

INDEPENDENT AUDITOR'S REPORT

To the Members of Ace Achieve Infocom Limited

Disclaimer of Opinion

1. We were engaged to audit the financial statements of Ace Achieve Infocom Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 April 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
2. We do not express an opinion on the consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

3. Our independent auditors' report dated 5 August 2016 for the financial statements for the year ended 30 April 2016 expressed a disclaimer of opinion as we were not able to obtain sufficient appropriate audit evidence, nor were we able to perform alternative audit procedures, to ascertain the recoverability of the Group's trade receivables, other receivables and contract work-in-progress; the Company's investment in subsidiaries and amounts due from subsidiaries; and the appropriateness of the going concern assumption in the preparation of the financial statements. Consequently, we were unable to determine whether any adjustments to the financial statements as at 30 April 2016 were necessary. An update of the matters that gave rise to the disclaimer opinion in respect of the financial statements for the year ended 30 April 2016 is set out below.

Recoverability of Trade Receivables

4. As set out in Note 32(a) to the financial statements, the Group has net billed trade receivables which are past due but not impaired amounting to RMB 61,564,000 (2016: RMB 45,633,000) and unbilled trade receivables which are outstanding for more than 1 year amounting to RMB 215,517,000 (2016: RMB 278,412,000) as at 30 April 2017. Subsequent to the reporting date, and up to the date of this report, the Group has recovered RMB 1,124,000 (2016: RMB 1,199,000) and Nil (2016: RMB 40,170,000) of these long outstanding billed and unbilled trade receivables respectively. Management is of the view that no allowance for impairment is necessary. However, we were not able to obtain sufficient appropriate audit evidence to support 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 60,440,000 (2016: RMB 44,434,000) and RMB 215,517,000 (2016: RMB 238,242,000) respectively. Consequently, we were unable to determine whether any adjustments to the remaining amount of trade receivables totalling RMB 275,957,000 (2016: RMB 282,676,000) as at 30 April 2017 were necessary.

INDEPENDENT AUDITOR'S REPORT

To the Members of Ace Achieve Infocom Limited

Basis for Disclaimer of Opinion (cont'd)

Recoverability of Other Receivables

5. As set out in Note 18 to the financial statements, the Group has total other receivables amounting to RMB 77,893,000 (2016: RMB 107,665,000), of which balances outstanding for more than 1 year amounted to RMB 37,323,000 (Note 32 (a)) (2016: RMB 15,713,000) as at 30 April 2017. Subsequent to the reporting date, and up to the date of this report, the Group has recovered RMB 1,210,000 (2016: RMB 2,343,000) out of the total other receivables. Management is of the view that no allowance for impairment is necessary. However, we were not able to obtain sufficient appropriate audit evidence to support management's view in this regard. We were not able to perform alternative audit procedures to ascertain the recoverability of the remaining balance of the total other receivables of RMB 76,683,000 (2016: RMB 105,322,000). Consequently, we were unable to determine whether any adjustments to the remaining balance of the total other receivables of RMB 76,683,000 (2016: RMB 105,322,000) as at 30 April 2017 were necessary.

Recoverability of Contract Work-in-Progress

6. As set out in Note 16 to the financial statements, the Group has contract work-in-progress amounting to RMB 374,024,000 (2016: RMB 327,463,000). Management is of the view that the carrying amounts of contract work-in-progress are recoverable and no write-down is necessary. However, we were not able to obtain sufficient appropriate audit evidence to support 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 carrying amounts of contract work-in-progress amounting to RMB 374,024,000 (2016: RMB 327,463,000) as at 30 April 2017 were necessary.

Recoverability of Investment in Subsidiaries and Amounts Due From Subsidiaries

7. 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 (2016: RMB 15,646,000) and RMB 160,153,000 (2016: RMB 162,215,000) respectively as at 30 April 2017. Management is of the view that no allowance for impairment is necessary. However, we were not able to obtain sufficient appropriate audit evidence to support 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 as at 30 April 2017 were necessary.

INDEPENDENT AUDITOR'S REPORT

To the Members of Ace Achieve Infocom Limited

Basis for Disclaimer of Opinion (cont'd)

Appropriateness of Going Concern Assumption

8. Management has prepared the financial statements on a going concern basis on the assumption that the Group and the 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 7 above are fully recoverable. However, because of the matters referred to in paragraphs 4 to 7 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.
9. 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 statements of financial position. 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.

Responsibilities of Management and Directors for the Financial Statements

10. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards in Singapore ("FRSs"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Members of Ace Achieve Infocom Limited

Auditor's Responsibilities for the Audit of the Financial Statements

11. Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position of the Company in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Chiou Gee Willy.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
7 August 2017

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2017
(Amounts in Thousands of Chinese Renminbi ("RMB"))

13 Investment in Subsidiaries

			Company			
			2017	2016		
			RMB'000	RMB'000		
Unquoted equity shares, at cost			415	415		
Discount implicit in the interest free loan granted to a subsidiary (Note 15)			15,231	15,231		
			15,646	15,646		

Name	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment by the Company	
			2017	2016	2017	2016
			%	%	RMB'000	RMB'000
<u>Held by the Company</u>						
Success Highway Global Limited	Investment holding	British Virgin Islands	100	100	415	415
Ming Win Technology Pte Ltd*	Providing other information technology and business management consultancy services	Singapore	—	100	—	—
<u>Held by the Subsidiary</u> <u>- Success Highway Global Limited</u>						
Aceway Telecom Technology Co., Ltd	Providing telecommunication services and products	PRC	100	100	—	—
<u>Held by the Subsidiary</u> <u>- Aceway Telecom Technology Co., Ltd</u>						
Xin Jiang Aceway Telecom Technology Co., Ltd*	Providing telecommunication services and products	PRC	100	—	—	—
					415	415

* Dormant during the financial year and was struck off during the financial year.

* Newly incorporated and dormant during the financial year.

All the subsidiaries are audited/reviewed 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 2017 and 30 April 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2017
(Amounts in Thousands of Chinese Renminbi ("RMB"))

14 Intangible Assets

	Information and Communication Technology	Business Support Solutions	Maintenance and Servicing	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
2017				
<u>Cost</u>				
As at 1 May 2016	10,650	12,685	16,672	40,007
Additions	–	3,984	–	3,984
As at 30 April 2017	10,650	16,669	16,672	43,991
<u>Accumulated amortisation</u>				
As at 1 May 2016	9,799	7,835	14,300	31,934
Amortisation for the year	501	1,232	790	2,523
As at 30 April 2017	10,300	9,067	15,090	34,457
<u>Net book value</u>				
As at 30 April 2017	350	7,602	1,582	9,534
2016				
<u>Cost</u>				
As at 1 May 2015	10,650	10,555	16,672	37,877
Additions	–	2,130	–	2,130
As at 30 April 2016	10,650	12,685	16,672	40,007
<u>Accumulated amortisation</u>				
As at 1 May 2015	9,298	6,091	13,510	28,899
Amortisation for the year	501	1,744	790	3,035
As at 30 April 2016	9,799	7,835	14,300	31,934
<u>Net book value</u>				
As at 30 April 2016	851	4,850	2,372	8,073

15 Due from Subsidiaries

	Company	
	2017	2016
	RMB'000	RMB'000
Loan	70,362	70,362
Advances to a subsidiary	89,791	91,853
Total current loan and advances	160,153	162,215

The total current loan and advances to subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2017
 (Amounts in Thousands of Chinese Renminbi ("RMB"))

16 Contract Work-in-Progress

	Group	
	2017	2016
	RMB'000	RMB'000
Contract work-in-progress, at cost	374,024	327,463

17 Trade Receivables

	Billed	Unbilled	Total
	RMB'000	RMB'000	RMB'000
Group			
2017			
<u>Trade receivables</u>			
- Due from third parties	111,412	244,318	355,730
- Due from a related party	1,396	3,140	4,536
Less: Allowance for impairment	(13,756)	(30,741)	(44,497)
	99,052	216,717	315,769
2016			
<u>Trade receivables</u>			
- Due from third parties	77,042	312,771	389,813
- Due from a related party	-	3,140	3,140
Less: Allowance for impairment	(11,921)	(28,903)	(40,824)
	65,121	287,008	352,129

Trade receivables are non-interest bearing and are usually due within 6 months.

Unbilled trade receivables refer to the revenue that has been recognised but not yet billed to customers.

18 Other Receivables and Deposits

	Group	
	2017	2016
	RMB'000	RMB'000
Other receivables:		
- Advances to third parties	12,022	14,140
- Loans/Advances to staff/sales representatives	3,308	4,667
- Advances to suppliers	62,563	88,858
	77,893	107,665
Deposits	1,212	510
	79,105	108,175

The loans/advances to staff/sales representatives are unsecured, interest-free and repayable on demand.

As at 30 April 2017, the Company has other receivables due from third parties amounted to RMB 1,000 (2016: RMB 64,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2017
 (Amounts in Thousands of Chinese Renminbi ("RMB"))

31 Segment Information (cont'd)

Business Segments (cont'd)

	ICT System Integration	Business Support Solutions	Maintenance and Servicing	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2016				
Revenue	127,197	91,946	18,498	237,641
Cost of sales	(119,932)	(53,393)	(15,605)	(188,930)
Segment result	7,265	38,553	2,893	48,711
Unallocated other income				4,022
Unallocated costs				(23,324)
Finance income				66
Finance expense				(11,735)
Profit before income tax				17,740
Income tax				(2,557)
Net profit after income tax				15,183
Assets and Liabilities				
Unallocated assets and total assets				870,865
Unallocated liabilities and total liabilities				438,515

Unallocated Other Income and Costs

There is no reasonable basis to allocate other operating income, selling and distribution expenses, administrative expenses, other operating expenses, finance expense and income tax to the different segments, and accordingly, these items have been disclosed as unallocated for segment information.

Unallocated Assets and Liabilities

There is no reasonable basis to allocate assets and liabilities of the Group between the different segments, and accordingly, these items have been disclosed as unallocated for segment information.

32 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 comprised 3 major debtors (2016: 5 major debtors) that represented 53% (2016: 69%) of total trade receivables at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2017
(Amounts in Thousands of Chinese Renminbi ("RMB"))

32 Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

The credit periods for the billed trade receivables range from 3 to 6 months (2016: 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 statement of financial position, except as disclosed in Note 30(a).

The Group's major classes of financial assets include cash and bank balances, trade receivables and other receivables. No other financial assets carries 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 statement of financial position are net of allowances for impairment of receivables, estimated by management based on prior experiences and the current economic environment.

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

Trade Receivables

	Group	
	2017	2016
	RMB'000	RMB'000
Billed trade receivables:		
Not past due and not impaired	37,488	19,488
Past due but not impaired:		
- Past due 0 - 3 months	6,796	850
- Past due 3 - 6 months	6,039	18,847
- Past due 6 - 18 months	28,815	2,506
- Past due 18 - 30 months	532	1,015
- Past due over 30 months	19,382	22,415
	61,564	45,633
Billed trade receivables as at 30 April	99,052	65,121
Unbilled trade receivables:		
- Within 1 year	1,200	8,596
- 1 - 2 years	4,131	12,707
- 2 - 3 years	12,707	73,439
- 3 years and above	198,679	192,266
	215,517	278,412
Unbilled trade receivables as at 30 April	216,717	287,008
Total balances as at 30 April (Note 17)	315,769	352,129

The aging of the unbilled trade receivables is determined from the point in time when the revenue was recognised but not yet billed.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2017
(Amounts in Thousands of Chinese Renminbi ("RMB"))

32 Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

Other Receivables

	Group	
	2017	2016
	RMB'000	RMB'000
Within 1 year	40,570	91,952
1 year and above	37,323	15,713
Total balances as at 30 April (Note 18)	77,893	107,665

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

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

Trade Receivables

	Group	
	2017	2016
	RMB'000	RMB'000
Billed trade receivables:		
- Past due 3 - 6 months	-	-
- Past due 6 - 18 months	144	-
- Past due 18 - 30 months	-	-
- Past due over 30 months	13,612	11,921
Less: Allowance for impairment loss	(13,756)	(11,921)
	-	-
Unbilled trade receivables:		
- Within 1 year	-	-
- 1 - 2 years	-	-
- 2 - 3 years	-	-
- 3 years and above	30,741	28,903
Less: Allowance for impairment loss	(30,741)	(28,903)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2017
(Amounts in Thousands of Chinese Renminbi ("RMB"))

32 Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

Trade Receivables (cont'd)

Allowance for impairment loss

	Group	
	2017 RMB'000	2016 RMB'000
As at beginning of the year	40,824	37,297
Allowance for impairment during the year	3,673	4,548
Write back of impairment during the year	–	(1,021)
As at end of the year (Note 17)	44,497	40,824

Other Receivables

Allowance for impairment loss

	Group	
	2017 RMB'000	2016 RMB'000
As at beginning of the year	–	4,019
Write back of impairment during the year	–	(1,805)
Impairment written off	–	(2,214)
As at end of the year (Note 18)	–	–

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

(b) Liquidity Risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In the management of its liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.