



ASX Preliminary Final Report

Enice Holding Company Limited

ARBN 605 525 326

31 December 2017

Lodged with ASX under Listing Rule 4.3A

This preliminary final report covers the consolidated entity, consisting of Enice Holding Company Limited and its controlled entities. The financial statements are presented in Renminbi (RMB), the official currency of the People's Republic of China, unless otherwise stated.

The report is based on accounts which are in the process of being audited.

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**ENICE HOLDING COMPANY LIMITED AND ITS CONTROLLED ENTITIES
RESULTS FOR ANNOUNCEMENTS TO THE MARKET**

Details of reporting period and the previous corresponding period

Reporting Period: 1 January 2017 until 31 December 2017

Prior Corresponding Period: 1 January 2016 until 31 December 2016

Key Information

	Period ended 31 December 2017 RMB'000	Period ended 31 December 2016 RMB'000	%Change
Revenue from Ordinary operations	510,735	503,767	1.38%
Gross Profit from Ordinary operations	137,292	105,589	30.02%
Total Comprehensive income attributable to member of The Company	59,364	42,490	39.72%

Dividends

No dividends have been paid nor are any dividends proposed to be paid.

Consolidated Statement of Comprehensive Income

Please refer to Page 2

Consolidated Statement of Financial Position

Please refer to Page 3

Consolidated Statement of Change in Equity

Please refer to Page 4

Consolidated Statement of Cash Flow

Please refer to Page 5-6

Additional Dividend Information

The company has not declared any dividends.

Dividend Reinvestment Plan

The company has not dividend reinvestment plan.

Net tangible asset backing

Net tangible asset backing per ordinary share at:

31 December 2016

RMB 0.97 per share

At 31 December 2017, there were 259,300,000 shares on issue, which would convert to an asset backing of RMB 1.20 per share.

Controlled Entities Acquired or Disposed of

The company did not acquire or dispose any entities during the reporting period.

Associated and Joint Ventures Entities

The company has no associated or joint venture entities.

Other significant information

The company has no significant information needs to be disclosed.

Foreign Entities

The report has been prepared under International Financial Reporting Standards.

Commentary on the operations and results

The company earned a profit of RMB 0.23 per share. The Company did not propose any dividend distribution or buy back during the period.

During the financial year 2017, the sales of Wireless and RF products experienced a sharp rise by 53.5% compared to year 2016, which reflects the strong market competitiveness of Enice's Wireless and RF products unit. Also, the revenue of Network Engineering Services achieved a steady increase of 27.4% compared to year 2016. By contrast, the revenue from the Advanced Solutions was decreased from RMB 250 million to RMB 137 million. Based on these, the total revenue of Enice almost remained unchanged compared to the last year.

The COGS in 2017 showed a decrease of RMB 24.72 million. Consequently, the gross profit increased by nearly 30% from RMB 105.589 million to RMB 137.292 million. Due to the exploitation of new markets, the start-up cost in FY 2016 was relatively high but this initial investment provided a valid foundation for future market development. From 2017, the business operation of Enice in these new markets started to make profits. Meanwhile, the company carried out stricter cost and budgeting control also made a contribution for that.

During this year, Enice won the bid of China Mobile's DAS Antenna CCP (Central Procurement Program) again which covers 2018 and 2019. Besides this, Enice won another CPP bid which approximately 8.56% of China Mobile Group's passive components were awarded to Enice from 2017 to 2019.

In the Chinese market, the company's geographic expansion plan was still carried on. Our network engineering team turned the new office into a stable one. Also, Wireless and RF products sales map had expanded to two new provinces. In the next couple of years, the company plans to make more investment on the R&D to explore more kinds of innovative products to meet new needs in the mainland market.

Internationally, our global cooperative partners saw a steady increase and we will keep seeking more global market opportunities and exploit more international markets to boost the company global popularity.

Enice's technology strength has achieved further improvement. More specifically, by 27 February 2018, Enice has owned 39 Chinese registered patents, of which 13 invention patents, 24 are utility model patents and 2 are design patents. In addition, Enice also held 37 invention patent applications, 7 PCT patent applications and 9 software copyrights.

The Board is pleased with the progress that the Company has made in FY 2017, particularly given the profit increased. We look forward to updating shareholders on our progress in the near future.

Statement as to the audit status

The report is based on accounts which are in the process of being audited. The Company expects that the audit, when completed, will result in an unqualified audit opinion.

Enice Holding Company Limited

Consolidated Financial Statements

31 December 2017

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Consolidated statements of profit or loss

For the year ended 31 December 2017

	<u>2017</u>	<u>2016</u>
	RMB'000	RMB'000
Revenue	510,735	503,767
Cost of sales	<u>(373,443)</u>	<u>(398,178)</u>
Gross profit	137,292	105,589
Marketing expenses	(4,855)	(4,878)
Administrative expenses	(45,669)	(34,617)
Other gains - net	<u>4,224</u>	<u>1,186</u>
Operating profit	90,992	67,280
Finance costs - net	<u>(14,976)</u>	<u>(14,294)</u>
Profit before income tax	76,016	52,986
Income tax expenses	<u>(16,652)</u>	<u>(10,496)</u>
Profit for the year	<u>59,364</u>	<u>42,490</u>
Profit attributable to:		
Equity holders of the parent	59,364	42,490
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>59,364</u>	<u>42,490</u>
Earnings per share:		
Basic earnings for the period attributable to		
ordinary equity holders of the parent	RMB0.23	RMB0.16
Diluted earnings for the period attributable to		
ordinary equity holders of the parent	RMB0.23	RMB0.16

Consolidated statements of comprehensive income

For the year ended 31 December 2017

	<u>2017</u>	<u>2016</u>
	RMB'000	RMB'000
Profit for the year	59,364	42,490
Total comprehensive income	<u>59,364</u>	<u>42,490</u>
Attributable to:		
Equity holders of the parent	59,364	42,490
Non-controlling interest	<u>-</u>	<u>-</u>
	<u>59,364</u>	<u>42,490</u>

Consolidated statements of financial position

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
Assets		
Non-current assets		
Property, plant and equipment	57,210	59,808
Prepaid land lease payments	32,683	33,521
Intangible assets	1,103	1,241
Deferred tax assets	457	276
	<u>91,453</u>	<u>94,846</u>
Current assets		
Inventories	21,276	14,696
Trade receivables	630,208	470,722
Prepayments, deposits and other receivables	127,857	110,508
Amounts due from related parties	42,572	44,658
Restricted bank balances	11,279	6,295
Cash and cash equivalents	28,166	24,610
	<u>861,358</u>	<u>671,489</u>
Total assets	<u>952,811</u>	<u>766,335</u>
Equity and liabilities		
Equity		
Share capital	187,405	187,405
Other reserves	26,277	20,265
Accumulated profits	99,496	46,144
Equity attributable to equity holders of the parent	<u>313,178</u>	<u>253,814</u>
Non-controlling interests	-	-
Total equity	<u>313,178</u>	<u>253,814</u>
Non-current liabilities		
Other long-term borrowing	40,709	17,898
Total non-current liabilities	<u>40,709</u>	<u>17,898</u>
Current liabilities		
Trade payables and bills payables	234,888	178,213
Advances and other current liabilities	82,077	70,290
Bank borrowings	212,760	207,030
Amounts due to related parties	201	471
Other long-term borrowing - current portion	29,062	14,623
Income tax payable	39,936	23,996
	<u>598,924</u>	<u>494,623</u>
Total liabilities	<u>639,633</u>	<u>512,521</u>
Total equity and liabilities	<u>952,811</u>	<u>766,335</u>

Yu Wei
Chief Executive Officer

Cheng Bo
Chief Financial Officer

Chen Juan
Financial Manager

Consolidated statements of changes in equity

For the year ended 31 December 2017

	Attributable to the equity holders of the parent					Non-controlling interest	Total Equity
	Share capital	Other reserves	Accumulated Profits/(losses)	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2016	187,405	16,093	7,826	211,324	-	211,324	
Profit for the year	-	-	42,490	42,490	-	42,490	
Appropriation of statutory reserves	-	4,172	(4,172)	-	-	-	
As at 31 December 2016	187,405	20,265	46,144	253,814	-	253,814	
As at 1 January 2017	187,405	20,265	46,144	253,814	-	253,814	
Profit for the year	-	-	59,364	59,364	-	59,364	
Appropriation of statutory reserves	-	6,012	(6,012)	-	-	-	
As at 31 December 2017	187,405	26,277	99,496	313,178	-	313,178	

Consolidated statements of cash flows

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
Operating activities		
Profit before income tax	76,016	52,986
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	3,080	2,652
Amortization of leasehold land	838	838
Amortization of intangible assets	203	159
Finance income	(1,344)	(64)
Finance costs	15,321	14,396
Provision for write-down of inventories	830	220
Provision of impairment of trade receivables	5,901	896
Provision of impairment of other receivables	(4)	759
Exchange gain	999	(38)
Working capital adjustments:		
Increase in inventories	(6,778)	(4,146)
Increase in trade receivables, other receivables, deposits and prepayments	(176,835)	(109,283)
Increase/(Decrease) in trade payables, accruals, advances from customers and other current liabilities	67,262	(731)
(Decrease)/Increase in amounts due to related parties for operating activities	(270)	190
	(14,781)	(41,166)
Interest received	1,344	676
Interest paid	(20,608)	(15,157)
Income tax paid	(712)	(789)
Net cash flows generated from /(used in) operating activities	(34,757)	(56,436)
Investing activities		
Purchase of property, plant and equipment	(482)	(2,814)
Additions to other Intangible assets	(65)	(880)
Net cash flows used in investing activities	(547)	(3,694)

Consolidated statements of cash flows *continued*

For the year ended 31 December 2017

	<u>2017</u>	<u>2016</u>
	RMB'000	RMB'000
Financing activities		
Proceeds from employees for share incentive plan	(225)	14,990
Proceeds from bank borrowings	259,760	368,030
Repayment of bank borrowings	(254,030)	(346,100)
(Increase) /Decrease in restricted bank balances pledged as security for notes payable and bank loans	(4,984)	(4,349)
Loans to related parties	-	(23,673)
Repayment of loans by related parties	2,087	3,086
Proceeds of other long-term borrowing, net	37,251	32,521
Net cash flows (used in)/ generated from financing activities	39,859	(44,505)
Net increase /(decrease) in cash and cash equivalents	4,555	(15,625)
Effect of foreign exchange rate changes	(999)	(189)
Cash and cash equivalents at 1 January	24,610	40,424
Cash and cash equivalents at 31 December	28,166	24,610