

Issuer: Ace Achieve Infocom Limited

Security: Ace Achieve Infocom Limited

Meeting details:

Date: 29 August 2017

Time: 10.00 a.m.

Venue: Galangal Room, Level 4, Village Hotel Katong, 25 Marine Parade, Singapore 449536

Company Description

Ace Achieve Infocom Limited, an investment holding company, operates as a telecom network infrastructure, and information and communication technologies (ICT) solution provider for telecommunication operators in the People's Republic of China. It operates through three segments: Information and Communication Technology System Integration, Business Support Solutions, and Maintenance & Servicing. The company sells information and communication technology products, as well as provides installation services. It also offers back-end business support systems, as well as infrastructure maintenance and upgrading works; maintenance services for servers and integrated systems; and other information technology and business management consultancy services. Ace Achieve Infocom Limited was founded in 2000 and is headquartered in Beijing, the People's Republic of China.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=A75)

Q1. The Independent Auditors have included a Disclaimer of Opinion in their Independent Auditor’s Report (pages 26 to 29 of the annual report). For the financial year ended 30 April 2017, the independent auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the following matters:

- (a) Recoverability of Trade Receivables
- (b) Recoverability of Other Receivables
- (c) Recoverability of Contract Work-in-Progress
- (d) Recoverability of Investment in Subsidiaries and Amounts Due From Subsidiaries
- (e) Appropriateness of Going Concern Assumption

This is the fifth consecutive year that the Independent Auditor has issued a Disclaimer of Opinion on the financial statements of the company.

While management is responsible for, inter alia, the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards in Singapore (“FRSs”), the directors are responsible for overseeing the group’s financial reporting process.

The audit committee (AC) comprises Yeung Koon Sang @ David Yeung (as chairman), Kang Junen and Chung Tang Fong.

- a) **Can the board, and in particular the AC, explain its role and involvement in the oversight of the group’s financial reporting process?**
- b) **Can the board, and in particular the AC, evaluate the ability of the management to prepare the financial statements to give a true and fair view in accordance with FRS?**
- c) **Can the AC disclose its plan to improve the current financial reporting process to address the issues highlighted by the Independent Auditors in their basis for disclaimer of opinion?**

The board has also made the following declaration in the Statement of Corporate Governance (page 18):

Based on the internal controls established and maintained by the Group, work performed by the external auditors and reviews performed by the Management, the AC and the Board is of the opinion that, the Group’s system of internal controls addressing financial, operational, compliance and information technology controls and risks management systems, were adequate and effective during the year ended 30 April 2017.

- d) **Can the board explain how it had arrived at its opinion that the group’s system of “internal controls addressing financial, operational, compliance and information technology controls and risks management systems, were adequate and effective”?**

Q2. The recoverability of Trade Receivables and Other Receivables has been highlighted by the Independent Auditors as areas where they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The recoverability of the receivables has also been the subject of several queries by the Exchange.

Based on the disclosure in Note 32 (page 65 - Financial Risk Management: Credit risk), the aging analysis of trade receivables is reproduced below.

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.

(Source: Company annual report)

For billed trade receivables past due 6-18 months in FY2016, the total amount was RMB2.506 million. In FY2017, the total amount of billed trade receivables past due 18-30 months is RMB0.53 million.

a) Can management confirm that the difference of RMB1.974 million has been collected from the debtors?

For billed trade receivables past due over 18 months in FY2016, the total amount was RMB23.43 million. In FY2017, the total amount of billed trade receivables past due over 30 months is RMB19.382 million.

b) Can management confirm that the difference of RMB4.048 million has been collected from the debtors?

c) For the balance of RMB19.382 million past due over 30 months as at 30 April 2017, can management update shareholders on its plans to collect the long-outstanding debts?

For unbilled trade receivables over 2 years in FY2016, the total amount was RMB265.71 million. In FY2017, the total amount of unbilled trade receivables over 3 years is RMB198.679 million.

d) Can management confirm that the difference of RMB67.031 million has been billed to the debtors? How much of this RMB67.031 million has been collected? Does management have any indication from the debtors when they will be able to pay these long-outstanding debts?

The group has not engaged a Chief Financial Officer(CFO) and is dependent on the CEO and General Manager (Corporate Services) to maintain proper financial records (page 18). The group's revenue was RMB276.49 million in FY2017.

- e) **Given the scale and complexity of the group's operations, would the board and CEO consider hiring an experienced CFO to help with the financial matters of the group? If not, can shareholders hear from the board why having a CFO would not be beneficial to the group?**

Q3. Based on the disclosure in the Statement of Corporate Governance (page 10), Mr Kang Junen, an independent director of the company and a member of audit committee and remuneration committee, has not attended any board or board committee meetings. The attendance of the directors is reproduced below.

The number of Board and Board Committees meetings held during the FY2017 and the attendance of each Director where relevant are as follows:-

| Name of Director | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|-------------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|--------------------------|------------------------|--------------------------|
| | No. of Meetings held | No. of Meetings attended | No. of Meetings held | No. of Meetings attended | No. of Meetings held | No. of Meetings attended | No. of Meetings held | No. of Meetings attended |
| Deng Zelin ¹ | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Yeung Koon Sang @ David Yeung | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Yang Fan | 2 | 0 | 2 | NA | 1 | 0 | 1 | NA |
| Kang Junen | 2 | 0 | 2 | 0 | 1 | NA | 1 | 0 |
| Chung Tang Fong | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |

NA: Not applicable

Note: ¹Mr Deng Zelin attended the Audit Committee, Nominating Committee and Remuneration Committee meetings as an invitee.

(Source: Company annual report)

The issue of Mr Kang not attending the board and board committee meetings was brought up last year as well. Shareholders would like to iterate that since Mr Kang's appointment to the board on 19 September 2014, Mr Kang has not attended any board meetings nor the audit committee meetings.

- a) **Would Mr Kang explain to shareholders in detail his role on the board and his commitment to the company?**
- b) **Would the Nominating committee (NC) comment on the effectiveness of the board and the board committees given that the attendance at the meetings has been below average?**
- c) **How can the company and the company secretary work together with the directors (especially Mr Kang and Ms. Yang Fan) to schedule the meetings so that all the directors are able to attend the meetings and contribute to the effectiveness of the board?**

Separately, the NC has recommended to the board that Ms. Yang Fan be nominated for re-election at the forthcoming Annual General Meeting. It is also noted that Ms. Yang Fan has not attended any board meetings nor board committee meetings in the past 3 years since her appointment.

- d) **Can the NC explain why it had recommended to the board that Ms. Yang Fan be nominated for re-election?**
- e) **Can the NC evaluate the effectiveness of Ms. Yang as a director and how she has contributed to the effectiveness of the board and of the nominating committee?**