2016, as they go along, when we challenge their authenticity.

- By what stretch of imagination does a cash flow titled “potential equity investment” change to “acquisition of non-controlling interests”?
- What was “**potential**” about the equity investments that CAA highlights?
- Why was “potential equity investment” treated as a prepayment in 2014 but as movements in non-controlling interests in 2015 (as newly claimed), and without any explanation at all?

The above again highlights that CAA’s 2015 financial statements are and remain unreliable.

The above is just a snapshot. There are other major irregularities with CAA’s “clarification” on this item that we will be dissecting in-depth in the near future.

Essentially, CAA has admitted that its accounts are incorrect and contain errors which we believe are material to investors. CAA should answer to the HKEX and the SFC on this matter. Their auditor, HLB, should make a public statement on the reliability of the 2015 financial statements as we have been calling on them to do so.

#3 CAA CONFIRMS MORE CASH OUT TO RELATED PARTY

In our original report, we highlighted that a RMB 180 million building prepayment done on 10 August 2015 was highly questionable.

In its clarification announcement of 18 December 2016, CAA confirmed that the building is being acquired from Skycomm. **The two are related parties⁸, as CAA has reluctantly admitted a few**

⁸ See CAA’s reluctant admission of the same in their 18 December 2016 announcement and our 20 December 2016 first rebuttal.

days ago. In this transaction, a large amount of money has changed hands from a public company with outside shareholders, to a private company – both of which are under the influence of CAA’s chairman.

This is an undisclosed related party asset transfer. The lack of disclosure makes it another violation of Hong Kong listing rules. CAA should answer to the HKEX and the SFC on this matter as well.

CAA also “clarified” that the building is being acquired to be an R&D facility for its upcoming (currently non-existent) solar business. **We believe that this is another outright lie.** The building prepayment was done on 10 August 2015. The solar patent acquisition agreement was only announced on 12 May 2016 (with the initial MoU for discussion announced on 29 January 2016). This prepayment was done a full nine months before its solar patent agreement was even signed!

CAA also offered another twisted explanation for this being a prepayment. They have said that the building costs RMB 200 million. The 90% prepayment was supposedly because the building is under mortgage. Well, that is why there is something called a **closing date**⁹.

CAA’s explanation is not even remotely believable when handing over 6% of 1H 2016 equity. No one normally hands over a 90% (uncollateralized) deposit in a real estate transaction. Who following this company is surprised the prepayment was to a related party? Let’s not forget that the deposit was made a year ago and the transaction is still not completed.

consideration. To the best of the knowledge of the Directors, given that the building had been subject to mortgage and had been leased to other tenants, the parties had agreed on payment of a higher percentage of deposit and a longer completion time so as to facilitate the discharge of the existing mortgage which is the pre-requisite for completion of the transfer of ownership to the Group, and to vacate the existing tenants prior to completion. As disclosed in the 2015 Annual Report, it is the plan of

Source: CAA clarification announcement dated 18 December 2016.

#4 RMB 221 MILLION MACHINERY PREPAYMENT FOR SOLAR IS ANOTHER OUTRIGHT LIE

In our original report, we questioned the RMB 221 million non-current equipment prepayment (7% of 1H 2016 equity) and demonstrated that its magnitude and stated purpose was completely unjustified based on CAA’s existing operations. In its response, CAA stated that the prepayment was earmarked for its solar plans. **Based on our initial review (see our report) and management “clarifications”, we are even more convinced that this prepayment is fake or massively overstated.**

Management here seems to be making up excuses as they go along when we have caught them red handed misappropriating shareholder funds. Here is our evidence, in three parts.

PART 1 – THIS PAYMENT COULD NOT HAVE BEEN FOR SOLAR AT ALL. This prepayment could have only been made during 2H 2015. This is because the relevant amount¹⁰ was zero at 1H 2015 and RMB 221 million at end 2015. The agreement for the solar patent was signed only signed on 12 May 2016, between 5-11 months later.

How is it remotely possible that CAA “prepaid” for solar materials 5-11 months before they even signed the solar patent agreement?

⁹ On the closing date, the buyer’s payment is released to the mortgage provider, who accepts the payment and simultaneously releases the title deeds, which is immediately transferred to the buyer’s name – this is an age old mechanism to ensure that the transaction is completed without the buyer, seller and the mortgage provider being put at risk during execution.

¹⁰ See 2015 interim report, page 32, item classified as non-current prepayments. Then, see 2015 annual report, page 136, for two items classified as non-current prepayments. We know that are looking at the right line items as revealed by the 31 December 2014 figure in both reports of RMB 227,989 thousands for 31 December 2014.

Here is the excerpt from their 29 January 2016 announcement making it clear nothing regarding solar was certain and this MoU may not result in an agreement.

Shareholders and potential investors of the Company should note that the proposed transaction as contemplated under the MoU is subject to, among other things, the results of the due diligence by the Company, the final decisions of the Company and the entering into of definitive and formal agreement(s) by the relevant parties, the terms and conditions of which have not been finalized. As a result, the transaction contemplated under the MoU may or may not materialize. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Source: Announcement dated 29 January 2016.

No one should believe that CAA was warning investors not to expect a successful solar patent agreement in January 2016, but in total contradiction, 5-11 months previously, they had already spent hundreds of millions for machinery for the same (yet to be finalized) business.

PART 2 – CAA IS PLAYING WORD GAMES TO WRIGGLE ITSELF OUT OF THIS LIE.
 The 2015 annual report clearly states that the RMB 221 million prepayment was for **machinery**. Their 18 December 2016 clarification statement refers to this prepayment as **materials**. We think we know the reason – it is to re-label the outflow so that this item can be “made to disappear” more quickly than would be possible with machinery that lasts for several years.

22. PREPAYMENTS

	Note	2015 RMB'000	2014 RMB'000
Non-current			
Prepayment for potential equity investment	(i)	—	227,432
Prepayment for machinery	(ii)	221,013	557
		221,013	227,989

Source: 2015 annual report, page 136.

Company’s accounting treatment. The prepayment for **machinery** of approximately RMB221 million for FY2015 was in relation to the purchase of **materials** for development of the solar business.

Source: CAA clarification announcement dated 18 December 2016.

We have already proven that CAA’s operations at the time did not require big-ticket complex machinery, and the company does not dispute that. It has instead “clarified” that the outflow was for the solar business. It would be easy for auditors to verify big-ticket capital equipment orders that are outstanding. Instead “materials” are more fungible; raw materials can be consumed quite fast in most businesses.

We challenge management to reveal proof:

1. Why were prepayments made a year before even signing the patent agreement?
2. What solar module “materials” have you ordered that takes more than 12 months lead time for delivery? The majority cost input of solar module materials are silicon wafer, glass and junctions – all of which are available with a few weeks lead-time, not anywhere close to a year. Who is the counterparty?
3. If these are indeed “machinery” payments that require such long lead times (and amount in the order of 4-5 new build capesize ships), then please reveal which capital equipment you have ordered and from whom?
4. Please justify with proof why is this “equipment” required when the company has stated that its plans are based on 100% outsourced manufacturing and that “currently it is in process of lining up third party production partners.”

PART 3 – CAA’S LIES ON PREPAYMENTS GET MESSIER. CAA has said previously that its solar business plan does not require any capex as it plans to outsource OEM production.

9.7 Contributory Asset Charges

Based on the business plan for the Patent Licenses, which involves OEMs producing the Li-LA Lens Array and PV module, the contributory assets to the incomes of the Patent Licenses would only include working capital balances since manufacturing will be outsourced.

Source: Announcement dated 27 June 2016, page 37.

Now in its clarification statement, CAA says it is buying a large building for solar R&D purposes. **Does a RMB 180 million R&D spend look like no capex? No.**

If tomorrow they turn around again and say that the other RMB 221 million prepayment was actually for “equipment”, then the solar capex would go up to RMB 401 million (so far).

Against this figure of RMB 180 – 401 million, in its 2014 annual report it said its capex commitments *for all its businesses* for the next 12 months was only RMB 44 million. Now it is “clarifying” that capex incurred for solar is somewhere between 2.4x-5x of its estimate for 2016 of RMB 75 million.

37. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for	75,253	43,978

Source: 2015 annual report, page 169. The committed figure is the same in the 2014 annual report.

Now, is it “clarifying” that capex incurred for solar is somewhere between 4x-9x of this figure? This is a material red flag that seriously questions management credibility, in our opinion. All management has to do to resolve the issue is to present facts, instead of “trust me” blanket responses.

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