

INDEPENDENT AUDITORS' REPORT

To the Members of Ace Achieve Infocom Limited

1. We were engaged to audit the accompanying financial statements of Ace Achieve Infocom Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 31 to 81, which comprise the balance sheets of the Group and of the Company as at 30 April 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis of Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Recoverability of Trade Receivables

4. Our independent auditors' report dated 7 August 2013 for the financial statements for the year ended 30 April 2013 expressed a disclaimer audit opinion as we were not able to obtain sufficient appropriate evidence, nor were we able to perform alternative audit procedures, to ascertain the recoverability of the Group's trade receivables. Consequently, we were unable to determine whether any adjustments to the trade receivables as of 30 April 2013 were necessary. An update of the matter that gave rise to the disclaimer opinion in respect of the 30 April 2013 financial statements is set out in paragraph 5 below.
5. As set out in Note 34 (a) to the financial statements, the Group has net billed trade receivables which are past due but not impaired amounting to RMB 58,365,000 (2013: RMB 55,700,000) and unbilled trade receivables which are outstanding for more than 1 year amounting to RMB 295,650,000 (2013: RMB 308,054,000) as at 30 April 2014. Subsequent to the balance sheet date, the Group has recovered RMB 3,064,000 (2013: RMB 2,635,000) and RMB 1,043,000 (2013: RMB 32,917,000) of these long outstanding billed and unbilled trade receivables respectively. Management was of the view that no allowance for impairment was necessary. However, we were not able to obtain sufficient appropriate audit evidence to support the management's view in this regard. We were not able to perform alternative audit procedures to ascertain the recoverability of the remaining long outstanding billed and unbilled trade receivables of RMB 55,301,000 (2013: RMB 53,065,000) and RMB 294,607,000 (2013: RMB 275,137,000) respectively. Consequently, we were unable to determine whether any adjustments to the remaining amount totalling RMB 349,908,000 as at 30 April 2014 (2013: RMB 328,202,000) were necessary.

INDEPENDENT AUDITORS' REPORT

To the Members of Ace Achieve Infocom Limited

Basis for Disclaimer of Opinion (cont'd)

Recoverability of Other Receivables

6. As set out in Note 34 (a) to the financial statements, the Group has net other receivables which are outstanding for more than 1 year amounting to RMB 45,698,000 as at 30 April 2014. Subsequent to the balance sheet date, the Group has recovered RMB 19,027,000 of these long outstanding other receivables. Management was of the view that no allowance for impairment was necessary. However, we were not able to obtain sufficient appropriate audit evidence to support the management's view in this regard. We were not able to perform alternative audit procedures to ascertain the recoverability of the remaining long outstanding other receivables of RMB 26,671,000. Consequently, we were unable to determine whether any adjustments to the remaining amount of RMB 26,671,000 were necessary.

Recoverability of Contract Work-in-Progress

7. As set out in Note 17 to the financial statements, the Group has contract work-in-progress amounting to RMB 190,304,000. Management was of the view that the carrying amount of contract work-in-progress is recoverable and no write-down was necessary. However, we were not able to obtain sufficient appropriate audit evidence to support the management's view in this regard. We were not able to perform alternative audit procedures to ascertain the recoverability of the contract work-in-progress. Consequently, we were unable to determine whether any adjustments to the contract work-in-progress amount of RMB 190,304,000 were necessary.

Recoverability of Investment in Subsidiaries and Amounts Due From Subsidiaries

8. As set out in Notes 13 and 15 to the financial statements, the Company has investment in subsidiaries and amounts due from subsidiaries of RMB 15,646,000 and RMB 169,889,000 respectively as at 30 April 2014. Management was of the view that no allowance for impairment was necessary. However, we were not able to obtain sufficient appropriate audit evidence to support the management's view in this regard. We were not able to perform alternative audit procedures to ascertain the recoverability of the investment in subsidiaries and amounts due from subsidiaries. Consequently, we were unable to determine whether any adjustments to the investment in subsidiaries and amounts due from subsidiaries were necessary.

Appropriateness of Going Concern Assumption

9. Management has prepared the financial statements on a going concern basis on the assumption that the Group and Company will be able to generate sufficient cash flows from future operations and the trade receivables, other receivables, contract work-in-progress, investment in subsidiaries and amounts due from subsidiaries referred to in paragraphs 4 to 8 above are fully recoverable. However, because of the matters referred to in paragraphs 4 to 8 above, we were unable to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

INDEPENDENT AUDITORS' REPORT

To the Members of Ace Achieve Infocom Limited

Basis for Disclaimer of Opinion (cont'd)

Appropriateness of Going Concern Assumption (cont'd)

10. In the event the Group and the Company are unable to continue as going concerns, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

Disclaimer of Opinion

11. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs 4 to 10 above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

12 August 2014

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2014
(Amounts in thousands of Chinese Renminbi ("RMB"))

13 Investment in Subsidiaries

				Company		
				2014	2013	
				<u>RMB'000</u>	<u>RMB'000</u>	
Unquoted equity shares, at cost				415	415	
Discount implicit in the interest free loan granted to a subsidiary (Note 15)				15,231	15,231	
				<u>15,646</u>	<u>15,646</u>	
Name	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment by the Company	
			2014	2013	2014	2013
			%	%	RMB'000	RMB'000
<u>Held by the Company</u>						
Success Highway Global Limited	Investment holding	British Virgin Islands	100	100	415	415
<u>Held by the Subsidiary</u>						
Aceway Telecom Technology Co., Ltd	Providing telecommunication services and products	PRC	100	100	-	-
					<u>415</u>	<u>415</u>

All the subsidiaries are audited by Moore Stephens LLP, Singapore, for the purpose of the consolidated financial statements of the Company and its subsidiaries for the financial years ended 30 April 2014 and 30 April 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2014
(Amounts in thousands of Chinese Renminbi ("RMB"))

15 Due from Subsidiaries

	Company	
	2014	2013
	RMB'000	RMB'000
<u>Loan</u>		
Initial fair value of the loan	70,362	70,362
Less: Discount implicit in the interest-free loan to a subsidiary (Note 13)	(15,231)	(15,231)
Add: Notional interest		
- As at beginning of the year	15,231	11,889
- Credited to profit or loss	-	3,342
- As at end of the year	15,231	15,231
Carrying amount of the loan as at 30 April	70,362	70,362
<u>Advances</u>		
Advances to a subsidiary	99,527	80,396
Total current loan and advances	169,889	150,758

The loan is unsecured, interest-free and repayable on demand. At inception, the fair value of the loan was determined based on the discounted cash flow method, using a market interest rate of approximately 5% per annum. The difference between the fair value and the principal loan amount was recognised as deemed investment in the subsidiary which amounted to RMB 15,231,000 (Note 13). The loan was subsequently measured at amortised cost, using the effective interest method.

The advances to a subsidiary are non-trade in nature, interest-free, unsecured and repayable on demand.

16 Inventories

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials and consumables	-	363

17 Contract Work-in-Progress

	Group	
	2014	2013
	RMB'000	RMB'000
Contract work-in-progress, at cost	190,304	52,267

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2014
(Amounts in thousands of Chinese Renminbi ("RMB"))

34 Financial Risk Management

The Group and the Company are exposed to financial risks, including the effects of credit risk, liquidity risk, interest rate risk and foreign currency risk arising from the normal course of the Group's and the Company's operations. The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's trade receivables comprise 5 major debtors (2013: 5 major debtors) that represented 62% (2013: 49%) of total trade receivables as at balance sheet date.

The credit periods on revenue from telecommunication application and solution contracts and sales of software and equipment range from 3 to 6 months (2013: 3 to 6 months). No interest is imposed on overdue trade receivables.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's major classes of financial assets include cash and bank balances, trade receivables, other receivables and amounts due from related parties. No other financial assets carry a significant exposure to credit risk.

Financial assets that are neither past due nor impaired include cash and bank balances which are placed with reputable local financial institutions. Trade and other receivables that are neither past due nor impaired are substantially companies/parties with a good credit record with the Group. There is no other class of financial assets that is past due and/or impaired except for trade and other receivables. The amounts presented in the balance sheet are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2014

(Amounts in thousands of Chinese Renminbi ("RMB"))

34 Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

The age analysis of trade receivables and other receivables are as follows:

Trade Receivables

	Group	
	2014	2013
	RMB'000	RMB'000
Billed trade receivables:		
Not past due and not impaired	14,905	28,217
Past due but not impaired		
- Past due 0 - 3 months	960	2,276
- Past due 3 - 6 months	1,915	3,840
- Past due 6 - 18 months	10,345	16,935
- Past due 18 - 30 months	13,068	3,245
- Past due over 30 months	32,077	29,404
	58,365	55,700
Billed trade receivables as at 30 April	73,270	83,917
Unbilled trade receivables:		
- Within 1 year	140,785	147,010
- 1 - 2 years	132,889	150,574
- 2 - 3 years	105,317	83,870
- 3 years and above	57,444	73,610
	295,650	308,054
Unbilled trade receivables as at 30 April	436,435	455,064
Total balances as at 30 April (Note 18)	509,705	538,981

The aging of the unbilled trade receivables is determined from the point in time when the revenues were recognised but they have not yet been billed.

Other Receivables

	Group	
	2014	2013
	RMB'000	RMB'000
Within 1 year	24,780	8,413
1 year and above	45,698	48,792
Total balance as at 30 April (Note 19)	70,478	57,205

The aging of the other receivables is determined from the point in time when the receivables were recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2014
(Amounts in thousands of Chinese Renminbi ("RMB"))

34 Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

The carrying amount of trade receivables and other receivables individually determined to be impaired and the movement in the related allowance for impairment loss on trade receivables and other receivables are as follows:

Trade Receivables

	Group	
	2014	2013
	RMB'000	RMB'000
Billed trade receivables:		
- Past due 3 - 6 months	—	41
- Past due 6 - 18 months	42	913
- Past due 18 - 30 months	912	749
- Past due over 30 months	11,987	11,238
Less: Allowance for impairment loss	(12,941)	(12,941)
	—	—
Unbilled trade receivables:		
- Within 1 year	—	182
- 1 - 2 years	182	99
- 2 - 3 years	1,246	453
- 3 years and above	20,594	17,393
Less: Allowance for impairment loss	(22,022)	(18,127)
	—	—

Allowance for impairment loss

	Group	
	2014	2013
	RMB'000	RMB'000
As at beginning of the year	31,068	22,612
Allowance for impairment during the year	3,895	8,456
As at end of the year (Note 18)	34,963	31,068

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2014

(Amounts in thousands of Chinese Renminbi ("RMB"))

34 Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

Other Receivables

	Group	
	2014	2013
	RMB'000	RMB'000
Deposits	1,589	1,589
Loans/Advances to staff/sales representatives	2,430	2,430
Less: Allowance for impairment loss	(4,019)	(4,019)
	—	—

Allowance for impairment loss

	Group	
	2014	2013
	RMB'000	RMB'000
As at beginning of the year	4,019	4,014
Allowance for impairment during the year	—	5
As at end of the year (Note 19)	4,019	4,019

The Group has provided an allowance for impairment loss on trade receivables and other receivables based on estimated irrecoverable amounts, determined by reference to past default experiences.