



Annual Report 2006

Ace Achieve Infocom Limited

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CORPORATE PROFILE

Ace Achieve is a provider of telecommunication solutions and products in China, focusing on the design and development of customised telecommunication solutions and products that are suitable for various telecommunication networks such as fixed line, GSM, CDMA, CDMA2000 and PHS.

BUSINESS MODEL

Our telecommunication solutions and products enable our customers to establish and/or enhance the efficiency and efficacy of their telecommunication networks as well as capture new markets and gain a competitive advantage through the provision of resources and capabilities for new products and services beyond basic telephony.

Our key customers include established telecommunication companies in the PRC, such as:

- China Mobile
- China Netcom
- China Telecom
- China Unicom

Our businesses can be categorized into the following divisions:

- Telecom applications solutions
- Wireless coverage solutions
- Operation support and business support systems
- Broadband data products

CORPORATE DATA

BOARD OF DIRECTORS:

Deng Zelin (Executive Chairman)
Sun Yujing (Executive Director)
Sun Yuzhen (Non-Executive Director)
Yeung Koon Sang @ David Yeung (Lead Independent Director)
Ong Tiew Siam (Independent Director)

AUDIT COMMITTEE:

Yeung Koon Sang @ David Yeung (Chairman and Lead Independent Director)
Ong Tiew Siam (Independent Director)
Sun Yuzhen (Non-Executive Director)

NOMINATING COMMITTEE:

Ong Tiew Siam (Chairman and Independent Director)
Yeung Koon Sang @ David Yeung (Independent Director)
Sun Yujing (Executive Director)

REMUNERATION COMMITTEE:

Ong Tiew Siam (Chairman and Independent Director)
Yeung Koon Sang @ David Yeung (Independent Director)
Sun Yuzhen (Non-Executive Director)

COMPANY SECRETARIES:

Lim Choi Hwee
Toon Choi Fan
Ira Stuart Outerbridge III (Assistant Company Secretary)

REGISTERED OFFICE:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel No.: +1(441)295 1422 Fax No. +1(441)292 4720

PRINCIPAL PLACE OF BUSINESS:

No.11 Anxiangbeili
11th Floor, Venture Plaza Tower B
Chaoyang District
Beijing 100101
The People's Republic of China

SHARE REGISTRAR:

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

SHARE TRANSFER AGENT:

Boardroom Corporate & Advisory Services Pte. Ltd.
(Formerly known as Lim Associates (Pte) Ltd)
3 Church Street,
#08-01 Samsung Hub,
Singapore 049483

AUDITORS:

Horwath First Trust
7 Temasek Boulevard,
#11-01 Suntec Tower One,
Singapore 038987

Partner-in-charge : Mr. Cheong Keng Chuan Alfred (Appointed on May 15, 2007)

PRINCIPAL BANKERS:

China Merchants Bank, Beijing Branch
No. 27, Zhichun Road
Haidian District, Beijing
The People's Republic of China

China Everbright Bank, Subbranch of Asian Sport Village
Yuanda Building
5 Huizhong Avenue
Chaoyang District, Beijing
The People's Republic of China

Industrial and Commercial Bank of China, Singapore Branch
6 Raffles Quay #12-01
John Hancock Tower
Singapore 048580

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

I am pleased to present you with the Company's financial statement for the year ended 30 Apr 2007. On behalf of the Board of Ace Achieve, I would like to express our sincere thanks to your concern and support for the Company!

Review of the Company's Business Operation in FY2006/7

In FY2006/7, the Company continued to maintain its steady operation style under the leadership of the Board of Directors. We had firmly grasped the development opportunities in the business transformation phase of telecommunication clients, via our endeavor to tap on four major core businesses, particularly the value-added business and wireless coverage operations. This had advanced our overall business development. With the collective effort made by every individual member of the Company, we had basically achieved our objectives set forth for FY2006/7

In the past financial year, Ace Achieve had benefited from early-stage investment on R&D, so that we had achieved significant breakthroughs in various business domains, which include value-added business, wireless coverage solutions, operational support system and broadband data. Among them the independently-developed value-added business management platform had been widely utilized by telecommunications operators. This had laid a robust foundation for our further business expansion in the form of operational cooperation with telecommunications operators. As for our wireless coverage solutions products, we had achieved the successful development of the full series products of 3G digital repeater, which had passed the multiple examinations by the Ministry of Information Industry of the People's Republic of China, Radio Management of P. R. China, China Mobile. The products are also involved in the 3G network infrastructure setup for 2008 Beijing Olympic Games, in conjunction with China Mobile and China Netcom. Operational support products had been enriched and improved on the basis of their original conditions to achieve enhanced standardization. The broadband data products had made breakthroughs in IT service to achieve a more rational business structure. The achievements that Ace Achieve had attained in product planning and R&D in the past financial year will certainly further consolidate and improve its competitive position in the existing market pattern, and establish a stronger position for the future development of the Company.

In FY2006/7, the Company continued to target its sales at the four major telecommunications companies and service providers in the PRC. With the principle of "Achieving key breakthroughs at key locations", the Company had integrated its superior resources, emphasized the importance of industry headquarter, strengthened the coordination and interaction between the industry and the regions, thus establishing the four key strategic

CHAIRMAN'S STATEMENT

regions at North China, East China, South China and the Northwest. We carried out in-depth development and expansion targeting China Mobile, China Telecom, China Unicom and China Netcom, and we had achieved anticipated positive results thereof. At present, more than 75 percent of the Company's main operational revenue is generated from the above regions.

While continuously strengthening our products and expanding our business, Ace Achieve had in the past financial year reinforced the Company's corporate structure. To achieve this, the Company hired a highly experienced consulting firm to be our management advisor in assisting the Company to carry out management reform. In addition, this serves to ensure the balanced and sustainable development of the Company by implementing strategic result-oriented management while emphasizing the importance of financial results. In the meantime, talent grooming and introduction plan was further carried out, especially the management awareness and management capability of middle and senior managers of various departments were significantly improved. This had certainly prepared the Company in terms of resources and capabilities for further development.

In FY2006/7, we had won the titles of the China's Leading Enterprises of Tomorrow, Top Ten China's Key Telecommunications Industry Growth-Oriented Enterprises, as well as the Patent Engine Pilot Enterprise and Top Hundred Innovative Pilot Enterprise awarded by the Beijing Municipal Government. We had successfully completed computer information system upgrading from Tier II to Tier I, acquired the certification of Grade I qualification for telecom system integration and joined TD-SCDMA Industry Alliance as a core member. All these achievements are the results of the common effort of all employees at Ace Achieve and will be the foundation and assurance for our rapid development in future.

Prospect of FY2007/8

Looking towards the coming year, Chinese telecom industry will continue to grow. New business and Wireless Coverage Solutions (WAS) business will continue to be the important growth areas of major operators. The establishment of the 3G market will be gradually realized. All these will create beneficial external environment for the company's development. We will further implement differential business strategy, HR strategy, financial management strategy and cost leadership strategy. We will also strengthen branding through consolidating independent innovations, and further enhance our core competitiveness through progressive improvement of product quality.

According to our mid-to-long-term development plan, Ace Achieve will continue to strengthen its product R&D and market expansion in new business area and wireless coverage product area. We will also take advantage of the sales of 2G and 2.5G products to enhance the market expansion of 3G products. On the basis of expanding the customer demand of the existing four major strategic regions, we will moderately open up new key business regions, and consider venturing to overseas markets at an appropriate time.

CHAIRMAN'S STATEMENT

Opportunities coexist with challenges. In the coming year, Ace Achieve will establish an even more ideal structure of corporate governance while striving to produce excellent Company results. The Company and the Board of Directors will further improve the transparency of the business operation. With the Company management and all employees working closely together, we will be able to achieve sterling results to reward our shareholders and contribute to the society.

A handwritten signature in black ink, appearing to read 'Deng Zelin', is positioned above a horizontal line.

Deng Zelin
Board Chairman
Ace Achieve

DIRECTORS' PROFILE

Mr Deng Zelin, is our Executive Chairman and the founder of our Group. He is responsible for directing our Group's overall strategy and growth as well as the overall management of our Group. Mr Deng founded our Group in 2000 with the establishment of Beijing Wayout Telecom Technology Co., Ltd ("Wayout"). From 1994 to 2000, Mr Deng served as the General Manager at Beijing Wayout Technology Co., Ltd., where he was responsible for the overall management of the company. At the beginning of 1992, Mr Deng was a lecturer in Tianjin University; Mr Deng then joined Shenzhen Huawei Technology Co., Ltd. in late 1992 where he was a Research and Development Engineer until 1994. Mr Deng holds a Bachelor of Telecommunications from Changchun University of Posts and Telecommunications and a Master of Electrical Engineering from Tianjin University.

Ms Sun Yujing, is the co-founder and our Executive Director, she is responsible for managing our Group's daily operations as well as our sales and marketing activities. She has more than 15 years of experience in the information technology field. Ms Sun Yujing holds a Bachelor of Telecommunications from Changchun University of Posts and Communications.

Ms Sun Yuzhen, is our Non-executive Director and a co-founder of our Group in 2000. Ms Sun Yuzhen is currently an auditor with Ernst & Young, PRC. Ms Sun Yuzhen holds a Bachelor of Earth Sciences from the Hua Dong Institute of Geology. She is also a registered accountant in the PRC.

Mr Ong Tiew Siam, our independent director, is a fellow member of the Institute of Certified Public Accountants of Singapore and Australia. He is also a member of Singapore Institute of Directors. He has more than 25 years of experience in the finance and accounting field. He also sits on the board of several listed companies in Singapore. Mr Ong holds a Bachelor of Commerce (Accountancy) honors degree from the former Nanyang University.

Mr Yeung Koon Sang @ David Yeung, our independent director, is a director of David Yeung & Co. PAC, which he founded in 1987. He has over 20 years of experience in public accountancy and has worked previously with Deloitte & Touche, UK and Ernst & Young, Singapore. He is currently a fellow member of the Institute of Certified Public Accountants of Singapore and holds a Master of Social Science (Accounting) Degree from the University of Birmingham, England. He also sits on the board of several listed companies in Singapore and was conferred the Public Service Medal by the President of the Republic of Singapore in 2001.

OPERATION AND FINANCIAL REVIEW

Financial Highlights (Proforma Basis)

The Group's revenue increased by approximately 4.2% from RMB164.5 million to RMB171.3 million in the 12 months period ended April 30, 2007 mainly due to the improvement in demand of Wireless Coverage Solutions and Telecom Application Solutions products, which are also expected to be the key growth drivers in the future.

In terms of segmental breakdown, the revenue contributions from our four business segments are illustrated in the table below.

Division RMB'000	Actual(12 months), May 06 to Apr 07		Proforma(12 months), May 05 to Apr 06	
	Revenue	Percentage	Revenue	Percentage
Telecom Application Solutions (TAS)	25,533	14.90	18,534	11.27
Wireless Coverage Solutions (WAS)	46,383	27.07	41,656	25.33
Operation and Business Support Solutions (B/OSS)	82,274	48.02	80,845	49.16
Broadband Data Solutions (BBDS)	17,157	10.01	23,418	14.24
Total	171,347	100.00	164,453	100.00

Of the four divisions, the Telecom Application Solutions (TAS) division recorded the greatest revenue growth of 37.8% compared to the previous financial period; this improved performance is mainly due to the promotion of "recurring revenue sharing" cooperated with two major customers, as well as their provincial branches.

Similarly, revenue from the Wireless Coverage Solutions (WAS) division increased 11.3% due to China Mobile, China Netcom and China Telecom's TD-SCDMA network experiments, Ace Achieve is recognised by the telecom operators to be one of the few competent partners for the setting up of the 3G network, and there was a slight increase in sales orders of the 3G Repeaters and TD Trunk

OPERATION AND FINANCIAL REVIEW

The Group's gross profit decreased by RMB8 million from RMB51.5 million in FY2005 to RMB43.5 million in FY2006/7. Average gross margin declined to 25.4% as compared to 34.14% in the previous financial year. This is mainly due to the competitive market factors and changes in sales mix which lower the gross profit margin.

During the financial year, the Group recorded significant increase in other operating income which arose mainly from the write back of allowance for doubtful debts and allowance for inventories obsolescence.

In FY2006/7, the Group's subsidiary company located at the People's Republic of China (PRC) obtained written approval from the relevant authorities for a further extension of two years (2006 - 2007) full exemption from PRC income tax, followed by a three years (2008 - 2010) 50% relief from PRC income tax under the Foreign Investment Enterprises ("FIE") Income Tax Laws.

The Group has invested in a Beijing-based associate which provides SMS enhancement solutions to China Unicom. The associate was incorporated during the financial year; operating expenses incurred amounting to RMB393, 000 during the financial year. Based on the Group's equity stake in this associate company, the Group recorded 40% share of loss of the associate in the financial statements.

The increase in trade receivables was mainly due to slower repayments made by customers during the year. The increase in other receivables and prepayments was mainly due to higher advances granted to the employees as a result of more projects are undertaken out of Beijing and advances made to suppliers for purchases of materials during the year. Both the increase of Plant & equipment and Bank borrowings were due to the further investment in 3G projects. The decrease in inventories was mainly due to better inventory management.

During the year, expenditures in relation to projects that reached development phase are recorded as intangible assets - development expenditure, which are amortized over their estimated useful lives.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Directors and Management of Ace Achieve Infocom Limited (“the Company”) are committed to uphold good corporate governance. This commitment to corporate governance is seen in their continuous support of the Code of Corporate Governance, which has been revised in July 2005 (“the Code”), in their effort to observe high standards of transparency, accountability and integrity in managing the Group’s business in order to create value for its stakeholders and safeguard the Group’s assets.

This Statement describes the practices the Company had taken with respect to each of the principles and guidelines and the extent of its compliance with the Code during the financial year ended 30 April 2007 (“FY2006/7”).

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1 : Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Company is headed by an effective Board, comprising competent individuals with diversified background and collectively brings with them a wide range of experience, to lead and control the Company. The Board is responsible for the overall management and success of the Group. It establishes corporate strategies for the Group and sets strategic aims and goals for the executive management to achieve in order to enhance shareholders’ value. The executive management continuously updates the Board, during Board meetings, on the performance of these aims and goals.

The profile of each Director is presented on page 8 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

To assist in the execution of its responsibilities, the Board has established an Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”). These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of these committees is also constantly reviewed by the Board. The roles and responsibilities of these committees are provided for in the latter sections of this Annual Report.

The Board meets on a regular basis and as warranted, to address any specific significant matters that may arise.

As provided for under Bye-Law 115(2) of the Company’s Bye-Laws, the Directors of the Company may participate in any meeting of the Board by means of telephone, electronic or other communication facilities which will permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

The number of Board and Board Committee meetings held during FY2006/7 and the attendance of each Director where relevant is as follows :-

Type of meetings	Board	AC	NC	RC
No. of meetings held in FY2006/7	3	2	1	1
Attendance				
Deng Zelin	3/3	N/A	N/A	1/1
Sun Yujing	3/3	N/A	1/1	N/A
Sun Yuzhen	2/3	1/2	N/A	N/A
Yeung Koon Sang @ David Yeung	3/3	2/2	1/1	1/1
Ong Tiew Siam	3/3	2/2	1/1	1/1

The Board has identified the following areas requiring Board’s approval :-

- Approving the Group’s major investments and funding decisions;
- Approving the Group’s half-yearly and year-end results for release to the Singapore Exchange Securities Trading Limited (“SGX-ST”);
- Approving Annual Report and Accounts;
- Convening of Shareholders’ Meetings;

- Approval of Corporate Strategies; and
- Approval of material acquisitions and disposal of assets.

Upon appointment, each Director will receive appropriate training to ensure that the Directors are familiar with the Group's business and governance practices. Visits to the Group's production facilities are also arranged to acquaint the non-executive Directors with the Group's operations.

Board Composition and Guidance

Principle 2 : There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The current Board consist of five (5) members comprising the Executive Chairman, an Executive Director, a Non-Executive Director and two (2) Independent Non-Executive Directors. The number of independent directors complies with the Code's requirement that at least one-third ("1/3rd") of the Board should be made up of independent directors, which brings a strong and independent element to the Board.

On an annual basis and upon notification by an Independent Director of a change in circumstances, the NC will review the independence of each Independent Director based on the criteria for independence defined in the Code and recommends to the Board as to whether the Director is to be considered independent.

The Board examines its size and composition and after taking into account the nature and scope of the Company's operations as well as the diversified background and experience of the Directors that provides core competencies in areas such as finance, accounting, business management, industry knowledge and strategic planning experience, is satisfied that it is of an appropriate size for effective decision making.

Chairman and Chief Executive Officer

Principle 3 : There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr. Deng Zelin assumes the roles of both the Executive Chairman and the Chief Executive Officer (“CEO”) as he was the founder of the Group with extensive experience and knowledge in the telecommunication industry and has played an instrumental role in directing the Group’s overall strategy and growth as well as the overall management of the Group.

The Board has not adopted the recommendation of the Code on the division of responsibilities between the Chairman and CEO. This is because the Board is of the view that there is a sufficiently strong independent element on the Board to enable the independent exercise of objective judgement on corporate affairs of the Group, and there are sufficient safeguards in place to ensure that the management is accountable to the Board as a whole.

The Chairman / CEO has the role of ensuring that Board meetings are held when necessary and sets Board meeting agenda in consultation with the management, prior to presenting them to the Board. The Chairman / CEO also ensures that there is exercise of control over the quality, quantity and timeliness of the flow of information between the management and the Board to enable the Directors to be fully cognisant of the affairs of the Group.

In order to promote high standards of corporate governance and to ensure effective communication with its shareholders, Mr. Yeung Koon Sang @ David Yeung has been appointed as the Lead Independent Director to whom any concerns about the Group may be conveyed to.

Board Membership

Principle 4 : There should be a formal and transparent process for the appointment of new directors to the Board.

The Company had established a Nominating Committee (“NC”) to make recommendations to the Board on all board appointments. The NC comprises the following three (3) directors, a majority of whom including the Chairman of the NC, are independent. The Chairman of the NC is also not associated with any substantial shareholders of the Company :-

Mr. Ong Tiew Siam (Chairman)
Mr. Yeung Koon Sang @ David Yeung (Member)
Ms. Sun Yujing (Member)

The NC is governed by the NC’s Terms of Reference which describes the duties and responsibilities of the NC.

The duties and responsibilities of the NC are as follows :-

- (a) Evaluate and keep under review the balance of skills, knowledge and experience of the Directors and make recommendations to the Board in relation to the rotation and succession of the Directors.
- (b) Make recommendations to the Board relating to all matters of a Director’s independence and to review annually each Director’s independence including his / her actual, potential or perceived conflicts of interests and commitments in terms of time.
- (c) Make recommendation to the Board regarding the re-appointment of non-executive directors (including independent directors) upon their falling due for re-election by shareholders in accordance with the Company’s Bye-laws or their re-appointment at the end of a specified term as set out in their letter of appointment.
- (d) Make recommendation to the Board relating to the continuation in office of any Director.

STATEMENT ON CORPORATE GOVERNANCE

(e) Consider how the Board's performance may be evaluated and to propose objective performance criteria, which will include consideration of the Company's share price performance over a 5 year vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers.

None of the Directors have been appointed for a fixed term. However, the Company's Bye-Laws provides that all the Directors shall retire by rotation at least once every three (3) years and such retiring Director shall be eligible for re-election.

The details of the Director, Ms. Sun Yuzhen, who will retire at the forthcoming Annual General Meeting ("AGM") are disclosed in the Directors' Profile on page 8 of this Annual Report.

Where a vacancy arises, the NC will consider each candidate for directorship based on the selection criteria determined after consultation with the Board and after taking into consideration the qualification and experience of such candidate, his / her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives, the NC will recommend the candidate to the Board for approval. Under the Company's Bye-Laws, a newly appointed Director shall retire at the AGM following his / her appointment and he / she shall be eligible for re-election.

Board Performance

Principle 5 : There should a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

On an annual basis, the NC in consultation with the Chairman of the Board, will review and evaluate the performance of the Board as a whole, taking into consideration the attendance record at the meetings of the Board and Board Committees and also the contribution of each Director to the effectiveness of the Board.

STATEMENT ON CORPORATE GOVERNANCE

Other than the attendance record at meetings, the contribution of individual directors is also measured by other performance criteria which the Board may propose. These include a benchmark index of its industry peers, return on assets, return on equity, return on investment, economic value added and profitability on capital employed.

Access to Information

Principle 6 : In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board has separate and independent access to the senior management of the Group at all times. Request for information are dealt with promptly by management. The Board is informed of all material events and transactions as and when they occur. The information made available to the Directors are in various forms such as half-yearly and year-end financial results, progress reports of the Group's operations, corporate development, regulatory updates, business developments and audit reports. The management also consults with Board members regularly whenever necessary and appropriate. Prior to Board meetings, on a timely basis, the Directors are provided with Board papers to enable them to be adequately prepared for the meetings.

The Directors also have separate and independent access to the company secretary. The role of the company secretary is to administer, attend and prepare minutes of the Board and Board Committee meetings, assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Bye-Laws, Listing Manual of the SGX-ST and other relevant rules and regulations applicable to the Company are complied with. The company secretary also attends all Board and Board Committee meetings. The appointment and removal of the company secretary are decided by the Board as a whole.

The Board in fulfilling its responsibilities can as a group or individually, when deemed fit, direct the Company, at the Company's expense, to appoint an independent professional adviser, to render professional advise.

STATEMENT ON CORPORATE GOVERNANCE

REMUNERATION MATTERS

Procedures for developing remuneration policies

Principle 7 : There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee (“RC”) comprises the following three (3) directors, all of whom are non-executive directors, the majority of whom, including the Chairman of the RC, are independent :-

Mr. Ong Tiew Siam (Chairman)
Mr. Yeung Koon Sang @ David Yeung (Member)
Ms. Sun Yuzhen (Member)

The RC is governed by the RC’s Terms of Reference which describes the duties and responsibilities of the RC.

The RC is responsible :-

- (a) to recommend to the Board a policy of remuneration for the Board and key executives, and to determine the terms of employment and remuneration packages for each Executive Director, which covers all aspects of remuneration including but not limited to directors’ fees, salaries, allowances, bonuses, options and benefits in kind;
- (b) to approve any compensation packages or arrangements following the severance of any Executive Director’s service contract;
- (c) to recommend to the Board the establishment of any employee share plans, including all material and non-material amendments to the plan and to exercise all the powers of the Board in relation to the operation of any share and incentive plans, including the granting of awards and options, and the setting and testing of performance conditions; and

(d) to administer the Ace Achieve Employee Share Option Scheme (“Ace Achieve ESOS”) and to review and approve all Ace Achieve ESOS allocations.

The RC’s recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement.

The Directors are not involved in deciding their own remuneration.

Level and Mix of Remuneration

Principle 8 : The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration package for Executive Directors, the performance related elements of remuneration forms a significant portion of the total remuneration package in order to align the Executive Directors’ interests with those of shareholders and to link rewards to corporate and individual performance. The RC will also take into consideration the pay and employment conditions within the industry and comparable companies.

The remuneration of Non-Executive Directors will also be reviewed to ensure that the remuneration commensurate with the contribution, effort and time, and the responsibilities of the Directors.

The Directors’ Fees paid to the Directors of the Company each year are subject to the approval of the Company’s shareholders at the AGM.

Disclosure of Remuneration

Principle 9 : Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the Company’s annual report. It should provide disclosure in relation to its remuneration

STATEMENT ON CORPORATE GOVERNANCE

policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The remuneration of Directors and the top five (5) key executives, who are not directors of the Company, for FY2006/7, are disclosed below. The disclosure is to enable investors to understand the link between remuneration paid to directors, and key executives, and their performance.

The names of Directors and the top five (5) key executives whose total remuneration for FY2006/7 falls within the following bands are as follows :-

Remuneration Level	Executive Directors		Non-Executive Directors		Key Executives	
	2007	2006	2007	2006	2007	2006
Less than \$250,000	2	2	3	3	3	3
\$250,000 - \$500,000	-	-	-	-	-	-
More than \$500,000	-	-	-	-	-	-

The breakdown (in percentage terms) of each Directors' remuneration for FY2006/7 are as follows :-

	Remuneration Band	Salary	Bonus	Directors' Fees	Benefits in Kind	Total
Deng Zelin	Less than \$250,000	97%	-	-	3%	100%
Sun Yujing	Less than \$250,000	96%	-	-	4%	100%
Sun Yuzhen	-	-	-	-	-	-
Yeung Koon Sang @ David Yeung	Less than \$250,000	-	-	100%	-	100%
Ong Tiew Siam	Less than \$250,000	-	-	100%	-	100%

STATEMENT ON CORPORATE GOVERNANCE

The Company does not have any employee who is an immediate family member of a Director or the CEO, whose remuneration for FY2006/7 exceeds S\$150,000.

Information on the Ace Achieve ESOS is set out in the Report of the Directors on page 31.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10 - The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible to provide a balanced and understandable assessment of the Company's performance, position and prospects, to its shareholders, the public and regulators.

The Board is accountable to its shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to its shareholders in compliance with the statutory requirements and the Listing Manual of SGX-ST.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced and issued within the statutory prescribed periods.

Audit Committee

Principle 11 - The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC") assists the Board with regard to the discharge of its responsibility to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls with an overall objective to

STATEMENT ON CORPORATE GOVERNANCE

ensure that the management has created and maintained an effective control environment in the Company, and that the management demonstrates and stimulates the necessary aspect of the Group's internal control structure among all parties.

The AC comprises the following three (3) Directors, all of whom are Non-Executive Directors, including the Chairman of the AC who is an Independent Director :-

Mr. Yeung Koon Sang @ David Yeung (Chairman)

Ms. Sun Yuzhen (Member)

Mr. Ong Tiew Siam (Member)

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities. All the members of the AC are qualified Chartered Accountants and they possess the requisite accounting and financial management expertise and experience.

The AC is governed by its Terms of Reference which highlights its duties and responsibilities as follows :-

- (a) to consider the appointment, dismissal or resignation of the external auditor and to oversee the process for selecting the auditor and to make appropriate recommendations, through the Board, to shareholders to consider at the AGMs concerning the re-appointment of the auditor.
- (b) to assess the independence and objectivity of the external auditor. To approve and monitor the application of and to ensure that the nature and amount of non-audit work does not impair the auditor's independence and objectivity.
- (c) to recommend the audit fee of the external auditor to the Board.
- (d) to discuss with the external auditor the nature, scope and effectiveness of the annual audit process taking into account relevant professional and regulatory requirements and to review the auditor's quality control procedures and the steps taken by the auditor to respond to changes in regulatory and other requirements.
- (e) to approve the auditor's engagement letter and any amendments thereto and to review the auditor's management letter and management's response thereto.

- (f) to review the co-ordination between the external auditors and the management, the assistance given by management to the auditors and addressing any issues arising from the audits, and any matters raised by the auditors (in the absence of management where necessary).
- (g) to review and assess the appropriateness of the Company's procedures for handling concerns raised by staff or others about possible improprieties in financial reporting or other matters.
- (h) to review internal control and procedures, including review of the internal auditor's internal audit plan and internal audit findings.
- (i) to review interested person transactions falling within the scope of the AC's Terms of Reference.
- (j) to review and challenge, where necessary, the actions and judgments of management, in relation to the interim and annual financial statements, and any formal announcements relating to the Company's financial performance paying particular attention to critical accounting policies and practices, decisions requiring a major element of judgment, unusual transactions during the year, clarity of disclosures, significant audit adjustments, compliance with accounting standards and other legal requirements, and to recommend the financial statements and / or announcements to the Board for their approval.
- (k) to note any significant pending legal actions against or by a Group company and to note any material breaches of compliance, regulations or legislation.

The AC has the power to conduct and authorize investigations into matters within the AC's scope of responsibility. The AC also has full access to and co-operation of the Company's management and has full discretion to invite any Director or executive officer to attend the AC meetings, and has been given the reasonable resources to enable it to discharge its functions.

During the FY2006/7, the AC met two (2) times to discuss the following matters :-

- (a) reviewed the external auditors' audit findings for the financial period ended 30 April 2006;
- (b) reviewed the announcements of the year-end unaudited results ended 30 April 2006

STATEMENT ON CORPORATE GOVERNANCE

and half-year unaudited results ended 31 October 2006, before recommending it to the Board for approval;

- (c) proposed the re-appointment of Messrs. Deloitte & Touché ("Deloitte") as external auditors of the Company for the ensuing year;
- (d) discussed on the appointment of Internal Auditors;
- (e) reviewed and approved any interested persons transactions;
- (f) noted the confirmation of independence by the Independent Directors; and
- (g) reviewed and approved the audit plan for the year ended 30 April 2007.

During FY2006/7, the AC also met once with the external auditors without the presence of the management.

During the FY2006/7, the AC reviewed the audit services provided by the Company's external auditors, Deloitte, and confirmed that, other than the recurring annual audit work, there are no non-audit fees paid to Deloitte and there were also no non-audit services provided by Deloitte that would affect the independence of Deloitte as external auditors of the Company.

The AC has also during FY2006/7, recommended for endorsement by the Company, a Whistle-Blowing Policy, for the Group. The Policy has been put in place to enable persons employed by the Group a channel to report any suspicions of non-compliance with regulations, policies and fraud, etc, to the appropriate authority for resolution, without any prejudicial implications for these employees. The Policy also serves to ensure that any issues or complaints raised will be dealt with swiftly and effectively. The AC has been vested with the power and authority to receive, investigate and enforce appropriate action when any such non-compliance matter is brought to its attention.

Subsequent to FY2006/7, upon the recommendation of the AC, the Board has on 5 June 2007 appointed Messrs. Horwath First Trust as the Company's external auditors for the financial year ended 30 April 2007, in place of the resigning auditors, Deloitte.

Internal Controls

Principle 12 - The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

STATEMENT ON CORPORATE GOVERNANCE

It is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls maintained by the Company's management and that was in place throughout the financial year and up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks. The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

Internal Audit

Principle 13 - The company should establish an internal audit function that is independent of the activities it audits.

During the FY2006/7, the Company outsourced its internal audit function to an external professional firm, Horwath First Trust, who reports directly to the Chairman of Audit Committee and administratively to the Chairman / CEO of the Group to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner.

Consequent to the appointment of Horwath First Trust as the Company's external auditors on 5 June 2007, so as to avoid any potential conflict of interests, Horwath First Trust has resigned as Internal Auditors of the Company.

The Board recognizes the importance of maintaining an internal audit function, independent of the activities it audits, to maintain a sound system of internal control within the Group to safeguard shareholders' investments and Group's assets, and is currently in the process of appointing a suitable firm to undertake such function.

COMMUNICATION WITH SHAREHOLDERS

Principle 14 - Companies should engage in regular, effective and fair communication with shareholders.

Principle 15 - Companies should encourage greater shareholder participation at

STATEMENT ON CORPORATE GOVERNANCE

AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the Listing Rules of SGX-ST, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

- SGXNET announcements and news release; and
- Annual Reports prepared and issued to all shareholders.

At the Company's AGMs, shareholders are given the opportunity to voice their views and ask Directors or management questions regarding the Company.

The Chairmen of the AC, RC and NC will normally be present at AGMs to answer any questions relating to the work of these committees. The external auditors are also present at the AGMs to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

There are separate resolutions at the shareholders' meetings to address each distinct issue. The Company's Articles of Association allow a member of the Company to appoint not more than two (2) proxies to attend and vote on behalf of the member.

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

STATEMENT ON CORPORATE GOVERNANCE

MATERIAL CONTRACTS

Saved as disclosed under Material Contracts in the Company's prospectus dated 5 November 2004, there was no material contract including loans that are either still subsisting at the end of FY2006/7 or entered into by the Group during the FY2006/7, involving the interests of any of the Directors, the CEO or the controlling shareholders.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and these interested persons transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

Save as disclosed under Interested Persons Transactions in the Company's prospectus dated 5 November 2004 and as set out below, there are no interested person transactions between the Company or its subsidiaries and any of its interested persons still subsisting at the end of the FY2006/7.

DEALING IN SECURITIES

In line with the Rule 1207 (18) of the Listing Manual of SGX-ST, the Company has in place a policy prohibiting share dealings by Directors and employees of the Group for the period of one (1) month before the announcement of the Company's half-year or full year financial results as the case may be, and ending on the date of the announcement of the relevant results.

Directors and employees of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

ACE ACHIEVE INFOCOM LIMITED

**REPORT OF THE DIRECTORS,
STATEMENT BY DIRECTORS
AND FINANCIAL STATEMENTS**

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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REPORT OF THE DIRECTORS

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Ace Achieve Infocom Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company for the financial year ended 30 April 2007.

Directors

The directors of the Company in office at the date of this report are as follows:

Mr Deng Zelin
 Ms Sun Yujing
 Ms Sun Yuzhen
 Mr Ong Tiew Siam
 Mr Yeung Koon Sang @ David Yeung

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The interests of the directors who held office at the end of the financial year in the share capital or debentures of the Company or related corporations, according to the register kept by the Company for the purposes of section 164 of the Singapore Companies Act, were as follows:

	Shareholdings registered in name of director or nominee			Shareholdings in which a director is deemed to have an interest		
	At 1 May 2006 or date of appointment, If later	At 30 April 2007	At 21 May 2007	At 1 May 2006 or date of appointment, If later	At 30 April 2007	At 21 May 2007
	US\$0.015 each	US\$0.015 each	US\$0.015 each	US\$0.015 each	US\$0.015 each	US\$0.015 each
Deng Zelin	-	-	-	70,518,000	72,184,000	72,184,000
Sun Yujing	-	-	-	106,472,200	106,472,200	106,472,200

REPORT OF THE DIRECTORS

REPORT OF DIRECTORS (Continued)

Directors' interests in shares or debentures (Continued)

Shareholdings registered in name of director or nominee			Shareholdings in which a director is deemed to have an interest		
At 1 May 2006 or date of appointment, If later	At 30 April 2007	At 21 May 2007	At 1 May 2006 or date of appointment, If later	At 30 April 2007	At 21 May 2007
US\$0.015 each	US\$0.015 each	US\$0.015 each	US\$0.015 each	US\$0.015 each	US\$0.015 each

Sun Yuzhen - - - 13,772,200 13,772,200 13,772,200

Except as disclosed above, no other director who held office at the end of the financial year had an interest in any shares in or debentures of, the Company or its related corporations either at the beginning of the financial year (or date of appointment, if later) or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiary were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary.

The Ace Achieve Employee Share Option Scheme ("the Scheme") was adopted by the shareholders of the Company on September 28, 2004. The committee administering the Scheme comprises Mr. Ong Tiew Siam, Mr Yeung Koon Sang @ David Yeung and Mr Deng Zelin. No Option has been granted since the adoption of the Scheme. Hence, certain details of the Scheme are not disclosed.

Audit committee

The members of the Audit Committee at the date of this report are as follows:

Mr Yeung Koon Sang @ David Yeung	(Independent Director)
Mr Ong Tiew Siam	(Independent Director)
Ms Sun Yuzhen	(Non-executive Director)

The Audit Committee performs the functions specified by Section 201B of the Companies Act, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance.

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS (Continued)

Audit committee (Continued)

The nature and extent of the functions performed by the Audit Committee are detailed in the Corporate Governance Report set out in the Annual Report of the Company.

The Audit Committee has recommended to the Board of Directors that the auditors, Messrs Horwath First Trust, be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

Auditors

Horwath First Trust have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

Deng Zelin
Director

Singapore
10 December 2007

Sun Yujing
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACE ACHIEVE INFOCOM LIMITED

We have audited the accompanying financial statements of Ace Achieve Infocom Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 35 to 72, which comprise the consolidated and Company balance sheets as at 30 April 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACE ACHIEVE INFOCOM LIMITED (Continued)

Auditors' responsibility

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2007 and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Horwath First Trust
Certified Public Accountants

Singapore
10 December 2007

BALANCE SHEETS

AS AT 30 April 2007

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

Note	Group		Company	
	2007 RMB 000	2006 RMB 000	2007 RMB 000	2006 RMB 000
ASSETS				
Non-Current Assets				
Plant and equipment	3	6,509	3,188	-
Investment in subsidiaries	4	-	-	415
Interest in an associated company	5	7,443	-	-
Intangible assets	6	7,417	-	-
Trade receivables - non current portion	7	19,336	17,056	-
		40,705	20,244	415
				415
Current Assets				
Inventories	8	11,431	14,478	-
Amount recoverable on contract work in progress	9	23,063	29,031	-
Trade receivables	7	206,109	183,143	-
Other receivables, deposits and prepayments	10	20,243	5,675	55
Due from subsidiaries (non-trade)	11	-	-	103,561
Due from related parties (non-trade)	12	617	1,563	17
Due from directors (non-trade)	13	31	117	-
Cash and bank balances	14	26,959	26,850	342
		288,453	260,857	103,975
				107,176
TOTAL ASSETS		329,158	281,101	104,390
				107,591

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS (Continued)

AS AT 30 April 2007

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

Note	Group		Company	
	2007 RMB 000	2006 RMB 000	2007 RMB 000	2006 RMB 000
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	15	93,693	93,693	93,693
Statutory reserves	16	9,071	-	-
Retained earnings		100,425	89,503	7,835
		203,189	183,196	101,528
TOTAL EQUITY				105,570
Liabilities				
Current Liabilities				
Trade payables	17	39,232	36,810	-
Other payables and accruals	18	47,216	40,054	652
Due to a related party (non-trade)	12	7,035	1,733	-
Due to directors (non-trade)	13	2,210	1,510	2,210
Provision for project warranty	19	855	1,036	-
Bank borrowings	20	8,500	10,274	-
Finance lease obligations	21	908	-	-
Income tax payable		-	1,988	-
		105,956	93,405	2,862
				2,021
Long-term Liabilities				
Bank borrowings - non current portion	20	19,000	4,500	-
Finance leases obligations - non current portion	21	1,013	-	-
		20,013	4,500	-
TOTAL LIABILITIES		125,969	97,905	2,862
TOTAL EQUITY AND LIABILITIES		329,158	281,101	104,390
				107,591

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

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

	Note	2007 RMB'000	2006 RMB'000 (Note 36)
Revenue			
Cost of sales	22	171,347 (127,844)	263,228 (176,062)
Gross profit		43,503	87,166
Other operating income	23	7,945	1,893
Selling and distribution and expenses		(7,813)	(9,778)
Administrative expenses		(18,339)	(26,324)
Other operating expenses	24	(3,832)	(6,362)
Financial expenses, net	27	(1,735)	(5,244)
Non-operating income, net		86	761
Share of loss of associated company		(157)	-
Profit before income tax	25	19,658	42,112
Income tax credit/(expense)	28	1,965	(638)
Net Profit for the year/period		21,623	41,474
Earnings per share (RMB cents)	29		
- basic		0.066	0.127
- diluted		0.066	0.127

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

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

	Attributable to equity holders of the Company				
	Share capital RMB'000	Share premium RMB'000	Statutory Reserves RMB'000	Retained Earnings RMB'000	Total RMB'000
Balance at 01.01.2005 (Note 36)	40,580	53,113	-	56,016	149,709
Profit for the period	-	-	-	41,474	41,474
Total recognised income	40,580	53,113	-	97,490	191,183
Transfer of share premium to share capital	53,113	(53,113)	-	-	-
Dividend paid (Note 30)	-	-	-	(7,987)	(7,987)
Balance at 30.04.2006	93,693	-	-	89,503	183,196
Balance at 01.05.2006	93,693	-	-	89,503	183,196
Profit for the year	-	-	-	21,623	21,623
Total recognised income	93,693	-	-	111,126	204,819
Transfer to statutory reserves	-	-	9,071	(9,071)	-
Dividend paid (Note 30)	-	-	-	(1,630)	(1,630)
Balance at 30.04.2007	93,693	-	9,071	100,425	203,189

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

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

	2007 RMB'000	2006 RMB'000 (Note 36)
Cash flows from operating activities		
Profit before tax	19,658	42,112
Adjustments for:		
Write-down of plant and equipment	-	2
Amortisation of research and development expenditure	824	-
Depreciation of plant and equipment	1,034	723
Interest expense	1,553	2,967
Interest income	(366)	(133)
Share of loss of associated company	157	-
Operating profit before working capital changes	22,860	45,671
Inventories	3,047	(4,574)
Amount recoverable on contract work in progress	5,968	(25,497)
Trade receivables	(25,246)	(49,929)
Other receivables, deposits and prepayments	(13,536)	(826)
Trade payables	2,422	(21,039)
Other payables and accruals	12,983	10,826
Cash generated from/(used in) operations	8,498	(45,368)
Income tax paid	(23)	-
Income tax refund	-	88
Interest paid	(1,553)	(2,967)
Net cash from/(used in) operating activities	6,922	(48,247)
Cash flows from investing activities		
Purchases of plant and equipment	(4,355)	(2,631)
Interest received	366	133
Acquisition of an associated company	(7,600)	-
Purchases of intangible assets	(8,241)	-
Net cash used in investing activities	(19,830)	(2,498)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 April 2007

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

	Note	2007 RMB'000	2006 RMB'000 (Note 36)
Cash flows from financing activities			
Proceeds from bank borrowings		23,000	-
Payment of dividends to shareholders		(1,630)	(7,987)
Repayment of bank borrowings		(10,274)	(5,638)
Proceeds from finance lease obligations		1,921	-
Restricted cash and bank balances		(6,483)	(1,188)
Net cash from/(used in) financing activities		6,534	(14,813)
Net decrease in cash and cash equivalents		(6,374)	(65,558)
Cash and cash equivalents at beginning of year		22,595	88,153
Cash and cash equivalents at end of year	14	16,221	22,595

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

(Amounts in thousands of Chinese Renminbi ("RMB"), unless otherwise stated)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL INFORMATION

The Company is an exempted company with limited liabilities incorporated and domiciled in Bermuda and listed on the Mainboard of the Singapore Stock Exchange. The address of the Company's registered office is at Clarendon House, 2 Church Street Hamilton HM11, Bermuda. The principal place of business is No.11 Anxiangbeili, 11th floor, Venture Plaza Tower B, Chaoyang District, Beijing 100101, The People's Republic of China ("PRC").

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are described in Note 4.

The consolidated financial statements of the Company and its subsidiaries ("Group") for the financial period ended 30 April 2007 were authorised for issue by the Board of Directors on 10 December 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements, which are expressed in Chinese Renminbi, are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the International Financial Reporting Standards ("IFRSs").

The Group's principal operations are conducted in the PRC, and accordingly the financial statements are presented in Chinese Renminbi ("RMB"), being the presentation currency of the Group. All values are rounded to the nearest thousands ("RMB 000") unless otherwise indicated. The functional currency of the Company is Singapore Dollars.

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") which includes all applicable International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 May 2006. The adoption of these new and revised IFRSs and Interpretations have no material effect on the financial statements.

At the date of authorisation of these financial statements, new/revised IFRSs and INT IFRSs were issued but not effective that is applicable to the Group includes:

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 7 - Financial Instruments: Disclosures

Consequential amendments were also made to various standards as a result of these new/revised IFRSs and INT IFRSs.

The application of IFRS 107 and the consequential amendments to the other IFRSs will not affect any of the amounts recognised in the financial statements but will change the disclosure presently made in relation to the Group's financial instruments and the financial and risk management policies.

Other than IFRS 107, the directors anticipate that the adoption of all the new/revised IFRS and INT IFRS and amendments to IFRS and INT IFRS that were issued but not yet effective until future period will not materially affect the results of the Group upon their initial adoption.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed during the year are consolidated for the periods from or to the effective date of acquisition or disposal. All intercompany balances, transactions and unrealised profit or loss on intercompany transactions are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the income statement. On disposal of investments in subsidiaries and associates, the differences between net disposal proceeds and the carrying amount of the investments is taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company, in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of Directors.

The acquisition of subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 "Business Combinations" are recognised at their fair values at acquisition date.

Associates

An associate is a company, not being a subsidiary, in which the Group has an interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method of accounting. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Plant and equipment are depreciated using the straight-line method to write-off the cost of the plant and equipment less estimated residual value over their estimated useful lives. The estimated useful lives and residual values have been taken as follows: -

	<u>Useful lives (Years)</u>	<u>Estimated residual value as a percentage of cost</u>
Telecommunication Integration Equipment	3	5%
Telecommunication Integration Equipment : -finance lease	5	5%
Leasehold Improvements	3	5%
Furniture and Fittings	5	5%
Motor Vehicles	10	5%

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of plant and equipment. An assessment of the carrying value of plant and equipment is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

Assets held under finance leases are depreciated over their expected useful life and on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the income statement.

Impairment of tangible assets

Impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. The impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets (Continued)

recoverable amount is calculated as the higher of the asset's value in use or its net selling price. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

Internally-generated Intangible Assets - Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the assets, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to income statement in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year. Upon completion, the development costs is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average basis.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (Continued)

Net realisable value is the estimated normal selling price, less estimated costs to completion and costs to be incurred for selling and distribution.

Telecommunication application and solution contracts

Where the outcome of an application and solution contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of an application and solution contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial assets are cash and cash equivalents, trade and other receivables (including amounts due from intercompanies, related parties and directors) and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities comprising trade and other payables (including amounts due to related parties and directors), bank borrowings, lease obligations are stated at their fair values.

Equity instruments are recorded at the fair value of the consideration received. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade and other receivables

Trade and other receivables including amounts due from related parties are classified and accounted for as loans and receivables under FRS 39 and are recognised and carried at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment losses on any uncollectible amounts.

Allowance of impairment of receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents are carried at fair value.

For the purpose of the consolidated cash flow statement, cash and cash equivalent comprises cash on hand and in banks, excluding cash deposits pledged for period of more than three months. Cash and cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired.

Trade and other payables

Trade and other payables, which generally are on normal credit terms, and payables to related parties are carried at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred and subsequently accounted for at amortised costs using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

i) Finance leases

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at amounts equal at the inception of the lease to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

ii) Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Provisions

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

A provision for warranty is recognised in respect of the estimated expenses to be incurred for the provision of after sales services to customers on the products sold, based on experience of the level of service required.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an expense item, it is recognised in the income statement over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in the balance sheet as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

Borrowing costs incurred to finance the development of properties are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

The amount of borrowing cost capitalised on that asset is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

PRC

The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under existing the PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the income statement as and when they are incurred.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from telecommunication application and solution contracts which include the design and development of a total solution and supply of corresponding equipment is recognised in accordance with the Group's accounting policy on application and solution contracts.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from sale of equipment is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from rendering of services that is short-term in nature is recognised when services are completed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

Foreign currency transactions and balances

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions and balances (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Chinese Renminbi using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment in investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of those investments. The value in use calculation requires the Group to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows.

Management has evaluated the recoverability of these investments based on such estimates and is confident that no allowance for impairment is necessary.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and judgments (Continued)

Allowance for irrecoverable receivables

The allowance for irrecoverable receivables is based on the ongoing assessment of the recoverability and aging analysis of the outstanding receivables and on management's estimate of the ultimate realisation of these receivables including creditworthiness and the past collection history of each customer.

Allowance for inventories

Management makes allowance for inventories based on obsolete or slow moving historical experience. An allowance for inventories is made if inventories are deemed to be obsolete or slowing moving.

Useful lives and residual value of plant and equipment

Management estimates the useful lives and residual value of depreciable assets. Management considers the actual condition of its plant and equipment, industry standards and the depreciation estimates used by comparable companies.

The carrying amounts of the plant and equipment are reviewed at each balance sheet to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the value of the asset is determined on the basis of the value in use to determine the extent of the impairment loss.

Provision for project warranty

Management estimates the Group's liability under twelve month warranties granted on products and solutions projects, based on past experience and industry averages.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

3. PLANT AND EQUIPMENT

Group	Telecommu- nication integration equipment- under finance lease						Total RMB'000
	Telecommu- nication integration equipment under finance lease RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fittings RMB'000			
Cost							
As at 01.01.2005	9,611	-	-	749	1,640	12,000	
Additions	-	-	977	1,346	308	2,631	
Disposals	-	-	-	-	(6)	(6)	
As at 30.04.2006	9,611	-	977	2,095	1,942	14,625	
As at 01.05.2006	9,611	-	977	2,095	1,942	14,625	
Additions	1,451	2,724	48	67	65	4,355	
As at 30.04.2007	11,062	2,724	1,025	2,162	2,007	18,980	

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

3. PLANT AND EQUIPMENT (Continued)

Group

	Telecommu- nication integration equipment	Telecommu- nication integration equipment- under finance lease	Leasehold improvements	Motor vehicles	Furniture and fittings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation						
As at 01.01.2005	9,514	-	-	185	1,019	10,718
Charge for the period	-	-	269	121	333	723
Disposals	-	-	-	-	(4)	(4)
As at 30.04.2006	9,514	-	269	306	1,348	11,437
As at 01.05.2006	9,514	-	269	306	1,348	11,437
Charge for the year	69	164	335	204	262	1,034
As at 30.04.2007	9,583	164	604	510	1,610	12,471
Net book value						
As at 30.04.2007	1,479	2,560	421	1,652	397	6,509
As at 30.04.2006	97	-	708	1,789	594	3,188

4. INVESTMENT IN SUBSIDIARIES

	Company	
	2007 RMB'000	2006 RMB'000
Unquoted equity shares, at cost	415	415

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

4. INVESTMENT IN SUBSIDIARIES (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2007 %	2006 %	2007 RMB'000	2006 RMB'000
Success Highway Global Limited ⁺	Investment holding	British Virgin Islands	100	100	415	415
Aceway Telecom Technology Co., Ltd [*]	Providing telecommunication services and products	PRC	100	100	(a)	(a)

⁺ Not required to be audited by the law of its country of incorporation and subsidiary not considered to be material.

^{*} Audited by Huaqing Accounting Firm for local statutory purposes and by Horwath First Trust for the purpose of expressing an opinion on the consolidated financial statements.

(a) It is held through the Company's subsidiary, Success Highway Global Limited.

5. INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2007 RMB'000	2006 RMB'000
Unquoted equity interest, at cost:		
Balance at beginning of year	-	-
Acquisition of an associated company	7,600	-
Share of post-acquisition losses	(157)	-
Balance at end of year	7,443	-

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

5. INTEREST IN AN ASSOCIATED COMPANY (Continued)

The results and assets and liabilities of the associated company were as follows:

	2007 RMB'000	2006 RMB'000
Revenue	-	-
Expenditure	(393)	-
Loss before tax	(393)	-
Tax	-	-
Loss after tax	(393)	-
Non-current assets	11,616	-
Current assets	10,649	-
Current liabilities	(3,658)	-
Non-current liabilities	-	-
	18,607	-

Details of the associated company are as follows:

	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2007 %	2006 %
Beijing Han Ming Wu Xian Wang Luo	Providing telecommunication services and products	PRC	40	-

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

6. INTANGIBLE ASSETS

Group	Telecom application solutions RMB'000	Operation & business support solutions RMB'000	Broadband Data Solutions RMB'000	Wireless Coverage Solutions RMB'000	Total RMB'000
Cost					
As at 01.05.2006	-	-	-	-	-
Additions	2,660	2,057	1,245	2,279	8,241
As at 30.04.2007	2,660	2,057	1,245	2,279	8,241
Accumulated amortization and impairment					
As at 01.05.2006	-	-	-	-	-
Amortisation for the year	266	206	124	228	824
As at 30.04.2007	266	206	124	228	824
Net book value					
As at 30.04.2007	2,394	1,851	1,121	2,051	7,417
As at 01.05.2006	-	-	-	-	-

The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for development costs incurred on the Group's intangible assets are amortised over their estimated useful lives, which is on average 5 years.

7. TRADE RECEIVABLES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Billed	80,129	106,961	-	-
Unbilled	145,316	93,238	-	-
Total	225,445	200,199	-	-
Less: non-current portion				
- Billed	(8,808)	(4,154)	-	-
- Unbilled	(10,528)	(12,902)	-	-
	206,109	183,143	-	-

An allowance has been made for estimated irrecoverable amounts from the sales to third parties of RMB 3,557,000 (2006: RMB4,595,000). This allowance has been determined by reference to past default experience.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

7. TRADE RECEIVABLES (Continued)

As at 30 April 2007, retention monies held by customers for telecommunication application and solution contracts amounted to RMB19,336,000 (2006: RMB 17,056,000).

The Group's and Company's trade receivables are denominated in RMB.

8. INVENTORIES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Raw materials and consumables	13,062	17,666	-	-
Allowance for inventories	(1,631)	(3,188)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	11,431	14,478	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

9. AMOUNT RECOVERABLE ON CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Amount recoverable on contract work-in-progress	23,063	29,031	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

It represents costs incurred less recognised losses.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Other receivables	2,894	-	-	-
Deposits	8,195	4,195	-	-
Advances to staff	2,185	1,324	-	-
Advances to suppliers	6,860	-	-	-
Prepayments	109	156	55	-
	<hr/>	<hr/>	<hr/>	<hr/>
	20,243	5,675	55	-
	<hr/>	<hr/>	<hr/>	<hr/>

An allowance has been made for estimated irrecoverable amounts from the advances to staff of RMB351,000 (2006: Nil).

The Group's and Company's receivables are denominated mainly in RMB.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

11. DUE FROM SUBSIDIARIES (NON-TRADE)

The amount due from subsidiaries arose mainly due to advances granted, which is unsecured, bear fixed interest rate of 8% (2006:8%) per annum and repayable on demand.

12. DUE FROM/TO RELATED PARTIES (NON-TRADE)

These non-trade balances are unsecured, interest-free and repayable on demand

13. DUE FROM/TO DIRECTORS (NON-TRADE)

This represents advances or loans made to or from directors which are unsecured, interest-free and repayable on demand.

14. CASH AND BANK BALANCES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Cash and bank balances	26,783	26,850	166	8,723
Time deposits	176	-	176	-
Total cash and bank balances	26,959	26,850	342	8,723
Less: Restricted cash and bank balances	(10,738)	(4,255)	-	-
Cash and cash equivalents for purpose of cash flow statement	16,221	22,595	342	8,723

Time deposits of RMB 176,000 (2006: Nil) have a maturity period of 14 days and yield interest income ranging from 4.18% to 4.53% (2006: nil %) per annum.

Included in the Groups' cash and bank balances are cash deposits of RMB10,738,000 (2006: RMB3,812,000) held by bank as security for bank facilities granted to the Group and RMB Nil (2006: RMB443,000) held as tender deposit by a bank and therefore restricted in use.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

14. CASH AND BANK BALANCES (Continued)

The Group's and the Company's cash and bank balances denominated in various currencies are as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Chinese Renminbi	26,616	17,879	-	-
Singapore dollars	98	2,722	98	2,722
United States dollars	245	6,249	244	6,001
	26,959	26,850	342	8,723

As at 30 April 2007, the Group has cash and bank balances denominated in Renminbi ("RMB"), amounting to approximately RMB 26,616,000 (2005: RMB 17,879,000). RMB is not freely convertible into foreign currencies. Under the People's Republic of China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange businesses.

15. SHARE CAPITAL

	Company	
	2007 RMB'000	2006 RMB'000
Issued and fully paid		
At beginning of year/period		
326,000,000 (2006: 326,000,000) ordinary shares	93,693	40,580
Transfer of share premium reserve to share capital account ⁽¹⁾	-	53,113
At end of year/period		
326,000,000 (2006: 326,000,000) ordinary shares	93,693	93,693

⁽¹⁾ Pursuant to the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, the concepts of "par value", "authorised share capital" and "share premium" have been abolished. As a result, the Company has an issued and paid-up capital of \$93,693,000 comprising 326,000,000 shares and has no authorised share capital as at 30 April 2006.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

16. STATUTORY RESERVES

These non-distributable reserves represent amounts set aside in compliance with the local laws in the PRC where the subsidiary operates. The subsidiary is considered a foreign investment enterprise and the percentage of appropriation from the net profit after tax to the various reserves funds are determined by the Board of Directors of the subsidiary.

(a) In accordance with the Foreign Enterprise Law of the PRC, the subsidiary, a wholly foreign-owned enterprise ("WFOE") must make contributions to a statutory reserve fund ("SRF"). At least 10 per cent of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF. If the cumulative total of the SRF reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any further contribution.

The SRF may be used to offset accumulated losses or increase the registered capital of the Company, subject to approval from relevant PRC authorities and is not available for dividend distribution to the shareholders. The PRC enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made good.

(b) The PRC subsidiary has appropriated 5% of its profit after tax to the statutory staff welfare reserve fund on a voluntary basis as allowed by its respective Articles of Association. The statutory staff welfare reserve fund would be used for the collective welfare of the employees.

17. TRADE PAYABLES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Third parties	13,771	29,194	-	-
Bills payable	25,461	7,616	-	-
	<hr/> 39,232	<hr/> 36,810	<hr/> -	<hr/> -
	<hr/>	<hr/>	<hr/>	<hr/>

The balances of bills payable for both years are secured by the subsidiary's bank deposit of RMB10,738,000 (2006: RMB3,812,000) as disclosed in Note 14 to the financial statements.

The Group's and Company's trade payables are mainly denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

18. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Other payables	108	338	-	-
Accrued expenses	1,655	2,179	652	511
Value added tax payable	43,612	36,206	-	-
Other taxes payable	1,349	1,331	-	-
Advances from customers	492	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	47,216	40,054	652	511
	<hr/>	<hr/>	<hr/>	<hr/>

The Group's and Company's payables are mainly denominated in RMB.

19. PROVISION FOR PROJECT WARRANTY

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
At beginning of the year/period	1,036	1,036	-	-
Utilisation for the year/period	-	(1,264)	-	-
Charge for the year/period	-	1,264	-	-
Provision no longer required	(181)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year/period	855	1,036	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The warranty provision represents management's best estimate of the Group's liability under twelve months' warranty granted on products and solutions projects. The amount of the provision is based on past experiences and industry averages.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

20. BANK BORROWINGS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Trade receivables factored to bank with recourse payable	-	6,774	-	-
Bank term loans	27,500	8,000	-	-
Total bank borrowings	27,500	14,774	-	-
Due within one year	(8,500)	(10,274)	-	-
Due after one year but not more than 5 years	19,000	4,500	-	-

The trade receivables (billed) factored to bank with recourse repayable in 2006 bore interest at 5.22% per annum.

The Group's bank term loans bears fixed interest rates ranging from 5.49% to 6.93% (2006: 5.76%) per annum and expose the Group to fair value interest rate risk.

The bank term loans are secured by a guarantee executed by a third party finance company and are repayable in two installments on June 28, 2006 and June 28 2007.

The fair values of bank borrowings approximate their carrying amount.

The Group's bank borrowings are denominated in RMB.

21. FINANCE LEASE OBLIGATIONS

Group	Minimum lease payments RMB'000	Present value of payments RMB'000
2007		
Amount payable under finance leases:		
Within one year	1,015	908
In the second and fifth years inclusive	1,135	1,013
	<hr/>	<hr/>
Deferred finance charges	2,150 (229)	1,921 -
	<hr/>	<hr/>
Present value of lease obligations	1,921	1,921
	<hr/>	<hr/>
Less: Amount due for settlement within 12 months (shown under current liabilities)		908
	<hr/>	<hr/>
Amount due for settlement after 12 months		1,013
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

21. FINANCE LEASE OBLIGATIONS (Continued)

There were no finance lease obligations in the previous financial period.

The fair value of the lease obligations approximates their carrying amount. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rates on finance leases range from 10% to 13% (2006: Nil%) per annum.

22. REVENUE

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Revenue from telecommunication application and solution contracts	171,347	236,322
Sales of equipment	-	21,709
Sales of software	-	5,197
Total revenue	171,347	263,228

23. OTHER OPERATING INCOME

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Government grants	829	1,640
Allowance for doubtful debts no longer required	3,442	-
Allowance for inventories no longer required	2,534	-
Provision for project warranty no longer required	181	-
Interest income	366	133
Others	593	120
	7,945	1,893

24. OTHER OPERATING EXPENSES

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Allowance for receivables	2,404	3,174
Allowance for advances to staff	351	-
Allowance for inventories	977	3,188
Deposits written-off	100	-
	3,832	6,362

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

25. PROFIT BEFORE INCOME TAX

Other than those items disclosed elsewhere in the financial statements, profit before income tax is determined after charging/(crediting) the following:

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Bad debts recovered	(327)	-
Cost of inventories recognised as expense	130,648	170,226
Directors' remuneration:		
- directors of the Company	700	933
- directors of subsidiaries	578	472
Directors' fees:		
- directors of the Company	353	417
Audit fees:		
- paid to auditors of the Company	500	425
- paid to other auditors	-	720
Operating lease expenses	2,098	2,396
Research and development costs written off (included in administrative expenses)	2,016	7,709

26. PERSONNEL EXPENSES

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Wages, salaries and bonuses	9,385	16,160
Defined contribution plans	1,013	986
	10,398	17,146

Personnel expenses disclosed above include directors' remuneration disclosed in Note 25.

27. FINANCIAL EXPENSES, NET

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Bank and guarantee charges	238	350
Interest expense on bank borrowings	1,553	2,967
Foreign exchange (gain)/loss, net	(56)	1,927
	1,735	5,244

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

28. INCOME TAX CREDIT/(EXPENSE)

Major components of income tax expense for the year ended 30 April were:

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Income tax		
- current year	-	726
- tax refund for prior period	-	(88)
- overprovision for prior periods	(1,965)	-
	(1,965)	638

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable rate is as follows:

	2007 RMB'000	2006 RMB'000 (Note 36)
Accounting profit	19,658	42,112
Tax at the applicable tax rate of 18% (20%)	3,539	8,422
Tax effect of expenses that are not deductible in determining taxable profit	435	77
Tax exemption	(3,974)	(4,210)
Effect of different tax rates of overseas operations	-	(3,563)
Tax refund for prior period	-	(88)
Income tax overprovided for prior periods	(1,965)	-
Tax (credit)/expense	(1,965)	638

The Company

Under the current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government that in the event of income or capital gains being imposed, the Company will be exempted from such taxes until year 2016.

The Company has no taxable income during the financial year ended 30 April 2007. The statutory income tax rate applicable to the Company for year of assessment 2008 is 18%.

Aceway Telecom Techonolgy Co., Ltd

The subsidiary being a wholly foreign-owned enterprise ("WFOE") established in the urban districts of cities where the Economic and Technological Development Zone is located is entitled to a PRC preferential corporate tax rate of 24%, as compared to the statutory tax rate for PRC companies of 33%.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

28. INCOME TAX CREDIT/(EXPENSE) (Continued)

According to the Foreign Investment Enterprises ("FIE") income tax laws, the subsidiary is eligible for a two-year exemption from the PRC income tax, i.e. from July 2004 to December 2005, and followed by a three-year 50% relief from PRC income tax from its first profit making year. The subsidiary commenced its first profit-making year in the financial period from date of incorporation 8 June 2004 to 31 December 2005. Accordingly the subsidiary was still not subject to PRC income tax for the current financial year.

29. EARNINGS PER SHARE

The calculations of earnings per share are based on the profits and numbers of shares shown below.

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Net profit for the year/period	21,623	41,474
Number of shares (in thousand)		
- basic and diluted earnings per share	326,000	326,000

In the current financial year, as there are no dilutive potential ordinary shares issued and/or granted, the fully diluted earnings per share is the same as the basic earnings per share.

30. DIVIDENDS

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Interim tax exempt dividends paid in respect of financial year of S\$0.10 cents per share (2006: S\$0.50 cents per share)	(1,630)	(7,987)

Same for the interim dividend paid above, no dividends have been proposed, declared or paid by the directors for and in respect of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

31. RELATED PARTIES INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. The balances due from related parties are unsecured, interest-free and repayable on demand. Transactions between the Company and its subsidiaries have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Expenses:		
Key management personnel compensations:		
- short-term benefits	2,000	3,245
- post-employment benefits	20	20

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. COMMITMENTS

Non-cancellable operating lease commitments

The Group has various operating lease agreements for offices. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group	
	2007 RMB'000	2006 RMB'000 (Note 36)
Future minimum lease payments		
- not later than 1 year	2,338	1,942
- 1 year through 5 years	666	1,906
	3,004	3,848

33. SEGMENT INFORMATION

The Group's primary business segment is telecommunication application and solution and its related services. All of the Group's revenue are generated in the People's Republic of China. Accordingly, no segmental analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

34. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk, foreign currency risk and fair value. The Group does not have a formal risk management policies and guidelines, however, the Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

It is the Group's policy not to trade in derivative contracts.

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 30 April 2007, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount, by maturity, of the Company's financial instruments, that are exposed to interest rate risk:

	2007	2006
<u>Within one year</u>	<u>RMB'000</u>	<u>RMB'000</u>
<i>Fixed rate:</i>		
Finance lease obligations	1,921	-
Time deposits	176	-
Trade receivables factored to bank with recourse payable	-	6,774
Bank term loans	23,000	8,000
<i>Floating rate:</i>		
Bank term loans	4,500	-
Cash and cash equivalents	16,221	22,595

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Company that are not included in the above table are not subject to interest rate risks.

Liquidity risk

The Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Company's operations. Committed credit facilities will be obtained from local reputable banks in the event that funding is required.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

34. FINANCIAL INSTRUMENTS (Continued)

Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables and amount billable on contract work-in progress represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and cash equivalents are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. 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.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As at 30 April 2007, approximately 91% of gross trade debts were related to China Unicom group of companies, China Netcom group of companies and China Telecom group of companies. In addition, the entire gross trade debts were attributable to customers in the PRC.

Foreign exchange risk

As the Group's transactions are primarily denominated in RMB, it is subject to minimal foreign exchange exposure. The Group has bank balances denominated in USD and SGD accordingly; the Group's balance sheets can be affected by movements in the USD/ RMB and SGD/RMB exchange rates.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

The Group has not entered into any derivative instruments for hedging or trading purposes.

Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, provisions and accruals approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2007

35. SUBSEQUENT EVENTS

In May 2007, the Group entered into collaboration with one of the PRC's major telecoms, China Netcom for the construction of 3G network infrastructure in Qingdao city Shandong Province, PRC based on the TD-SCDMA standard. The total investment for the construction of TD-SCDMA network infrastructure in Qingdao is expected to be at least RMB 1 billion. Based on initial projections, the total addressable market for the Group's TD-SCDMA repeaters solutions in this project is approximately RMB 100 million. The project is targeted to be complete in October 2007.

36. COMPARATIVES

Prior year's financial statements relate to the financial period from 1 January 2005 to 30 April 2006 whilst the current year's financial statements relate to the twelve months ended 30 April 2007.

Prior year's comparatives have been audited by another firm of certified public accountants other than Horwath First Trust.

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements and following the Group and Company's adoption of the FRSs that became effective during the year. As a result, certain line items have been amended on the face of the balance sheet and income statement and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

	Group		Company	
	30 April 2006 balances as restated	30 April 2006 balances as previously reported	30 April 2006 balances as restated	30 April 2006 balances as previously reported
	RMB '000	RMB '000	RMB '000	RMB '000
Balance Sheet				
Other receivables, deposits and prepayments	5,675	7,355	-	98,453
Due from related parties (non-trade)	1,563	-	-	-
Due from director (non-trade)	117	-	-	-
Due from subsidiaries (non-trade)	-	-	98,543	-
Other payables and accruals	40,054	43,297	511	2,021
Due to directors (non-trade)	1,510	-	1,510	-
Due to related party (non-trade)	1,733	-	-	-
Income statement				
Administrative expenses	26,324	27,561	-	-
Financial expenses, net	5,244	3,246	-	-
Non-operating income, net	(761)	-	-	-

STATEMENT BY DIRECTORS

In the opinion of the directors, the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 35 to 72 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2007 and of the results, changes in equity and cash flows of the Group for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Deng Zelin
Director

Sun Yujing
Director

Singapore
10 December 2007

STATEMENT BY DIRECTORS

SHAREHOLDERS' INFORMATION AS AT 30 NOVEMBER 2007

Class of Shares	:	Ordinary Shares of US\$0.015 each
Voting Rights	:	One Vote per Ordinary Share
No. of Holders	:	1,463 holders

Distribution of Shareholdings as at 30 November 2007

<u>Size of Shareholdings</u>	<u>No. of Shareholders</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
1 – 999	16	1.09	6,622	0.00
1,000 – 10,000	381	26.04	2,784,978	0.86
10,001 – 1,000,000	1,052	71.91	78,508,000	24.08
1,000,001 and above	14	0.96	244,700,400	75.06
Total	1,463	100.00	326,000,000	100.00

Direct and Indirect Interest of Substantial Shareholders as at 30 November 2007

<u>Name of Substantial Shareholders</u>	<u>Direct Interest</u>	<u>Indirect Interest</u>		
	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Full Achieve Investments Limited	72,184,000	22.14	-	-
Ace Victory Holdings Limited	106,472,200	32.66	-	-
Deng Zelin	-	-	72,184,000 ¹	22.14
Sun Yujing	-	-	106,472,200 ²	32.66

Note :-

1. *Deemed interest by virtue of his entire interest in Full Achieve Investments Limited*
2. *Deemed interest by virtue of her entire interest in Ace Victory Holdings Limited*

STATEMENT BY DIRECTORS

Twenty Largest Shareholders as at 30 November 2007

	<u>Shareholders' Name</u>	<u>No. of Shares</u>	<u>%</u>
1.	CIMB-GK Securities Pte. Ltd.	205,456,400	63.02
2.	Zhu Bochun	9,802,000	3.01
3.	Kim Eng Securities Pte. Ltd.	3,840,000	1.18
4.	HSBC (Singapore) Nominees Pte Ltd	3,750,000	1.15
5.	OCBC Securities Private Ltd	3,657,000	1.12
6.	Phillip Securities Pte Ltd	2,566,000	0.79
7.	Lim & Tan Securities Pte Ltd	2,461,000	0.75
8.	UOB Kay Hian Pte Ltd	2,447,000	0.75
9.	Soon Poh Telecommunications Pte Ltd	2,120,000	0.65
10.	DBS Vickers Securities (S) Pte Ltd	2,041,000	0.63
11.	Goh Geok Khim	1,854,000	0.57
12.	Lim Chye Huat @ Bobby Lim Chye Huat	1,829,000	0.56
13.	Iwan Koniman Khouw	1,817,000	0.56
14.	Woi Teck Khiong	1,060,000	0.33
15.	Ng Hock Leng	1,000,000	0.31
16.	Kok Kim Chong or Kok Xiu Hua	990,000	0.30
17.	Pay Heang Hock	887,800	0.27
18.	Sng Teck Kong	840,000	0.26
19.	Ng Chwee Cheng	837,800	0.26
20.	Hong Leong Finance Nominees Pte Ltd	808,000	0.25

Based on the Shareholders' Information as at 30 November 2007, approximately 41% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual is complied with.

STATEMENT BY DIRECTORS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at No. 11, Anxiangbeili, 11th Floor, Venture Plaza Tower B, Chaoyang District, Beijing 100101, China on 30 December 2007 at 10.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESSES

1. To receive and adopt the Report of the Directors and Financial Statements of the Company for the financial year ended 30 April 2007 together with the Independent Auditors' Report thereon. *Resolution 1*
2. To approve the payment of Directors' fees of S\$70,000 for the financial year ended 30 April 2007. *Resolution 2*
3. To re-elect Ms. Sun Yuzhen, the Director retiring by rotation pursuant to Bye-Law 86(1) of the Company's Bye-Laws. *Resolution 3*
 - (a) Ms Sun Yuzhen will, upon re-election as a Director of the Company, remain as a member of the Audit and Remuneration Committees of the Company.
4. To re-appoint Messrs Horwath First Trust as the Auditors of the Company and to authorise the Directors to fix their remuneration. *Resolution 4*

AS SPECIAL BUSINESSES

To consider and, if thought fit, to pass, with or without modifications, the following ordinary resolutions :-

5. **Authority to allot and issue shares up to 50 per centum (50%) of the issued share capital of the Company** *Resolution 5*

“That pursuant to the provisions of Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that:-

STATEMENT BY DIRECTORS

- (a) the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution; and
- (b) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company the time of the passing of this Resolution.

Such authority shall continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law or the bye-laws of the Company to be held, or (ii) when varied or revoked by ordinary resolution in general meeting, whichever is earlier, or (iii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities."

(See *Explanatory Note 1*)

6. **Authority to grant options and to issue shares under the Ace Achieve Employee Share Option Scheme**

Resolution 6

"THAT authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Ace Achieve Employee Share Option Scheme (the "Scheme"), and pursuant to provision of Rule 806 of the Listing Manual of the SGX-ST, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen (15) per cent of the issued share capital of the Company from time to time, as determined in accordance with the provisions of the Scheme."

(See *Explanatory Note 2*)

STATEMENT BY DIRECTORS

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Lim Choi Hwee
Toon Choi Fan
Company Secretaries

12 December 2007

Explanatory Notes:-

1. Special Business – Item 5 of the Agenda

The Resolution No. 5 proposed in item no. 5 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this Resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued share capital of the Company.

2. Special Business – Item 6 of the Agenda

The Resolution No. 6 proposed in item no. 6 above, if passed, will empower the Directors of the Company to offer and grant options under the Ace Achieve Employee Share Option Scheme and to allot and issue shares pursuant to the exercise of such options under the Ace Achieve Employee Share Option Scheme not exceeding 15% of the issued share capital of the Company from time to time.

For the purpose of determining the number of shares to be issued under Resolution No. 5 and 6 (“Resolutions”), the percentage of issued capital is based on the Company’s issued capital at the time the Resolutions are passed, after adjusting for (a) new shares arising from the conversion of convertible securities; (b) new shares arising from exercising share options outstanding or subsisting at the time of the passing of the Resolutions; and (c) any subsequent consolidation or subdivision of shares.

STATEMENT BY DIRECTORS

3. **Appointment of Proxy -**

- a) *A Member entitled to attend and vote at the Annual General Meeting (“Meeting”) is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
- b) *Where a Member appoints two proxies, he shall specify the proportion of his shareholding (expressed as percentage of the whole) to be represented by each proxy.*
- c) *The Proxy Form shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same or, in the case of the Depository, signed by its duly authorised officer by some method or system of mechanical signature as the Depository may deem fit.*
- d) *The Proxy Form and the power of attorney or other authority (if any) under which it is signed on behalf of the appointor, or a certified copy of such power or authority, shall be delivered to the Company’s Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd (Formerly known as Lim Associates (Pte) Ltd) at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than forty-eight (48) hours before the time appointed for holding the Meeting.*
- e) *The Proxy Form shall be deemed to confer authority to demand or join in demanding a poll.*