

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

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
REGARDING THE HALF YEAR RESULTS FOR PERIOD ENDED 31 OCTOBER 2017**

The Board of Directors (the "Board") of Ace Achieve Infocom Limited (the "Company", together with its subsidiaries, the "Group") refers to the queries from the Singapore Exchange Securities Trading Limited (the "Exchange" or "SGX") on 22 December 2017 and respond as follows:-

SGX Query 1:

It is noted that the Group's revenue decreased 35.5% to RMB105 million, while the Group's Trade receivables increased by 3.75% to RMB328 million.

- a. Please provide aging analysis of Trade receivables in bands of 3 months.
- b. Please explain why did Trade receivables increased while Revenue had dropped significantly.
- c. Noting that amounts owed by the debtors exceed 6 months revenue, please explain why has the Company not been collecting the amounts payable from its customers when it sells to them.
- d. Please provide details of payment terms.
- e. Please discuss the steps undertaken by the Board in ensuring the collectability of outstanding debts.

Company's response:

- a. Trade receivables aging analysis:

	<u>Billed</u> RMB'000
Within credit (less than 6 months)	44,698
Overdue less than 3 months	7,195
Overdue less than 6 months	5,765
Overdue 6-18 months	28,815
Overdue 18-30 months	532
Overdue more than 30 months	18,671
	60,978
Billed trade receivables as at 31 October 2017	105,676
	<u>Unbilled</u> RMB'000
Less than 1 year	10,640
Within 1 to 2 years	4,131
Within 2 to 3 years	12,707
More than 3 years	194,445
	211,283
Unbilled trade receivables as at 31 October 2017	221,923
Total balances as at 31 October 2017	327,599

- b. The outstanding trade receivables include debts due from its customers for revenue earned in the previous financial years which remained outstanding as at 31 October 2017.
- c. The customers will make payment based on payment schedules which may be more than 2 years. The trade receivables which are not yet billed to customers include large telecommunications companies in the People's Republic of China whereby approvals and instructions from these customers are necessary before billings are made. The Company is constantly communicating with the customers to expedite the process to obtain approval and instruction for billing.
- d. Please refer to our response to SGX Query 1c.
- e. The Company's sale agreement includes standard payment schedule terms. However, in practice and for maintaining on-going business relationship with these large telecommunication companies the Company would usually obtain approval and instruction from these customers before billings are made. Notwithstanding this, the Company is constantly communicating with the customers to expedite their payment schedules.

SGX Query 2:

The below relates to Other receivables:

- a. Please provide a breakdown of Other receivables.
- b. Please disclose the nature of underlying transactions and details of contracts.
- c. Please provide aging analysis of Other receivables in bands of 3 months.
- d. Please discuss the steps undertaken by the Board in ensuring the collectability of outstanding debts.

Company's response:

- a. The breakdown of Other receivables.

	RMB'000
Other receivables:	
- Advance to third parties	4,908
- Loans/Advances to staff/sales representatives	4,606
- Advances to suppliers	89,422
	98,936
Deposits	663
	<u>99,559</u>

- b. Advance to third parties

Advance to third 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 these customers in their research and development of new products. Management is of the view that these outstanding advance to third parties are still collectable 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 the deposits is necessary.

Loan/Advances to staff/sales representatives

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

Management is of the view that these advances to suppliers are still recoverable as the Group will receive equipment relating to the prepayment and the related invoices before the end of the financial year.

c. Other receivables aging analysis:

	2017 RMB'000
Between 1 to 3 months	6,052
Between 3 to 6 months	26,965
Between 6 to 9 months	10,101
Between 9 to 12 months	18,608
More than 1 year	37,873
	<u>99,559</u>

d. Please refer to our response to SGX Query 2b.

SGX Query 3:

In the response from Company announced on 8 August 2017, it was stated that:

“The Board is of the opinion that the Company and the Group can continue to operate as a going concern, after taking into consideration of (i) the current financial positions of the Company and the Group; (ii) the strong market presence and demand of the Group’s technology products and services; and (iii) the quality of its key customers some of which are large China telecommunication companies.” (emphasis added)

Noting the Group revenue decreased by approximately 35.8% due to “intense market competition and extremely poor margin projects in the ICT System Integration segment”, please discuss if there has been any changes in the Board’s opinion as to (i) whether Company and Group can operate as going concern and (ii) the basis for its views.

Company’s response:

The decrease in revenue is mainly owing to the intense market competition and extremely poor margin projects in the ICT System Integration segment. With regards to the positioning of the Company in the market, the technology that it possesses and quality business associates, the Board is of the opinion that the Company will be able to operate as going concern.

SGX Query 4:

Please provide aging analysis and explain why Company is unable to pay its staff salaries amounting to RMB65 million.

Company’s response:

The amount of RMB65 million is other payables and accruals.

The breakdown of the other payables and accruals are as follows:

	RMB'000
Other payables	26,416
Advances from customers	12,347
Accrued expenses	5,721
Value added tax payable and other tax payable	22,509
	<u>66,993</u>

The Board of Directors collectively and individually takes responsibility for the accuracy of the aforesaid replies to the queries by the SGX.

BY ORDER OF THE BOARD

Deng Zelin
Executive Chairman and Chief Executive Officer

27 December 2017