

ACE ACHIEVE INFOCOM LIMITED
Company Registration No.: 35423
(Incorporated in Bermuda)

**RESPONSE TO SGX'S QUERY ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED
30 APRIL 2015**

The Board of Directors (the "Board") of Ace Achieve Infocom Limited (the "Company") wishes to clarify the following by way of response to the SGX-ST's query on 18 September 2015 over the Company's Annual Report 2015:

SGX Query 1:

In paragraph (d) of response 4 of the Company's Announcement on 10 September 2015 to questions on its FY2015 Annual Report (the "Announcement"), the Company set out the gross profit amounts with regards to the "billed" and "unbilled" trade receivables that were booked in from the relevant sales in each of the respective Financial Years ("FY").

- (a) Why are there still unbilled trade receivables for such extended periods and as far back as "FY2010 and above";
- (b) Are the customers with these unbilled trade receivables still in existence;
- (c) How did the Company assess that these are still valid claims;
- (d) The Company's basis for recording these balances in their accounts; and
- (e) The basis why "Management is of the view that no allowance for impairment is necessary" and the basis for management's view as to why these outstanding trade receivables are still collectible.

Company's response:

- (a) These trade receivables are not yet billed to customers who are large telecommunication companies in the People's Republic of China whereby approvals and instructions from such customers are necessary before billings are made, hence resulting in slower payment schedule.
- (b) Yes, the customers with these unbilled trade receivables are still in existence.
- (c) The Group assessed that these are still valid claims as the Group has provided business support solutions, maintenance and servicing to these customers. The Group has been maintaining close communications with these customers to ensure payment schedules will be met. Management believes that the customers are operating effectively and have adequate financial resources to pay the debts as and when they are due.
- (d) The Group recognises revenue and trade receivables when significant risks and rewards of the goods have been transferred to the customers or services are completed.

- (e) In considering whether the unbilled trade receivables are recoverable, management has considered the credit terms and age analysis of the unbilled trade receivables and made judgements based on their prior experiences and the current economic environment. Management is of the view that these unbilled trade receivables remain billable and collectible from the relevant customers, which include large telecommunications companies in the People's Republic of China, and no further allowance for impairment loss is required.

SGX Query 2:

In relation to Question 5 of the Announcement, it was noted that “Management is of the view that no allowance for impairment is necessary” with regards to the outstanding other receivables amounting to RMB16,994,000.

Please provide basis for management's view as to why these outstanding other receivables are still collectible. Please also elaborate on the nature of the transactions relating to “Other receivable – 3rd party” and “Deposits”.

Company's response:

Other receivables – 3rd parties

The other receivables – 3rd parties are non-trade and interest free advances to customers whom the Group has close working relationships with. The Group provided working capital to assist in these customers in their research and development of new products. Management is of the view that these outstanding other receivables – 3rd parties are still collectible upon the completion of the development of the new products as these are due from companies/parties with a good collection track record. Accordingly, no allowance for impairment is necessary.

Deposits

The deposits are placed to tender for projects. Management is of the view that these outstanding deposits are still collectible as the Group has been in close communication and has continuous project dealings with these customers which have good collection track record. Accordingly, no allowance for impairment on deposits is necessary.

Advances to staff

Management is of the view that these outstanding advances to staff are still collectible as the Group ensures that these outstanding balances are repaid in accordance to repayment schedules or recognised to profit or loss once the expense has been incurred for the relevant projects and accordingly no allowance for impairment on advances to staff is necessary.

Advances to suppliers

Please refer to our response to SGX Query 5 below on the recoverability of these advances to suppliers.

SGX Query 3:

In relation to Question 6 of the Announcement, it was stated that “Management is of the view that no allowance for impairment is necessary” with regards to the outstanding contract work-in-progress amounting to RMB237,442,000.

Please provide basis for management’s view as to why these outstanding contract work-in-progress are still collectible.

Company’s response:

In determining the recoverability of the contract work-in-progress, management has relied on past experiences and has considered the stage of completion, the extent of the contract costs incurred, the total project revenue and contract costs. The Group’s projects are undertaken by customers who are large telecommunication companies in the People’s Republic of China whom the Group believes that these amounts will be billable and collectible when projects are completed.

SGX Query 4:

In paragraph (d) of response 5 of the Announcement, the Company announced that reason for the significant prepayment of RMB16,994,000 “is due to the fact that part of the products are specialised products which requires customised development. The product development cycle is long”.

Please provide details on how long the product development cycle is. Please also disclose why products prior to 2010 are still not developed.

Company’s response:

The product development cycle varies with each project and the duration is about 3 to 5 years.

SGX Query 5:

In paragraph (f) of response 5 to the Announcement, the Company announced that “The equipment relating to the prepayment have been delivered and the related invoices have been received subsequent to the date of the auditors’ report”.

- (a) Please quantify how much of the RMB10.958 million of the equipment relating to the prepayment have subsequently been delivered; and
- (b) Please provide the aging schedule of the remaining after the deliveries.

Company’s response:

- (a) RMB7.049 million out of RMB10.958 million of the equipment relating to the prepayment has subsequently been delivered.

(b) The aging schedule of the remaining after the deliveries:

	RMB'000
FY2014	1,036
FY2013	211
FY2012	51
FY2011	991
FY2010 and above	1,656
	<u>3,909</u>

Management is of the view that these advances to suppliers are still recoverable as the Group has received equipment relating to the prepayment and the related invoices have been received subsequent to the date of the auditors' report and are expecting to receive the remaining RMB3.909 million worth of equipment before the financial year ending 30 April 2016.

SGX Query 6:

In paragraph (c) of response 6 of the Announcement, the Company announced that "The auditors were not able to ascertain the recoverability of the contract work-in-progress ("WIP") as the Group has not secured the customer contracts for these WIP as the date of the auditors' report."

Please provide further disclosure for the following:

- (a) What are these "contract work-in-progress";
- (b) Why are they classified as "contract work-in-progress" when there are no contracts;
- (c) Why is there no customer contracts for these "contract work-in-progress"; and
- (d) Where are these "contract work-in-progress" constructed.

Company's response:

- (a) Contract work-in-progress are costs of on-going projects which have not been completed at year end.
- (b) Contract work-in-progress comprises contract costs, which are entered with suppliers incurred for work performed to date.
- (c) The Group has verbal agreements with the customers who are large telecommunication companies in the People's Republic of China whom the Group has close communications and continuous projects dealings with to provide substantial business support solutions, maintenance and servicing before finalising sales contracts with these customers.
- (d) The contract work-in-progress relate mainly to construction in Uyghur, Inner Mongolia and Beijing located in People's Republic of China.

BY ORDER OF THE BOARD

Deng Zelin
Executive Chairman & Chief Executive Officer

22 September 2015