

# ACE ACHIEVE INFOCOM LIMITED

(Incorporated in Bermuda)

## Financial Statements and Dividend Announcement for the half year ended October 31, 2016

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### PART I – INFORMATION REQUIRED FOR HALF YEAR ANNOUNCEMENT

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

#### UNAUDITED GROUP RESULTS FOR 6 MONTHS ENDED OCTOBER 31, 2016

	Group		Change %
	Unaudited May 16 to Oct 16 RMB'000	Unaudited May 15 to Oct 15 RMB'000	
<b>Revenue</b>	163,915	125,051	31.08
Cost of sales	(137,458)	(89,350)	53.84
<b>Gross profit</b>	<b>26,457</b>	<b>35,701</b>	<b>-25.89</b>
Other operating income	3,402	54	6161.84
Selling and distribution expenses	(3,771)	(3,694)	2.13
Administrative expenses	(6,125)	(6,063)	1.02
Other operating expenses	(1,572)	(2,108)	-25.42
Finance expenses	(5,351)	(5,178)	3.32
<b>Profit before income tax</b>	<b>13,040</b>	<b>18,712</b>	<b>-30.31</b>
Income tax expense	(1,869)	(2,706)	-30.94
<b>Net profit for the financial period</b>	<b>11,171</b>	<b>16,006</b>	<b>-30.21</b>
<b>Total comprehensive income for the financial period</b>	<b>11,171</b>	<b>16,006</b>	<b>-30.21</b>
<b>Attributable to:</b>			
<b>Equity holders of the Company</b>	<b>11,171</b>	<b>16,006</b>	<b>-30.21</b>

(a) Note: Profit before income tax was arrived at after charging/(crediting) the following:

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>May 16 to Oct 16</b>	<b>May 15 to Oct 15</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation of plant and equipment	172	279
Amortisation of intangible assets	1,015	1,519
Allowance for impairment of trade receivables	1,572	2,108
Interest expenses	3,960	4,849
Provision for warranty	809	625
Interest income	(87)	(36)
Government incentives received	(3,315)	-

- (b) (i) A statement of financial position (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Company		The Group	
	31-Oct-16	30-Apr-16	31-Oct-16	30-Apr-16
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Audited	Unaudited	Audited
<b>ASSETS</b>				
<b>Current Assets</b>				
Contract work-in-progress	-	-	328,742	327,463
Trade receivables	-	-	347,859	352,129
Other receivables	58	64	54,555	108,175
Due from subsidiaries (non-trade)	161,138	162,215	-	-
Cash and bank balances	4	4	29,462	74,186
Total current assets	161,200	162,283	760,618	861,953
<b>Non-Current Assets</b>				
Plant and equipment	-	-	667	839
Investment in subsidiaries	15,646	15,646	-	-
Intangible assets	-	-	8,582	8,073
Total non-current assets	15,646	15,646	9,249	8,912
<b>Total assets</b>	<b>176,846</b>	<b>177,929</b>	<b>769,867</b>	<b>870,865</b>

	The Company		The Group	
	31-Oct-16	30-Apr-16	31-Oct-16	30-Apr-16
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Audited	Unaudited	Audited
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Trade payables	-	-	74,842	112,831
Other payables and accruals	913	1,522	68,267	48,932
Due to directors (non-trade)	-	59	300	1,134
Due to a related party	-	-	-	2,208
Provision for warranty	-	-	4,363	3,554
Borrowings	-	-	109,339	211,390
Current tax liabilities	-	-	14,334	13,060
<b>Total current liabilities</b>	<b>913</b>	<b>1,581</b>	<b>271,445</b>	<b>393,109</b>
<b>Non-Current Liabilities</b>				
Borrowings	-	-	27,900	19,000
Deferred tax liabilities	-	-	27,001	26,406
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>54,901</b>	<b>45,406</b>
<b>Total liabilities</b>	<b>913</b>	<b>1,581</b>	<b>326,346</b>	<b>438,515</b>
<b>Capital and Reserves attributable to equity holder of the Company</b>				
Share capital	92,938	92,938	92,938	92,938
Share premium	85,226	85,226	85,226	85,226
Statutory reserves	-	-	31,999	31,999
Capital reserve	-	-	3,332	3,332
(Accumulated losses) / Retained earnings	(2,231)	(1,816)	230,026	218,855
<b>Total equity</b>	<b>175,933</b>	<b>176,348</b>	<b>443,521</b>	<b>432,350</b>
<b>Total liabilities and equity</b>	<b>176,846</b>	<b>177,929</b>	<b>769,867</b>	<b>870,865</b>

## 1(b)(ii) Aggregate amount of Group's borrowings and debts securities

### Amount repayable in 1 year or less, or on demand

Group October 31, 2016 Unaudited		Group April 30, 2016 Audited	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
109,339	-	211,390	-

### Amount repayable after 1 year

Group October 31, 2016 Unaudited		Group April 30, 2016 Audited	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
27,900	-	19,000	-

	Group	
	October 31, 2016 RMB'000	April 30, 2016 RMB'000
<b>Borrowings comprised</b>		
- Bank loans	102,910	100,410
- Notes payable	-	29,980
- Letter of credit	34,329	100,000
	<u>137,239</u>	<u>230,390</u>

### Details of any collateral

As at October 31, 2016 and April 30, 2016, the Group's borrowings comprised of mainly bank loans, notes payables and letter of credit. Bank borrowings are secured over certain intangible assets; guaranteed by a director of the Company; third parties; a key management personnel and third parties financial institutions and certain restricted bank balance.

**1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Unaudited May 16 to Oct 16 RMB'000	Unaudited May 15 to Oct 15 RMB'000
<b>Cash Flow from Operating Activities</b>		
Profit before income tax	13,040	18,712
Adjustments for :		
Amortisation of intangible assets	1,015	1,519
Depreciation of plant and equipment	172	279
Finance expenses	5,351	4,849
Interest income	(87)	(36)
Operating profit before working capital changes	19,491	25,323
Contract work-in-progress	(1,279)	(19,799)
Trade receivables	4,270	47,571
Other receivables	53,620	42,984
Trade payables	(37,989)	(14,972)
Other payables, accruals and provisions	1,144	(28,185)
<b>Cash generated from operations</b>	39,257	52,922
Income tax paid	-	(7)
Finance expenses	(5,351)	(4,849)
<b>Net cash generated from operating activities</b>	33,906	48,066
<b>Cash Flows from Investing Activities</b>		
Additions of plant and equipment	-	(42)
Additions of intangible assets	(1,524)	(753)
Interest received	87	36
Repayment to related parties	(2,208)	(4,715)
<b>Net cash used in investing activities</b>	(3,645)	(5,474)

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

	Unaudited	Unaudited
	May 16 to Oct 16 RMB'000	May 15 to Oct 15 RMB'000
<b>Cash Flows from Financing Activities</b>		
Proceeds from bank borrowings	99,329	30,000
Repayment of bank borrowings	(192,480)	(65,795)
Loans from third parties, net	19,000	-
Repayment to directors	(834)	(732)
Movements in restricted cash balance	20,963	5
<b>Net cash used in financing activities</b>	<b>(54,022)</b>	<b>(36,522)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(23,761)</b>	<b>6,070</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>28,858</b>	<b>2,224</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5,097</b>	<b>8,294</b>
<b>Total cash and bank balances</b>	<b>29,462</b>	<b>23,431</b>
<b>Less: Restricted cash balances</b>	<b>(24,365)</b>	<b>(15,137)</b>
<b>Cash and cash equivalents for purpose of presenting the consolidated statement of cash flows</b>	<b>5,097</b>	<b>8,294</b>

**1 (d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Attributable to equity holders of the Company					
	Share capital	Share premium	Statutory reserves	Capital reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>						
<b>Balance at 01.05.2015</b>	92,938	85,226	29,713	3,332	205,958	417,167
Total comprehensive income for the financial year	-	-	-	-	15,183	15,183
Transfer to statutory reserves	-	-	2,286	-	(2,286)	-
<b>Balance at 30.04.2016</b>	92,938	85,226	31,999	3,332	218,855	432,350
<b>Balance at 01.05.2016</b>	92,938	85,226	31,999	3,332	218,855	432,350
Total comprehensive income for the financial period	-	-	-	-	11,171	11,171
<b>Balance at 31.10.2016</b>	92,938	85,226	31,999	3,332	230,026	443,521
	Share capital	Share premium	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Company</b>						
<b>Balance at 01.05.2015</b>	92,938	85,226	259	178,423		
Total comprehensive loss for the financial year	-	-	(2,075)	(2,075)		
<b>Balance at 30.04.2016</b>	92,938	85,226	(1,816)	176,348		
<b>Balance at 01.05.2016</b>	92,938	85,226	(1,816)	176,348		
Total comprehensive loss for the financial period	-	-	(415)	(415)		
<b>Balance at 31.10.2016</b>	92,938	85,226	(2,231)	175,933		



**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Number of ordinary shares issued and fully paid	
As at April 30, 2016	752,000,000
As at October 31, 2016	752,000,000

There were no outstanding convertibles or treasury shares as at 30 April 2016 and 31 October 2016.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 31 October 2016	As at 30 April 2016
Total number of issued shares	752,000,000	752,000,000
Number of issued shares excluding treasury shares	752,000,000	752,000,000

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

During the current financial period and the immediately preceding financial year, the Company does not have any outstanding treasury shares.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group and the Company has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared to the audited financial statements for the financial year 30 April 2016, except for the adoption of the new and revised Financial Reporting Standards ("FRS"), Interpretations of FRS ("INT FRS") and amendments to FRSs that are relevant to its operations and effective for annual periods beginning on or after 1 May 2016.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of , the change.**

The adoption of the new and revised FRS, INT FRSs and amendments to FRSs effective from 1 May 2016, as mentioned in Paragraph 4 above, has no material financial impact on the financial statements of the Group and Company for the financial year reported on.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-**

	<b>Unaudited (6 months) May 16 to Oct 16</b>	<b>Unaudited (6 months) May 15 to Oct 15</b>
Earnings per ordinary share for the year based on net profit attributable to shareholders		
Based on weighted average number of ordinary shares on issue (RMB)	0.015	0.021
Weighted average number of ordinary shares on issue for basic earnings per share	752,000,000	752,000,000

There is no dilutive instrument outstanding, hence the diluted earnings per share is the same as the basic earnings per share.

7. **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) **Current financial period reported on; and**  
 (b) **immediately preceding financial year.**

	<b>Company</b>		<b>Group</b>	
	<b>Unaudited Oct 31, 2016</b>	<b>Audited Apr 30, 2016</b>	<b>Unaudited Oct 31, 2016</b>	<b>Audited Apr 30, 2016</b>
Net asset value per ordinary share based on the issued capital at the end of the year (RMB)	0.23	0.23	0.59	0.57
Number of shares used in calculating net asset value	752,000,000	752,000,000	752,000,000	752,000,000

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

### Income statement

#### *Revenue*

The Group's revenue increased by approximately 31.08% from RMB125.05 million for the 6 months period ended 31 October 2015 to RMB163.92 million for the 6 months period ended 31 October 2016.

The increase in revenue is from the ICT segment. The decrease in revenue from the maintenance and servicing segment is due to faster replacement or upgrading by customers with newer telecommunication equipment which require lesser maintenance or services.

Division	May 16 to Oct 16		May 15 to Oct 15	
	Revenue RMB'000	Sales mix ratio (%)	Revenue RMB'000	Sales mix ratio (%)
ICT System Integration	112,324	68.53	53,806	64.08
Business Support Solutions	48,831	29.79	59,453	30.77
Maintenance & Servicing	2,760	1.68	11,792	5.15
<b>Total</b>	<b>163,915</b>	<b>100.00</b>	<b>125,051</b>	<b>100.00</b>

#### *Gross profit and Gross profit margin*

The Group's gross profit decreased by 25.89% from RMB35.70 million for the period ended 31 October 2015 to RMB26.46 million for the current period ended 31 October 2016. Gross profit margin decreased from 28.55% for the period ended 31 October 2015 to 16.14% for the period ended 31 October 2016. The drop in gross profit is mainly due to ICT System Integration segment as a result of increased competition. ICT System Integration contributed to the largest percentage of the Group's revenue.

#### *Other operating income*

The Group's other operating income increased from RMB0.05 million for the period ended 31 October 2015 to RMB3.40 million for the current period ended 31 October 2016. It was mainly due to government incentives received for the Group's Research and Development activities during the current period as compared to prior period.

#### *Selling and distribution expenses*

The Group's selling and distribution expenses increased by 2.13% from RMB3.69 million for the period ended 31 October 2015 to RMB3.77 million for the period ended 31 October 2016. It was mainly due to increase in headcount during the period

#### *Administrative expenses*

The Group's administrative expenses increased by 1.02% from RMB6.06 million for the period ended 31 October 2015 to RMB6.13 million for the period ended 31 October 2016. It was mainly due to increase in headcount during the period

#### *Other operating expenses*

Other operating expenses decreased from RMB2.11 million for the period ended 31 October 2015 to RMB1.57 million for the current period ended 31 October 2016. It was mainly due to the reduced net allowance for impairment of receivable.

#### *Finance expenses*

The Group's net finance expenses increased by 3.32% from RMB5.18 million for the period ended 31 October 2015 to RMB5.35 million for the period ended 31 October 2016. The increase was mainly attributable to the bank and guarantee charges for the letter of credit during the current period.

## **Balance sheet**

### *Cash and bank balances*

Cash and bank balances decreased from RMB74.19 million as at 30 April 2016 to RMB29.46 million as at 31 October 2016. It was mainly due to the higher repayment of bank borrowings during the current period.

### *Trade receivables*

Trade receivables decreased from RMB352.13 million as at 30 April 2016 to RMB347.86 million as at 31 October 2016. It was mainly due to improved collections from trade receivables in the current period.

### *Other receivables*

Other receivables decreased from RMB108.18 million as at 30 April 2016 to RMB54.55 million as at 31 October 2016. It was mainly due to repayments from third parties and the decreased in prepayments from the delivery of goods from suppliers.

### *Contract work-in-progress*

Contract work-in-progress increased from RMB327.46 million as at 30 April 2016 to RMB328.74 million as at 31 October 2016.

### *Trade payables*

Trade payables decreased from RMB112.83 million as at 30 April 2016 to RMB74.84 million as at 31 October 2016. It was mainly due to more prompt payment to suppliers during the current period.

### *Other payables and accruals*

Other payables and accruals increased from RMB48.93 million as at 30 April 2016 to RMB68.27 million as at 31 October 2016. It was mainly due to loans from third parties.

### *Bank borrowings*

Bank borrowings decreased from RMB230.39 million as at 30 April 2016 to RMB137.24 million as at 31 October 2016. It was mainly due to repayments of bank borrowings and letter of credit during the current period which was offset against new loans drawn down during the current period.

### **Cash flow**

#### *Net cash generated from operating activities*

Cash inflow from operating activities were RMB33.91 million for the period ended 31 October 2016 as compared with a net cash inflow of RMB48.07 million in the last corresponding period. The net cash inflow was mainly due to improvement in collections from trade and other receivables which was offset by more payments to suppliers.

#### *Net cash used in investing activities*

Cash outflow from investing activities were RMB3.65 million for the period ended 31 October 2016 as compared with a net cash outflow of RMB5.47 million in the last corresponding period. This was mainly due to the repayment of advances from related parties during the current period.

#### *Net cash used in financing activities*

Net cash outflow from financing activities for the period ended 31 October 2016 amounted to RMB54.02 million as compared with a net cash outflow of RMB36.52 million in the last corresponding period. This was mainly due to higher repayment of bank borrowings during the current period.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months**

For the period ended 31 October 2016, there is a continuing slowdown in overall investments by the telecommunication operators in the 4G network businesses due to the overall slow-down in the macroeconomic and business environment in China. Market conditions continue to be challenging with increasing competition in the telecommunication industry.

The Group will continue to invest in new technology and upgrading to seek more business opportunities in the 4G businesses.

**11. Dividend**

**(a) Current financial period reported on**

*Any dividend declared for the current financial period reported on?*

*No dividends have been declared for the current financial period reported on.*

**(b) Corresponding period of the immediately preceding financial year**

*Any dividend declared for the corresponding period of the immediately preceding financial year?*

*No dividends have been declared for the corresponding period of the immediately preceding financial year.*

**(c) Total Annual Dividend**

Not applicable.



**(d) Date payable**

Not applicable.

**(e) Books closure date**

Not applicable

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend is recommended for the period under review.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group did not obtain a general mandate from shareholders for IPTs.

**14. Negative confirmation pursuant to Rule 705(5)**

We, Deng Zelin and Yang Fan, being two of the Directors of Ace Achieve Infocom Ltd (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the interim financial statements for the half year ended 31 October 2016 set out above to be false or misleading in any material aspect.

On behalf of the Board

Deng Zelin  
Executive Chairman/  
Chief Executive Officer

Yang Fan  
Deputy Chairman/  
Non-Executive Director

**15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7 under Rule 720(1))**

The Company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

**BY ORDER OF THE BOARD**

Deng Zelin  
Executive Chairman  
14 December 2016