



Enice Holding Company Limited

21 March 2018

SCHEME DOCUMENT

Enice Holding Company Limited (ASX: ENC) is pleased that the Hong Kong High Court has handed down a sealed Order directing the Company to convene the proposed meeting for the purpose of considering and, if thought fit, approving, with or without modification the proposed Scheme of Arrangement proposed to be made between the Company and the holders of the Scheme Shares to privatise the Company at A\$0.44 per scheme share.

Accompanying this announcement are the following:

- The Scheme Document, which includes an Explanatory Statement setting out the detailed terms of the proposal and the effect on the Scheme CDI Holders.
- Notice of Court Meeting
- Notice of the associated Extraordinary General Meeting
- A CDI Voting Instruction Form in relation to the Scheme Meeting
- A CDI Voting Instruction Form in relation to the associated Extraordinary General Meeting

The documentation is in the process of being distributed. The meetings will be held on Wednesday 11 April 2018, with expected timetable set out in the Scheme Document.

The Scheme Document contains an Independent Expert Report. This values each CDI at between A\$0.41 to A\$0.59, and concludes that the Scheme is fair and reasonable to eligible CDI holders. The Independent Expert Report should be referred to in full as it sets out a number of factors including the advantages, disadvantages and position of the CDI holders if the Scheme does not proceed which are all relevant to its conclusion.

The Scheme Document and Voting Instruction Forms should be considered in their entirety. Any queries should be directed to the Company on

Enice Holding Company Limited

Charlie Yang

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About Enice

Enice (Electronics Network Information of Century East) China was established in May 2000 as a telecommunications infrastructure engineering service provider, providing services to China's three largest mobile carriers to assist them in installing and maintaining the infrastructure underpinning their wireless telecommunications networks.

Enice's goal is to be the leading developer, manufacturer and supplier of technologically-advanced wireless communication Software, Products and Services; and to deliver technology solutions and services across wireless communication networks in China, the world's largest mobile market, and also internationally.

Enice operates in the wireless telecommunication equipment and services industry, primarily in China and North America. Enice's strengths lie in its advanced Wireless Telecommunications technology products and solutions, a highly-skilled Research & Development team, a quality assembly plant, an established market presence in China, and a strong board and management team of telecommunication industry experts. Enice is well-positioned to capitalise on the growth of China's network maintenance and management services market, forecast to increase in value from A\$8.5 billion in 2015 to A\$54 billion 2019.

Enice has proven ability to develop world-leading technology for telecomm carriers' entire Network Lifecycle, and currently holds 12 invention patents, 24 utility model patents, 2 design patents and 10 software copyrights.

Enice has a well-established presence in China and currently employs 400 staff, located in its corporate headquarters in Nanjing, China-based assembly facility Nanjing, China and in regional branch offices in Beijing, Guangdong, Zhejiang, Shanxi, Shandong and Anhui.

For more information on Enice, visit: <http://www.enice.eom.cn/english.php/>

IMPORTANT NOTICE

DEFINITIONS

Unless otherwise stated, capitalised terms used in this document shall have the meanings set out in the “Definitions” section in Appendix IV.

ACTION TO BE TAKEN

Shareholders

If you are a Shareholder, whether or not you are able to attend the Court Meeting and/or the EGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting or any adjourned meeting thereof, and the enclosed white form of proxy in respect of the EGM and to lodge them in accordance with the instructions stipulated in the respective form of proxy.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 11 a.m. (Hong Kong time) (i.e. 2 p.m. (Sydney time)) on Monday 9 April 2018 and the white form of proxy for use at the EGM should be lodged not later than 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Monday 9 April 2018¹.

The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

Scheme CDI Holders

The Scheme CDI Holders will not receive the respective form of proxy from the Company for the purposes of the Court Meeting and EGM. Such forms are received by CDN as the holder of Shares on their behalf. However, CDN will act on the voting instructions of the Scheme CDI Holders with respect to such Shares which are beneficially held by such Scheme CDI Holders.

In this regard, Voting Instruction Forms will be sent to the Scheme CDI Holders with the notices of meeting documentation for the Court Meeting and EGM respectively. The Scheme CDI Holders may, via the Voting Instruction Forms, indicate their voting preference at the respective meeting. By default, CDN would appoint the Chairman of the respective meeting as its proxy to give effect of the voting instructions so received. Scheme CDI Holders may however contact CDN by phone at +61 1300 554 474 or via email to registrars@linkmarketservices.com.au if they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to the Shares for the underlying CDIs for the purposes of attending and voting at the Court Meeting and/or EGM.

The Voting Instruction Forms should be returned to Link Market Services Limited, the CDI registry of the Company, in accordance with the instructions therein as soon as possible and in any event by no later than 11 a.m. (Hong Kong time) (i.e. 2 p.m. (Sydney time)) on Sunday, 8 April 2018 to instruct CDN or its proxy to vote at the Court Meeting and in any event by no later than 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Sunday, 8 April 2018 to instruct CDN or its proxy to vote at the EGM². Link Market Services Limited is the authorised agent of CDN for processing of Voting Instructions Forms returned by the Scheme CDI Holders. If a Scheme CDI Holder does not return the relevant Voting Instruction Form by this time, the Shares underlying his or her CDIs will not be voted at the Court Meeting or the EGM.

Alternatively, Scheme CDI Holders may request CDN to transfer the shares underlying the CDIs to the CDI Holders in order to vote personally at the Court Meeting and/or the EGM.

¹ Being 48 hours before commencement of the Court Meeting or the EGM, as the case may be

² Being 72 hours before commencement of the Court Meeting or the EGM, as the case may be

EXERCISE YOUR RIGHT TO VOTE

If you are a Scheme CDI Holder, we strongly encourage you to exercise your right to give instructions to CDN by completing the Voting Instruction Form and returning the one for the Court Meeting to Link Market Services Limited by no later than 11 a.m. (Hong Kong time) (i.e. 2 p.m. (Sydney time)) on Sunday 8 April 2018 so that CDN or its proxy can vote on your behalf at the Court Meeting and the one for the EGM by no later than 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Sunday 8 April 2018 so that CDN or its proxy can vote on your behalf at the EGM³. If you keep or think you may keep any CDIs in a share lending programme, we urge you to recall any outstanding CDIs on borrow to avoid market participants using borrowed stock to vote against the Proposal, which potentially could have a negative impact on the value of your CDIs.

If you are acting as a registered owner, you should inform any ultimate beneficial owner about the importance of exercising their right to give instructions to CDN/ their right to vote.

If you are in any doubt as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

NOTICE TO US SCHEME CDI HOLDERS

The Proposal is being made for the shares of the Company, a company incorporated in Hong Kong, the CDIs of which are listed on the ASX, and is proposed to be implemented by way of a scheme of arrangement under the Companies Ordinance. A transaction effected by means of a scheme of arrangement is neither subject to the proxy solicitation nor the tender offer rules under the United States Securities Exchange Act of 1934, as amended. The Proposal will be subject to requirements, rules and practices in Hong Kong which are different from the requirements of the US proxy solicitation rules and tender offer rules. The financial information included in this document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. In addition, the settlement procedure with respect to the Proposal will comply with the rules of the Companies Ordinance, which differ from US domestic settlement procedures in certain material respects, particularly with regard to the date of payment of consideration.

It may be difficult for US holders of Scheme Shares to enforce their rights and any claim arising out of the US federal securities laws, since the Offeror and the Company are located in a non-US jurisdiction, some or all of their officers and directors may be residents of non-US jurisdictions, and substantially all of the assets of the Offeror and the Company, and their respective officers and directors, may be located outside the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates, or an officer or director who is not a citizen or resident of the United States, to subject themselves to a US court's judgment.

Neither the US Securities and Exchange Commission nor any other US federal or state securities commission or regulatory authority has approved or disapproved or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

³ See FN2 above

EXPECTED TIMETABLE

Hong Kong time

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|--|--|
| Date that notices of Court Meeting and EGM be given to CDN and CDI Holders (<i>Note 1</i>) | Friday, 23 March 2018 |
| Register of CDI Holders closed for determination of entitlements of CDI Holders to instruct CDN to attend and vote at the Court Meeting/ EGM (<i>Note 2</i>) | 12 p.m. on Friday, 6 April 2018 |
| Latest time for receipt by Link Market Services Limited of completed Voting Instruction Form(s) from CDI Holders in respect of the Court Meeting (<i>Note 3</i>)..... | 11 a.m. on Sunday, 8 April 2018 |
| Latest time for receipt by Link Market Services Limited of completed Voting Instruction Form(s) from CDI Holders in respect of the EGM (<i>Note 3</i>) | 12 p.m. on Sunday, 8 April 2018 |
| Latest time for lodging forms of proxy in respect of the Court Meeting (<i>Note 4</i>) | 11 a.m. on Monday, 9 April 2018 |
| Latest time for lodging forms of proxy in respect of the EGM (<i>Note 4</i>) | 12 p.m. on Monday, 9 April 2018 |
| Court Meeting (<i>Note 5</i>) | 11 a.m. on Wednesday, 11 April 2018 |
| EGM (<i>Note 5</i>) | 12 p.m. on Wednesday, 11 April 2018 (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) |
| Announcement of the results of the Court Meeting and the EGM (<i>Note 6</i>)..... | no later than 6 p.m. on Wednesday, 11 April 2018 |
| High Court hearing of the summons for directions in respect of the capital reduction (<i>Note 7</i>) | 10 a.m. on Monday, 23 April 2018 |
| High Court hearing of the petition to sanction the Scheme (<i>Note 7</i>) | 10 a.m. on Tuesday, 15 May 2018 |
| Announcement of (i) the result of the High Court hearing of the petition to sanction the Scheme, (ii) the Effective date (iii) suspension of trading of CDIs on ASX and (iv) the withdrawal of the listing of the CDIs on the ASX (<i>Note 8</i>)..... | no later than 3:00 p.m. on Tuesday, 15 May 2018 |
| Record Date (<i>Note 9</i>)..... | mid to late May 2018 |
| Effective date (<i>Note 10</i>) | mid to late May 2018 |
| Suspension of trading of CDIs on ASX (<i>Note 11</i>)..... | mid to late May 2018 |
| Cheques for cash entitlements under the Scheme to be dispatched (<i>Note 12</i>)..... | mid June 2018 |
| Withdrawal of the listing of the CDIs on the ASX becomes effective (<i>Note 13</i>)..... | mid June 2018 |

Notes:

1. Notices convening the Court Meeting and EGM can be found at appendices VI and VII. Notices to be sent at least 16 days before the date of the Court Meeting and the EGM.
2. The cut-off time for the purposes of ascertaining the voting entitlements for the Court Meeting and EGM. From the cut-off time until the conclusion of the EGM, no transfer of Shares will be effected.
3. Voting instruction Forms in respect of CDIs to be used by CDI Holders should be returned to Link Market Services Limited in accordance with the instructions on the Voting Instruction Form as soon as possible, and, for the ones for the Court Meeting, in any event by no later than 11 a.m. (Hong Kong time) (i.e. 2 p.m. (Sydney time)) on Sunday 8 April 2018, being 72 hours before commencement of the Court Meeting, and for the ones for the EGM, in any event by no later than 12 p.m. (Hong Kong time) (i.e. 3:00 p.m. (Sydney time)) on Sunday 8 April 2018, being 72 hours before commencement of the EGM. If a CDI Holder does not return the Voting Instruction Form by these times, the Shares underlying his or her CDIs will not be voted at the Court Meeting and/or the EGM.
4. Forms of proxy should be lodged, by hand or by post in accordance with the instructions therein, as soon as possible and in any event no later than 48 hours before commencement of the Court Meeting or the EGM, as the case may be. In order to be valid, the pink form of proxy for the Court Meeting and the white form of proxy for the EGM must be lodged not later than the times and dates stated above. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude the Shareholder from attending the relevant meetings and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
5. The Court Meeting and the EGM will both be held in Dentons Hong Kong LLP's office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong on Wednesday, 11 April 2018 at 11 a.m. and 12 p.m. (Hong Kong time) (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively. Please see the notice of the Court Meeting set out in Appendix VI and the notice of the EGM set out in Appendix VII of this document for details.
6. By the close of business of the date of the conclusion of the Court Meeting and the EGM.
7. The High Court hearings of the petition to sanction the Scheme and of the summons for directions in respect of the capital reduction will be held at the High Court Building, 38 Queensway, Hong Kong.
8. By the close of business of the date of the conclusion of the High Court hearing, the Effective Date, the date on which trade in the CDIs is suspended and the date on which withdrawal of the listing of the CDIs on the ASX can be expected or estimated, as the case may be.
9. The business day immediately preceding the effective date, being the record date for the purpose of determining the entitlement of the holders of the Scheme Shares under the Scheme.
10. The Scheme shall become effective upon all the Conditions being fulfilled and/or otherwise waived (as the case may be) and the registration of the respective Court Orders sanctioning the scheme and confirming the reduction of share capital pursuant to sections 230 and 673 of the Companies Ordinance (Cap. 622).
11. Trading in the CDIs will be suspended from the close of trading on the date on which the Order sanctioning the Scheme becoming legally effective upon the Order being registered by the Registrar of Companies.
12. Cheques for cash entitlements under the Scheme will be dispatched within 5 Business Days, and in any event not later than 15 Business Days, from the Effective Date.
13. Delisting is expected to occur on the same date that for cash entitlements under the Scheme is made to the holders of the Scheme Shares, i.e. within 5 Business Days, and in any event not later than 15 Business Days, from the Effective Date.

All references to times and dates in this document are references to Hong Kong times and dates, unless otherwise stated.

Shareholders and CDI Holders should note that the above expected timetable, which is dependent on all Conditions being fulfilled and/or otherwise waived (as the case may be) and the availability of the dates for the High Court to hear the proceedings for the sanction of the Scheme, is subject to change. Further announcements will be made in the event of a material change to the expected timetable.

LETTER FROM THE BOARD



Enice Holding Company Limited
(Incorporated in Hong Kong with limited liability)
(Stock code: ENC)
ARBN 605 525 326

Executive/Non-Independent Directors:

Mr Yongjun Shen (Chairman)
Dr Yihong Qi
Dr Wei Yu

Registered Office:

27/F, Alexandra House
18 Chater Road, Central
Hong Kong SAR

Independent Directors:

Mr Ross Benson
Prof. Jun Fan
Mr Simon Green

23 March 2018

To the Shareholders and CDI Holders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
THE COMPANY
BY
THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
AT THE CANCELLATION PRICE OF A\$0.44 PER SCHEME SHARE**

INTRODUCTION

On 5 October 2017, the Company announced that the Offeror had requested the Board to put forward the Proposal to the Scheme CDI Holders regarding a proposed privatisation of the Company by way of the Scheme. The Scheme involves the cancellation of all the Scheme Shares, as a result of which it is intended that the Offeror and the Excluded Group will hold 100% of the issued share capital of the Company, on the basis of 39,600,000 Scheme Shares to be cancelled, assuming that there are no changes to the shareholding structure of the Company on or prior to the Effective Date. Having reviewed the Proposal, the Board resolved to put the Proposal forward to the Scheme CDI Holders.

The Independent Directors would advise the Independent CDI Holders in connection with the Proposal. The Independent Directors has commissioned BDO Corporate Finance (QLD) Ltd to advise them in connection with the Proposal.

The purpose of this document is to provide you with further information regarding the Proposal and to give you notices of the Court Meeting and the EGM. Your attention is also drawn to:

- (i) the letter from the Independent Directors set out on pages 11 to 13 of this document;
- (ii) the Independent Expert Report from BDO Corporate Finance (QLD) Ltd set out in Appendix II of this document;
- (iii) the Explanatory Statement set out on pages 14 to 35 of this document; and
- (iv) the Scheme set out in Appendix V of this document.

SUMMARY OF THE PROPOSAL

Scheme Shares

The Scheme provides that the Scheme Shares be cancelled in exchange for the payment to each Scheme Shareholders of:

for each Scheme Share A\$0.44 each

In accordance with the ASX Rules, the practical effect of the Scheme will be that the relevant CDIs representing the Scheme Shares will be cancelled in exchange for the payment to each Scheme CDI Holders of A\$0.44 each (*see* “Effect on Scheme CDI Holders” at pages 20 to 22 of the Explanatory Statement).

As at the Latest Practicable Date, there were 259,300,000 CDIs in issue, and the Scheme CDI Holders were interested in 39,600,000 CDIs (representing approximately 15.27% of the issued share capital of the Company as at the Latest Practicable Date), and the members of the Excluded Group were interested in 219,700,000 CDIs (representing approximately 84.73% of the issued share capital of the Company as at the Latest Practicable Date).

The Shares represented by the CDIs held by the members of the Excluded Group will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. Further, only Independent CDI Holders may instruct CDN to vote on behalf of them at the Court Meeting. Accordingly, any Scheme Shares beneficially held by the Offeror, the Excluded Group and any other persons acting in concert with/acting as nominees on behalf of the Offeror or the Excluded Group and any associate as defined in Section 667 of the Companies Ordinance will not be voted at the Court Meeting.

Options

As at the Latest Practicable Date, there were no outstanding options, derivatives, warrants or other securities issued by the Company that carry a right to subscribe for or which are convertible or exchangeable into Shares or CDIs of the Company.

Terms of the Proposal

The detailed terms of the Proposal are set out in the Explanatory Statement on pages 14 to 35 of this document.

COMPARISONS OF VALUE

The Cancellation Price represents:

- a premium of approximately 91.30% over the closing price of A\$0.23 per CDI as quoted on the ASX on the Last Trading Date;
- a premium of approximately 96.43% over the average closing price of about A\$0.224 per CDI based on the daily closing prices as quoted on the ASX over the 5 trading days up to and including the Last Trading Date;
- a premium of approximately 114.63% over the average closing price of about A\$0.205 per CDI based on the daily closing prices as quoted on the ASX over the 30 trading days up to and including the Last Trading Date;
- a premium of approximately 72.55% over the average closing price of about A\$0.255 per CDI based on the daily closing prices as quoted on the ASX over the 180 trading days up to and including the Last Trading Date;
- a premium of approximately 14.29% over the closing price of A\$0.385 per CDI as quoted on the ASX on the Latest Practicable Date;
- a premium of approximately 17.96% over the average closing price of about A\$0.373 per CDI based on the daily closing prices as quoted on the ASX over the 5 trading days up to and including the Latest Practicable Date;
- a premium of approximately 23.60% over the average closing price of about A\$0.356 per CDI based on the daily closing prices as quoted on the ASX over the 30 trading days up to and including the Latest Practicable Date;
- a premium of approximately 44.26% over the average closing price of about A\$0.305 per CDI based on the daily closing prices as quoted on the ASX over the 180 trading days up to and including the Latest Practicable Date;
- a premium of approximately 134.04% to the audited consolidated net asset value attributable per CDI of about A\$0.188 (based on the exchange rate of A\$1=RMB5.1931 on 03 October 2017) as at 31 December 2016; and
- a premium of approximately 144.44% to the unaudited consolidated net asset value attributable per CDI of about A\$0.180 (based on the exchange rate of A\$1=RMB5.1931 on 03 October 2017) as at 30 June 2017.

The Cancellation Price payable for each Scheme Share pursuant to the Scheme was determined based on the prices of the CDIs traded on the ASX over various periods and premiums offered by the Cancellation Price over such market prices.

CONDITIONS OF THE PROPOSAL

The Proposal is conditional upon the fulfilment or waiver, as applicable, of the Conditions set out in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 15 to 19 of this document.

When the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective and binding on the Offeror, the Company and the Shareholder(s). The rights of Scheme CDI Holders will also be affected as a practical consequence of the Scheme becoming effective, in accordance with and pursuant to the operation of the ASX Rules (*see* “Effect on Scheme CDI Holders” at pages 20 to 22 of the Explanatory Statement).

The Scheme will lapse if it does not become effective on or before the expiration of six (6) months from the date the Court Meeting was ordered to be convened at the direction of the High Court or such later date as the Offeror and the Company may agree and the High Court may allow.

Shareholders, CDI Holders, holders of other securities and/or potential investors should be aware that implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. Shareholders, CDI Holders, holders of other securities and potential investors are advised to exercise caution when dealing in the Shares or CDIs or other securities of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement on page 28 of this document.

INTENTION OF MR SHEN WITH REGARD TO THE COMPANY

Please refer to the section headed “Intention of Mr Shen with regard to the Company” in the Explanatory Statement on page 28 of this document.

INFORMATION ON THE GROUP AND THE OFFEROR

Your attention is drawn to the sections headed “Information on the Group” and “Information on the Offeror” in the Explanatory Statement on pages 27 to 28 of this document. Your attention is also drawn to the “Financial Information of the Group” in Appendix I to this document and the “Independent Expert Report” in Appendix II to this document.

COURT MEETING AND EGM

In accordance with the direction of the High Court, the Court Meeting will be convened to be held on Wednesday, 11 April 2018 for the purpose of considering and, if thought fit, passing an appropriate resolution to approve the Scheme (with or without modifications). The Scheme is subject to approval by the Independent CDI Holders at the Court Meeting in the manner referred to in paragraph (a) of the section headed “Conditions of the Proposal” in the Explanatory Statement on page 15 of this document. Only Independent CDI Holders may instruct CDN to vote on behalf of them at the Court Meeting. The CDIs held by the members of the Excluded Group will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. In addition, any Scheme Shares beneficially held by the Offeror, the Excluded Group and any other persons acting in concert with/acting as nominees on behalf of the Offeror or the Excluded Group and any associate as defined in Section 667 of the Companies Ordinance, will not be voted at the Court Meeting.

Immediately following the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and, immediately thereafter, applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full and issue to the Offeror such number of New Shares as is equal to the number of Scheme Shares cancelled. The special resolution will be passed provided that it is approved by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting, in person or by proxy, at the EGM. All Shareholders will be entitled to attend and vote on such special resolution at the EGM.

The Scheme CDI Holders will not receive the respective form of proxy from the Company for the purposes of the Court Meeting and EGM. Such forms are received by CDN as the holder of Shares on their behalf. However, CDN will act on the voting instructions of the Scheme CDI Holders with respect to such Shares which are beneficially held by such Scheme CDI Holders.

In this regard, Voting Instruction Forms will be sent to the Scheme CDI Holders with the notices of meeting documentation for the Court Meeting and EGM respectively. The Scheme CDI Holders may, via the Voting Instruction Forms, indicate their voting preference at the respective meeting. By default, CDN would appoint the Chairman of the respective meeting as its proxy to give effect of the voting instructions so received. Scheme CDI Holders may however contact CDN by phone at +61 1300 554 474 or via email to registrars@linkmarketservices.com.au if they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to the Shares for the underlying CDIs for the purposes of attending and voting at the Court Meeting and/or EGM.

The Voting Instruction Forms should be returned to Link Market Services Limited, the CDI registry of the Company, in accordance with the instructions therein as soon as possible and in any event by no later than 11 a.m. (Hong Kong time) (i.e. 2 p.m. (Sydney time)) on Sunday 8 April 2018, in order to instruct CDN or its proxy to vote at the Court Meeting, and in any event by no later than 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Sunday 8 April 2018⁴. Link Market Services Limited is the authorised agent of CDN for processing of Voting Instruction Forms returned by the Scheme CDI Holders. If a Scheme CDI Holder does not return the relevant Voting Instruction Form by this time, the Shares underlying his or her CDIs will not be voted at the Court Meeting or the EGM.

Alternatively, Scheme CDI Holders may request CDN to transfer the shares underlying the CDIs to the CDI Holders in order to vote personally at the Court Meeting and/or the EGM.

Notice of the Court Meeting is set out in Appendix VI of this document. The Court Meeting will be held at 11 a.m. on Wednesday, 11 April 2018 at Dentons Hong Kong LLP's office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong..

Notice of the EGM is set out in Appendix VII of this document. The EGM will be held on Wednesday, 11 April 2018 at Dentons Hong Kong LLP's office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong at 12 p.m. or immediately after the conclusion or adjournment of the Court Meeting, whichever is the later.

The Voting Instruction Forms in respect of the Court Meeting and the EGM are set out in Appendix VIII and Appendix IX of this document respectively.

⁴ See FN2 above

The forms of proxy in respect of the Court Meeting and the EGM are set out in Appendix X and Appendix XI of this document respectively.

EXPLANATORY STATEMENT

Please refer to the Explanatory Statement on pages 14 to 35 for detailed information in relation to the terms of the Proposal and a detailed explanation of the effects of the Proposal.

RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS

Your attention is also drawn to the recommendations of the Independent Directors in respect of the Scheme, set out in the letter from the Independent Directors on pages 11 to 13 of this document.

ADVICE OF THE INDEPENDENT EXPERT

Please also refer to the advice of the Independent Expert, set out in Independent Expert Report set out in Appendix II of this document.

ADDITIONAL INFORMATION

You are urged to read carefully:

- (i) the letter from the Independent Directors set out on pages 11 to 13 of this document;
- (ii) the Explanatory Statement set out on pages 14 to 35 of this document;
- (iii) the Appendices to this document, including the Scheme set out in Appendix V of this document;
- (iv) the notice of the Court Meeting set out Appendix VI of this document; and
- (v) the notice of the EGM set out in Appendix VII of this document.

Yours faithfully,

For and on behalf of the Board of
Enice Holding Company Limited
Yongjun Shen
Director

LETTER FROM THE INDEPENDENT DIRECTORS



Enice Holding Company Limited
(Incorporated in Hong Kong with limited liability)
(Stock code: ENC)
ARBN 605 525 326

Independent Directors:
Mr Ross Benson
Prof. Jun Fan
Mr Simon Green

Registered Office:
27/F, Alexandra House
18 Chater Road, Central
Hong Kong SAR

23 March 2018

To the Shareholders and CDI Holders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
THE COMPANY
BY
THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
AT THE CANCELLATION PRICE OF A\$0.44 PER SCHEME SHARE**

INTRODUCTION

As the Independent Directors of the Company, the following sets out our recommendation in relation to the Proposal to the Scheme CDI Holders regarding a proposed privatization of the Company at A\$0.44 per CDI.

BACKGROUND

The Company listed on the ASX at A\$0.40 some two years ago and since that time has mostly traded below this price.

There has been only modest liquidity of trading in the CDIs since that time, and hence there is only limited opportunity to monetize the holding of CDIs at a reasonable price.

At the time the Proposal was announced, it was stated to be conditional on the Offeror obtaining finance. As set out in this document, this finance has been obtained and accordingly the Proposal is no longer conditional on funding.

As set out in this document, if the Scheme is approved by the requisite majorities and the other conditions are satisfied, it is presently contemplated that cheques for cash entitlements under

the Scheme will be dispatched within 5 Business Days, and in any event not later than 15 Business Days, from the Effective Date.

The Company considers that the CDI trading price on the Last Trading Date does not reflect the underlying value of the Company's business. At the same time, the Company considers that the offer price of A\$0.44 to be reasonable and that Scheme CDI Holders should have the opportunity to consider and vote on the Proposal in these circumstances.

INDEPENDENT EXPERT REPORT

In order to assist Scheme CDI Holders and to support the recommendations of the Independent Directors, the Company has commissioned an Independent Expert Report to value the Company's business as set out in Appendix II. In summary, the Independent Expert Report states as follows:

- The Cancellation Price is within the Independent Expert's valuation range of the Company's CDIs prior to the Proposal.
- The Proposal is fair and reasonable, with advantages including-
 - the Cancellation Price is fair to the CDI holders as at 8 March 2018, the date of the Independent Expert Report;
 - the Cancellation Price is at a premium to the CDI price on ASX prior to the Proposal;
 - the current Cancellation Price is known such that Scheme CDI Holders will no longer be exposed to the variability in the Company's CDI price, and there are no brokerage commissions payable;
 - the Proposal provides a means to realise a return from a relatively illiquid security; and
 - the Company has not received a superior proposal.

The Independent Expert Report should be referred to in full as it sets out a number of factors including the advantages, disadvantages and position of the CDI holders if the Scheme does not proceed which are all relevant to its conclusion.

RECOMMENDATION

The Independent Directors have had regard to various factors in forming their recommendation including in particular the following material factors:

- **Substantial premium** - the Cancellation Price under the Proposal is at a substantial premium to the CDI price on ASX on the Last Trading Date.
- **No superior offer to date** - since the Proposal was announced, no superior offer has emerged.

- **Opportunity to exit** - the Proposal provides Scheme CDI Holders with an opportunity to exit their investment where historically the market for CDIs has been relatively illiquid.
- **Certainty of value** - the Cancellation Price is payable in cash which provides Scheme CDI Holders with certainty of value.
- **Independent Expert Report conclusion** - the Independent Expert has, after considering the advantages, disadvantages and other considerations, concluded that in the absence of any other information or a superior offer, the Cancellation Price is fair and reasonable to the Scheme CDI Holders as at the date of the Independent Expert Report.

Having regard to the matters set out in this letter and in this document and subject to the following sentence, the Independent Directors recommend that Scheme CDI Holders support the Proposal and instruct CDN to vote in favour of the resolutions to approve the Scheme at the Court Meeting and the special resolutions to approve and give effect to the Scheme at the EGM.

This recommendation is subject to there not being a superior proposal which may be received prior to the date of the meetings to vote in relation to the Proposal. If a superior proposal is received, then this recommendation will be reconsidered.

ADDITIONAL INFORMATION

You are urged to read carefully the Independent Expert Report set out in Appendix II of this document.

Yours faithfully,

For and on behalf of the Independent Directors of
Enice Holding Company Limited
Ross Benson
Director

EXPLANATORY STATEMENT

This explanatory statement constitutes the statement required under Section 671 of the Companies Ordinance.

SCHEME OF ARRANGEMENT TO CANCEL ALL THE SCHEME SHARES IN CONSIDERATION OF THE OFFEROR AGREEING TO PAY THE CANCELLATION PRICE OF A\$0.44 FOR EACH SCHEME SHARE

INTRODUCTION

On 5 October 2017, the Company announced to ASX that the Offeror had requested the Board to put forward the Proposal to the Scheme CDI Holders regarding a proposed privatisation of the Company by way of the Scheme involving the cancellation of all the Scheme Shares, as a result of which it is intended that the Offeror and the Excluded Group will collectively hold 100% of the issued share capital of the Company, on the basis of 39,600,000 Scheme Shares to be cancelled, assuming that there are no changes to the shareholding structure of the Company on or prior to the Effective Date. Following the Effective Date, the listing of the CDIs will be withdrawn from the ASX.

The purpose of this Explanatory Statement is to explain the terms and effects of the Scheme and to provide the Scheme CDI Holders with other relevant information in relation to the Scheme, and in particular, to state any material interests of the Directors, whether as directors or as members or as creditors of the Company or otherwise, and the effect thereon of the Scheme, insofar as it is different from the effect on the like interests of other persons.

The particular attention of the CDI Holders is drawn to the following sections of this document: (i) the letter from the Board set out on pages 5 to 10 of this document; (ii) the letter from the Independent Directors in connection with the Scheme set out on pages 11 to 13 of this document; (iii) the Independent Expert Report set out in Appendix II of this document; and (iv) the Scheme set out in Appendix V of this document.

SUMMARY OF THE PROPOSAL

The Scheme

The Scheme is to be implemented by way of a scheme of arrangement under Section 673 of the Companies Ordinance. The Scheme provides that the Scheme Shares be cancelled in exchange for the payment to each holder of the Scheme Share of A\$0.44 in cash for each Scheme Share.

Scheme Shares

As at the Latest Practicable Date, there were 259,300,000 CDIs in issue, of which the Scheme CDI Holders were interested in 39,600,000 CDIs (representing approximately 15.27% of the issued share capital of the Company as at the Latest Practicable Date) and the members of the Excluded Group were interested in 219,700,000 CDIs (representing approximately 84.73% of the issued share capital of the Company as at the Latest Practicable Date).

The Shares represented by the CDIs held by the members of the Excluded Group will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. Further, only Independent CDI Holders may instruct CDN to vote on behalf of them at the Court Meeting. Accordingly, any Scheme Shares beneficially held by the Offeror, the Excluded Group and any other persons acting in concert with/acting as nominees on behalf of the Offeror or the Excluded Group and any associate as defined in Section 667 of the Companies Ordinance will not be voted at the Court Meeting.

Options

As at the Latest Practicable Date, there were no outstanding options, derivatives, warrants or other securities issued by the Company that carry a right to subscribe for or which are convertible or exchangeable into Shares or CDIs of the Company.

CONDITIONS OF THE PROPOSAL

The Proposal is conditional upon the fulfilment or waiver, as applicable, of the Conditions as described below in this section. All Conditions will have to be fulfilled or waived, as applicable, on or before the expiration of six (6) months from the date the Court Meeting was ordered to be convened at the direction of the High Court (or such later date as the Offeror and the Company may agree and the High Court may allow), otherwise the Proposal will lapse. If the Scheme is withdrawn, not approved or lapses, the listing of the CDIs on the ASX will not be withdrawn. If approved, the Scheme will be binding on the Offeror, the Company and the Shareholder(s). The rights of Scheme CDI Holders will also be affected as a practical consequence of the Scheme becoming effective, in accordance with and pursuant to the operation of the ASX Rules, irrespective of whether or not they attended or voted at the Court Meeting (*see* “Effect on Scheme CDI Holders” at pages 20 to 22 of the Explanatory Statement).

The Proposal will become effective and binding on the Offeror, the Company and the Shareholders (resulting further in the practical impact on all Scheme CDI Holders) subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by the shareholders of the Company representing at least 75% of the voting rights of the shareholders present and voting on behalf of Independent CDI Holders either in person or by proxy at the Court Meeting, provided that, the votes cast against the Scheme at the Court Meeting do not exceed 10% of the total voting rights attached to all the Shares held by the Independent CDI Holders in the Company;
- (b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the shareholders present and voting, in person or by proxy, at the EGM (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance), to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and, immediately thereafter, applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full and issue to the Offeror such number of New Shares as is equal to the number of Scheme Shares cancelled;

- (c) the High Court's sanction of the Scheme (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (d) compliance with the procedural requirements of Sections 673 and 674 and 230 and 231 of the Companies Ordinance in relation to the Scheme and the reduction of the issued share capital of the Company respectively;
- (e) the approvals or confirmations (as applicable) in Australia in respect of the following matters having been obtained:
 - (i) in principle approval from the ASX that if the Scheme becomes effective then the ASX would agree to a request for the removal of the Company from the official list of the ASX on the basis that any such ASX conditions are able to be satisfied without being likely to adversely impact the Scheme;
 - (ii) any requirements which CDN reasonably requires with respect to the CDIs are able to be satisfied without being likely to adversely impact the Scheme; and
 - (iii) confirmation being obtained for the purposes of the Australian Corporations Act that the Scheme is regulated by or under Hong Kong law such that the unsolicited offer requirements of Division 5A of Part 7.9 of the Corporations Act do not apply in respect of the Scheme as a consequence of ASIC Corporations (Unsolicited Offers - Foreign Bids) Instrument 2015/1070, or alternatively that compliance with these requirements can occur without being likely to adversely impact the Scheme;
- (f) there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which as a consequence of the Proposal or the Scheme would result in (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal):
 - (i) any monies borrowed by or any other indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or earlier than their or its stated maturity date or repayment date;
 - (ii) any such agreement, arrangement, licence, permit or instrument (or the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability arising or any material action being taken thereunder); or
 - (iii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Group is a

party or by which any such member or all or any of its assets may be bound, entitled or subject, would result in any of the events or circumstances as are referred to in subparagraphs (i) to (iii) of this paragraph (f) (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal);

- (g) except in so far as such event forms part of the Proposal or the Scheme or save as publicly disclosed prior to the date hereof, since 30 June 2017, no member of the Group having (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal):
- (i) save as between the Company and wholly-owned subsidiaries of the Company (“**intra-Enice Group transactions**”) (if any) or pursuant to the share option schemes (if any), issued or authorised the issue of additional shares of any class or redeemed, purchased or reduced (or announced any intention to do so) or made any other change to any part of its share capital;
 - (ii) save for intra-Enice Group transactions (if any) or pursuant to the share option schemes (if any), issued or agreed to issue (or authorised or agreed to authorise) securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
 - (iii) other than lawfully to another member of the Group (or, in the case of the Company, its shareholders as a class), recommended, declared, paid or made (or proposed to recommend, declare, pay or make) any bonus, dividend or other distribution (whether payable in cash or otherwise);
 - (iv) save for intra-Enice Group transactions (if any), implemented, effected or authorised (or announced its intention to implement, effect or authorise) any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares (or the equivalent thereof) in any undertaking or undertakings;
 - (v) save for intra-Enice Group transactions (if any) and other than in the ordinary course of business, disposed of (or transferred, mortgaged or created any security interest over) any asset (or any right, title or interest in any asset) that is material in the context of the Group taken as a whole (or authorised, proposed or announced any intention to do so);
 - (vi) save for intra-Enice Group transactions (if any), made or authorised any material increase to its levels of financial indebtedness (whether by way of loan, bond or other debt or credit facility or instrument);
 - (vii) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings started or threatened against it for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any material part of its assets or revenues (or any analogous proceedings in any jurisdiction or had any such person, or analogous person in any jurisdiction, appointed);

- (viii) been unable or admitted in writing that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally (or ceased or threatened to cease carrying on all or a substantial part of its business) or waived, compromised or settled any claim otherwise than in the ordinary course of business;
- (ix) purchased, redeemed or repaid (or announced any proposal to purchase, redeem or repay) any of its own shares or other securities (or reduced or, save with respect to the matters mentioned in sub-paragraph (i) of this paragraph (g), made any other change to any part of its share capital);
- (h) all Authorisations (if any) in connection with the Proposal from or with (as the case may be) the Relevant Authorities in the PRC, Hong Kong and/or any other relevant jurisdictions having been made and, if applicable, any waiting periods having expired or terminated (in each case where such Authorisation is material in the context of the Group as a whole and in the context of the Proposal);
- (i) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for (or is in addition to requirements expressly provided for) in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective (in each case where such Authorisation is material in the context of the Group as a whole and in the context of the Proposal);
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme void, unenforceable or illegal (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme);
- (k) all necessary consents which may be required under any existing contractual obligations of the Company and/or its subsidiaries being obtained and remaining in full force and effect without modification (in each case where the failure to obtain such consent is material in the context of the Group as a whole and in the context of the Proposal); and
- (l) since 30 June 2017:
 - (i) there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole and in the context of the Proposal); and
 - (ii) there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing,

announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole and in the context of the Proposal; and

(m) the Offeror having obtained sufficient funding to effect the Proposal.

The Offeror reserves the right to waive all or any of the above Conditions, either in whole or in respect of any particular matter, except for Conditions (a) to (e).

The Company shall use its reasonable endeavours to ensure that Conditions (f), (g) and (l) are fulfilled, and the Excluded Group will not take any action to prevent Conditions (f), (g) and (l) from being fulfilled.

The Offeror may not invoke Conditions (f), (g) and (l) unless any of the authorisations referred to in those Conditions are obtained subject to conditions imposed by the relevant authorities and any of those conditions cannot reasonably be satisfied by the Offeror or is otherwise unduly burdensome or onerous to the Offeror or any person acting in concert with the Offeror.

It is noted that as at the date of this document Conditions (e)(i), (e)(iii) and (m) have been satisfied.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective in mid June 2018. Further announcements will be made in the event of a material change to the expected Effective Date of the Scheme.

An announcement will be made by the Company and the Offeror if the Scheme lapses.

Shareholders, CDI Holders, holders of other securities and/or potential investors should be aware that implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. Shareholders, CDI Holders, holders of other securities and potential investors are advised to exercise caution when dealing in the Shares or CDIs or other securities of the Company.

SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING

According to Section 670 of the Companies Ordinance, where an arrangement is proposed between a company and its members or any class of them, the High Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the High Court directs.

It is expressly provided in Section 673 of the Companies Ordinance that if members representing at least 75% of the voting rights of the members present and voting either in person or by proxy at the meeting summoned as directed by the High Court as aforesaid, agree to any arrangement, and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all the Disinterested Shares in the Company, the arrangement shall, if sanctioned by the High Court, be binding on all members or the class of members, as the case may be, and also on the Company.

BINDING EFFECT OF THE SCHEME

Effect on Shareholders

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of Section 674 of the Companies Ordinance, as described above, and is sanctioned by the High Court pursuant to Section 673 of the Companies Ordinance and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme will become binding on the Company and the Shareholder(s).

If the Scheme becomes effective:

- (1) all the Scheme Shares will be cancelled, whereupon the issued share capital of the Company shall be reduced from approximately A\$36,087,308 to approximately A\$30,576,776 (assuming that there are no changes to its shareholding structure on or prior to the Effective Date) and all Share certificates representing holdings of those Scheme Shares cancelled shall cease to have effect as documents of title;
- (2) the issued share capital of the Company will then be increased by the creation of a number of New Shares equal to the number of Scheme Shares cancelled;
- (3) on the Effective Date, the credit which will arise in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full at par the number of New Shares created (equal to the number of Scheme Shares cancelled) and such New Shares will be allotted and issued, credited as fully paid, to the Offeror; and
- (4) the Offeror will or will procure to pay the Cancellation Price of A\$0.44 per Scheme Share to the Shareholders for each Scheme Share held prior to the cancellation of the Scheme Shares.

Effect on Scheme CDI Holders

The rights of Scheme CDI Holders will be altered as a practical consequence of the Scheme becoming effective, in accordance with and pursuant to the operation of the ASX Rules. The ASX Rules provide that the depositary nominee appoints the issuer to be the depositary nominee's attorney and, in the name of the depositary nominee and on the depositary nominee's behalf, to do all things necessary or desirable to give full effect to the rights and obligations of the depositary nominee. The depositary nominee undertakes to ratify and confirm anything done by the issuer under the power of attorney. The ASX Rules also provide that: (a) where a corporate action results in the cancellation, buy back or other reduction in number by whatever means of the principal financial products; and (b) the principal issuer must administer the corporate action (i) as if each CDI holder holds a corresponding number of principal financial products and (ii) so that the corporate action adjusts the CDI holder's holdings on the same terms as would otherwise have applied if the CDI holders were holders of the principal financial products.

As a result of the above, if the Scheme becomes effective, the Company is required to administer the proposed Scheme in a way that adjusts the CDI holdings as if they were shareholdings. That means that the Company is required to adjust the rights of the Scheme CDI Holders as if they were Shareholders, including the cancellation of the relevant CDIs representing the Scheme Shares, and likewise all holding statements with respect to those CDIs will be cancelled and shall cease to take effect as documents or evidence of title.

Unless otherwise agreed as between any Scheme Shareholder(s), the Offeror and the Company, the Offeror and the Company agree and undertake, in accordance with the Company's rights and obligations under the ASX Rules, that they will or will procure to pay the Cancellation Price to the Scheme Shareholder(s) in the following manner (so as to pass on the economic benefits from CDN to any Scheme CDI Holder(s)):-

- (a) Not later than 5 Business Days, and in any event not later than 15 Business Days, after the Effective Date, the Offeror shall send or procure to be sent to the Scheme CDI Holders (as appearing in the register of CDI Holders of the Company on the Record Date) cheques in respect of the sums payable to such holders pursuant to clause 2 of the Scheme.
- (b) Unless indicated otherwise in writing to Link Market Services Limited, the CDI registry of the Company, at 1A Homebush Bay Drive, Rhodes NSW2138, all such cheques shall be sent through the ordinary post in pre-paid envelopes addressed to the persons entitled thereto:
 - (i) in the case of sole holders, to the respective registered addresses of such holders as appearing in the register of CDI Holders of the Company on the Record Date; and
 - (ii) in the case of joint holders, to the registered address of that one of the joint holders whose name then stands first in such register of CDI Holders of the Company in respect of the joint holding.
- (c) Cheques shall be posted at the risk of the addressees and once posted, none of the Company, the Offeror, the Excluded Group or their respective financial advisers shall be responsible for any loss or delay in despatch of such cheques.
- (d) Such cheques shall be payable to the order of the person to whom, in accordance with the provisions of sub-paragraph (a) above, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
- (e) On or after the day being six calendar months after the posting of the said cheques pursuant to sub-paragraph (a) above, the Offeror shall have the right to cancel or cause the cancellation of any such cheques which have not then been cashed or have been returned uncashed and shall place all monies represented thereby in a deposit or custodian account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies until the expiration of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to clause 2 of this Scheme to persons who satisfy the Company that they are respectively entitled thereto and provided that the cheques referred to in sub-paragraph (a) above of which they are payees have not been cashed. Any payments made by the Company hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to clause 2 of the Scheme, calculated at the annual rate prevailing from time to time at the licensed bank with which the monies are deposited, from the date which falls six months after the posting of the said cheques pursuant to sub-paragraph (a) above down to the date of payment of such sum, subject, if applicable, to deduction of interest or any other deduction or withholding tax required by law and all expenses and costs incurred or to be incurred in relation to the payment. The Company shall

exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Company to the effect that any particular person is so entitled or is not so entitled shall be conclusive and binding upon all persons claiming an interest in the relevant monies. Upon the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payment under this Scheme and the Company shall thereafter transfer to the Offeror the balance (if any) of the sums standing to the credit of the deposit or custodian account referred to in sub-paragraph (a) above including accrued interest subject, if applicable, to the deduction of interest or any withholding or any other tax or any other deduction required by law and subject to the deduction of any expenses incurred or to be incurred effecting the transfer.

- (f) Sub-paragraph (a) above shall take effect subject to any prohibition or condition imposed by law.

For completeness, the cancellation of the CDIs held by the Scheme CDI Holders is without prejudice to any rights of Scheme CDI Holders (where applicable) to relief in accordance with the laws of Australia, including rights arising under the Corporations Act and at common law. Scheme CDI Holders should seek independent legal advice should they wish to be informed of the extent, nature and applicability of any such rights.

ISSUED CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the Company has 259,300,000 ordinary fully paid shares on issue, of which 259,300,000 are held by CDN. CDN has issued 259,300,000 CDIs in relation to these shares. CDN holds the legal title to shares on behalf of holders of CHESS Depositary Receipts. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying shares.

SHAREHOLDINGS OF THE EXCLUDED GROUP

As at the Latest Practicable Date, the members of the Excluded Group were interested in 219,700,000 CDIs (representing approximately 84.73% of the issued share capital of the Company as at the Latest Practicable Date). Of those CDIs, Mr. Shen holds 120,420,000 CDIs (representing approximately 46.44% of the issued share capital of the Company as at the Latest Practicable Date), and the other Excluded CDI Holders hold 99,280,000 CDIs (representing approximately 38.29% of the issued share capital of the Company as at the Latest Practicable Date).

NEW SHARES TO BE ISSUED TO THE OFFEROR

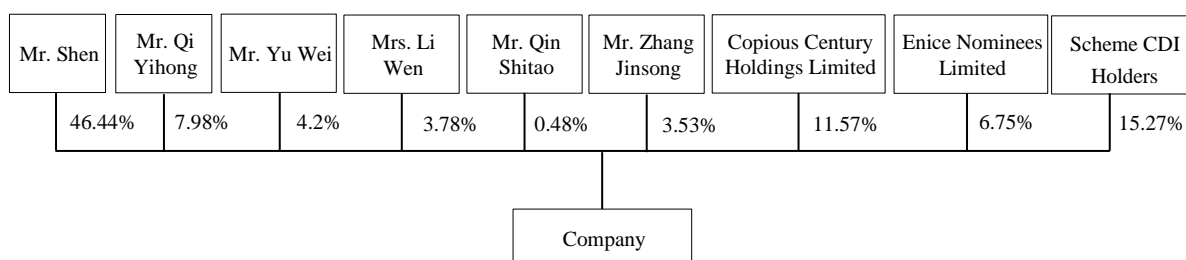
As contemplated by the Consortium Agreement, which is described below in this Explanatory Statement, the Scheme provides that the New Shares to be issued by the Company following the cancellation of the Scheme Shares, to increase the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares, will be issued to the Offeror, which corresponds to 39,600,000 New Shares to be issued to the Offeror, on the basis of 39,600,000 Scheme Shares to be cancelled (assuming there are no changes to the shareholding structure of the Company on or prior to the Effective Date).

Accordingly, following the Effective Date, the cancellation of the Scheme Shares, issue of the New Shares and withdrawal of listing of the CDIs on the ASX, the Offeror and the Excluded Group would collectively own 100% of the issued share capital of the Company, assuming there are no changes to the shareholding structure of the Company on or prior to the Effective Date.

EFFECTS OF THE SCHEME

Shareholding structure

The chart below shows a simplified shareholding structure of the Company as at the Latest Practicable Date:



The table below sets out the shareholding structure of the Company as at 26 February 2018 and immediately following implementation of the Scheme (assuming there are no other changes to the Company's shareholding structure on or prior to the Effective Date):

| Shareholders/CDI Holders | As at 26 February 2018 | | Immediately following implementation of the Proposal | |
|--------------------------------|------------------------|----------|--|----------|
| | <i>Number of CDIs</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> |
| <i>Post-Scheme CDI Holders</i> | | | | |
| Offeror | 0 | 0 | 39,600,000 | 15.27 |
| Mr. Shen | 120,420,000 | 46.44 | 120,420,000 | 46.44 |
| Mr. Qi Yihong | 20,690,000 | 7.98 | 20,690,000 | 7.98 |
| Mr. Yu Wei | 10,900,000 | 4.20 | 10,900,000 | 4.20 |
| Mrs. Li Wen | 9,790,000 | 3.78 | 9,790,000 | 3.78 |
| Mr. Qin Shitao | 1,250,000 | 0.48 | 1,250,000 | 0.48 |
| Mr. Zhang Jinsong | 9,150,000 | 3.53 | 9,150,000 | 3.53 |

| | | | | |
|---|---------------------------|-------------------|---------------------------|-------------------|
| Copious Century Holdings Limited | 30,000,000 | 11.57 | 30,000,000 | 11.57 |
| Enice Nominees Limited | <u>17,500,000</u> | <u>6.75</u> | <u>17,500,000</u> | <u>6.75</u> |
| Sub-total | 219,700,000 | 84.73 | 259,300,000 | 100 |
| <i>Scheme CDI Holders</i> | | | | |
| Investorlink Securities Limited | 6,486,489 | 2.50 | 0 | 0 |
| Washington H Soul Pattinson & Company Limited | 3,250,000 | 1.25 | 0 | 0 |
| Sandeep Singh | 3,000,000 | 1.16 | 0 | 0 |
| <i>Other Scheme CDI Holders</i> | <u>26,863,511.00</u> | <u>10.36</u> | <u>0</u> | <u>0</u> |
| Sub-total | <u>39,600,000</u> | <u>15.27</u> | <u>0</u> | <u>0</u> |
| Total | <u><u>259,300,000</u></u> | <u><u>100</u></u> | <u><u>259,300,000</u></u> | <u><u>100</u></u> |

Material interests of Directors and effects of the Scheme on such interests

Details of the interests of the Directors in CDIs, and Directors' rights to acquire CDIs, as at the Latest Practicable Date are set out on pages A3-2 to A3-3 of this document. Enice Nominees Limited, which held 17,500,000 CDIs Shares as at the Latest Practicable Date, is a company wholly owned by Mr. Shen. Shares held by Enice Nominees Limited are not Scheme Shares and will not be cancelled under the Scheme. The Shares in which the other Directors are interested, set out on pages A3-2 to A3-3 of this document are Scheme Shares and will be cancelled if the Scheme becomes effective.

COMPARISONS OF VALUE

The Cancellation Price represents:

- a premium of approximately 91.30% over the closing price of A\$0.23 per CDI as quoted on the ASX on the Last Trading Date;
- a premium of approximately 96.43% over the average closing price of about A\$0.224 per CDI based on the daily closing prices as quoted on the ASX over the 5 trading days up to and including the Last Trading Date;
- a premium of approximately 114.63% over the average closing price of about A\$0.205 per CDI based on the daily closing prices as quoted on the ASX over the 30 trading days up to and including the Last Trading Date;
- a premium of approximately 72.55% over the average closing price of about A\$0.255 per CDI based on the daily closing prices as quoted on the ASX over the 180 trading days up to and including the Last Trading Date;

- a premium of approximately 14.29% over the closing price of A\$0.385 per CDI as quoted on the ASX on the Latest Practicable Date;
- a premium of approximately 17.96% over the average closing price of about A\$0.373 per CDI based on the daily closing prices as quoted on the ASX over the 5 trading days up to and including the Latest Practicable Date;
- a premium of approximately 23.60% over the average closing price of about A\$0.356 per CDI based on the daily closing prices as quoted on the ASX over the 30 trading days up to and including the Latest Practicable Date;
- a premium of approximately 44.26% over the average closing price of about A\$0.305 per CDI based on the daily closing prices as quoted on the ASX over the 180 trading days up to and including the Latest Practicable Date;
- a premium of approximately 134.04% to the audited consolidated net asset value attributable per CDI of about A\$0.188 (based on the exchange rate of A\$1=RMB5.1931 on 03 October 2017) as at 31 December 2016; and
- a premium of approximately 144.44% to the unaudited consolidated net asset value attributable per CDI of about A\$0.180 (based on the exchange rate of A\$1=RMB5.1931 on 03 October 2017) as at 30 June 2017.

The Cancellation Price payable for each Scheme Share pursuant to the Scheme was determined based on the prices of the CDIs traded on the ASX over various periods and premiums offered by the Cancellation Price over such market prices.

During the Relevant Period, the highest closing price of the CDIs as quoted on the ASX was A\$0.385 each on 9 October 2017, 16 October 2017, 14 March 2018, 15 March 2018 and 16 March 2018, and the lowest closing price of the CDIs as quoted on the ASX was A\$0.17 each on 29 August 2017, 30 August 2017, 31 August 2017 and 1 September 2017.

As at the Latest Practicable Date, there were 259,300,000 CIDs in issue and the Scheme CDI Holders were interested in 39,600,000 CDIs (representing approximately 15.27% of the issued share capital of the Company as at the Latest Practicable Date).

At the Cancellation Price, the Proposal values the entire issued share capital of the Company at approximately A\$114,092,000.

The Offeror will or will procure to pay 100% of the cash consideration payable under the Scheme.

Assuming that there are no other changes to the shareholding structure of the Company, the amount of cash consideration required to effect the Scheme will be approximately A\$17,424,000 and it will be paid by or on behalf of the Offeror.

On the basis of the Cancellation Price, the table below illustrates the change in capital value for the Scheme CDI Holders, assuming that the Scheme is implemented:

| | On the Last Trading Date A\$ | On the Latest Practicable Date A\$ |
|---|--|--|
| Consideration receivable (per 1,000 CDIs) under the Scheme | 440 | 440 |
| Value of 1,000 CDIs (<i>Note</i>) | 230 | 385 |
| This represents an increase of approximately | <u>91.30%</u> | <u>14.29%</u> |

Note: Based on the closing price of the Shares as quoted on the ASX on the respective dates.

A summary of the closing prices of the CDIs on the ASX (i) on the last trading day of each of the six calendar months preceding the date of the Announcement; (ii) on the Last Trading Date; and (iii) on the Latest Practicable Date is set out in Appendix III to this document.

FINANCIAL ADVISERS TO THE OFFEROR AND CONFIRMATION OF FINANCIAL RESOURCES

Huatai has been appointed as the financial adviser to the Offeror in connection with the Proposal.

Huatai is satisfied that sufficient financial resources are available to the Offeror for the payment of the entire cash consideration payable under the Scheme.

The Offeror has entered into the MOU with Huatai to fund the payment of the cash consideration payable under the Scheme. Huatai has approved the funding according to the Huatai Approval. The definitive Facility Agreement has been executed between the Offeror, Huatai and one of its subsidiaries/affiliates, Mr. Shen and Mr. Zhang Jinsong on 8 December 2017. That loan facility will be used by the Offeror for payment of the cash consideration payable to Scheme Shareholders pursuant to its obligations under the Scheme, and the costs and expenses incurred in connection therewith.

CONSORTIUM AGREEMENT

Each of the Excluded CDI Holders has entered into the Consortium Agreement pursuant to which the parties have agreed to act in concert and vote as a group (by themselves and/or through companies controlled by them and/or their trustees) in relation to all matters that require the decisions of the CDI Holders of the Company or relating to the operations of the Group at the shareholder and board level of each member company within the Group.

Each party to the Consortium Agreement has also agreed that it will not, prior to the Effective Date, dispose of or create any third party interest in all or any of its CDIs, nor will it accept any other offer in respect of such CDIs, or acquire or subscribe for any CDIs

INFORMATION ON THE GROUP

The Group is principally engaged in a vertically integrated telecommunications technology business, providing services, products and solutions to the wireless telecommunications industry predominantly in the PRC. With proven capabilities in the areas of technology development, product supply, network management and maintenance, and network optimization services, the Group operates in the world's fastest growing mobile market place, the PRC, and is well positioned to expand into international export markets.

A summary of the audited consolidated financial results of the Group for each of the years ended 31 December 2015 and 31 December 2016, and the preliminary consolidated financial results of the Group for year ended 31 December 2017 as announced by the Company by way of announcement on the ASX on 28 February 2018 prepared in accordance with the International Financial Reporting Standards, is set out below:

| | (Audited) | | (Preliminary) |
|--|---------------------------|-------------------------|---------------------------|
| | For the year ended | | For the year ended |
| | 31 December 2015 | 31 December 2016 | 31 December 2017 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Turnover | 423,740 | 503,767 | 510,735 |
| Profit before taxation | 21,253 | 52,986 | 76,016 |
| Profit after taxation | 13,792 | 42,490 | 59,364 |
| Profit attributable to equity holders of the Company | 13,802 | 42,490 | 59,364 |
| Basic earnings per Share | RMB0.09 | RMB0.16 | RMB0.23 |

The audited consolidated net assets attributable to equity holders of the Company as at 31 December 2015 and 31 December 2016 were approximately RMB211,324,000 and RMB253,814,000 respectively, and the unaudited consolidated net assets attributable to equity holders of the Company as at 31 December 2017 were approximately RMB313,178,000.

The net asset values per Share were RMB0.81 and RMB0.98 as at 31 December 2015 and 2016, respectively and RMB1.208 as at 31 December 2017.

The gross debt of the Group (calculated as the total of short-term borrowings and long-term borrowings) as at 31 December 2017 was approximately RMB282,531,000. The net debt of the Group (calculated as gross debt minus freely fungible cash of the Company and cash held by the Group) as at 31 December 2017 was approximately RMB254,365,000.

| | 2017 | 2016 | 2015 |
|-----------------------------|-------------|-------------|-------------|
| Current Ratio | 1.44 | 1.36 | 1.27 |
| Quick Ratio | 1.40 | 1.33 | 1.24 |
| Cash Ratio | 0.05 | 0.05 | 0.09 |
| Debt to assets ratio | 0.67 | 0.67 | 0.67 |
| Equity Ratio | 0.33 | 0.33 | 0.33 |

INFORMATION ON THE OFFEROR

The Offeror is wholly-owned by Mr. Shen and was incorporated in Hong Kong under the laws of Hong Kong. The Offeror is special purpose vehicle set up for the purpose of implementing the Proposal.

INTENTION OF MR SHEN WITH REGARD TO THE COMPANY

It is the intention of Mr. Shen for the Group to maintain its existing business upon the successful privatisation of the Company. He has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of the employees of the Group as a result of the Proposal. On the other hand, Mr. Shen will assess any opportunity that may arise from time to time involving the business and/or assets of the Group (including a possible listing of any of its telecommunications technology business).

The Board notes that Mr. Shen has stated his intention to maintain the existing business of the Group upon the successful privatisation of the Company and that, he has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of the employees of the Group as a result of the Proposal. The Board welcomes the stated intentions of Mr. Shen in that regard in respect of the Group and its employees.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Since the CDIs of the Company has been listed on ASX at A\$0.40 in 2015, the price of the CDIs was mostly traded below A\$0.40 and the liquidity of trading in the CDIs was low.

The Proposal provides Scheme CDI Holders with an opportunity to realise their investment in the Company for cash during sustained uncertain market conditions, and at a significant premium to the market price prevailing on the Last Trading Date.

The Offeror is committed to the Proposal which, if it becomes effective, offers cash in an uncertain market and provides an opportunity for Scheme CDI Holders to redeploy capital invested in the Company into other investment opportunities that they may consider more attractive in the current market environment.

The Offeror considers that if the Scheme does not proceed, there is a possibility that the CDIs will trade at lower prices than they have since the Proposal was announced, also bearing in mind the sustained uncertain market conditions. The last closing price of the CDIs before the Proposal was announced was A\$0.23.

It is considered necessary to implement the Scheme even though CDN is presently the sole Shareholder of the Company. This is because, as a matter of Australian private international law, Hong Kong law would be considered to be the law governing any valid transfer or cancellation of the Shares. As such, it is considered necessary for the Scheme to be introduced and sanctioned in Hong Kong which is a recognised and effective way of altering the rights of a sole shareholder of a Hong Kong company. In particular, upon being effective, the Scheme will bind dissenting shares (which may be cast as a result of different directions being given to CDN by different Scheme CDI Holders) and to achieve the binding effect as explained at pages 20 to 22 above.

IF THE SCHEME DOES NOT BECOME EFFECTIVE

If the Scheme does not become effective, there is a real risk regarding the ability of Scheme CDI Holders to realise their investment in the Company at or above the Cancellation Price. This is particularly the case given a relatively illiquid market for CDIs as well as uncertain market conditions. Since the Proposal was announced no superior offer has emerged, nor is any such superior offer expected.

SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all Scheme Shares will be cancelled. Share certificates for the Shares held by CDN will thereafter cease to have effect as documents of, or evidence of, title as from the Effective Date. In the case of CDI holder statements with respect to CDIs traded on the ASX, these will likewise be cancelled. The Company will apply to the ASX for the withdrawal of the listing of the CDIs on the ASX. The Scheme CDI Holders will be notified by way of an ASX announcement of the exact date on which the Scheme and the withdrawal of the listing of the CDIs on the ASX will become effective. The Scheme will lapse if it does not become effective on or before the expiration of six (6) months from the date the Court Meeting was ordered to be convened at the direction of the High Court (or such later date as the Offeror and the Company may agree or (to the extent) as the High Court may direct or allow). In such case, the listing of the CDIs on the ASX will not be withdrawn.

REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, payment of the consideration for the Scheme Shares will be made to the Scheme CDI Holders whose names appear on the Register of CDI Holders on the Record Date. As noted at page 26 above, the Offeror has entered into definitive facility agreement with the relevant parties on 8 December 2017 the proceeds of which will be used by the Offeror for payment of the cash consideration payable to Scheme CDI Holders pursuant to its obligations under the Scheme, and the costs and expenses incurred in connection therewith. On the basis that the Scheme becomes effective, cheques for payment of the consideration payable under the Scheme are expected to be dispatched within 5 Business Days, and in any event not later than 15 Business Days, from the Effective Date. In the absence of any specific instructions to the contrary received in writing by Link Market Services Limited, the CDI registry of the Company, at 1A Homebush Bay Drive, Rhodes NSW 2138, cheques will be issued and sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register of CDI Holders in respect of the joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Company, the Offeror, the Excluded Group or their respective financial advisers will be responsible for any loss or delay in despatch.

The Company will organize for the consideration with respect to the CDIs under the Scheme to be paid directly to the CDI Holders rather than being paid through CDN.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit or custodian account in the Company's name with a licensed bank selected by the Company.

The Company shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums, together with any interest accrued thereon, to persons who satisfy the Company that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Company shall thereafter transfer to the Offeror the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including any accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

The latest time for lodging transfers of CDIs to qualify for entitlements under the Scheme on or before the Record Date⁵. The Scheme CDI Holders should ensure that their CDIs are registered or lodged for registration in their names or in the name(s) of their nominees at or with Link Market Services Limited, the CDI registry of the Company, at 1A Homebush Bay Drive, Rhodes NSW 2138 before that time.

Settlement of the cash entitlements to which any Scheme CDI Holder is entitled under the Scheme will be implemented in full in accordance with the rights and obligations of the Company under the ASX Rules without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company or the Offeror may otherwise be, or claim to be, entitled against such Scheme CDI Holder.

COURT MEETING AND EGM

In accordance with the direction of the High Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing an appropriate resolution to approve the Scheme (with or without modifications). The Scheme is subject to approval by the Independent CDI Holders at the Court Meeting in the manner referred to in paragraph (a) of the section headed “Conditions of the Proposal” in the Explanatory Statement on page 15 of this document. Only Independent CDI Holders may instruct CDN to vote on behalf of them at the Court Meeting. The CDIs held by the members of the Excluded Group will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. In addition, any Scheme Shares beneficially held by the Offeror, the Excluded Group and any other persons acting in concert with/acting as nominees on behalf of the Offeror or the Excluded Group and any associate as defined in Section 667 of the Companies Ordinance, will not be voted at the Court Meeting.

Immediately following the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and, immediately thereafter, applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full and issue to the Offeror such number of New Shares as is equal to the number of Scheme Shares cancelled. The special resolution will be passed provided that it is approved by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting, in person or by proxy, at the EGM. All Shareholders will be entitled to attend and vote on such special resolution at the EGM.

⁵ See Note 9 at page 4 above

The Scheme CDI Holders will not receive the respective form of proxy from the Company for the purposes of the Court Meeting and EGM. Such forms are received by CDN as the holder of Shares on their behalf. However, CDN will act on the voting instructions of the Scheme CDI Holders with respect to such Shares which are beneficially held by such Scheme CDI Holders.

In this regard, Voting Instruction Forms will be sent to the Scheme CDI Holders with the notices of meeting documentation for the Court Meeting and EGM respectively. The Scheme CDI Holders may, via the Voting Instruction Forms, indicate their voting preference at the respective meeting. By default, CDN would appoint the Chariman of the respective meeting as its proxy to give effect of the voting instructions so received. Scheme CDI Holders may however contact CDN by phone at +61 1300 554 474 or via email to registrars@linkmarketservices.com.au that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to the Shares for the underlying CDIs for the purposes of attending and voting at the Court Meeting and/or EGM.

The Voting Instruction Forms should be returned to Link Market Services Limited, the CDI registry of the Company, in accordance with the instructions therein as soon as possible and in any event by no later than 11 a.m. (Hong Kong time) (i.e. 2 p.m. (Sydney time)) on Sunday 8 April 2018 for the Court Meeting and in any event by no later than 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Sunday 8 April 2018 for the EGM⁶. Link Market Services Limited is the authorised agent of CDN for processing of Voting Instructions Forms returned by the Scheme CDI Holders. If a Scheme CDI Holder does not return the Voting Instruction Form by this time, the Shares underlying his or her CDIs will not be voted at the Court Meeting or the EGM.

As at the Latest Practicable Date, the Scheme CDI Holders were interested in 39,600,000 CDIs (representing approximately 15.27% of the issued share capital of the Company as at the Latest Practicable Date), and the members of the Excluded Group were interested in 219,700,000 CDIs (representing approximately 84.73% of the issued share capital of the Company as at the Latest Practicable Date). The CDIs held by the members of the Excluded Group will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. Further, only Independent CDI Holders may instruct CDN to vote on behalf of them at the Court Meeting. In view of the interests of the Offeror in the Proposal, any beneficial holders of Scheme Shares who are acting in concert with the Offeror are not entitled to and will not instruct CDN to vote at the Court Meeting. Accordingly, any Scheme Shares beneficially held by the Offeror, the Excluded Group and any other persons acting in concert with/acting as nominees on behalf of the Offeror or the Excluded Group and any associate as defined in Section 667 of the Companies Ordinance, will not be voted at the Court Meeting.

Scheme CDI Holders and Shareholders are urged to have their names entered in the Register or the Register of CDI Holders as soon as possible for, among others, the following reasons:

- (a) to enable the Scheme CDI Holders to instruct CDN to attend the Court Meeting, required under Section 670 of the Companies Ordinance, in the capacity as members of the Company or to be represented by proxies to be appointed by them;
- (b) to enable the Company to properly classify members of the Company for the purposes of Sections 673 and 674 of the Companies Ordinance; and
- (c) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective. All deliveries of cheques required for making payment in respect

⁶ See FN2 above

of the Scheme Shares as aforesaid shall be effected by posting the same in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses as appearing in the Register of CDI Holders at the close of business on the Record Date.

No person shall be recognised by the Company as holding any Shares or CDIs upon any trust. Any beneficial owner of Shares or CDIs (the “**Beneficial Owner**”) whose Shares or CDIs are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party (the “**Registered Owner**”) should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares or CDIs beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the EGM. A Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the EGM and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this document.

Notice of the Court Meeting is set out in Appendix VI of this document. The Court Meeting will be held at 11 am (Hong Kong time) on Wednesday, 11 April 2018 in Dentons Hong Kong LLP’s office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong.

Notice of the EGM is set out in Appendix VII of this document. The EGM will be held on Wednesday, 11 April 2018 in Dentons Hong Kong LLP’s office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong at 12 p.m. (Hong Kong time) or immediately after the conclusion or adjournment of the Court Meeting, whichever is the later.

The Voting Instruction Forms in respect of the Court Meeting and the EGM are set out in Appendix VIII and Appendix IX of this document respectively.

The forms of proxy in respect of the Court Meeting and the EGM are set out in Appendix X and Appendix XI of this document respectively.

DEMAND FOR POLL AT THE EGM

In accordance with Article 49 of the Company’s articles of association, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (a) the chairperson of the meeting;
- (b) at least two members present in person or by proxy; or
- (c) any member or members present in person or by proxy and representing at least 5% of the total voting rights of all the members having the rights to vote at the meeting.

As noted above, the special resolution to be proposed at the EGM will, in any event, be taken on a poll. The resolution to be proposed at the Court Meeting will also be taken on a poll.

OVERSEAS CDI HOLDERS OF THE COMPANY

This document has been prepared for the purpose of complying with the laws of Hong Kong, and the information disclosed herein may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any other jurisdiction outside Hong Kong.

This document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities pursuant to the document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The distribution of this document, and the making of the Proposal to those Scheme CDI Holders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Scheme CDI Holders are located. Such Scheme CDI Holders should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme CDI Holders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

In the event that the receipt of this document by overseas Scheme CDI Holders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the director(s) of the Offeror regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the shareholder(s) of the Offeror), this document will not be dispatched to such overseas Scheme CDI Holders.

The Offeror reserves the right to make arrangements in respect of Scheme CDI Holders who are not resident in Hong Kong in relation to the terms of the Proposal. Such arrangements may include notifying any matter in connection with the Proposal to the Scheme CDI Holders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given, despite any failure by such Scheme CDI Holders to receive or see that notice.

TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Scheme CDI Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal, and, in particular, whether the receipt of the Cancellation Price would make such Scheme CDI Holders liable to tax in Australia, Hong Kong or in other jurisdictions.

ACTION TO BE TAKEN

Shareholders

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the EGM are enclosed herewith under Appendix X and XI of this document.

Whether or not you are able to attend the Court Meeting and/or the EGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM, and to lodge them in accordance with the instructions printed thereon. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 11 a.m. (Hong Kong time) (i.e. 2 p.m. (Sydney time)) on Monday, 9 April 2018 and the white form of proxy for use at the EGM should be lodged not later than 12 p.m. (i.e. 3 p.m. (Sydney time)) on Monday, 9 April 2018 for the purpose of the EGM to be convened on Wednesday, 11 April 2018⁷. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

An announcement will be made by the Company in relation to the results of the Court Meeting and the EGM. In addition, an announcement will be made on the results of the hearing of the petition to sanction the Scheme by the High Court and, if the Scheme is sanctioned, the last date of dealings in the CDIs on the ASX, the Record Date, the Effective Date and the date of the withdrawal of the listing of the CDIs on the ASX.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting, you will still be bound by the outcome of such Court Meeting. You are therefore strongly urged to attend and vote at the Court Meeting in person or by proxy.

For the purpose of determining the entitlements of Shareholders to attend and vote at the Court Meeting and the EGM, the Register will be closed from 12 p.m. on Friday, 6 April 2018 to the day the EGM is concluded (both days inclusive)⁸ and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant Share certificates must be lodged with the Company at 27/F Alexandra House, 18 Chater Road, Central, Hong Kong and/or Link Market Services Limited, the share registry of the Company in Australia, at 1A Homebush Bay Drive, Rhodes NSW 2138, not later than 12 p.m. (Hong Kong time) (3 p.m. (Sydney time)) on Friday, 6 April 2018.

CDI Holders

The CDI Holders will not receive the respective proxy form from the Company for the purposes of the Court Meeting and EGM. Such forms are received by CDN as the holder of Shares on their behalf. However, CDN will act on the voting instructions of the Scheme CDI Holders with respect to such Shares which are beneficially held by such Scheme CDI Holders.

In this regard, Voting Instruction Forms will be sent to the CDI Holders with the notices of meeting documentation for the Court Meeting and EGM respectively. The CDI Holders may, via the Voting Instruction Forms, indicate their voting preference at the respective meeting. By default, CDN would appoint the Chairman of the respective meeting as its proxy to give effect of the voting instructions so received. Scheme CDI Holders may however inform CDN by phone at +61 1300 554 474 or via email to registrars@linkmarketservices.com.au that they wish to nominate themselves or

⁷ See FN1 above

⁸ Same as period at which Register of CDI Holders closed, see page 3 above.

another person to be appointed as CDN's proxy with respect to the Shares for the underlying CDIs for the purposes of attending and voting at the Court Meeting and/or EGM.

The Voting Instruction Forms should be returned to Link Market Services Limited, the CDI registry of the Company, in accordance with the instructions therein as soon as possible and in any event by no later than 11 a.m. (Hong Kong time) (i.e. 2 p.m. (Sydney time)) on Sunday 8 April 2018 for the Court Meeting, and in any event no later than 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Sunday 8 April 2018 for the EGM⁹. Link Market Services Limited is the authorised agent of CDN for processing of Voting Instructions Forms returned by the Scheme CDI Holders. If a Scheme CDI Holder does not return the Voting Instruction Form by this time, the Shares underlying his or her CDIs will not be voted at the Court Meeting or the EGM.

Alternatively, Scheme CDI Holders may request CDN to transfer the shares underlying the CDIs to the CDI Holders in order to vote personally at the Court Meeting and/or the EGM.

COSTS OF THE SCHEME

In the event that the Scheme becomes effective, the costs of the Scheme will be borne by the Company. The costs of the Scheme and of its implementation are expected to amount to approximately A\$3.5 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

In the event that the Scheme is either not recommended by the Independent Directors or is not recommended as fair and reasonable by the Independent Expert, or not approved at the relevant Court Meeting or EGM (or such adjourned meetings), all the expenses incurred by the Company in connection with the Scheme shall be borne by the Offeror.

RECOMMENDATIONS

Your attention is drawn to the following:

- (i) the paragraph headed "Recommendations of the Independent Directors" in the "Letter from the Board" on page 10 of this document;
- (ii) the letter from the Independent Directors on pages 11 to 13 of this document; and
- (iii) the Independent Expert Report in Appendix II of this document.

ADDITIONAL INFORMATION

Additional information is set out in the Appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

It is emphasised that none of the Offeror, the Excluded Group, Huatai, the Independent Expert or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

⁹ See FN2 above

**APPENDIX I
FINANCIAL INFORMATION OF THE GROUP**

I. THREE-YEAR FINANCIAL SUMMARY

Set out below is the financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 and the year ended 31 December 2017, which are extracted from the audited consolidated financial statements of the Group for the years then ended and the condensed consolidated preliminary financial information of the Group for the year ended 31 December 2017 as announced by the Company by way of announcement on the ASX on 28 February 2018. The auditor's reports in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2014, 2015 and 2016 did not contain any qualifications.

| | (Audited) | | | (Preliminary) |
|--|---------------------------------------|----------------|----------------|---|
| | For the year ended 31 December | | | For the year ended 31 December |
| | 2014 | 2015 | 2016 | 2017 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Turnover | 179,179 | 423,740 | 503,767 | 510,735 |
| Profit (loss) before taxation | 20,873 | 21,253 | 52,986 | 76,016 |
| Profit (loss) after taxation | 16,914 | 13,792 | 42,490 | 59,364 |
| Profit (loss) attributable to equity holders of the Company | 16,936 | 13,802 | 42,490 | 59,364 |
| consolidated net assets attributable to equity holders | 22,698 | 211,324 | 253,814 | 313,178 |

II. AUDITED FINANCIAL INFORMATION

Set out below is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2016 extracted from the annual report of for the year ended 31 December 2016.

Independent auditors' report to shareholders of Enice Holding Company Limited

Opinion

We have audited the consolidated financial statements of Enice Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 1 to 40, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Accounting Standards ("IASs") issued by IASB. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent auditors' report to shareholders of Enice Holding Company Limited

Key audit matters *continued*

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <i>Revenue recognition for projects</i> | |
| <p>The Group generates revenues from telecommunication projects which can take an extended period to complete. Accordingly the Group applies the percentage of completion method to account for such revenue streams. Revenue for projects accounted for approximately 21% of total revenue of the Group for the year ended December 31, 2016. A significant degree of management judgment is required to properly apply the percentage of completion method.</p> <p>The Group's disclosure about accounting policies of revenue recognition is included in Note 2.3 and about revenue breakdown in Note 6.</p> | <p>Our audit procedures, among others, included:</p> <ul style="list-style-type: none"> a) We evaluated internal controls over the revenue recognition process for projects, including controls over the status and completion percentage of individual projects at the end of each reporting period. We tested the design and operating effectiveness of the controls b) We also performed detailed procedures on individually significant projects including substantiating transactions with underlying documents and re-performing management's calculations to determine revenue recognition. We evaluated the significant estimates made by management, including contingent revenues, costs to completion and project margin whereby we examined project documentation and discussed the status of projects in progress with management, finance, and technical staff of the Company. |

Independent auditors' report to shareholders of Enice Holding Company Limited

Key audit matters *continued*

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <i>Impairment of trade receivables</i> | |
| <p>As at 31 December 2016, trade receivables were significant to the Group as these represent approximately 53% of its total assets. Approximately 29% of trade receivables' were aged over one year. The assessment of the impairment of trade receivables requires management judgment as to the collectability risks associated with individual customer account, in particular those past due accounts with receivable aging over one year.</p> <p>The Group's disclosures about trade receivables and related impairment provisions are included in Note 16 and about credit risk in Note 31.</p> <p>The focus of our work involved auditing the Group's credit analysis and associated impairment assessments of trade receivables that were either in default, significantly overdue or on credit watch at 31 December 2016.</p> <p>The Group's disclosures about trade receivables and related impairment provisions are included in Note 16 and about credit risk in Note 31.</p> | <p>Our work involved assessing the Group's credit analysis and associated impairment analysis of trade receivables that were either in default, significantly overdue or credit watch at 31 December 2016.</p> <p>Our audit procedures, among others, included:</p> <ol style="list-style-type: none"> We evaluated internal controls over the credit approval process and impairment assessments, including the quality of underlying data and systems. We tested the design and operating effectiveness of the controls over the credit approval process and impairment assessments, including the quality of underlying data and systems; We checked the aging analysis by customer. For trade receivables that were past due, we enquired of management as to the specific circumstances of each customer; we evaluated the financial strength of customers with significant overdue balances, we checked subsequent settlements and analyzed the customers' historic repayment pattern for anomalies; we reviewed management's expected future cash flows by customer by reference to the information obtained through the above procedures; We selected trade receivables with large balances where a provision for impairment of trade receivables was recognised and understood the rationale behind management's judgements. We verified whether balances were overdue, the customers' historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and reports on the credit status of significant counterparties where available. Based on the results of the above procedures, the impairment charges taken for the identified exposures and the disclosures regarding the impairment provisions of trade receivables and the Group's exposure to credit risk. |

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report to shareholders of Enice Holding Company Limited

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditors' report to shareholders of Enice Holding Company Limited

Auditor's responsibilities for the audit of the consolidated financial statements *continued*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Song Congyue.

Nanjing, the People's Republic of China
27 March 2017

Consolidated statements of profit or loss

For the year ended 31 December 2016

| | Notes | 2016 | 2015 |
|---|-------|----------------|---------------|
| | | RMB'000 | RMB'000 |
| Revenue | 6 | 503,767 | 423,740 |
| Cost of sales | 9 | (398,178) | (331,330) |
| Gross profit | | 105,589 | 92,410 |
| Marketing expenses | 9 | (4,878) | (4,419) |
| Administrative expenses | 9 | (34,617) | (56,285) |
| Other gains - net | 7 | 1,186 | 5,715 |
| Operating profit | | 67,280 | 37,421 |
| Finance costs - net | 8 | (14,294) | (16,168) |
| Profit before income tax | | 52,986 | 21,253 |
| Income tax expenses | 11 | (10,496) | (7,461) |
| Profit for the year | | 42,490 | 13,792 |
| Profit attributable to: | | | |
| Equity holders of the parent | | 42,490 | 13,802 |
| Non-controlling interests | | - | (10) |
| | | 42,490 | 13,792 |
| Earnings per share: | | | |
| Basic earnings for the period attributable to ordinary equity holders of the parent | 19 | RMB0.16 | RMB0.09 |
| Diluted earnings for the period attributable to ordinary equity holders of the parent | 19 | RMB0.16 | RMB0.09 |

Consolidated statements of comprehensive income

For the year ended 31 December 2016

| | <u>2016</u> RMB'000 | <u>2015</u> RMB'000 |
|-----------------------------------|------------------------|------------------------|
| Profit for the year | 42,490 | 13,792 |
| Other comprehensive income | - | - |
| Income tax effect | - | - |
| Total comprehensive income | 42,490 | 13,792 |
| Attributable to: | | |
| Equity holders of the parent | 42,490 | 13,802 |
| Non-controlling interest | - | (10) |
| | 42,490 | 13,792 |

Consolidated statements of financial position

As at 31 December 2016

| | | 2016 | 2015 |
|--|-------|-----------------------|-----------------------|
| | Notes | RMB'000 | RMB'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 59,808 | 59,646 |
| Prepaid land lease payments | 13 | 33,521 | 34,359 |
| Intangible assets | 14 | 1,241 | 520 |
| Deferred tax assets | 25 | 276 | 532 |
| | | <u>94,846</u> | <u>95,057</u> |
| Current assets | | | |
| Inventories | 15 | 14,696 | 10,770 |
| Trade receivables | 16 | 470,722 | 341,633 |
| Prepayments, deposits and other receivables | 17 | 110,508 | 132,577 |
| Amounts due from related parties | 28 | 44,658 | 24,072 |
| Restricted bank balances | 18 | 6,295 | 1,946 |
| Cash and cash equivalents | 18 | 24,610 | 40,424 |
| | | <u>671,489</u> | <u>551,422</u> |
| Total assets | | <u>766,335</u> | <u>646,479</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 19 | 187,405 | 187,405 |
| Other reserves | 20 | 20,265 | 16,093 |
| Accumulated profits | | 46,144 | 7,826 |
| Equity attributable to equity holders of the parent | | <u>253,814</u> | <u>211,324</u> |
| Non-controlling interests | | - | - |
| Total equity | | <u>253,814</u> | <u>211,324</u> |
| Non-current liabilities | | | |
| Other long-term borrowing | 21 | 17,898 | - |
| Total non-current liabilities | | <u>17,898</u> | <u>-</u> |
| Current liabilities | | | |
| Trade payables | 22 | 178,213 | 192,412 |
| Advances and other current liabilities | 23 | 70,290 | 42,818 |
| Bank borrowings | 24 | 207,030 | 185,100 |
| Amounts due to related parties | 28 | 471 | 281 |
| Other long-term borrowing - current portion | 21 | 14,623 | - |
| Income tax payable | | 23,996 | 14,544 |
| | | <u>494,623</u> | <u>435,155</u> |
| Total liabilities | | <u>512,521</u> | <u>435,155</u> |
| Total equity and liabilities | | <u>766,335</u> | <u>646,479</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 2016

| Notes | Attributable to the equity holders of the parent | | | | Non-controlling interest RMB'000 | Total Equity RMB'000 |
|-------------------------------------|--|----------------|------------------------------|----------------|-------------------------------------|-------------------------|
| | Share capital | Other reserves | Accumulated Profits/(losses) | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | |
| As at 1 January 2015 | 24,488 | 844 | (2,711) | 22,621 | 77 | 22,698 |
| Profit for the year | - | - | 13,802 | 13,802 | (10) | 13,792 |
| Issuance of shares | 177,122 | - | - | 177,122 | - | 177,122 |
| Share issue expenses | (14,205) | - | - | (14,205) | - | (14,205) |
| Disposal of a subsidiary | - | - | - | - | (67) | (67) |
| Share-based compensation | - | 11,984 | - | 11,984 | - | 11,984 |
| Appropriation of statutory reserves | - | 3,265 | (3,265) | - | - | - |
| As at 31 December 2015 | 187,405 | 16,093 | 7,826 | 211,324 | - | 211,324 |
| 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 |

Consolidated statements of cash flows

For the year ended 31 December 2016

| | Notes | 2016 RMB'000 | 2015 RMB'000 |
|--|-------|-----------------|------------------|
| Operating activities | | | |
| Profit before income tax | | 52,986 | 21,253 |
| Adjustments to reconcile profit before tax to net cash flows: | | | |
| Depreciation of property, plant and equipment | 12 | 2,652 | 2,941 |
| Amortization of leasehold land | 13 | 838 | 838 |
| Amortization of intangible assets | 14 | 159 | 183 |
| Dividend income | | - | (1,719) |
| Financial guarantee contracts gains | | - | (238) |
| gain on disposal of property, plant and equipment | | - | (16) |
| Gain on disposal of a subsidiary | | - | (2,896) |
| Finance income | 8 | (64) | (986) |
| Finance costs | 8 | 14,396 | 17,156 |
| Provision for /(reversal of) write-down of inventories | 15 | 220 | (112) |
| Provision of impairment of trade receivables | 16 | 896 | - |
| Provision of impairment of other receivables | 17 | 759 | (359) |
| Share-based compensation expenses | | - | 11,984 |
| Listing expenses charged to profit and loss | | - | 14,017 |
| Exchange gain | 8 | (38) | (2) |
| Working capital adjustments: | | | |
| Increase in inventories | 15 | (4,146) | (1,515) |
| Return of pledged deposits | 18 | 351 | - |
| Increase in trade receivables, other receivables, deposits and prepayments | | (109,283) | (241,985) |
| (Decrease)/Increase in trade payables, accruals, advances from customers and other current liabilities | | (731) | 62,400 |
| Increase in amounts due to related parties for operating activities | 28 | 190 | 152 |
| | | (40,815) | (118,904) |
| Interest received | | 676 | 5,537 |
| Interest paid | | (15,157) | (17,575) |
| Income tax paid | | (789) | (299) |
| Net cash flows used in operating activities | | (56,085) | (131,241) |
| Investing activities | | | |
| Proceeds from sale of property, plant and equipment | | - | 18 |
| Purchase of property, plant and equipment | 12 | (2,814) | (2,686) |
| Purchase of Intangible assets | 14 | (880) | (494) |
| Proceeds from disposal of a subsidiary | | - | 4,828 |
| Repayment of loans by related parties | | - | 8,084 |
| Dividends from available-for-sale investment | | - | 1,719 |
| Proceeds from disposal of available-for-sale investment | | - | 35,400 |
| Net cash flows (used in)/ generated from investing activities | | (3,694) | 46,869 |

Consolidated statements of cash flows *continued*

For the year ended 31 December 2016

| | | 2016 | 2015 |
|---|-------|-----------------|---------------|
| | Notes | RMB'000 | RMB'000 |
| Financing activities | | | |
| Proceeds from employees for share incentive plan | | 14,990 | |
| Proceeds from bank borrowings | | 368,030 | 335,200 |
| Repayment of bank borrowings | | (346,100) | (358,654) |
| (Increase) /Decrease in restricted bank balances pledged as security for notes payable and bank loans | 18 | (4,700) | 4,414 |
| Proceeds from issuance of shares | | - | 177,122 |
| Share issue expenses paid | | - | (22,306) |
| Purchase consideration paid in restructuring | | - | (20,000) |
| Loans to related parties | | (23,673) | (52,072) |
| Repayment of loans by related parties | | 3,086 | 35,786 |
| Proceeds of borrowings from related parties | | - | 3,042 |
| Repayment of borrowings from related parties | | - | (5,227) |
| Net lending to third parties | | - | (474) |
| Proceeds of other long-term borrowing, net | 21 | 32,521 | - |
| Net cash flows (used in)/ generated from financing activities | | (44,154) | 96,831 |
| Increase /(net decrease) in cash and cash equivalents | | (15,625) | 12,459 |
| Effect of foreign exchange rate changes | | (189) | (221) |
| Cash and cash equivalents at 1 January | 18 | 40,424 | 28,186 |
| Cash and cash equivalents at 31 December | 18 | 24,610 | 40,424 |

Notes to consolidated financial statements

1. Corporate information

The consolidated financial statements of Enice Holding Company Limited (the "Company") and its subsidiaries (together known as the "Group") for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the directors on 24 February 2017. The Company was incorporated by Mr. Shen Yong Jun ("Mr. Shen") with the registered capital of Hong Kong Dollars ("HKD") 1 on 29 October 2014 in Hong Kong Special Administration Region ("HK SAR"), the People's Republic of China ("China" or "PRC"). The address of its registered office is 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong.

The Company is an investing holding company. The Group is principally engaged in the provision of telecommunications network engineering services and sales of related products in mainland China. The ultimate controlling party of the Group is Mr. Shen. Information on the Group's subsidiaries is provided in Note 5. Information on other related party relationships of the Group is provided in Note 28.

The Company's shares were converted to Chess Depository Interests ("CDI") and have been listed on the Australian Stock Exchange ("ASX") since 30 October 2015.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis and are presented in Renminbi Yuan ("RMB"). All values are rounded to the nearest thousand (RMB '000), except when otherwise indicated.

Inter-company transactions, balances, and unrealized gains/losses on transactions between group companies are eliminated on combination.

2.2 Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets are classified as non-current assets.

Normal operating cycle refers to the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realized as part of the normal operating cycle even when they are not expected to be realized within twelve months after the reporting period. Current liabilities include liabilities (such as trade payables and other payables) that are settled as part of the normal operating cycle even when they are not expected to be settled within twelve months after the reporting period.

b) Fair value measurement

The Group measures financial instruments at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 30.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2.3 Summary of significant accounting policies *continued*

b) Fair value measurement *continued*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue/income is recognized.

Rendering of services

Revenue from rendering of service will be fully recognized when the service is completed and outcome of the transaction can be reliably estimated.

When the outcome of the transaction involving the rendering of service cannot be estimated reliably and it is probable that the costs incurred will be recovered, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

When the outcome of a transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

d) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

2.3 Summary of significant accounting policies *continued*

d) Leases *continued*

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Group are classified as operating leases.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all of the risks and rewards of ownership of an asset are classified as operating leases.

Rental income is recognized as revenue in the statement of profit or loss on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

e) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

f) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

2.3 Summary of significant accounting policies *continued*

f) Taxes *continued*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

g) Property, plant and equipment

Property, plant and equipment is initially stated at cost. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values at 3% of the costs over their estimated useful lives, as follows:

| | Estimated useful life |
|--|-----------------------|
| Buildings | 40 years |
| Machinery | 5 years |
| Furniture, fixtures and office equipment | 5 years |
| Vehicles | 5 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Prepaid land lease payments

All land in the mainland China is state-owned or collectively-owned. There is no individual land ownership right. The Group acquired the right to use certain land. The premiums paid for such right and the improvements related to the land are treated as prepayment for operating lease and recorded as prepaid land lease payments, which are amortized over the lease periods using the straight-line method.

2.3 Summary of significant accounting policies *continued*

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Research and development costs are expensed as incurred.

Computer software costs recognized as assets are amortized using the straight-line method over their estimated useful lives ranging from 2 to 5 years.

The Group made upfront payments to purchase patents. The patents have been granted for a period of 10 years by the relevant government agency. Patents costs recognized as assets are amortized using the straight-line method over their estimated useful lives of 10 years.

2.3 Summary of significant accounting policies *continued*

j) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses including impairment on inventories are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

2.3 Summary of significant accounting policies *continued*

k) Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'other receivables', 'amount due from related parties' and 'cash and cash equivalents' in the balance sheet.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade - date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Available-for-sale assets of the Group include investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less provision for impairment, if any.

Impairment of financial assets

(i) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.3 Summary of significant accounting policies *continued*

k) Financial assets *continued*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

m) Trade and other receivables

Trade receivables are amounts due from customers for service provided and merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in the normal operating cycle of the business, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

n) Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand and deposits held at call with banks.

o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within the normal operating cycle of the business. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.3 Summary of significant accounting policies *continued*

p) Bank borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

q) Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions for project warranties granted by the Group on certain projects are recognized based on services or sales volume and past experience of the level of maintenance, discounted to their present values as appropriate.

r) Pensions and other post-employment benefits

The employees of the Group in Mainland China are required to participate in a central pension scheme operated by the local provincial government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.3 Summary of significant accounting policies *continued*

s) Foreign currencies

The Group's consolidated financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of the Company and each subsidiary are all determined to be RMB.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions

2.4 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature of each new standard and amendment is described below:

| | |
|---|--|
| IFRS 14 | Regulatory Deferral Accounts |
| Amendments to IFRS 11 | Joint Arrangements: Accounting for Acquisitions of Interests |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer Plants |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements |
| Annual Improvements 2012-2014 Cycle | Amendments to a number of IFRSs |
| Amendments to IAS 1 | Disclosure Initiative |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception |

Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group.

2.5 Issued but not yet effective international financial reporting standards

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

| | |
|---|---|
| IFRS 9 | <i>Financial Instruments</i> ² |
| Amendments to IFRS 4 | <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> ² |
| IFRS 15 | <i>Revenue from Contracts with Customers</i> ² |
| Amendments to IFRS 15 | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ² |
| IFRS 16 | <i>Leases</i> ³ |
| Amendments to IFRS 2 | <i>Classification and Measurement of Share-based Payment Transactions</i> ² |
| Amendments to IFRS 10 and IAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴ |
| Amendments to IAS 7 | <i>Disclosure Initiative</i> ¹ |
| Amendments to IAS 12 | <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹ |
| Amendments to IAS 40 | <i>Transfers of Investment Property</i> ² |
| IFRIC Interpretation 22 | <i>Foreign Currency Transactions and Advance Consideration</i> ² |
| Annual Improvements 2014-2016 Cycle | <i>Amendments to a number of IFRSs</i> ^{1and 2} |

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue from rendering of services

When the outcome of the transaction cannot be estimated reliably and it is probable that the costs incurred will be recovered, revenue shall be recognized only to the extent of the expenses recognized that are recoverable. Because of the nature of the activities undertaken in rendering of services, the date at which the service activity is entered into and the date when the service is completed may fall into different accounting periods. Management's estimation of the cost incurred to date is primarily based on actual cost incurred by the outsourced suppliers and internal assessment report, where applicable. The Group regularly reviews the estimation of cost and corresponding revenue of services provided at each reporting date.

3. Significant accounting judgments, estimates and assumptions *continued*

Impairment allowances for trade and other receivables

Impairment allowances for trade and other receivables are made on assessment of the recoverability of trade and other receivables. The identification of impairment allowances requires management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the receivables and the impairment or reversal of the receivables in the period in which such estimate has been changed (Note 16 and 17).

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition as at the balance sheet date and the historical experience of manufacturing and selling products of similar nature (Note 15).

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Useful life of the property, plant and equipment

Useful life is the period over which an asset is expected to be available for use by an entity. The depreciable amount of an asset is allocated on a systematic basis over its useful life (Note 2.3).

The following factors are considered in determining the useful life of an asset:

- (i) Expected usage of the asset
- (ii) Expected physical wear and tear
- (iii) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset
- (iv) Legal or similar limits on the use of the asset

The useful life of an asset is reviewed at each financial year-end and, if expectations differ from previous estimates, the change will be accounted for as a change in an accounting estimate in accordance with 'IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors'.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Group did not recognize deferred tax assets for unused tax losses as it is not probable that future taxable profit will be available against which such losses can be utilized (Note 25).

4. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2016.

5. Group information about subsidiary

The consolidated financial statements of the Group include the Company and the following subsidiaries:

| Name | Place and date of incorporation | Legal status | Principal activities | Issued and fully paid capital | % equity interest | |
|--|--|---------------------------|-------------------------------|-------------------------------|-------------------|------|
| | | | | | 2016 | 2015 |
| Enice (Jiangsu) Communication Co., Ltd. ("Enice (Jiangsu)") | China 19 December 2014 | Limited liability company | Telecom products and services | USD 18,000,000 | 100 | 100 |
| Jiangsu Eastcentury Network Communication Co., Limited ("ENICE") | China 11 May 2000 | Limited liability company | Telecom engineering services | RMB 148,000,000 | 100 | 100 |
| CASSON International Limited ("CASSON") | British Virgin Islands ("BVI") 8 May 2006 | Limited liability company | Investing | USD 1 | 100 | 100 |
| Sunny Port (Nanjing) Electronic Company Limited ("Sunny Port") | China 11 May 2006 | Limited liability company | Telecom products | USD 7,489,945 | 100 | 100 |

6. Sales and segment information

The Group is principally engaged in the provision of telecommunications network engineering services and sales of related products in mainland China. All of the Group's business is of a similar nature and subject to similar risks and returns. For management purposes, the Group operates in one business unit based on its services and products, and has one reportable segment.

Since all of the Group's revenue was generated in Mainland China, no geographical information is presented in accordance with IFRS 8 - Operating Segments.

Revenue from continuing operations of approximately RMB122,723,000 (2015: RMB90,107,000), RMB84,339,000 (2015: RMB 56,267,000) and RMB81,973,000 (2015: RMB0) were derived from sales to 3 single customers, respectively.

| | <u>2016</u> | <u>2015</u> |
|------------------------------|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| Advanced solutions | 250,710 | 219,322 |
| Network engineering services | 132,339 | 132,689 |
| Wireless and RF products | 120,317 | 70,527 |
| Other | 401 | 1,202 |
| Total | <u>503,767</u> | <u>423,740</u> |

7. Other gains - net

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| | RMB'000 | RMB'000 |
| Other gains - net: | | |
| Government grants | 1,018 | 600 |
| Disposal of a subsidiary | - | 2,896 |
| Dividend income | - | 1,719 |
| Financial Guarantees contracts gain | - | 238 |
| Net gain on disposal of property, plant and equipment | - | 16 |
| Others | 168 | 246 |
| Total | <u>1,186</u> | <u>5,715</u> |

8. Finance costs - net

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|----------------------|----------------------|
| | RMB'000 | RMB'000 |
| Interest on debts and borrowings | 13,058 | 14,706 |
| Financial service fee and others | 933 | 1,358 |
| Discount interest | 405 | 1,092 |
| financial cost | <u>14,396</u> | <u>17,156</u> |
| Interest income | (64) | (986) |
| Exchange gain/loss | (38) | (2) |
| Financial Income | <u>(102)</u> | <u>(988)</u> |
| Net finance costs | <u>14,294</u> | <u>16,168</u> |

9. Expenses by nature

The Group's profit before tax is arrived at after charging/ (crediting):

| | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|
| | RMB'000 | RMB'000 |
| Cost of advanced solutions | 208,541 | 183,246 |
| Cost of network engineering services | 94,978 | 62,544 |
| Cost of wireless and RF products sold | 92,539 | 52,479 |
| Employee benefit expense (Note 10) | 32,435 | 43,297 |
| Depreciation of property, plant and equipment (Note 12) | 2,652 | 2,941 |
| Rental fee | 2,252 | 2,849 |
| Amortization of prepaid land lease payments (Note 13) | 838 | 838 |
| Provision of trade receivables (Note 16) | 896 | - |
| Provision of other receivables (Note 17) | 759 | (359) |
| Amortization of intangible assets (Note 14) | 159 | 183 |
| Provision of inventories (Note 15) | (220) | (112) |
| Listing expense | - | 14,017 |

10. Employee benefit expense

| | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|
| | RMB'000 | RMB'000 |
| Staff costs | | |
| - Salaries | 28,166 | 36,457 |
| - Pension costs and other welfare | 4,269 | 5,030 |
| - Equity-settled share-based compensation | - | 1,810 |
| | <u>32,435</u> | <u>43,297</u> |

The employees of the Group in China participate in a defined contribution retirement benefit plan organized by the relevant provincial government. For the year ended 31 December 2016, the Group is required to make monthly defined contributions to these plans subject to a certain ceiling.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed above.

11. Income tax

The major components of income tax expense for the year ended 31 December 2016 are:

Consolidated statement of profit or loss

| | 2016 | 2015 |
|---|---------------|--------------|
| | RMB'000 | RMB'000 |
| <i>Current income tax:</i> | | |
| Current income tax charge | 10,240 | 7,573 |
| <i>Deferred tax:</i> | | |
| Relating to origination and reversal of temporary differences | 256 | (112) |
| Income tax expense reported in the statement of profit or loss | 10,496 | 7,461 |

The enterprise income tax is calculated based on the statutory profit of group companies in accordance with the local tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

The Company's applicable income tax rate of 2016 is 16.5%. No Hong Kong profits tax has been provided since the entity incorporated or trading in Hong Kong does not have assessable profits during the year.

CASSON is incorporated in BVI with limited liability under the International Business Companies Act Chapter 291 and, accordingly, is exempted from payment of BVI income tax.

ENICE's applicable income tax rate of 2016 is 15% (2015: 15%) as ENICE enjoys preferential tax rate as a high and new technology enterprise until 2018. Under Chinese tax laws and regulations, enterprises that are "high and new technology enterprises strongly supported by the State" are entitled to a reduced income tax rate of 15%, subject to approval by, and receipt of a qualification certificate from relevant authorities.

The income tax rate of Enice (Jiangsu) and Sunny Port is 25%.

Reconciliation of tax expenses and the accounting profits multiplied by PRC tax rate for 2016:

| | Hong Kong | Tax rate | Mainland China | Tax rate | 2016 Total | Tax rate | 2015 Total | Tax Rate |
|--|--------------|-------------|-------------------|-------------|---------------|-------------|---------------|-------------|
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Accounting profit before income tax | 3,369 | | 49,617 | | 52,986 | | 21,253 | |
| Taxation calculated at each statutory tax rate | 556 | 16.5 | 12,404 | 25 | 12,960 | 25 | 6,901 | 32 |
| Dividend income exempted from tax | - | - | - | - | - | - | (430) | (2) |
| Tax losses for which no deferred income tax asset was recognized | - | - | 648 | 1 | 648 | 1 | 552 | 3 |
| Non-deductible expenses | - | - | 3,424 | 7 | 3,424 | 7 | 5,499 | 26 |
| Tax impact of deemed interest income from related parties | - | - | 1,491 | 3 | 1,491 | 3 | 884 | 4 |
| Additional deduction | (556) | (16.5) | (1,370) | (3) | (1,926) | (4) | (1,977) | (9) |
| Preferential rate enacted by local authority | - | - | (6,101) | (12) | (6,101) | (13) | (3,968) | (19) |
| At the effective income tax rate | - | - | 10,496 | 21 | 10,496 | 20 | 7,461 | 35 |

12. Property, plant and equipment

| | Machinery | Furniture, fixtures and office equipment | Buildings | Motor vehicles | Construction in process | Total |
|------------------------------------|----------------|--|----------------|----------------|-------------------------|-----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost or valuation | | | | | | |
| At 1 January 2015 | 3,882 | 5,025 | 55,713 | 3,522 | - | 68,142 |
| Additions | 981 | 641 | - | 585 | 1,695 | 3,902 |
| Disposals | (62) | - | - | - | - | (62) |
| At 31 December 2015 | 4,801 | 5,666 | 55,713 | 4,107 | 1,695 | 71,982 |
| Additions | 696 | 337 | - | - | 1,781 | 2,814 |
| Disposals | - | - | - | - | - | - |
| At 31 December 2016 | 5,497 | 6,003 | 55,713 | 4,107 | 3,476 | 74,796 |
| Depreciation and impairment | | | | | | |
| At 1 January 2015 | (3,322) | (4,078) | - | (2,055) | - | (9,455) |
| Depreciation charge for the year | (268) | (647) | (1,474) | (552) | - | (2,941) |
| Disposals | 60 | - | - | - | - | 60 |
| At 31 December 2015 | (3,530) | (4,725) | (1,474) | (2,607) | - | (12,336) |
| Depreciation charge for the year | (366) | (373) | (1,473) | (440) | - | (2,652) |
| Disposals | - | - | - | - | - | - |
| At 31 December 2016 | (3,896) | (5,098) | (2,947) | (3,047) | - | (14,988) |
| Net book value | | | | | | |
| At 31 December 2015 | 1,271 | 941 | 54,239 | 1,500 | 1,695 | 59,646 |
| At 31 December 2016 | 1,601 | 905 | 52,766 | 1,060 | 3,476 | 59,808 |

As at 31 December 2016, the gross carrying amount of fully depreciated property, plant and equipment that were still in use was RMB 10,020,000.00 (2015: RMB8,107,000).

As at 31 December 2016, buildings with carrying amount of RMB52,766,000 (2015: RMB54,239,000) were pledged as security for the Group's borrowings (Note 24).

13. Prepaid land lease payments

| | Prepaid land lease payments |
|------------------------------------|------------------------------------|
| | RMB'000 |
| Cost | |
| At 1 January 2015 | 35,197 |
| Acquisition of a subsidiary | - |
| At 31 December 2015 and 2016 | 35,197 |
| Amortization and impairment | |
| At 1 January 2016 | (838) |
| Amortization | (838) |
| At 31 December 2016 | (1,676) |
| Net book value | |
| At 31 December 2015 | 34,359 |
| At 31 December 2016 | 33,521 |

As at 31 December 2016, approximately RMB33,521,000 (2015:RMB34,359,000) of prepaid land lease payments were pledged as security for the Group's borrowings (Note 24).

14. Intangible assets

| | Patent | Software | Total |
|------------------------------------|----------------|-----------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Cost | | | |
| At 1 January 2015 | - | 1,527 | 1,527 |
| Additions | 494 | - | 494 |
| At 31 December 2015 | 494 | 1,527 | 2,021 |
| Additions | - | 880 | 880 |
| At 31 December 2016 | 494 | 2,407 | 2,901 |
| Amortization and impairment | | | |
| At 1 January 2015 | - | (1,318) | (1,318) |
| Amortization | (36) | (147) | (183) |
| At 31 December 2015 | (36) | (1,465) | (1,501) |
| Amortization | (36) | (123) | (159) |
| At 31 December 2016 | (72) | (1,588) | (1,660) |
| Net book value | | | |
| At 31 December 2015 | 458 | 62 | 520 |
| At 31 December 2016 | 422 | 819 | 1,241 |

15. Inventories

| | <u>2016</u> | <u>2015</u> |
|------------------------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| Raw materials | 3,431 | 2,516 |
| Finished goods | 10,529 | 3,928 |
| Work in progress of projects | <u>2,173</u> | <u>5,543</u> |
| | 16,133 | 11,987 |
| Provision | | |
| Raw materials | (341) | (175) |
| Finished goods | <u>(1,096)</u> | <u>(1,042)</u> |
| | (1,437) | (1,217) |
| | 14,696 | 10,770 |

During 2016, the Group recognized provision for inventory impairment of RMB220,000 (2015: provision of RMB112,000). Such expenses were recognized in cost of sales.

As at 31 December 2016, total inventories were disclosed at the lower of cost and net realizable value.

16. Trade receivables

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| Trade receivables | 471,618 | 341,633 |
| Less: Impairment of trade receivables | <u>(896)</u> | <u>-</u> |
| | 470,722 | 341,633 |

As at 31 December, the ageing analysis of trade receivables is, as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| Within 1 year | 336,572 | 234,337 |
| 1 to 2 years | 119,102 | 92,572 |
| More than 2 years | <u>15,944</u> | <u>14,724</u> |
| | 471,618 | 341,633 |

As at 31 December 2016, approximately RMB91,640,000 (2015: RMB104,100,000) were pledged as security for the Group's borrowings (Note 24).

Movements in the provision for impairment of trade receivables were as follows:

| | <u>Total</u> |
|------------------------------|--------------|
| | RMB'000 |
| At 1 January 2016 | - |
| Impairment losses recognized | 896 |
| At 31 December 2016 | 896 |

The individually impaired trade receivables relate to customers that were in default in payments and only a portion of the receivables is expected to be recovered.

17. Prepayments, deposits and other receivables

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|-----------------|-----------------|
| | RMB'000 | RMB'000 |
| Prepayments and others | 75,215 | 93,048 |
| Deposits | 11,521 | 12,312 |
| Deferred expense | 473 | 631 |
| Interest receivables from banks | - | 607 |
| | <u>124,826</u> | <u>146,136</u> |
| Less: | | |
| Provision (i) | <u>(14,318)</u> | <u>(13,559)</u> |
| | <u>110,508</u> | <u>132,577</u> |

(i) These receivables mainly comprise of amounts due from third parties with no interest and no fixed payment terms.

Included in the above provision for impairment of other receivables are provisions for individually impaired receivables of RMB14,318,000 (2015: RMB13,559,000) with a carrying amount before provision of RMB15,519,000 (2015: RMB13,913,000).

18. Cash and cash equivalents and restricted bank balances

| | <u>2016</u> | <u>2015</u> |
|---------------------------|--------------|--------------|
| | RMB'000 | RMB'000 |
| Cash and cash equivalents | 24,610 | 40,424 |
| Restricted bank balances | <u>6,295</u> | <u>1,946</u> |

As at 31 December 2016, restricted bank balances were composed of the following items:

- (i) Approximately RMB1,595,000 (2015: RMB1,946,000) were pledged as security for issuing letters of guarantee of the Group for rendering services to customers.
- (ii) Approximately RMB4,700,000 were pledged as security for short-term bank loans.

19. Shares Capital

| | Number of shares in issue | Share Capital | Share premium account | Total |
|-------------------------------|------------------------------|---------------|--------------------------|----------------|
| | | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2015 | - | - | 24,488 | 24,488 |
| Issue of shares | 259,300,000 | 259 | 176,863 | 177,122 |
| Share issue expenses | - | - | (14,205) | (14,205) |
| As At 31 December 2015 | 259,300,000 | 259 | 187,146 | 187,405 |
| As at 1 January 2016 | 259,300,000 | 259 | 187,146 | 187,405 |
| Issue of shares | - | - | - | - |
| Share issue expenses | - | - | - | - |
| As At 31 December 2016 | 259,300,000 | 259 | 187,146 | 187,405 |

On 12 January 2015, the Group determined to issue 52,500,000 shares at the subscription price of HK\$0.001 per share, of which 17,500,000 shares were issued to professional service providers. The shares were issued on 20 March 2015 for a total cash consideration of HK\$52,500, equivalent to RMB42,000 and to settle payables for compensation expenses amounting to RMB10,174,000.

On the same day, Mr. Shen and certain senior executives subscribed for 122,500,000 shares of the Company at the price of RMB0.4898 per share, of which 19,580,000 shares were issued to senior executives. The shares were issued for a total cash consideration of RMB60,000,000, of which RMB24,488,000 was previously injected in 2014, and to settle payables for compensation expenses amounting to RMB1,810,000.

On 17 April 2015, certain investors subscribed for 20,800,000 shares of the Company at the price of AUD0.25, equivalent to RMB 1.14 per share for a total cash consideration of AUD5,200,000, equivalent to RMB24,902,000. The costs related to the share issue totaling RMB2,975,000 were deducted from the share premium account.

On 30 October 2015, the Company converted its shares to CDIs on a one for one basis and listed on the ASX. During this process, the Company also issued 63,500,000 CDIs and raised RMB116,666,000. Those costs directly related to and subject to allocation for this issuance (RMB11,230,000) were deducted from the share premium account.

There was no change of share capital during the year ended December 31, 2016.

19. Shares Capital *continued*

Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Group had no potentially dilutive ordinary shares in issue during 2016.

The following reflects the income and share data used in the basic loss per share computations:

| | | |
|---|--------------------|--------------------|
| | <u>2016</u> | <u>2015</u> |
| | RMB'000 | RMB'000 |
| Profit attributable to ordinary equity holders of the parent: | <u>42,490</u> | <u>13,802</u> |
| | 2016 | 2015 |
| Weighted average number of ordinary shares for basic EPS* | <u>259,300,000</u> | <u>158,249,000</u> |

* The weighted average number of shares takes into account the weighted average effect of changes in share transactions during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these unaudited condensed consolidated interim financial statements.

20. Other reserves

| | Share-based compensation | Statutory reserve | Merger reserve | Total |
|-------------------------------|-----------------------------|----------------------|-------------------|----------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2015 | - | - | 844 | 844 |
| Share-based compensation | 11,984 | - | - | 11,984 |
| Profit appropriation | - | 3,265 | - | 3,265 |
| As At 31 December 2015 | <u>11,984</u> | <u>3,265</u> | <u>844</u> | <u>16,093</u> |
| As at 1 January 2016 | 11,984 | 3,265 | 844 | 16,093 |
| Profit appropriation | - | 4,172 | - | 4,172 |
| As At 31 December 2016 | <u>11,984</u> | <u>7,437</u> | <u>844</u> | <u>20,265</u> |

As stipulated by regulations in the PRC and the Articles of Association of the Company's subsidiaries established in the PRC, the subsidiaries established in the PRC are required to appropriate 10% of their PRC GAAP after-tax profit (after offsetting prior years' losses) to statutory surplus reserve fund before distributing their profit. When the balance of such reserve reaches 50% of each subsidiary's share capital, any further appropriation is optional.

21. Other long-term borrowing

The Company entered into several finance lease transactions during the year. During the year ended 31 December 2016, the Company sold the equipment acquired under the finance leases to third parties with the approval of the lessor. These payables in substance represented borrowings from other counterparties with repayment terms ranging from 2 to 4 years.

The total minimum payments as at 31 December 2016 and their present values were as follows:

| | Minimum lease payments | Present value of minimum lease |
|---|---------------------------|-----------------------------------|
| | 2016 | 2016 |
| | RMB'000 | RMB'000 |
| Amounts payable: | | |
| Within one year | 15,220 | 14,623 |
| More than one year | 22,387 | 17,898 |
| Total minimum finance lease payments | <u>37,607</u> | <u>32,521</u> |
| Future finance charges | (5,086) | |
| Total net finance lease payables | <u>32,521</u> | |
| Portion classified as current liabilities | <u>(14,623)</u> | |
| Non-current portion | <u>17,898</u> | |

The effective interest rate of the other borrowing of the Group is 9.11% per annum.

The long-term borrowing were guaranteed by related parties, Mr. Shen, his wife and Nanjing Longgang Science and Technology Co., LTD ("Longgang").

22. Trade payables

| | 2016 | 2015 |
|----------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| Trade payables | <u>178,213</u> | <u>192,412</u> |

An aged analysis of the trade payables as at the end of the reporting period is as follows:

| | 2016 | 2015 |
|-------------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| Within 1 year | 109,513 | 123,227 |
| 1 to 2 years | 45,649 | 34,137 |
| More than 2 years | 23,051 | 35,048 |
| | <u>178,213</u> | <u>192,412</u> |

23. Advances and other current liabilities

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|---------------|---------------|
| | RMB'000 | RMB'000 |
| Other payables | 22,418 | 12,586 |
| Business and other tax payables | 37,170 | 20,700 |
| Salary payables | 10,136 | 9,381 |
| Advance from customers | 566 | 151 |
| | <u>70,290</u> | <u>42,818</u> |

24. Bank borrowings

| | <u>2016</u> | | | <u>2015</u> | | |
|---------|--------------------------------|----------|----------------|--------------------------------|----------|----------------|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| Secured | 4.35-6.44 | 2017 | <u>207,030</u> | 4.35-6.15 | 2016 | <u>185,100</u> |

The Group's bank loans were secured by:

| | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|
| | RMB'000 | RMB'000 |
| Mortgaged over trade receivables of the Group and guaranteed by others (i) | 75,000 | 50,000 |
| Mortgaged by property and buildings (ii) | 66,900 | 41,000 |
| Guaranteed by others (iii) | 60,900 | 94,100 |
| Mortgaged over bank deposit (Note 18) | 4,230 | - |
| | <u>207,030</u> | <u>185,100</u> |

(i) Guaranteed by related parties Mr. Shen and his wife, Nanjing Bei Hao Technology Co., Ltd. ("Nanjing Bei Hao") and third parties Nanjing JCNeng Network Science&Technology Co., LTD.

(ii) Mortgaged by Sunny Port's property and buildings (Note 12 & 13).

(iii) Guaranteed by related parties Mr. Shen and his wife, Mr. Shen Yongzheng and his wife, Nanjing Bei Hao and third parties China Mobile Communications Corporation, Nanjing Junjie Communication Technology Industrial Co. Ltd and Nanjing JCNeng Network Science&Technology Co., LTD.

25. Deferred tax

The gross movement on the deferred income tax account is as follows:

| | 2016 | 2015 |
|--|------------|------------|
| | RMB'000 | RMB'000 |
| Opening balance as of 1 January | 532 | 420 |
| Credited to the income statement | (256) | 112 |
| Closing balance as at 31 December | 276 | 532 |

Deferred taxation is calculated on temporary differences under the liability method using the tax rate and the tax base that is consistent with the expected manner of recovery or settlement for the year ended 31 December 2016.

The movements in deferred tax assets during the year are as follows:

Deferred tax assets:

| | Inventory provisions | Financial guarantee contracts | Accrual recorded in other payables | Discount expense | Total |
|---|----------------------|-------------------------------|------------------------------------|------------------|------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2015 | 199 | 36 | 185 | - | 420 |
| Credited/(charged) to the consolidated income statement | (16) | (36) | - | 164 | 112 |
| At 31 December 2015 | 183 | - | 185 | 164 | 532 |
| Credited/(charged) to the consolidated income statement | 32 | - | (185) | (103) | (256) |
| At 31 December 2016 | 215 | - | - | 61 | 276 |

The Group has tax losses arising in the PRC of RMB10,253,834 (2015: RMB 9,851,612) that are available for offsetting against future taxable profits of the companies within five years from when the losses arose. No deferred tax assets have been recognized in respect of these losses due to the uncertainty of future available taxable profit of the subsidiaries to set against the unused tax losses. The available period of the unused tax losses will expire in one to five years for offsetting against future taxable profits.

At 31 December 2016, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately RMB66,934,000 at 31 December 2016 (2015: RMB29,389,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholder.

26. Commitments

Operating lease commitments — Group as lessee

The Group has entered into commercial leases on certain motor vehicles and office properties. Most of these leases are negotiated for terms ranging from one to two years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

| | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|
| | RMB'000 | RMB'000 |
| Within one year | 1,621 | 1,135 |
| After one year but not more than five years | 278 | 226 |
| | <u>1,899</u> | <u>1,361</u> |

Capital commitments

The Group had the following capital commitments at the end of the reporting period:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|-------------|--------------|
| | RMB'000 | RMB'000 |
| Contracted, but not provided for: | | |
| Plant and machinery | <u>59</u> | <u>1,230</u> |
| Authorised, but not contracted for: | | |
| Plant and machinery | <u>930</u> | <u>1,891</u> |

27. Financial guarantee contracts

As at 31 December 2016, the Group does not provide any guarantee relating to bank borrowings in favor of any related party or third party.

28. Related party transactions

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.

28. Related party transactions *continued*

- (a) For the year ended 31 December 2016, the directors are of the view that the following companies and persons are related parties of the Group:

| Name | Relationship with the Group |
|--|---|
| Mr. Shen | The controlling shareholder of the Group |
| Mr. Shen Yongzheng | Brother of Mr. Shen |
| Supeq (Nanjing) | Controlled by Mr. Shen |
| Nanjing Longgang Science&Technology Co., LTD ("Longgang") | Controlled by a family member of Mr. Shen |
| Zhuhai DBJ | Controlled by Mr. Shen |
| Beijing Xinhaiqianxun Information Technology Co., LTD ("Xinhaiqianxun") | Controlled by Mr. Shen |
| Nanjing Bei Hao | Significant influenced by a family member of Mr. Shen |
| Beijing Zhongguang Broadcasting and Television Technology Co. Ltd (Beijing Zhongguang) | Controlled by Mr. Shen's brother |

- (b) Save as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2016, the directors are of the view that the following significant related party transactions were carried out in the normal course of business of the Group:

| | 2016 | 2015 |
|---|---------|---------|
| | RMB'000 | RMB'000 |
| <u>Rental income as lessor</u> | | |
| Longgang | 189 | - |
| Supeq (Nanjing) | 11 | 180 |
| | <hr/> | <hr/> |
| <u>Disposal of the equity investment of XIB</u> | | |
| Longgang | - | 35,400 |
| | <hr/> | <hr/> |

The sales of goods to the related parties were made by reference to the published prices and conditions offered to other major customers of the Group. The purchases from the related parties were made according to the published prices of and conditions offered by the suppliers to their major customers.

| | 2016 | 2015 |
|-----------------------------|---------|---------|
| | RMB'000 | RMB'000 |
| <u>Purchase of goods</u> | | |
| Zhuhai DBJ | 5 | - |
| | <hr/> | <hr/> |
| <u>Rental fee as lessee</u> | | |
| Supeq (Nanjing) | - | 369 |
| Xinhaiqianxun | - | 70 |
| Sunny Port | 234 | - |
| | <hr/> | <hr/> |
| | 234 | 439 |
| | <hr/> | <hr/> |

28. Related party transactions *continued*

(c) As at 31 December 2016, the directors are of the view that the following related party balances were attributable to the aforementioned related party transactions and financing transfers between the Group and related parties during the year:

(i) Amounts due from related parties

| | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| | RMB'000 | RMB'000 |
| <u>Balances relating to non-operating activities</u> | | |
| Loan to related parties | | |
| Beijing Zhongguang* | 22,000 | 22,000 |
| Longgang* | 21,103 | 600 |
| Zhuhai DBQ* | 1,029 | - |
| Shen Yongzheng* | 526 | 526 |
| Mr. Shen* | - | 946 |
| | <u>44,658</u> | <u>24,072</u> |

The Group has received the repayments from Beijing Zhongguang and Longgang in March 2017.

(ii) Amounts due to related parties

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| | RMB'000 | RMB'000 |
| <u>Balances relating to non-operating activities</u> | | |
| Mr. Shen* | 201 | - |
| <u>Balances relating to operating activities</u> | | |
| Supeq (Nanjing)* | 270 | 281 |
| | <u>471</u> | <u>281</u> |

* These balances were interest free and payable on demand.

28. Related party transactions *continued*

(d) Compensation of key management personnel of the Group:

| | 2016 RMB'000 | 2015 RMB'000 |
|---|-----------------|-----------------|
| Short term employee benefits | 2,980 | 1,665 |
| Pension scheme contribution | 173 | 197 |
| Equity-settled share based compensation | 1,810 | 1,810 |
| | <u>4,963</u> | <u>3,672</u> |

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

(e) Directors' emoluments

The emoluments of every director for the years ended 31 December 2016, on a named basis, are set out as below:

| Name | Fees RMB'000 | Salaries, allowances and benefit-in kinds RMB'000 | Employer's contribution to pension plan RMB'000 | Total Emoluments RMB'000 |
|---|-----------------|---|---|--------------------------------|
| Mr. Shen Yong Jun (Appointed on 23 Jun 2015) | - | 208 | - | 208 |
| Mr. Yu Wei (Appointed on 28 May 2015) | - | 208 | - | 208 |
| Mr. Qi Yihong (Appointed on 28 May 2015) | - | 208 | - | 208 |
| Mr Fan Jun (Appointed on 29 April 2016) * | - | 250 | - | 250 |
| Mr. Ross Kenneth Benson (Appointed on 12 Jun 2015) * | 350 | - | - | 350 |
| Mr. Simon Geoffrey Green (Appointed on 12 Jun 2015) * | 350 | - | - | 350 |
| Mr. Alexander Andrew Kelton (Appointed on 12 Jun 2015) * | <u>250</u> | <u>-</u> | <u>-</u> | <u>250</u> |
| | <u>950</u> | <u>874</u> | <u>-</u> | <u>1,824</u> |

The emoluments of every director for the years ended 31 December 2015, on a named basis, are set out as below:

| Name | Fees RMB'000 | Salaries, allowances and benefit-in kinds RMB'000 | Employer's contribution to pension plan RMB'000 | Total Emoluments RMB'000 |
|---|-----------------|---|---|--------------------------------|
| Mr. Shen Yong Jun (Appointed on 23 Jun 2015) | - | 113 | - | 113 |
| Mr. Yu Wei (Appointed on 28 May 2015) | - | 113 | - | 113 |
| Mr. Qi Yihong (Appointed on 28 May 2015) | - | 113 | - | 113 |
| Mr. Ross Kenneth Benson (Appointed on 12 Jun 2015) * | 179 | - | - | 179 |
| Mr. Simon Geoffrey Green (Appointed on 12 Jun 2015) * | 179 | - | - | 179 |
| Mr. Alexander Andrew Kelton (Appointed on 12 Jun 2015) * | <u>137</u> | <u>-</u> | <u>-</u> | <u>137</u> |
| | <u>495</u> | <u>339</u> | <u>-</u> | <u>834</u> |

*Independent non-executive directors

None of the directors waived or agreed to waive any remuneration during the years ended 31 December 2016.

29. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

| | Loans and receivables | Loans and receivables |
|---|-----------------------|-----------------------|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Assets as per consolidated balance sheet | | |
| Trade receivables (Note 16) | 470,722 | 341,633 |
| Deposits and other receivables (Note 17) | 34,820 | 38,898 |
| Amounts due from related parties (Note 28) | 44,658 | 24,072 |
| Restricted bank balances (Note 18) | 6,295 | 1,946 |
| Cash and cash equivalents (Note 18) | 24,610 | 40,424 |
| Total | 581,105 | 446,973 |

| | Financial liabilities measured at amortized cost | Financial liabilities measured at amortized cost |
|--|--|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Liabilities as per consolidated balance sheet | | |
| Trade payables (Note 22) | 178,213 | 192,412 |
| Other payables (Note 23) | 22,418 | 12,586 |
| Bank borrowings (Note 24) | 207,030 | 185,100 |
| Amounts due to related parties (Note 28) | 471 | 281 |
| Total | 408,132 | 390,379 |

30. Fair values and fair values hierarchy of financial instruments

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, financial liabilities included in trade and other payables, amounts due to related parties and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of other borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

| | Carrying amount | | Fair value | |
|------------------|-----------------|---------|------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Other borrowings | 32,521 | - | 33,275 | - |

31. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, finance leases, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, available for sale financial assets and other receivables and payables which arise from its business and financing operations. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The director reviews and agrees policies for managing each of these risks as summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's balances with related parties and third parties and bank borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. The following table demonstrates the sensitivity at the end of each year, to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

| | Increase/(decrease) in interest rate basic point | Increase /(decrease) in profit before tax | Increase / (decrease) in equity* |
|-------------------------|---|--|-------------------------------------|
| 31 December 2016 | | | |
| RMB | 100 | (350) | - |
| RMB | (100) | 350 | - |
| 31 December 2015 | | | |
| RMB | 100 | (100) | - |
| RMB | (100) | 100 | - |

* Excluding retained earnings

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to credit risk arising from trade receivables is disclosed in Note 16.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

31. Financial risk management objectives and policies *continued*

Credit risk *continued*

At the end of the reporting period, the Group had certain concentrations of credit risk as 22% (2015: 20%) and 70% (2015: 73%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Certain customers are local subsidiaries of a telecommunications carrier in China, which the Group views as separate customers as it negotiates with, maintains and supports each of these entities given that each of them has separate decision-making authority and services procurement budget. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 16 to the financial statements.

Liquidity risk

The Group monitors its cash flow positions on a regular basis to ensure that the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available, and obtaining borrowing loans from banks and other financial institutions.

The maturity profile of the Group's financial liabilities at the end of each year based on the contractual undiscounted payments is as follows:

| | Less than 1 year or on demand | 1-2 years | 2-5 years | Total |
|---|----------------------------------|-----------|-----------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 31 December 2016 | | | | |
| Interest bearing loans and borrowings (Note 24) (i) | 212,657 | - | - | 212,657 |
| Trade payables (Note 22) | 109,513 | 45,649 | 23,051 | 178,213 |
| Other payables (Note 23) | 22,418 | - | - | 22,418 |
| Other long-term borrowing (Note 21) | 14,623 | 10,241 | 7,657 | 32,521 |
| Amount due to related parties (Note 28) | 471 | - | - | 471 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | Less than 1 year or on demand | 1-2 years | 2-5 years | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 31 December 2015 | | | | |
| Interest bearing loans and borrowings (Note 24) (i) | 188,334 | - | - | 188,334 |
| Trade payables (Note 22) | 123,227 | 34,137 | 35,048 | 192,412 |
| Other payables (Note 23) | 12,586 | - | - | 12,586 |
| Amount due to related parties (Note 28) | 281 | - | - | 281 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

- (i) The interest on borrowings is calculated based on borrowings held as at 31 December 2016 and 2015 without taking into account extension or refinancing of the borrowings in future. Floating-rate interest is estimated using current interest rate as at 31 December 2016 and 2015 respectively.

32. Events after the reporting period

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Group after 31 December 2016.

III. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Set out below is the full text of the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2017 extracted from the interim report of the Group for the six months ended 30 June 2017.

Report on review of interim condensed consolidated financial statements

To the shareholders of Enice Holding Company Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 2 to 21, which comprises the condensed consolidated statement of financial position of Enice Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Accounting Standards Board. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Report on review of interim condensed consolidated financial statements

To the shareholders of Enice Holding Company Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 2 to 21, which comprises the condensed consolidated statement of financial position of Enice Holding Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Shanghai, the People’s Republic of China

29 August 2017

Interim condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June

| | Notes | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
|--|-------|--------------------------------|--------------------------------|
| Revenue | 4 | 146,901 | 160,983 |
| Cost of sales | 7 | <u>(123,864)</u> | <u>(137,445)</u> |
| Gross profit | | 23,037 | 23,538 |
| Distribution expenses | 7 | (4,050) | (3,261) |
| Administrative expenses | 7 | (20,436) | (16,646) |
| Other gains - net | 5 | <u>98</u> | <u>267</u> |
| Operating loss/ (profit) | | (1,351) | 3,898 |
| Finance costs - net | 6 | <u>(8,883)</u> | <u>(7,163)</u> |
| Loss before income tax | | (10,234) | (3,265) |
| Income tax expenses | 9 | <u>(1,738)</u> | <u>(270)</u> |
| Loss for the period and total comprehensive income for the period | | <u>(11,972)</u> | <u>(3,535)</u> |
| Attributable to: | | | |
| Equity holders of the parent | | (11,972) | (3,535) |
| Non-controlling interest | | <u>-</u> | <u>-</u> |
| | | <u>(11,972)</u> | <u>(3,535)</u> |
| Loss per share: | | | |
| Basic, loss for the period attributable to ordinary equity holders of the parent | 10 | RMB0.05 | RMB0.01 |
| Diluted, loss for the period attributable to ordinary equity holders of the parent | 10 | RMB0.05 | RMB0.01 |

Interim condensed consolidated statements of financial position

As at

| Assets | Notes | 30 June 2017 (unaudited) RMB'000 | 31 December 2016 (audited) RMB'000 |
|---|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 58,682 | 59,808 |
| Prepaid land lease payments | 12 | 33,102 | 33,521 |
| Intangible assets | 13 | 1,167 | 1,241 |
| Deferred tax assets | 23 | 539 | 276 |
| Long-term receivables | 19 | <u>10,704</u> | <u>-</u> |
| | | <u>104,194</u> | <u>94,846</u> |
| Current assets | | | |
| Inventories | 14 | 11,401 | 14,696 |
| Trade receivables | 15 | 488,220 | 470,722 |
| Prepayments, deposits and other receivables | 16 | 97,021 | 110,508 |
| Amounts due from related parties | 25 | 54,355 | 44,658 |
| Restricted bank balances | 17 | 2,768 | 6,295 |
| Cash and cash equivalents | 17 | <u>17,079</u> | <u>24,610</u> |
| | | <u>670,844</u> | <u>671,489</u> |
| Total assets | | <u>775,038</u> | <u>766,335</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 18 | 187,405 | 187,405 |
| Reserves | 18 | 20,445 | 20,265 |
| Retained earnings | | <u>33,992</u> | <u>46,144</u> |
| Equity attributable to equity holders of the parent | | 241,842 | 253,814 |
| Total equity | | <u>241,842</u> | <u>253,814</u> |
| Non-current liabilities | | | |
| Long-term borrowing and payables | 19 | <u>40,740</u> | <u>17,898</u> |
| | | 40,740 | 17,898 |
| Current liabilities | | | |
| Trade payables | 20 | 151,045 | 178,213 |
| Advances and other current liabilities | 21 | 61,226 | 70,290 |
| Bank borrowings | 22 | 199,800 | 207,030 |
| Amounts due to related parties | 25 | 201 | 471 |
| Long-term borrowing and payables - current portion | 19 | 54,866 | 14,623 |
| Income tax payable | | <u>25,318</u> | <u>23,996</u> |
| | | <u>492,455</u> | <u>494,623</u> |
| Total liabilities | | <u>533,196</u> | <u>512,521</u> |
| Total equity and liabilities | | <u>775,038</u> | <u>766,335</u> |

Yu Wei

Chief Executive Officer

Cheng Bo

Chief Financial Officer

Chen Juan

Financial Manager

Interim condensed consolidated statements of changes in equity

For the six months ended 30 June

| | <u>Attributable to the equity holders of the parent</u> | | | | Non-controlling interest RMB'000 | Total Equity RMB'000 |
|-------------------------------------|---|---------------------------|------------------------------|------------------|-------------------------------------|-------------------------|
| | Share capital RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | | |
| As at 1 January 2017 | 187,405 | 20,265 | 46,144 | 253,814 | - | 253,814 |
| Loss for the period | - | - | (11,972) | (11,972) | - | (11,972) |
| Appropriation of statutory reserves | - | 180 | (180) | - | - | - |
| As at 30 June 2017 (Unaudited) | <u>187,405</u> | <u>20,445</u> | <u>33,992</u> | <u>241,842</u> | <u>-</u> | <u>241,842</u> |
| As at 1 January 2016 | 187,405 | 16,093 | 7,826 | 211,324 | - | 211,324 |
| Loss for the period | - | - | (3,535) | (3,535) | - | (3,535) |
| As at 30 June 2016 (Unaudited) | <u>187,405</u> | <u>16,093</u> | <u>4,291</u> | <u>207,789</u> | <u>-</u> | <u>207,789</u> |

Interim condensed consolidated statements of cash flows

For the six months ended 30 June

| | Notes | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
|--|-------|--------------------------------|--------------------------------|
| Operating activities | | | |
| Loss before income tax | | (10,234) | (3,265) |
| Adjustments to reconcile profit before tax to net cash flows | | | |
| Depreciation of property, plant and equipment | 11 | 1,536 | 1,385 |
| Amortization of leasehold land | 12 | 419 | 419 |
| Amortization of intangible assets | 13 | 74 | 67 |
| Finance income | 6 | (86) | (190) |
| Finance costs | 6 | 8,911 | 7,866 |
| Provision for impairment of inventories | 7 | 1,772 | 273 |
| Provision of impairment of trade receivables | 7 | 1,828 | - |
| Provision of impairment of other receivables | 7 | 118 | - |
| Net foreign exchange differences | 6 | 58 | (513) |
| Working capital adjustments: | | | |
| Decrease/(increase) in inventories | | 1,523 | (4,905) |
| Increase in trade receivables, other receivables, deposits and prepayments | | (5,957) | (13,094) |
| (Increase)/ decrease in restricted bank balances for operating activities | | (1,173) | 604 |
| Decrease in trade payables, accruals, advances from customers and other current liabilities | | (36,904) | 22,715 |
| Increase in amounts due to related parties for operating activities | 25 | (270) | (6) |
| | | (38,385) | 11,356 |
| Interest received | | 86 | 796 |
| Interest paid | | (8,336) | (8,810) |
| Income tax paid | | (679) | (737) |
| Net cash flows (used in) / generated from operating activities | | (47,314) | 2,605 |
| Investing activities | | | |
| Purchase of property, plant and equipment | 11 | (410) | (2,179) |
| Additions to other intangible assets | 12 | - | (224) |
| Net cash flows used in investing activities | | (410) | (2,403) |

Interim condensed consolidated statements of cash flows *continued*

For the six months ended 30 June

| | | 2017 | 2016 |
|--|-------|---------------|-----------------|
| | | RMB'000 | RMB'000 |
| | Notes | (unaudited) | (unaudited) |
| Financing activities | | | |
| Proceeds from bank borrowings | | 96,000 | 141,230 |
| Repayment of bank borrowings | | (103,230) | (162,300) |
| Proceeds of long-term payables and long-term receivable - net | | - | 10,182 |
| Repayment of long-term payables and long-term receivable | | (5,985) | - |
| Decrease/(Increase) in restricted bank balances pledged as security for bank loans | | 4,700 | (4,700) |
| Loans to related parties | | (46,197) | (58,864) |
| Repayment of loans by related parties | | 36,500 | 22,996 |
| Proceeds of other long-term borrowing and long-term receivables | | 58,367 | - |
| Proceeds from employees for share incentive plan | | - | 14,400 |
| Net cash flows generated from/(used in) financing activities | | <u>40,155</u> | <u>(37,056)</u> |
| Net decrease in cash and cash equivalents | | (7,569) | (36,854) |
| Effect of foreign exchange rate changes | | 38 | 292 |
| Cash and cash equivalents at 1 January | 17 | <u>24,610</u> | <u>40,424</u> |
| Cash and cash equivalents at 30 June | 17 | <u>17,079</u> | <u>3,862</u> |

1. Corporate information

The unaudited interim condensed consolidated financial statements of Enice Holding Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 (the “Period”) were authorized for issue in accordance with a resolution of the directors on 29 August 2017.

The Company was incorporated by Mr. Shen Yong Jun (“Mr. Shen”) with the registered capital of Hong Kong Dollars (“HKD”) 1 on 29 October 2014 in Hong Kong Special Administration Region (“HK SAR”), the People’s Republic of China (“China” or “PRC”). The address of its registered office is 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong.

The Company is an investing holding company. The Group is principally engaged in integrated wireless telecommunications technology business, with proven capabilities in the areas of technology development, product supply, and network management, maintenance and optimisation services, for the wireless telecommunications industry in mainland China. The ultimate controlling party of the Group is Mr. Shen. Information on the Group’s subsidiaries is provided in Note 3. Information on other related party relationships of the Group is provided in Note 25.

The Company’s shares were converted to Chess Depository Interests (“CDI”) and have been listed on the Australian Stock Exchange (“ASX”) since 30 October 2015.

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

2.2 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature of each new standard and amendment is described below:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle - 2014-2016.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses.

The adoption of these new standards and amendments do not have significant financial effect on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

3. Group information about subsidiary

The interim condensed consolidated financial statements of the Group include the Company and the following subsidiaries:

| Name | Place and date of incorporation | Legal status | Principal activities | Issued and fully paid capital | % equity interest |
|--|--|---------------------------|-------------------------------|-------------------------------|-------------------|
| Enice (Jiangsu) Communication Co., Ltd. ("Enice (Jiangsu)") | China 19 December 2014 | Limited liability company | Telecom products and services | USD 9,300,000 | 100 |
| Jiangsu Eastcentury Network Communication Co., Ltd. ("ENICE") | China 11 May 2000 | Limited liability company | Telecom engineering services | RMB 60,000,000 | 100 |
| CASSON International Limited ("CASSON") | British Virgin Islands ("BVI") 8 May 2006 | Limited liability company | Investing | USD 1 | 100 |
| Sunny Port (Nanjing) Electronic Company Limited ("Sunny Port") | China 11 May 2006 | Limited liability company | Telecom products | USD 10,000,000 | 100 |

4. Sales and segment information

The Group is principally engaged in the provision of telecommunications network engineering and related services and sales of related products in mainland China. All of the Group's business is of a similar nature and subject to similar risks and returns. For management purposes, the Group operates in one business unit based on its services and products, and has one reportable segment.

Since all of the Group's revenue was generated in Mainland China, no geographical information is presented in accordance with IFRS 8 - Operating Segments.

Revenue from continuing operations of approximately RMB 31,257,000 (the six month ended 30 June 2016: RMB 39,210,000), RMB 28,426,000, (the six month ended 30 June 2016: RMB 38,908,000) and RMB 20,275,000 (the six month ended 30 June 2016: RMB 4,559,000) were derived from sales to 3 single customers, respectively for the six month ended 30 June 2017.

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|--------------------------------|
| | 2017 (Unaudited) RMB'000 | 2016 (Unaudited) RMB'000 |
| Network engineering services | 66,373 | 26,971 |
| Wireless and radio frequency products | 45,420 | 51,721 |
| Advanced solutions | 34,253 | 81,929 |
| Other | 855 | 362 |
| Total | <u>146,901</u> | <u>160,983</u> |

5. Other gains - net

| | For the six months ended 30 June | |
|-------------------|----------------------------------|--------------------------------|
| | 2017 (Unaudited) RMB'000 | 2016 (Unaudited) RMB'000 |
| Government grants | - | 210 |
| Others | 98 | 57 |
| Total | <u>98</u> | <u>267</u> |

6. Finance costs – net

| | For the six months ended 30 June | |
|----------------------------------|----------------------------------|--------------------------------|
| | 2017 (Unaudited) RMB'000 | 2016 (Unaudited) RMB'000 |
| Interest on debts and borrowings | 7,698 | 7,389 |
| Financial service fee and others | 825 | 374 |
| Discount interest | <u>388</u> | <u>103</u> |
| Financial cost | 8,911 | 7,866 |
| Interest income | (86) | (190) |
| Exchange loss/ (gains), net | <u>58</u> | <u>(513)</u> |
| Financial Income | (28) | (703) |
| Net finance costs | <u>8,883</u> | <u>7,163</u> |

7. Expenses by nature

The Group's loss before tax is arrived at after charging:

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2017 (Unaudited) RMB'000 | 2016 (Unaudited) RMB'000 |
| Cost of network engineering services | 53,851 | 24,070 |
| Cost of wireless and Radio Frequency products sold | 36,015 | 43,513 |
| Cost of advanced solutions | 31,476 | 69,344 |
| Cost of others | 750 | 245 |
| Employee benefit expense (Note 8) | 20,678 | 20,990 |
| Rental fee | 1,458 | 1,808 |
| Depreciation of property, plant and equipment (Note 11) | 1,536 | 1,385 |
| Amortization of intangible assets and prepaid land lease payment (Note 12 and 13) | 493 | 486 |
| Provision of inventories (Note 14) | 1,772 | 273 |
| Provision of trade receivables (Note 15) | 1,828 | - |
| Provision of other receivables (Note 16) | <u>118</u> | <u>-</u> |

8. Employee benefit expense

| | For the six months ended 30 June | |
|-----------------------------------|----------------------------------|--------------------------------|
| | 2017 (Unaudited) RMB'000 | 2016 (Unaudited) RMB'000 |
| Staff costs | | |
| - Salaries | 16,456 | 16,449 |
| - Pension costs and other welfare | <u>4,222</u> | <u>4,541</u> |
| | <u>20,678</u> | <u>20,990</u> |

The employees of the Group in China participate in a defined contribution retirement benefit plan organized by the relevant provincial government. For the period ended 30 June 2017, the Group is required to make monthly defined contributions to these plans subject to certain ceilings.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed in the note.

9. Income tax

The major components of income tax expense for the six months ended 30 June are:

Consolidated statement of profit or loss

| | <u>For the six months ended 30 June</u> | |
|---------------------|---|--------------------------------|
| | 2017 (Unaudited) RMB'000 | 2016 (Unaudited) RMB'000 |
| Current income tax: | 2,001 | 141 |
| Deferred tax | <u>(263)</u> | <u>129</u> |
| | <u>1,738</u> | <u>270</u> |

The enterprise income tax is calculated based on the statutory profit of group companies in accordance with the local tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

The Company's applicable income tax rate of the period ended 30 June 2017 is 16.5% (2016: 16.5%). No Hong Kong profits tax has been provided since the entity incorporated or trading in Hong Kong does not have a assessable profits during the period.

CASSON is incorporated in BVI with limited liability under the International Business Companies Act Chapter 291 and, accordingly, is exempted from payment of BVI income tax.

ENICE's applicable income tax rate of 2017 is 15% (2016: 15%) as ENICE enjoys preferential tax rate as a high and new technology enterprise until 2018. Under Chinese tax laws and regulations, enterprises that are high and new technology enterprises are entitled to a reduced income tax rate of 15%, subject to approval by, and receipt of a qualification certificate from relevant authorities.

The income tax rate of Enice (Jiangsu) and Sunny Port is 25%.

10. Loss per share

The calculation of the basic earnings per share amount is based on the profit for the reporting period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 259,300,000 (for the six months ended 30 June 2016: 259,300,000) in issue during the reporting period, as adjusted to reflect the rights issue during the reporting period.

Diluted loss per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017

The calculations of basic and diluted earnings per share are based on:

| | <u>For the six months ended 30 June</u> | |
|---|---|--------------------------------|
| | 2017 (Unaudited) RMB'000 | 2016 (Unaudited) RMB'000 |
| Loss attributable to ordinary equity holders of the parent: | <u>(11,972)</u> | <u>(3,535)</u> |
| | 2017 Thousands | 2016 Thousands |
| Weighted average number of ordinary shares for basic EPS* | <u>259,300</u> | <u>259,300</u> |

* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the period.

11. Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB 410,000 (for the six months ended 30 June 2016: RMB 2,179,000). Depreciation for items of property, plant and equipment was RMB 1,536,000 during the period (six months ended 30 June 2016: RMB 1,385,000).

No significant property, plant and equipment were disposed during the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

As at 30 June 2017, the gross carrying amount of fully depreciated property, plant and equipment that were still in use was RMB 10,197,000 (31 December 2016: RMB 8,760,000).

As at 30 June 2017, approximately RMB 55,918,000 (31 December 2016: RMB 52,766,000) of buildings at their book value were pledged as security for the Group's borrowings (Note 22).

12. Prepaid land lease payments

During the six months ended 30 June 2017 and 2016, the Group did not acquire prepaid land lease payments. Amortization of the prepaid land lease payments were RMB 419,000 during this period (for the six months ended 30 June 2016: RMB 419,000).

No prepaid land lease payments were disposed during the six months ended 30 June 2017 and 2016.

As at 30 June 2017, prepaid land lease payments at book value of approximately RMB 33,102,000 (31 December 2016: RMB 33,521,000) were pledged as security for the Group's borrowings (Note 22).

13. Intangible assets

During the six months ended 30 June 2017, the Group did not acquire intangible assets. Amortization of intangible assets was RMB 74,000 for the period (for the six months ended 30 June 2016: RMB 67,000).

No intangible assets were disposed of during the six months ended 30 June 2017 and 2016.

14. Inventories

During the six months ended 30 June 2017, RMB 1,772,000 (the six months ended 30 June 2016: reversal of provision of RMB 273,000) was recognized as impairment expenses for inventories carried at net realizable value. Such expenses were recognized in cost of sales.

15. Trade receivables

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|---------------------------------------|--|--|
| Trade receivables | 490,944 | 471,618 |
| Less: Impairment of trade receivables | <u>(2,724)</u> | <u>(896)</u> |
| | <u>488,220</u> | <u>470,722</u> |

As at 30 June 2017, the ageing analysis of trade receivables is as follows:

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|-------------------|--|--|
| Within 1 year | 325,421 | 336,572 |
| 1 to 2 years | 121,540 | 119,102 |
| 2 to 3 years | 41,259 | 15,048 |
| More than 3 years | <u>2,724</u> | <u>896</u> |
| | <u>490,944</u> | <u>471,618</u> |

As at 30 June 2017, approximately RMB 61,640,000 of trade receivables (31 December 2016: RMB 91,640,000) and RMB 117,911,500 (31 December 2016: nil) were pledged as security for the Group's bank borrowings (Note 22) and asset backed securitization (ABS) (Note 19) respectively.

As at 30 June 2017, trade receivables of RMB86,764,000 (31 December 2016: RMB 87,916,000) were past due but not impaired. Included in the above provision for impairment of trade receivables are provisions for over 3 years impaired receivables of RMB 2,724,000 (31 December 2016: RMB 896,000). The directors considered that trade receivables within 3 years are not impaired.

16. Prepayments, deposits and other receivables

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|-------------------|--|--|
| Prepayments | 80,954 | 75,215 |
| Other receivables | 19,847 | 37,617 |
| Deposits | 10,262 | 11,521 |
| Deferred expense | <u>394</u> | <u>473</u> |
| | 111,457 | 124,826 |
| Less | | |
| Provision (i) | <u>(14,436)</u> | <u>(14,318)</u> |
| | <u>97,021</u> | <u>110,508</u> |

(i) These receivables mainly comprise of amounts due from third parties with no interest and no fixed payment terms.

Included in the above provision for impairment of other receivables are provisions for individually impaired receivables of RMB 14,436,000 (31 December 2016: RMB 14,318,000) with a carrying amount of RMB15,745,000 (31 December 2016: RMB15,519,000).

17. Cash and cash equivalents and restricted bank balances

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|---------------------------|--|--|
| Cash and cash equivalents | 17,079 | 24,610 |
| Restricted bank balances | <u>2,768</u> | <u>6,295</u> |

As at 30 June 2017, restricted bank balances were composed of the following items:

- (i) Approximately RMB 2,768,000(31 December 2016: RMB 1,595,000) were pledged as security for issuing letters of guarantee to customers.

18. Share capital and reserves

| | Number of shares in issue | Share Capital RMB'000 | Share premium RMB'000 | Total RMB'000 |
|---|------------------------------|---------------------------------|------------------------------|------------------|
| As at 31 December 2016 (Audited) and at 30 June 2017 (Unaudited) | <u>259,300,000</u> | <u>259</u> | <u>187,146</u> | <u>187,405</u> |
| | Share-based compensation | Statutory reserve RMB'000 | Merger reserve RMB'000 | Total RMB'000 |
| As at 1 January 2017 | <u>11,984</u> | <u>7,437</u> | <u>844</u> | <u>20,265</u> |
| Profit appropriation | - | 180 | - | 180 |
| As at 30 June 2017 (Unaudited) | <u>11,984</u> | <u>7,617</u> | <u>844</u> | <u>20,445</u> |
| | Share-based compensation | Statutory reserve RMB'000 | Merger reserve RMB'000 | Total RMB'000 |
| As at 1 January 2016 and at 30 June 2016 (Unaudited) | <u>11,984</u> | <u>3,265</u> | <u>844</u> | <u>16,093</u> |

19. Long-term borrowing and payable

| | | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|---------------------|------|--|--|
| Long-term payable | (i) | 13,202 | 17,898 |
| Long-term borrowing | (ii) | <u>27,538</u> | <u>-</u> |
| | | <u>40,740</u> | <u>17,898</u> |

- (i) The Company entered into several finance lease transactions in 2016. The Company sold the equipment acquired under the finance leases to third parties with the approval of the lessor. These payables in substance represented borrowings from other counterparties with repayment terms ranging from 2 to 4 years.

The total minimum payments on the PBOC interest rate as at 30 June 2017 and their present values were as follows:

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|-------------------------|-----------------------------|---|-----------------------------|
| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
| Amounts payable: | | | | |
| Within one year | 15,693 | 15,202 | 13,313 | 14,623 |
| More than one year | <u>14,069</u> | <u>22,387</u> | <u>13,202</u> | <u>17,898</u> |
| Total minimum finance lease payments | <u>3,090</u> | <u>37,609</u> | <u>26,515</u> | <u>608</u> |
| Future finance charges | <u>(3,247)</u> | <u>(5,086)</u> | | |
| Total net finance lease payable | 2,839 | 32,521 | | |
| Portion classified as current liabilities | <u>(13,313)</u> | <u>(14,623)</u> | | |
| Total net finance lease payable | <u>13,202</u> | <u>17,898</u> | | |

The effective interest rate of the financial leasing is 9.11% per annum.

The long-term payables were guaranteed by related parties, Mr. Shen, his wife and Nanjing Longgang Science and Technology Co., LTD ("Longgang"). At 31 December 2016, the amount of guarantee was RMB 53,805,000 (for the six months ended 30 June 2016: RMB 12,000,000).

- (ii) the Company's wholly-owned subsidiary, ENICE, issued a batch of leasing assets-backed securities with an aggregate principal amount of RMB80,000,000 to institutional investors through an asset management plan. The asset-backed securities have one senior tranche and one subordinated tranche. The Group received proceeds of RMB70,000,000 from the senior tranche which have expected annualised interest rate of 9.16% and maturity periods from one year to two years. The subordinated tranche amounting to RMB10,000,000 was purchased by ENICE itself and thus no proceeds were received. As at 30 June 2017, the amortised cost of the debt securities issued amounted to RMB69,091,000 (31 December 2016: nil).

As at 30 June 2017, the long-term borrowings secured by trade receivables were RMB117,911,500 and Mr. Shen (31 December 2016: nil).

As at 30 June 2017, ageing analysis of Long-term borrowing were as follows:

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|-----------------------|--|--|
| Within 1 year | 41,553 | - |
| Between 1 and 2 years | <u>27,538</u> | <u>-</u> |
| | <u>69,091</u> | <u>-</u> |

20. Trade payables

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|----------------|--|--|
| Trade payables | <u>151,045</u> | <u>178,213</u> |

An aged analysis of the trade payables as at the end of the period is as follows:

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|-------------------|--|--|
| Within 1 year | 86,739 | 109,513 |
| 1 to 2 years | 24,531 | 45,649 |
| More than 2 years | 39,775 | 23,051 |
| | <u>151,045</u> | <u>178,213</u> |

21. Advances and other current liabilities

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|---------------------------------|--|--|
| Business and other tax payables | 25,031 | 37,170 |
| Other payables | 22,956 | 21,329 |
| Salary payables | 10,775 | 10,136 |
| Interest payables | 1,663 | 1,089 |
| Advance from customers | <u>801</u> | <u>566</u> |
| | <u>61,226</u> | <u>70,290</u> |

22. Bank borrowings

| | 30 June 2017 (Unaudited) | | | 31 December 2016 (Audited) | | |
|---------|-----------------------------|-----------|----------------|-------------------------------|----------|----------------|
| | Effective interest rate(%) | Maturity | RMB'000 | Effective interest rate(%) | Maturity | RMB'000 |
| Secured | 4.35~6.44 | 2017-2018 | <u>199,800</u> | 4.35~6.44 | 2017 | <u>207,030</u> |

The Group's bank loans were secured by:

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|--|--|--|
| Mortgages over trade receivables of the Group and guaranteed by others (i) | 75,000 | 75,000 |
| Mortgaged by land, property and buildings (ii) | 40,800 | 66,900 |
| Guaranteed by others (iii) | 84,000 | 60,900 |
| Mortgaged over bank deposit | - | 4,230 |
| | <u>199,800</u> | <u>207,030</u> |

(i) Guaranteed by related parties Mr. Shen and his wife, Nanjing Bei Hao Technology Co., Ltd. ("Nanjing Bei Hao") and third parties Nanjing JCNeng Network Science&Technology Co., LTD. The mortgages of trade receivables are from Guangdong CMCC.

(ii) Mortgaged by prepaid land lease payments, property and buildings of the Group. (Note 11 & 12)

(iii) Guaranteed by related parties Mr. Shen and his wife, Mr. Shen Yongzheng and his wife, Nanjing Bei Hao and third parties China Mobile Communications Corporation, Nanjing Junjie Communication Technology Industrial Co. Ltd and Nanjing JCNeng Network Science&Technology Co., LTD.

23. Deferred tax

The gross movement on the deferred income tax account is as follows:

| | <u>For the period/ year ended</u> | |
|--|--|--|
| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
| Opening balance as of 1 January | 276 | 532 |
| Credited to the income statement | <u>263</u> | <u>(256)</u> |
| Closing balance as of period/ year end | <u>539</u> | <u>276</u> |

Deferred taxation is calculated on temporary differences under the liability method using the tax rate and the tax base that is consistent with the expected manner of recovery or settlement for the six months ended 30 June 2017.

The movements in deferred tax assets during the period are as follows:

| Deferred tax assets: | Inventory provisions RMB'000 | Accrual expenses and others RMB'000 | Discount expense RMB'000 | Total RMB'000 |
|---|---------------------------------|--|-----------------------------|------------------|
| At 1 January 2016 | 183 | 185 | 164 | 532 |
| Credited/(charged) to the consolidated income statement | <u>32</u> | <u>(185)</u> | <u>(103)</u> | <u>(256)</u> |
| At 31 December 2016 (Audited) | 215 | - | 61 | 276 |
| Credit/(charged) to the consolidated income statement | <u>266</u> | <u>-</u> | <u>(3)</u> | <u>263</u> |
| At 30 June 2017 (Unaudited) | <u>481</u> | <u>-</u> | <u>58</u> | <u>539</u> |

24. Commitments

Operating lease commitments — Group as lessee

The Group has entered into commercial leases on certain motor vehicles and office properties. Most of these leases are negotiated for terms ranging from one to two years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at period/year end are as follows:

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|---|--|--|
| Within one year | 1,495 | 1,621 |
| After one year but not more than five years | <u>652</u> | <u>278</u> |
| | <u>2,147</u> | <u>1,899</u> |

Capital commitments

The Group had the following capital commitments at the end of the reporting period:

| 30 June 2017 (Unaudited) | 31 December 2016 (Audited) |
|-----------------------------|-------------------------------|
|-----------------------------|-------------------------------|

| | | |
|-------------------------------------|---------|---------|
| | RMB'000 | RMB'000 |
| Contracted, but not provided for: | | |
| Plant and machinery | 15 | 59 |
| Authorised, but not contracted for: | | |
| Plant and machinery | 930 | 930 |

25. Related party transactions

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.

(d) For the six months ended 30 June 2017 and 2016, the directors are of the view that the following companies and persons are related parties of the Group:

| Name | Relationship with the Group |
|--|---|
| Mr. Shen | The controlling shareholder of the Group |
| Mr. Shen Yongzheng | Brother of Mr. Shen |
| Supeq (Nanjing) Communication Technology Co., Ltd ("Supeq (Nanjing)") | Controlled by Mr. Shen |
| Nanjing Longgang Science and Technology Co., LTD ("Longgang") | Controlled by a family member of Mr. Shen |
| Zhuhai DBJ Tech Co., Ltd. ("Zhuhai DBJ") | Controlled by Mr. Shen |
| Nanjing Bei Hao | Significant influenced by a family member of Mr. Shen |
| Beijing Zhongguang Broadcasting and Television Technology Co. Ltd ("Beijing Zhongguang") | Controlled by Mr. Shen's brother |
| Beijing Jinjianheng Communication Equipment Co., Ltd("Beijing Jinjianheng") | Controlled by Mr. Shen |

25. Related party transactions *continued*

- (a) During the six month period ended 30 June 2017 and 2016, the directors are of the view that the following significant related party transactions were carried out in the normal course of business of the Group:

| | For the six months ended 30 `June | |
|------------------------------------|-----------------------------------|--------------------------------|
| | 2017 (Unaudited) RMB'000 | 2016 (Unaudited) RMB'000 |
| <u>Rental income as lessor</u> | | |
| Longgang | 99 | 99 |
| Supeq (Nanjing) | 6 | 6 |
| | <u>105</u> | <u>105</u> |
| | | |
| <u>Purchase of equipment</u> | | |
| Zhuhai DBJ | <u>38</u> | <u>5</u> |
| | | |
| <u>Key management compensation</u> | | |
| Short-term employee benefits | <u>956</u> | <u>826</u> |
| | | |
| <u>Loans to related parties</u> | | |
| Beijing Jinjianheng | 46,000 | - |
| Supeq (Nanjing) | 196 | - |
| Mr. Shen | 1 | 2,461 |
| Longgang | - | 56,403 |
| | <u>46,197</u> | <u>58,864</u> |

These loans due from related parties with no interest and no fixed payment terms.

The guarantee from the related parties please refer to the Note 19.

25. Related party transactions *continued*

(b) As at 30 June 2017, the directors are of the view that the following related party balances were attributable to the aforementioned related party transactions and financing transfers between the Group and related parties during the year:

(i) Amounts due from related parties

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|--|--|--|
| <u>Balances relating to non-operating activities</u> | | |
| Beijing Jinjianheng* | 46,000 | - |
| Longgang* | 7,632 | 21,103 |
| Shen Yongzheng* | 527 | 526 |
| Supeq (Nanjing)* | 196 | - |
| Beijing Zhongguang | - | 22,000 |
| Zhuhai DBQ* | - | 1,029 |
| | <u>54,355</u> | <u>44,658</u> |

(ii) Amounts due to related parties

| | 30 June 2017 (Unaudited) RMB'000 | 31 December 2016 (Audited) RMB'000 |
|--|--|--|
| <u>Balances relating to non-operating activities</u> | | |
| Mr. Shen* | <u>201</u> | <u>201</u> |
| <u>Balances relating to operating activities</u> | | |
| Supeq (Nanjing)* | <u>-</u> | <u>270</u> |
| | <u>201</u> | <u>471</u> |

* These balances are interest free and payable on demand.

26. Fair values and fair values hierarchy of financial instruments

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, financial liabilities included in trade and other payables, amounts due to related parties and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

27. Events after the reporting period

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Group after 30 June 2017.

IV. PRELIMINARY FINANCIAL REPORT FOR 2017

Set out below is the full text of the preliminary financial report for the Group extracted from the Company's announcement on the ASX dated 28 February 2018.

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>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>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 | Cheng Bo | Chen Juan |
| Chief Executive Officer | Chief Financial Officer | 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) | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2016 | 187,405 | 16,093 | 7,826 | - | 211,324 |
| Profit for the year | - | - | 42,490 | - | 42,490 |
| Appropriation of statutory reserves | - | 4,172 | (4,172) | - | - |
| As at 31 December 2016 | <u>187,405</u> | <u>20,265</u> | <u>46,144</u> | - | <u>253,814</u> |
| As at 1 January 2017 | 187,405 | 20,265 | 46,144 | - | 253,814 |
| Profit for the year | - | - | 59,364 | - | 59,364 |
| Appropriation of statutory reserves | - | 6,012 | (6,012) | - | - |
| As at 31 December 2017 | <u>187,405</u> | <u>26,277</u> | <u>99,496</u> | - | <u>313,178</u> |

Consolidated statements of cash flows

For the year ended 31 December 2017

| | <u>2017</u> | <u>2016</u> |
|--|------------------------|------------------------|
| | 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 |
| | <u>(14,781)</u> | <u>(41,166)</u> |
| 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 | <u>(34,757)</u> | <u>(56,436)</u> |
| 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 | <u>(547)</u> | <u>(3,694)</u> |

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 | <u>39,859</u> | <u>(44,505)</u> |
| | | |
| 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 | <u>28,166</u> | <u>24,610</u> |

V. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Group had outstanding indebtedness of approximately RMB 282,531,000, comprising short term bank loans of approximately RMB212,760,000, long term payables approximately RMB40,709,000 and Long-term borrowing and payables - current portion approximately RMB29,062,000.

At the close of business on 31 December 2017, the Group had no contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, material obligations under hire purchase contracts or finance leases, guarantees or other material contingent liabilities as at the close of business on 31 December 2017.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into RMB amounts at the respective rates of exchange prevailing at the close of business on 31 December 2017.

Except as disclosed in the preceding paragraphs, there are no material changes in respect of the indebtedness and contingent liabilities of the Group since 31 December 2017.

VI. MATERIAL CHANGES

There are no material changes in the financial or trading position or outlook of the Group since 31 December 2017, the date to which the latest unaudited condensed consolidated financial information of the Group were made up.

**APPENDIX II
INDEPENDENT EXPERT REPORT**



**Enice Holding Company Limited
Independent Expert's Report**

8 March 2018

Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this independent expert's report ('this IER'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

- (a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- (b) Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This IER sets out what is described as general financial product advice. This IER does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this IER must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to the Eligible CDI Holders of Enice Holding Company Limited ('Enice' or 'the Company') in relation to the proposal by Mr Shen Yongjun, through Tech World Limited ('the Offeror'), to acquire approximately 39.6 million CHESS Depository Interests ('the Eligible CDIs') in Enice ('the Proposed Transaction').

Further details of the Proposed Transaction are set out in Appendix A. The scope of this IER is set out in detail in Section 3.3. This IER provides an opinion on whether or not the Proposed Transaction is fair and reasonable to non-associated Enice CDI Holders.

This IER cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this IER will be approximately A\$60,000. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this IER are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this IER.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDOCF. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDOCF has not provided any services to Enice in the past two years.

BDOCF is not an associate of Enice. The signatories to this IER do not hold any CDIs in Enice and no such CDIs have ever been held by the signatories.

To prepare our reports, including this IER, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this IER, where applicable. Research fees are not included in the fee details provided in this IER.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact Details

BDO Corporate Finance (QLD) Ltd

| Location Address: | Postal Address: |
|--|----------------------------------|
| Level 10 12 Creek Street BRISBANE QLD 4000 | GPO Box 457 BRISBANE QLD 4001 |
| Phone: (07) 3237 5999 | Email: cf.brisbane@bdo.com.au |
| Fax: (07) 3221 9227 | |

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Glossary

| Reference | Definition |
|---------------------------|---|
| \$ or AUD | Australian dollars |
| ABV | Asset-based valuation |
| ASIC | Australian Securities and Investment Commission |
| ASX | Australian Securities Exchange |
| BDOCF | BDO Corporate Finance (QLD) Ltd |
| CDI | Chess Depository Interests |
| CDI Holders, the | The holders of Enice CDIs |
| Company, the | Enice Holding Company Limited |
| Consortium Agreement, the | The agreement entered by Mr Shen and the Excluded Group dated 14 September 2017 |
| Corporations Act, the | The Corporations Act 2001 |
| DCF | Discounted cash flow |
| EGM, the | The Enice extraordinary general meeting to be held in or about the second week of April 2018 |
| Eligible CDI Holders, the | The holders of Enice CDIs excluding the Offeror and the Excluded Group |
| Eligible CDIs, the | The 39,600,000 Enice CDIs held by the Eligible CDI Holders |
| Enice | Enice Holding Company Limited |
| Excluded Group, the | Mr Shen, Mr Qi Yihong, Mr Yu Wei, Mr Li Wen, Mr Qin Shitao, Mr Zhang Jinsong, Copious Century Holdings Limited and Enice Nominees Limited. |
| FSG | Financial Services Guide |
| IER, this | This independent expert's report prepared by BDOCF and dated 8 March 2018 |
| Management, the | The management of Enice Holding Company Limited |
| MBV | Market-based valuation |
| Mr Shen | Mr Shen Yongjun |
| Offeror, the | Tech World Limited |
| Proposed Transaction, the | The cash consideration of \$0.44 per Enice CDI made by the Offeror to the Eligible CDI Holders |
| RG 111 | Regulatory Guide 111: Content of Expert Reports, issued by ASIC |
| RGs | Regulatory guides published by ASIC |
| Scheme, the | The scheme proposed to the Eligible CDI Holders by the Offeror as detailed in the Scheme Documents |
| Scheme Documents, the | The scheme documents for the Proposed Transaction including the notice of meeting and explanatory statement prepared by the Company for the EGM |
| Special Resolutions, the | The special resolutions as set out in the Scheme Documents |
| VWAP | Volume weighted average price |
| WACC | Weighted average cost of capital |
| We, us, our | BDO Corporate Finance (QLD) Ltd |

The Non-Associated CDI Holders
C/- The Non-Associated Directors
Enice Holding Company Limited
Level 26, 56 Pitt Street
Sydney, NSW, Australia 2000

8 March 2018

Dear Non-Associated CDI Holders,

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Limited ('BDOCF' or 'we', 'us' or 'our') has been engaged by Enice Holding Company Limited ('Enice' or 'the Company') to prepare an independent expert's report ('this IER') to the non-associated CDI holders of Enice ('the Eligible CDI Holders') in relation to a \$0.44 per CHESS Depository Interests ('CDI') offer made by Mr Shen Yongjun ('Mr Shen'), through Tech World Limited ('the Offeror'), to eligible CDI Holders holding a total of 39,600,000 CDIs ('the Proposed Transaction').

The Proposed Transaction is proposed to be implemented by way of a scheme of arrangement ('Scheme') under Section 673 of the Companies Ordinance (Hong Kong). If the Scheme becomes effective, all of the eligible CDIs under the Proposed Transaction ('the Eligible CDIs') will be cancelled and new shares issued such that the share capital of the Company will be restored to the amount immediately before the cancellation of the CDIs. The total consideration of approximately \$17,424,000 payable for the Eligible CDIs will be payable by the Offeror as cash under the Scheme.

The Eligible CDI Holders hold approximately 15.27% of the CDIs on issue. The CDIs excluded, representing 84.73% of the CDIs on issue, are held by the Offeror and the parties that executed an agreement on 14 September 2017 ('the Consortium Agreement'), being Mr Shen, Mr Qi Yihong, Mr Yu Wei, Mr Li Wen, Mr Qin Shitao, Mr Zhang Jinsong, Copious Century Holdings Limited and Enice Nominees Limited (together these parties are referred to as 'the Excluded Group').

A more detailed overview of the Proposed Transaction is provided in Appendix A of this IER.

In this IER we provide our opinion to Eligible CDI Holders on whether the Proposed Transaction is fair and reasonable. The scope and purpose of this IER are detailed in Sections 3.3 and 3.4 respectively of this IER.

This IER, including appendices, should be read in full along with all other documentation provided to Eligible CDI Holders.

2.0 Assessment of the Proposed Transaction

2.1 Basis of Evaluation

We understand that our report is not required to satisfy any legal requirements. Notwithstanding, it is usual to prepare independent expert's reports for ASX listed entities having regard to relevant guidance issued by the Australian Securities and Investments Commission ('ASIC'). Our approach to this engagement is consistent with that required by ASIC Regulatory Guide 111 *Contents of Expert Reports ('RG 111')*. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

Under RG 111, an offer is considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the offer. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting (or approving) the offer. This includes comparing the likely advantages and disadvantages of accepting (or approving) the offer with the position of the shareholders if they do not accept (or approve) the offer.

The Proposed Transaction involves the Excluded Group increasing a controlling stake in Enice and represents a control transaction under RG 111. As the Proposed Transaction represents a control transaction, we have had regard to whether the Proposed Transaction is 'fair' and 'reasonable' to the Eligible CDI Holders.

We have assessed the fairness and reasonableness of the Proposed Transaction separately in Sections 2.2 and 2.3 below and concluded on our opinion of the Proposed Transaction in Section 2.4 below.

2.2 Assessment of Fairness

RG 111 states that an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer. This comparison should be made:

- Assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- Assuming 100% ownership of the target irrespective of whether the consideration is scrip or cash (i.e. the expert should not consider the percentage holding of the bidder or its associates in the target when making this comparison).

Having regard to RG 111, in our view, it is appropriate to assess the fairness of the Proposed Transaction by:

- a) Determining the value of a CDI in Enice prior to the Proposed Transaction on a controlling interest basis; and
- b) Comparing the value from a) above to the cash consideration of \$0.44 per CDI under the Proposed Transaction, assuming that the Proposed Transaction is implemented.

In accordance with the requirements of RG 111, the Proposed Transaction can be considered 'fair' to the CDI holders if the \$0.44 cash consideration is equal to or greater than the value determined in a) above.

2.2.1 Value of the Cash Consideration

For the purposes of this IER, we have assumed the nominal value of the cash consideration of \$0.44 per CDI will be received and have no reason to believe that such an approach is inappropriate as at the date of this IER.

2.2.2 Adopted Value of Enice CDI Prior to the Proposed Transaction

In our view it is appropriate to adopt a value in the range of \$0.41 to \$0.59 for each Enice CDI, on a controlling interest basis. In forming this view, we considered information including:

- A capitalisation of maintainable earnings ('CME') valuation with historical maintainable earnings of RMB77 million and a multiple range of 10.0 to 13.0. The value we have calculated for an Enice CDI, utilising this methodology on a controlling interest basis, is \$0.41 to \$0.59 (refer to Section E.2 for more details); and

- Off-market transactions in approximately 30 million Enice CDIs (representing 11.6% of the total CDIs on issue) between 19 December 2016 to 12 April 2017 for \$0.35. The off-market transactions related to minority parcels of CDIs and represent a price of \$0.46 after adjusting for an assumed control premium of 30% (refer to Section E.3).

Our valuation calculations are set out in more detail in Appendix E below.

While we have adopted a value in the range of \$0.41 to \$0.59 on a controlling interest basis (as required by RG 111), for completeness we note that the value on a minority interest basis would be in the range of \$0.32 to \$0.46.

2.2.3 Assessment of Fairness

Table 2.1 below summarises our valuation of a CDI in Enice prior to the Proposed Transaction and the cash consideration per CDI, offered to Eligible CDI Holders by Tech World Limited, for the purposes of assessing the fairness of the Proposed Transaction.

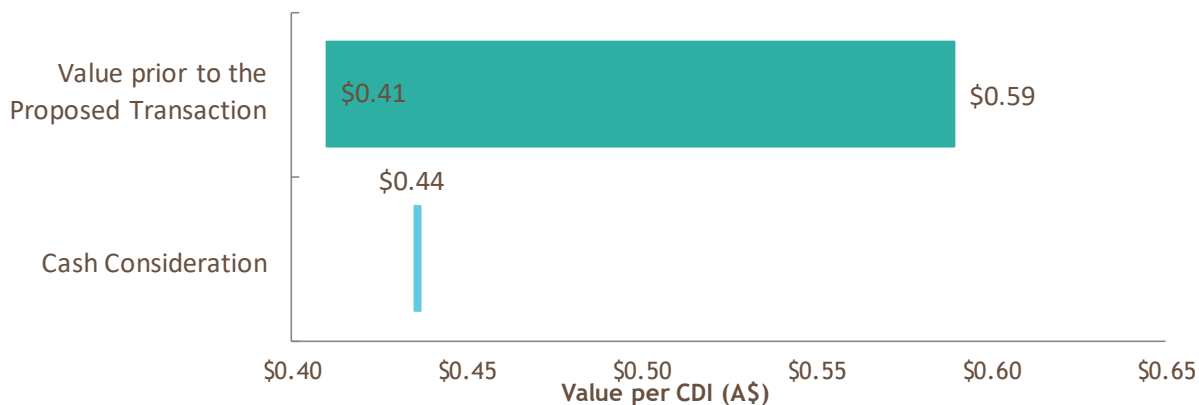
Table 2.1: Assessment of Fairness of the Proposed Transaction

| | Low Value (\$) | High Value (\$) |
|--|----------------|-----------------|
| Value of an Enice CDI prior to the Proposed Transaction - Controlling Interest | 0.41 | 0.59 |
| Value of the Cash Consideration under the Proposed Transaction | 0.44 | 0.44 |

Source: BDO CFQ analysis

Figure 2.1 summarises our assessment of the fairness of the Proposed Transaction, setting out a graphical comparison of our valuation of an Enice CDI before the Proposed Transaction on a controlling interest basis and the cash consideration, offered to Eligible CDI Holders, under the Proposed Transaction.

Figure 2.1: Assessment of Fairness of the Proposed Transaction



Source: BDO CFQ analysis

With regard to Figure 2.1 we note:

- The value before the Proposed Transaction represents the value of a Enice CDI before the Proposed Transaction on a controlling interest basis;
- The value of the consideration represents the cash consideration offered by the Offeror, to the Eligible CDI Holders;
- The cash consideration is within our valuation range of an Enice CDI prior to the Proposed Transaction, albeit towards the low end of the range.

After considering the information summarised in Figure 2.1, it is our view that, in the absence of any other information, the Proposed Transaction is **Fair** to Eligible CDI Holders as at the date of this IER.

2.3 Assessment of Reasonableness

Reasonableness examines other significant factors which Eligible CDI Holders may consider prior to voting for or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of voting for or against the Proposed Transaction, with the position of the Eligible CDI Holders if the Proposed Transaction does not proceed. This step can be classified as an assessment of whether the Proposed Transaction is ‘reasonable’. We have considered factors that would impact on reasonableness as at the date of this IER.

Our assessment of the reasonableness of the Proposed Transaction to the Eligible CDI Holders is set out as follows:

- Section 2.3.1 outlines the advantages of the Proposed Transaction to the Eligible CDI Holders;
- Section 2.3.2 outlines the disadvantages of the Proposed Transaction to the Eligible CDI Holders;
- Section 2.3.3 sets out the position of the Eligible CDI Holders if the Proposed Transaction is not approved; and
- Section 2.3.4 provides our assessment of the reasonableness of the Proposed Transaction.

2.3.1 Advantages of the Proposed Transaction

Table 2.2 below outlines the potential advantages of the Proposed Transaction to the Eligible CDI Holders.

Table 2.2: Advantages of the Proposed Transaction

| Advantage | Explanation |
|---|---|
| The Proposed Transaction is fair | <p>As set out in Section 2.2.3, in our view the Proposed Transaction is fair to the Eligible CDI Holders as at the date of this IER. RG 111 states that an offer is reasonable if it is fair.</p> <p>For completeness, we note that the Eligible CDI Holders all hold a minority interest in Enice. If we had assessed the Proposed Transaction on a minority interest basis then the value calculated would have been in the range of \$0.32 to \$0.46 (assuming a control premium of 30%), and the consideration offered per CDI of \$0.44 is towards the high end of this range.</p> |
| The consideration is at a premium to the price that Enice CDIs have traded on the ASX prior to the Proposed Transaction | <p>As outlined in Section B.3 of this IER, ASX trading of Enice CDIs in the 12 months prior to 5 October 2017 has been at daily VWAPs in the range of \$0.170 (29 August 2017) to \$0.340 (10 May 2017 to 23 May 2017) prior to the announcement of the Proposed Transaction.</p> <p>The cash consideration of \$0.44 per CDI represents a premium of approximately 260% and 30% to the lowest and highest daily VWAP prior to the announcement of the Proposed Transaction on 5 October 2017.</p> |
| The current offer price is known and there are no brokerage commissions payable | <p>Enice CDI Holders who accept the Proposed Transaction have certainty that they will receive \$0.44 for each Enice CDI held, if the Proposed Transaction completes.</p> <p>Enice CDI Holders will no longer be exposed to the variability in the Enice CDI price.</p> <p>Enice CDI Holders will not incur any brokerage commission costs under the Proposed Transaction.</p> |
| Opportunity to exit a relatively illiquid investment | <p>The Proposed Transaction provides a means for the Eligible CDI Holders to realise a return from a relatively illiquid security. As outlined in Section B.3 of this IER, we consider the Company’s CDIs to have low liquidity with only 2.96% of total outstanding CDIs traded over the past 12 month period ended 23 February 2018.</p> |
| A superior proposal has not emerged | <p>The independent directors of the Company are of the view that the Proposed Transaction represents a beneficial outcome for Eligible CDI Holders and they have instructed us that as at the date of this IER, the Company has not received a superior proposal.</p> |

Source: BDOCF Analysis

2.3.2 Disadvantages of the Proposed Transaction

Table 2.3 below outlines the potential disadvantages of the Proposed Transaction to the Eligible CDI Holders.

Table 2.3: Disadvantages of the Proposed Transaction

| Disadvantage | Explanation |
|--|---|
| No exposure to any potential future value of Enice | If the Proposed Transaction is completed, the Eligible CDI Holders will no longer hold any interest in the Company. Accordingly, Eligible CDI Holders will have no exposure to any potential upside in the value of the Company going forward. |
| No exposure to any future offers | If the Proposed Transaction is approved, the CDI Holders will no longer be able to benefit from any superior future offers from Tech World, or any other party. Notwithstanding, there is no guarantee that a future offer will be forthcoming. |
| No partial investment | The Proposed Transaction relates to 100% of the Eligible CDIs. If the Proposed Transaction is approved, the Eligible CDI Holders will be required to sell all held Eligible CDIs, and no partial investment will be possible. |

Source: BDOCF Analysis

2.3.3 Position of the Eligible CDI Holders if the Proposed Transaction Does Not Proceed

Table 2.4 below outlines the possible position of the Eligible CDI Holders in the event that the Proposed Transaction does not proceed. We note that the Proposed Transaction may not proceed for a number of reasons including, but not limited to, the conditions precedent to the Proposed Transaction not being satisfied (refer to Section A.1 of this IER).

Table 2.4: Position of Enice CDI Holders if the Proposed Transaction Does Not Proceed

| Position of Shareholders | Explanation |
|---|--|
| Continued CDI Holding in Enice | If the Proposed Transaction does not proceed, the CDI Holders will continue to hold a stake in Enice. The Eligible CDI Holders will continue to be exposed to the risks and opportunities associated with the ownership of Enice CDIs. |
| Share trading price may be materially different to recent share trading prices and the CDIs in Enice may trade at prices that are lower than \$0.44 per CDI | <p>If the Proposed Transaction does not proceed, the trading price of CDIs in Enice may decrease relative to trading prices following the announcement on 5 October 2017 and the decrease may be material.</p> <p>As outlined in Section B.3, ASX trading of Enice CDIs prior to 5 October 2017 has been at VWAPs in the range of \$0.220 (1 week VWAP prior to the announcement of the Proposed Transaction) to \$0.262 (12 month VWAP prior to the announcement of the Proposed Transaction) which is materially below the \$0.44 offer price. For completeness, we note that the minimum and maximum daily VWAPs over the last 12 months of \$0.17 and \$0.34 is also below the offer price of \$0.44.</p> <p>It is important to note that CDIs in Enice have been valued in this IER on a controlling interest basis to assess the Proposed Transaction. If the Proposed Transaction is not approved and no subsequent offer emerges, the trading price of Enice CDIs will likely represent a minority interest basis.</p> <p>It is possible that CDIs in Enice will trade at a price that is materially below \$0.44 if the Proposed Transaction is not approved.</p> |

| Position of Shareholders | Explanation |
|---|---|
| Limited opportunity to exit investment | As stated above, the Proposed Transaction provides a means for the Eligible CDI Holders to realise a return from a relatively illiquid security. If the Proposed Transaction does not proceed, there is no guarantee that sufficient liquidity will exist in Enice CDIs to enable an Enice CDI Holder to exit their investment at their preferred time for their preferred price. |
| Prospect of a superior offer or alternative transaction | It is possible that if the Proposed Transaction is not accepted, the CDI Holders may receive a superior offer to the \$0.44 per Enice CDI proposed by Tech World. |
| Non-recoverable costs | Enice will incur costs in relation to the Proposed Transaction irrespective of whether or not the Proposed Transaction is approved. Enice will not be able to recover the costs that it has incurred in relation to the Proposed Transaction in the event that the Proposed Transaction is not approved. |

Source: BDO CFQ analysis

2.3.4 Conclusion on the Reasonableness of the Proposed Transaction

After considering the advantages, disadvantages and other considerations set out in this IER, it is our view that in the absence of any other information or a superior offer, the Proposed Transaction is **Reasonable** to the Eligible CDI Holders as at the date of this IER.

2.4 Our Opinion

Under RG 111, the Proposed Transaction is considered to be 'reasonable' if it is 'fair'. It may also be possible to conclude that the Proposed Transaction is 'reasonable' if there are sufficient valid reasons for the approval, notwithstanding that the Proposed Transaction may not be 'fair' to the Eligible CDI Holders.

In our opinion, in the absence of any other information or a superior offer, the Proposed Transaction is **Fair and Reasonable** to the Eligible CDI Holders as at the date of this IER.

Eligible CDI Holders must have regard to the information set out in the balance of this IER, including the appendices and the Important Information set out in Section 3.0, before deciding whether to vote in favour of or against the Proposed Transaction.

3.0 Important Information

3.1 Read this IER, and other documentation, in full

This IER, including appendices, should be read in full to ensure a complete understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the Eligible CDI Holders in conjunction with this IER should also be read in full, including the Notice of Extraordinary General Meeting and Explanatory Statement prepared by Enice for the EGM held in or about the second week of April 2018 ('the Scheme Documents').

3.2 CDI Holders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. Accordingly, BDOCF has not considered the effect of the Proposed Transaction on the particular circumstances of individual Eligible CDI Holders. Some individual Eligible CDI Holders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individual Eligible CDI Holders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Eligible CDI Holder in relation to the Proposed Transaction may be influenced by their particular circumstances and accordingly, Eligible CDI Holders are advised to seek their own independent advice.

Voting in favour of or against the special resolution as set out in the Scheme Documents ('the Special Resolution') at the Extraordinary General Meeting ('EGM') is a matter for individual Eligible CDI Holders. Individual Eligible CDI Holders should base their decision on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Eligible CDI Holders should carefully consider the Scheme Documents. Eligible CDI Holders who are in doubt as to the action they should take in relation to the Special Resolution should consult their professional adviser.

With respect to taxation implications of the Proposed Transaction, it is strongly recommended that Eligible CDI Holders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this IER we provide our opinion on whether the Proposed Transaction is fair and reasonable to the Eligible CDI Holders.

This IER has been prepared at the request of the Directors for the sole benefit of the non-associated Directors and the Eligible CDI Holders to assist them in their decision to vote in favour of or against the Proposed Transaction. This IER is to accompany the Scheme Documents to be sent to Enice CDI Holders to consider the Proposed Transaction and was not prepared for any other purpose. Notwithstanding, we acknowledge that this IER will be provided to the Hong Kong Court as part of the scheme booklet court approval process.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the non-associated Directors and the Eligible CDI Holders, or for any other purpose, without our written consent. We accept no responsibility to any person other than the non-associated Directors and the Eligible CDI Holders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this IER with the Scheme Documents. Apart from this IER, we are not responsible for the contents of the Scheme Documents or any other document associated with the Proposed Transaction. We acknowledge that this IER may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to Eligible CDI Holders.

The scope of procedures we have undertaken has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this IER we considered the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this IER including:

- We have performed our analysis on the basis that the conditions precedent to the Proposed Transaction are satisfied;
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- All information which is material to the Eligible CDI Holders' decision on the Proposed Transaction has been provided and is complete, accurate and fairly presented in all material respects;
- ASX announcements and other publicly available information relied on by us is accurate, complete and not misleading;
- If the Proposed Transaction is implemented, it will be implemented in accordance with the stated terms;
- The legal mechanism to implement the Proposed Transaction is correct and effective;
- There are no changes to the terms and conditions of the Proposed Transaction or complex issues unknown to us; and
- Other assumptions, as outlined in this IER.

In this IER we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Other advisers have provided advice in relation to those matters to Enice in relation to the Proposed Transaction.

Enice has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by the non-associated Directors, executives and management of all the entities.

3.4 Purpose of this IER

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act, the Corporation Regulations 2001, the regulatory guides ('RGs') published by ASIC and in some cases the listing requirements of the relevant exchanges.

This IER has not been prepared for the purpose of satisfying any legal requirements nor the requirements of any exchange. Notwithstanding, it is usual to prepare independent expert's reports for ASX listed entities having regard to relevant guidance issued by the Australian Securities and Investments Commission ('ASIC') such as RG 111.

3.5 Current Market Conditions

Our opinion and the analysis set out in this IER is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this IER and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, prior to the EGM, results in a material statement in this IER becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Enice. BDOCF is not responsible for updating this IER following the EGM or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Enice recognises and confirms that, in preparing this IER, except to the extent to which it is unreasonable to do so, BDOCF, BDO (QLD) Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Enice, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, review, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a proposed transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of the management of Enice ('Management'), the information provided by Management was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information we have relied on. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Directors of Enice represent and warrant to us, for the purpose of this IER, that all information and documents furnished by Enice (either by management directly or through advisors) in connection or for use in the preparation of this IER do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this IER.

Under the terms of our engagement, Enice has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out immediately following the Table of Contents at the start of this IER.

All dollar ('\$') references in this IER are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This IER has been prepared using information obtained from sources including the following:

- Enice company website (<http://www.Enice.eom.cn/english.php/>);
- Enice ASX announcements;
- Enice Privatisation Proposal ASX announcement dated 5 October 2017;
- Enice Scheme Documents including the notice of meeting and explanatory statements prepared for the EGM held in or about the second week of April 2018;
- Enice Annual Reports for the year ended 31 December 2014, 2015 and 2016;
- Enice preliminary final report for the year ended 31 December 2017;
- Enice Half Year Report for the period ended 30 June 2017;
- Enice management account dated 31 January 2018;
- Capital IQ;
- IBISWorld;
- Various other research publications and publicly available data as sourced throughout this IER; and
- Various discussions and other correspondence with the Directors, Management and their advisers.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this IER has been prepared by Management and adopted by the Directors in order to provide us with a guide to the potential financial performance of Enice. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur.

Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Enice. Evidence may be available to support the directors' best-estimate assumptions on which the forecast is based however such evidence is generally future-oriented and therefore speculative in nature.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this IER, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this IER. We disclaim any assumption of responsibility for any reliance on this IER, or on any forecast to which it relates, for any purpose other than that for which it was prepared.

We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of Enice have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Scott Birkett have prepared this IER with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Birkett, BCom, BBM, CFA, are directors of BDOCF. Both Mr Whittaker and Mr Birkett have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Birkett are considered to have the appropriate experience and professional qualifications to provide the advice offered within this IER.

BDO Corporate Finance (QLD) Ltd



Mark Whittaker
Director



Scott Birkett
Director

Appendix A: Overview of the Proposed Transaction

A.1 Background to the Proposed Transaction

Mr Shen Yongjun ('Mr Shen') is the holder of 120,420,000 CDIs, representing approximately 46.44% of the issued CDIs. On 14 September 2017 Mr Shen executed an agreement ('the Consortium Agreement') with Mr Qi Yihong, Mr Yu Wei, Mr Li Wen, Mr Qin Shitao, Mr Zhang Jinsong, Copious Century Holdings Limited, and Enice Nominees Limited (together referred to as 'the Excluded Group'). In aggregate, the Excluded Group hold approximately 84.73% of the outstanding CDIs in Enice.

Under the Consortium Agreement, the Excluded Group agreed to act and vote as a group in relation to all matters that require the approval of the Enice CDI holders. Furthermore, the Excluded Group has agreed that it will not dispose or create any third party interest in any or all of its CDIs.

On 5 October 2017, Enice announced that it had received a proposal from Mr Shen, through Tech World Limited ('the Offeror'), to privatise the Company at \$0.44 per CDI.

A.2 The Proposed Transaction

The Offeror has proposed to the Eligible CDI holders, being all CDI holders other than the Excluded Group, a scheme of arrangement ('Scheme') under Section 673 of the Companies Ordinance (Hong Kong). Under the Scheme, a total cash consideration of approximately \$17.4 million will be payable by the Offeror for the 39,600,000 CDIs held by the Eligible CDI Holders.

If the Proposed Transaction proceeds, the CDIs held by the Eligible CDI Holders will be cancelled, and the share capital of the Company will be restored to the amount immediately prior to the Proposed Transaction. Post the Proposed Transaction, the Excluded Group will hold 100% of the issued capital of the Company, and it is the intention of the Excluded Group to withdraw the CDI listing of Enice on the ASX.

The Eligible CDI Holders should refer to the Scheme Documents for further information in relation to the implementation procedures regarding the Proposed Transaction.

A.3 Conditions Precedent

Completion of the Proposed Transaction is subject to a number of conditions precedent being met by the Company and its CDI holders. The conditions precedent are outlined in the Scheme Documents and include the following key conditions:

- The Scheme is approved by at least 75% of the Eligible CDI Holders and that the votes against the Scheme do not exceed 10% of all voting rights held by the Eligible CDI Holders;
- The passing of the Special Resolution for the Proposed Transaction as set out in the Scheme Documents by at least 75% of Enice's CDI holders at the EGM of the Company and in accordance with the procedural requirements of Section 564 of the Companies Ordinance (Hong Kong);
- Approval of the Scheme by the High Court of Hong Kong;
- Compliance with the respective procedural requirements of the Companies Ordinance (Hong Kong), particularly in relation to both the Scheme and the reduction of the issued share capital of the Company; and
- In principle approval from the ASX that if the Scheme becomes in effect, the ASX would agree to the Company's request for the removal of the Company from the official list of the ASX. We have been informed that this condition has now been satisfied.

Eligible CDI Holders should refer to the Scheme Documents for further details relating to the conditions of the Scheme. Within the Scheme Documents, we note that there are other conditions precedent, however the Offeror reserves the right to waive the additional conditions except for the conditions set out above. All of the conditions set out in the Privatisation Proposal will have to be fulfilled or waived, as applicable, prior to completion.

A.4 Effect on Ownership Interest

Table A.1 below assists to illustrate the change in ownership interest following the Proposed Transaction.

Table A.1: Effects of the Proposed Transaction on Ownership Interests in Enice

| CDI Holders | Prior to the Proposed Transaction | | Immediately Post the Proposed Transaction | |
|---------------------------------|-----------------------------------|----------------|---|----------------|
| | Number of CDIs | % | Number of CDIs | % |
| Excluded Group | | | | |
| Mr Shen Yongjun | 120,420,000 | 46.44% | 120,420,000 | 46.44% |
| Tech World Limited ¹ | - | 0.00% | 39,600,000 | 15.27% |
| Other members | 99,280,000 | 38.29% | 99,280,000 | 38.29% |
| Excluded Group Total | 219,700,000 | 84.73% | 259,300,000 | 100.00% |
| The Eligible CDI Holders | 39,600,000 | 15.27% | - | 0.00% |
| Total | 259,300,000 | 100.00% | 259,300,000 | 100.00% |

Source: Scheme Documents and BDOCF analysis

¹ Tech World is 100% owned by Mr Shen.

Readers of this IER should refer to Section B.2 for a more detailed breakdown of Enice's equity structure.

A.5 Strategic Rationale

The purpose of the Proposed Transaction is to implement a proposal to allow the Excluded Group to acquire a 100% interest in the Company by acquiring the 15.27% of shares not already held. We are instructed that the Proposed Transaction is being supported by the Directors for reasons which include:

- The offer price of \$0.44 is at a premium to the listing price on the ASX of \$0.40 in October 2015 and a significant premium to recent ASX trading prices (which have ranged from \$0.170 to \$0.340 for the period prior to 5 October 2017, being the date the Proposed Transaction was announced);
- The Proposed Transaction provides a liquidity event for the Eligible CDI Holders. There has been only limited liquidity of trading in the CDIs since listing (refer Table B.4) which reduces the ability for a CDI holder to monetise a holding of CDIs at an appropriate price;
- Delisting the Company will reduce overhead corporate costs;
- An ASX listing is no longer viewed as necessary as the Company is divesting its Australian operations and focusing its resources pursuing business opportunities more suited to the Company in other countries;
- Negative trading performance affects the perception of the Company's performance, sending conflicting signals to the stakeholders of the Company; and
- The Directors are of the view that the CDI trading prices do not reflect the underlying value of the Company, particularly in the period prior to the announcement of the Proposed Transaction on 5 October 2017. The Directors believe that the market does not reflect the underlying value in part due to the limited understanding by Australian investors of the way businesses operate within China.

Appendix B: Background of Enice

This section is set out as follows:

- Section B.1 sets out an overview of Enice;
- Section B.2 sets out an overview of the equity structure of Enice;
- Section B.3 sets out a summary of the share market performance of Enice CDIs; and
- Section B.4 sets out a summary of the historical financial information for Enice.

B.1 Company Overview of Enice

Enice is a vertically integrated telecommunication infrastructure engineering service provider, which was established in May 2000 to provide technology solutions to China's mobile carriers both directly and through key suppliers. Operating in the wireless telecommunication equipment and services industry, Enice installs and maintains infrastructure that underpins wireless telecommunication networks across China and North America. The Company's operations include technology development, product assembly, product supply, network engineering, and network management and maintenance services.

Enice's business is organised into four divisions, being research and development ('R&D'), wireless and radio frequency ('RF') products, network engineering services, and advanced solutions.

We have been informed by the Company that since 2014, the Company has been focusing its development in product manufacturing and R&D. While the Company will maintain its traditional network engineering services as part of its core operations, Enice aims to invest cash flows in developing its product manufacturing capabilities. The Company aims to be strategically placed to capitalise on the development of the 5G network in China when it occurs.

B.1.1 Research and Development Division

The Company's research and development division focuses on developing high performance wireless and RF products, software and solutions. The research and development division has established collaborative relationships with global research and development centres including the University of Waterloo, the Missouri S&T Electromagnetic Compatibility Laboratory, Xidian University, Hunan University, and the China Mobile Group Design Institute. Through these collaborations, Enice will continue technological development with a focus on efficient management solutions, innovative antennas and RF components.

B.1.2 Wireless and RF Products

The Wireless and RF products division offers performance critical antennas and RF components for wireless networks globally. The Company's antennas support evolving wireless standards for cellular, microwave communication and broadband networks.

B.1.3 Network Engineering Division

The network engineering division makes up Enice's principal business. The division delivers solutions to China's mobile carriers through the establishment or upgrading of mobile networks, project rollout, consultancy, planning, installation, and commissioning. By building base connection solutions, the network engineering division provides an efficient way for carriers to broaden their mobile coverage as well as maintain a consistent level of high quality services to customers.

B.1.4 Advanced Solutions Division

Enice's advanced solutions division offers network optimisation (i.e. improved network efficiency), management and maintenance services to mobile carriers. The division's staff and technology can identify and provide advice and solutions to manage, repair or improve networks.

B.2 Equity Structure of Enice

As at 26 February 2018, the Company had 259,300,000 CDIs on issue. The top 10 holders of Enice CDIs as at 26 February 2018 are set out in Table B.1 below.

Table B.1: Top 10 Enice CDI Holders as at 26 February 2018

| | CDI Holders | Number of CDIs | Percentage Holding |
|----|---|--------------------|--------------------|
| 1 | Mr Shen Yongjun | 120,420,000 | 46.44% |
| 2 | Copious Century Holdings Limited | 30,000,000 | 11.57% |
| 3 | Qi Yihong | 20,690,000 | 7.98% |
| 4 | Enice Nominees Limited | 17,500,000 | 6.75% |
| 5 | Mr Wei Yu | 10,900,000 | 4.20% |
| 6 | Li Wen | 9,790,000 | 3.78% |
| 7 | Mr Jinsong Zhang | 9,150,000 | 3.53% |
| 8 | Investorlink Securities Limited | 6,486,489 | 2.50% |
| 9 | Washington H Soul Pattinson & Company Limited | 3,250,000 | 1.25% |
| 10 | Sandeep Singh | 3,000,000 | 1.16% |
| | Other | 28,113,511 | 10.84% |
| | Total CDIs on issue | 259,300,000 | 100.00% |

Source: Capital IQ as at 26 February 2018

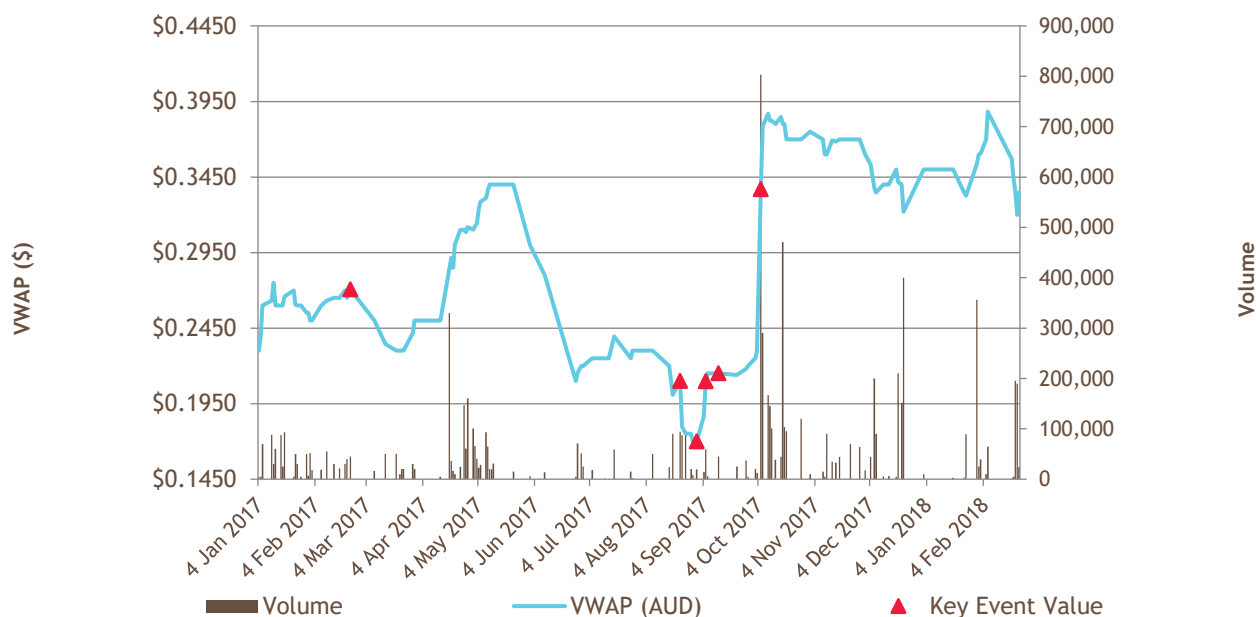
The Company had no options outstanding as at 26 February 2018.

B.3 Share Market Performance of Enice

B.3.1 Volume-weighted Average Share Price and ASX Announcements

Figure B.1 sets out the daily volume-weighted average price ('VWAP') and daily volume of Enice CDIs traded on the ASX over the period 4 January 2017 to 23 February 2018 inclusive.

Figure B.1: Daily VWAP and Volume of Enice CDIs Traded from 4 January 2017 to 23 February 2018



Source: Capital IQ as at 26 February 2018

Over the period graphed in Figure B.1 above, Enice's daily VWAP shows a period low of \$0.1700 on 29 August 2017 and a period high of \$0.3882 on 6 February 2018. We note that the highest daily VWAP prior to the announcement of the Proposed Transaction on 6 October 2017 is \$0.3400 between 10 May 2017 and 23 May 2017.

In addition to the CDI price and trading data of Enice shown above, we have also provided additional information in Table B.2 below to assist readers to understand the possible reasons for the movement in Enice's CDI price and volume over the period analysed. The selected ASX announcements in Table B.2 below show the Company's market sensitive announcements from 4 January 2017 to 23 February 2018.

Table B.2: Selected Enice ASX Announcements from 4 January 2017 to 23 February 2018

| Date | Announcement |
|------------|--|
| 28/02/2017 | Enice announced the preliminary final report, including its financial statements for the Company and its controlled entities. |
| 22/08/2017 | Enice announced that Mr Alexander Kelton resigned as Non-Executive Director. |
| 30/08/2017 | Enice released Appendix 4D, half year financial statements for the period ending 30 June 2017 showing a decline in revenue from ordinary operations of 9%. |
| 05/09/2017 | Enice announced that they had received a tender notification from China Mobile Group for the provision of 11.59% of China Mobile Group's total Distributed Antenna System antenna centralised procurement program. |
| 12/09/2017 | Enice announced a successful tender notification from China Mobile Group's passive components and trunk amplifiers CPP. |
| 05/10/2017 | Enice announced that it had received a proposal to privatise the Company at \$0.44 per CDI. |

Source: Enice ASX Announcements from 4 January 2017 to 23 February 2018

In Table B.3 below we have set out Enice's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 5 October 2017, being the day before Enice announced the Proposed Transaction, and 23 February 2018.

Table B.3: Enice's VWAP for Specified Periods Prior to 5 October 2017¹ and 23 February 2018

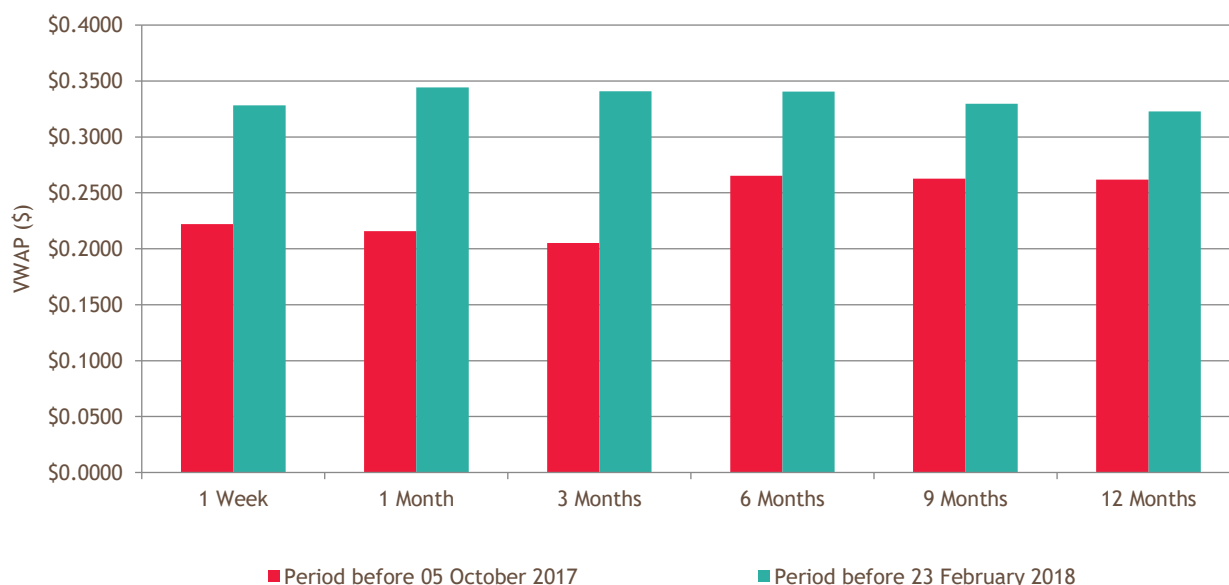
| Period before 5 October 2017 | VWAP (AUD) | Period before 23 February 2018 | VWAP (AUD) |
|------------------------------|------------|--------------------------------|------------|
| 1 Week | \$0.2220 | 1 Week | \$0.3282 |
| 1 Month | \$0.2159 | 1 Month | \$0.3443 |
| 3 Months | \$0.2051 | 3 Months | \$0.3407 |
| 6 Months | \$0.2654 | 6 Months | \$0.3405 |
| 9 Months | \$0.2626 | 9 Months | \$0.3297 |
| 12 Months | \$0.2618 | 12 Months | \$0.3228 |

Source: Capital IQ as at 26 February 2018

1 Prior to the announcement of the Proposed Transaction

The information presented in Table B.3 is shown graphically in Figure B.2 below.

Figure B.2: Enice's VWAP for Specified Periods Prior to 5 October 2017 and 23 February 2018



Source: Capital IQ as at 26 February 2018

B.3.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the ‘liquidity’ of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table B.4 summarises the monthly liquidity of Enice CDIs from 1 February 2017 to 23 February 2018. Liquidity has been summarised by considering the following:

- Volume of Enice CDIs trades per month;
- Value of total trades in Enice CDIs per month;
- Number of Enice CDIs traded per month as a percentage of total Enice CDIs outstanding at the end of the month; and
- Volume-weighted average price per month.

Table B.4: Liquidity of Enice CDIs on the ASX

| Month | Volume | Value (A\$) | CDIs Outstanding | Volume / CDIs Outstanding | Monthly VWAP (A\$) |
|----------------------------|------------------|------------------|--------------------|---------------------------|--------------------|
| February 2018 ¹ | 554,100 | 188,365 | 259,300,000 | 0.21% | \$0.3399 |
| January 2018 | 461,360 | 161,155 | 259,300,000 | 0.18% | \$0.3493 |
| December 2017 | 1,129,710 | 377,251 | 259,300,000 | 0.44% | \$0.3339 |
| November 2017 | 366,500 | 134,631 | 259,300,000 | 0.14% | \$0.3673 |
| October 2017 | 2,410,450 | 875,777 | 259,300,000 | 0.93% | \$0.3633 |
| September 2017 | 191,360 | 40,533 | 259,300,000 | 0.07% | \$0.2118 |
| August 2017 | 481,720 | 94,056 | 259,300,000 | 0.19% | \$0.1952 |
| July 2017 | 95,660 | 22,387 | 259,300,000 | 0.04% | \$0.2340 |
| June 2017 | 172,290 | 38,833 | 259,300,000 | 0.07% | \$0.2254 |
| May 2017 | 501,310 | 162,788 | 259,300,000 | 0.19% | \$0.3247 |
| April 2017 | 789,920 | 235,066 | 259,300,000 | 0.30% | \$0.2976 |
| March 2017 | 216,600 | 51,126 | 259,300,000 | 0.08% | \$0.2360 |
| February 2017 | 310,690 | 81,486 | 259,300,000 | 0.12% | \$0.2623 |
| Total | 7,681,670 | 2,463,454 | 259,300,000 | 2.96% | \$0.3207 |

Source: Capital IQ as at 26 February 2018

¹ For trading data up to 23 February 2018

Assuming a weighted average number of 259,300,000 Enice CDIs on issue over the period, approximately 2.96% of the total CDIs on issue were traded over the period 1 February 2017 to 23 February 2018. In our view, this indicates that Enice CDIs display a low level of liquidity.

B.4 Historical Financial Information of Enice

This section sets out the historical financial information of Enice. As this IER contains only summarised historical financial information, we recommend that any user of this IER read and understand the additional notes and financial information contained in Enice’s Annual Reports and most recent Half Year Report. This includes the full statements of comprehensive income, statements of financial position and statements of cash flows.

Enice’s financial statements have been audited (or reviewed) by Ernst and Young. BDOCF has not performed any audit or review of any type on the historical financial information of Enice and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is misleading.

B.4.1 Enice's Statement of Comprehensive Income

Table B.5 summarises the consolidated statement of comprehensive income of Enice for the 12-month periods ended 31 December 2015, 2016 and 2017. We note that the audit for the 2017 figures are still ongoing at the date of this Report, however we have been provided preliminary figures from an ASX announcement dated 28 February 2018.

Table B.5: Summarised Enice Statements of Comprehensive Income

| | 12 Months Ended 31-Dec-15 Audited (RMB'000) | 12 Months Ended 31-Dec-16 Audited (RMB'000) | 12 Months Ended 31-Dec-17 Preliminary (RMB'000) |
|-------------------------------------|--|--|--|
| Revenue | 423,740 | 503,767 | 510,735 |
| Cost of sales | (331,330) | (398,178) | (373,443) |
| Gross profit | 92,410 | 105,589 | 137,292 |
| Marketing expenses | (4,419) | (4,878) | (4,855) |
| Administrative expenses | (56,285) | (34,617) | (45,669) |
| Other gains - net | 5,715 | 1,186 | 4,224 |
| Operating profit | 37,421 | 67,280 | 90,992 |
| Finance costs - net | (16,168) | (14,294) | (14,976) |
| Profit before income tax | 21,253 | 52,986 | 76,016 |
| Income tax expense (benefit) | (7,461) | (10,496) | (16,652) |
| Profit/(Loss) for the period | 13,792 | 42,490 | 59,364 |

Source: Enice 2015, 2016 Annual Reports and 2017 Preliminary Final Report.

Regarding Table B.5 above, we note the following:

- Increase in revenue from 2015 to 2016 was predominantly attributable to growth in the advanced solutions, and wireless and RF products divisions. Revenue has increased marginally between 2016 and 2017;
- The gross profit margin of the Company has increased between 2016 and 2017 for reasons including:
 - Change in the Company's operations, with a stronger focus on product manufacturing which has higher margins relative to the Company's current network engineering service offerings;
 - Several of the Company's service projects ended in 2017, with significant portions of costs paid up-front. This means higher gross profit margins as projects milestones are met upon completion;
 - The Company developed an internet technology product in 2015 which it sold in 2017. The revenue from this deal amounted to approximately RMB16.56 million, with development costs largely being recognised in 2015 and 2016. The sale contributed approximately RMB13.5 million to gross profits;
- The relatively higher administrative expenses in 2015 included costs associated with listing on the ASX of approximately RMB14 million;
- Other gains include dividend income, government grants, gains on financial contracts and net gains on the disposal of property, plant and equipment;
- The relatively higher other gains in 2015 was due to the disposal of the Company's 96.67% interest in Nanjing Haiju Information Technology for consideration of approximately RMB4.8 million; and
- Net profit after tax has been increasing significantly since 2015 and is driven by both revenue growth and improvement in gross margins.

B.4.2 Enice's Statement of Financial Position

Table B.6 summarises Enice's statement of financial position as at 31 December 2015, 2016 and 2017.

Table B.6: Summarised Enice Statements of Financial Position

| | 12 Months Ended 31-Dec-15 Audited (RMB'000) | 12 Months Ended 31-Dec-16 Audited (RMB'000) | 12 Months Ended 31-Dec-17 Preliminary (RMB'000) |
|---|--|--|--|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 40,424 | 24,610 | 28,166 |
| Restricted cash | 1,946 | 6,295 | 11,279 |
| Amounts due from related parties | 24,072 | 44,658 | 42,572 |
| Prepayments, deposits and other receivables | 132,577 | 110,508 | 127,857 |
| Trade receivables | 341,633 | 470,722 | 630,208 |
| Inventories | 10,770 | 14,696 | 21,276 |
| Total current assets | 551,422 | 671,489 | 861,358 |
| Non-current assets | | | |
| Property, plant and equipment | 59,646 | 59,808 | 57,210 |
| Prepaid land lease payments | 34,359 | 33,521 | 32,683 |
| Intangible assets | 520 | 1,241 | 1,103 |
| Deferred tax assets | 532 | 276 | 457 |
| Total non-current assets | 95,057 | 94,846 | 91,453 |
| Total assets | 646,479 | 766,335 | 952,811 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade payables | 192,412 | 178,213 | 234,888 |
| Advances and other current liabilities | 42,818 | 70,290 | 82,077 |
| Bank borrowings | 185,100 | 207,030 | 212,760 |
| Amounts due to related parties | 281 | 471 | 201 |
| Other long term borrowings - current | - | 14,623 | 29,062 |
| Income tax payable | 14,544 | 23,996 | 39,936 |
| Total current liabilities | 435,155 | 494,623 | 598,924 |
| Non-current liabilities | | | |
| Other long term borrowing | - | 17,898 | 40,709 |
| Total non-current liabilities | - | 17,898 | 40,709 |
| Total liabilities | 435,155 | 512,521 | 639,633 |
| Net assets | 211,324 | 253,814 | 313,178 |
| EQUITY | | | |
| Share Capital | 187,405 | 187,405 | 187,405 |
| Reserves | 16,093 | 20,265 | 26,277 |
| Accumulated profit/(losses) | 7,826 | 46,144 | 99,496 |
| Total Equity | 211,324 | 253,814 | 313,178 |

Source: Enice 2015, 2016 Annual Reports and 2017 Preliminary Final Report

Regarding Table B.6 above, we note the following:

- Restricted cash comprises funds that were pledged as security for issuing letters of guarantee;
- We note that trade receivables have been growing since 2015 and make up over 70% of total assets in 2017. Regarding the receivables, we have been informed from the Company that:
 - This is not unusual for project based companies within the telecommunications industry in China. We are informed that clients of the Company further withhold payments after project completion to ensure that all networks and products are operating correctly;
 - The Company has obtained two new clients - Huawei and Ericsson. Due to the nature of the work, the receivables from these clients which totalled approximately RMB40 million will begin to be received from 2018 onwards;
 - The Company won new tenders in Zhejiang and Hubei of China, and it is not uncommon for receivables in these projects to be greater than two years. Approximately RMB86.5 million in receivables relate to these tenders;
 - In the Company's experience, the majority of receivables will be collectable. However, the Company treats receivable beyond three years as bad debt. In the 2017 preliminary report, we are informed that RMB5.38 million relates to provision of impairment of trade receivables;
- We understand that the related party loans relate to a finance leasing arrangement, where a related party of the Company is acting as an intermediary to facilitate the financing of manufacturing assets of the Company;
- We have been informed that the increase in prepayments relate to payments to suppliers in preparation for the new contracts won from China Mobile Group (refer to ASX announcements dated 5 and 12 September 2017);
- Growth in total current liabilities in 2017 is largely driven by the increase in trade payables. Trade payables has increased by RMB56.7 million from 2016 to 2017 and consists of increased product purchase from suppliers as a result of the upscale of projects undertaken by the Company;
- Other long-term borrowings related to finance lease transactions in which the Company sold the equipment acquired under the finance leases to third parties (with approval of the lessor). These payables in substance represented borrowings and were recorded at the present value of the remaining lease payments.

B.4.3 Enice's Statement of Cash Flows

Table B.7 summarises Enice's statement of cash flows for the 12-month periods ended 31 December 2015, 2016 and 2017.

Table B.7: Summarised Enice Statements of Cash Flows

| | 12 Months Ended 31-Dec-15 Audited (RMB'000) | 12 Months Ended 31-Dec-16 Audited (RMB'000) | 12 Months Ended 31-Dec-17 Preliminary (RMB'000) |
|---|--|--|--|
| Cash flow from operating activities | | | |
| Profit before income tax | 21,253 | 52,986 | 76,016 |
| Adjustment for depreciation and amortisation | 3,962 | 3,649 | 4,121 |
| Dividend income | (1,719) | - | - |
| Financial guarantee contracts gained | (238) | - | - |
| Gain on disposal of property, plant and equipment | (16) | - | - |
| Gain on disposal of subsidiary | (2,896) | - | - |
| Net finance (income)/cost | 16,170 | 14,332 | 13,977 |
| Write-down of inventories | (112) | 220 | 830 |
| Impairment provision | (359) | 1,655 | 5,897 |
| Share based compensation expense | 11,984 | - | - |
| Listing expense charged to profit and loss | 14,017 | - | - |
| Exchange gain | (2) | (38) | 999 |
| Working capital adjustments | (180,948) | (113,970) | (116,621) |
| Net interest received / (paid) | (12,038) | (14,481) | (19,264) |
| Income tax paid | (299) | (789) | (712) |
| Net cash used in operating activities | (131,241) | (56,436) | (34,757) |

| | 12 Months Ended 31-Dec-15 Audited (RMB'000) | 12 Months Ended 31-Dec-16 Audited (RMB'000) | 12 Months Ended 31-Dec-17 Preliminary (RMB'000) |
|--|--|--|--|
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | 18 | - | - |
| Purchase of property, plant and equipment | (2,686) | (2,814) | (482) |
| Purchase of intangible assets | (494) | (880) | (65) |
| Proceeds from sale of subsidiary | 4,828 | - | - |
| Repayment of loans to related parties | 8,084 | - | - |
| Proceeds from disposal of available-for-sale investment | 35,400 | - | - |
| Dividends from available-for-sale investment | 1,719 | - | - |
| Net cash used in investing activities | 46,869 | (3,694) | (547) |
| Cash flows from financing activities | | | |
| Proceeds from employees for share incentive plan | - | 14,990 | (225) |
| Proceeds from bank borrowings | 335,200 | 368,030 | 259,760 |
| Repayment of bank borrowings | (358,654) | (346,100) | (254,030) |
| Decrease/(increase) in restricted bank balances pledged as security for notes payable and bank loans | 4,414 | (4,349) | (4,984) |
| Net borrowings/(repayments) to related parties | (18,471) | (20,587) | 2,087 |
| Shareholder injection | 177,122 | - | - |
| Share issue expenses paid | (22,306) | - | - |
| Purchase consideration paid in restructuring | (20,000) | - | - |
| Net borrowings from/ (lending to) third parties | (474) | - | - |
| Proceeds of other long-term borrowing | - | 32,521 | 37,251 |
| Net cash from/ (used in) financing activities | 96,831 | 44,505 | 39,859 |
| Net increase/(decrease) in cash and cash equivalents | 12,459 | (15,625) | 4,555 |
| Effect of foreign exchange rate changes | (221) | (189) | (999) |
| Cash and cash equivalents at the beginning of the period | 28,186 | 40,424 | 24,610 |
| Cash and cash equivalents at the end of the period | 40,424 | 24,610 | 28,166 |

Source: Enice 2015, 2016 Annual Reports and 2017 Preliminary Final Report

With Regard to Table B.7 above, we note the following:

- Working capital adjustment within the operating cash flow primarily relates to the increase in trade receivables and prepayments. We note that the delayed collection of receivables is a primary driver for the Company requiring to raise additional cash to fund its ongoing working capital deficit;
- Share based compensation in 2015 relates to approximately 37 million shares that were granted to professional service providers and management of the Company;
- Proceeds from disposal of available for sale investments relates to the sale of the Company's equity interest in Xiamen International Bank for approximately RMB35 million;
- Proceeds of other long-term borrowing relates to cash the Company received from institutional investors from the issuing of asset-backed securities. The long-term borrowings are secured by trade receivables; and
- The shareholder injection in 2015 relates to:
 - 52.5 million Enice shares issued for total cash consideration of approximately RMB42,000, of which 17.5 million shares were issued to professional service providers;
 - Mr Shen and senior executives of the Company subscribed for 122.5 million Enice shares at the price of RMB0.4898 per share, for a total cash consideration of RMB60 million;
 - Sophisticated investors subscribed for 20.8 million Enice shares at a price of RMB1.14 per share for total cash consideration of RMB24.9 million; and
 - 63.5 million CDIs that were issued for total cash consideration of approximately RMB116.7 million. For completeness, we also note that the Company converted its shares to CDIs on a one for one basis, and listed on the ASX, as part of this process.

Appendix C: Industry Overview

Enice is a major provider of network engineering and maintenance services and a supplier of patented wireless and radio frequency ('RF') components. Its primary clients are mobile telecommunications service providers which require project services and new technology for the development and maintenance of improved mobile networks. This section provides a brief overview of the mobile network services industry. This section is a summary only and is not intended to be a comprehensive analysis of these markets.

The information presented in this appendix has been compiled from a range of publicly available sources, together with information taken from various databases which we subscribe to. BDO has not independently verified any of the information and we recommend that users of this IER refer to the original source of any information listed in this section. This section should be referred to as a broad guide only.

C.1 Mobile Telecommunications Industry

Mobile telecommunications in China have a combined industry revenue of USD209 billion (AUD267 billion) and have experienced annualized revenue growth of 9.8% across 2012 to 2017. Estimated growth in 2017 was forecast to decrease to 5.8%, however still represents 55% of China's telecommunication sector as a whole¹. Advancements in network speed and coverage are causing a shift away from voice communication revenue, toward data usage revenue. In addition, lower mobile data prices are further fuelling data consumption, which in turn is driving continued growth in revenue.

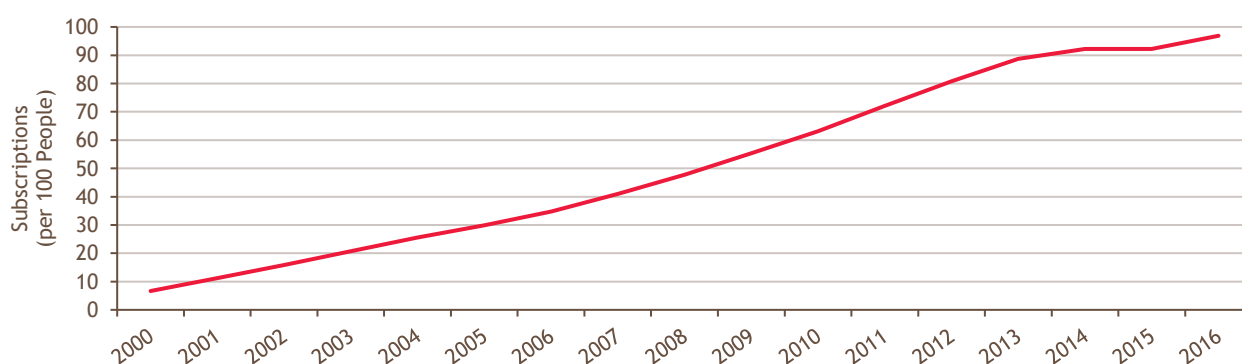
C.1.1 Network Equipment and Services Providers

The primary clients for network engineering services are Communication Service Providers ('CSPs'), which include China Mobile Corporation, China Telecom Corporation and China Unicom Corporation. CSPs require planning, consulting, and project enactment services for the delivery of network infrastructure and optimisation, which meets the changing standards of network performance. The main economic drivers for network equipment and service providers' include the demand for improved networks and the development of new technology.

Currently, China has over 1.3 billion mobile phone subscriptions. Mobile subscriptions have increased by an estimated 5.5% or over 70 million subscriptions in the 12 month period ended August 2017². The industry is aggressively seeking to implement 5G coverage and improve 4G coverage to facilitate the growth.

Figure C.1 below shows that total number of mobile subscriptions represented 97% of total population in 2016 and it is estimated that the total number of subscriptions have since exceeded total population³. However, growth in additional yearly mobile subscriptions are beginning to weaken as the market is reaching saturation.

Figure C.1 Mobile Network Subscriptions since 2000 in China



Source: International Telecommunication Union

¹ Information sourced from IBISWorld Industry Report 6012 - Mobile Telecommunications in China, August 2017

² Statista - China: Mobile Phone Subscriptions by Month, August 2017

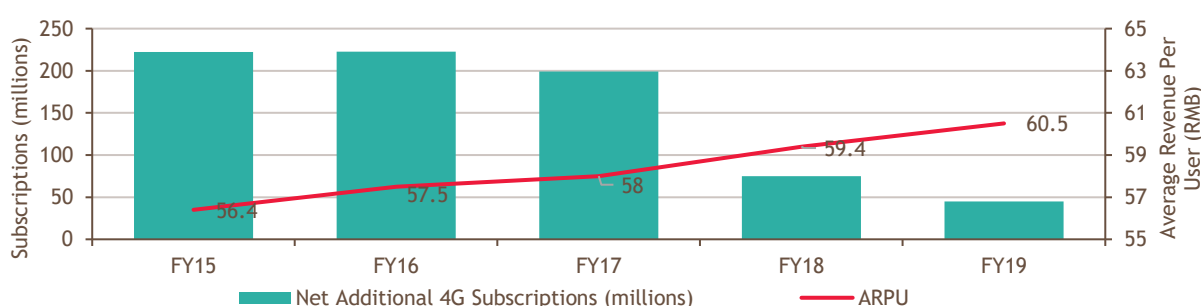
³ Total subscriptions include those held by people with multiple services. This means that total subscriptions have exceeded population but a small portion of the population still remains without a mobile service (less than 6% as of 2015).

C.1.2 Carrier Performance⁴

China Mobile Limited is the largest service provider in the market in terms of mobile subscribers, providing service to over 63% of China’s mobile network users⁵. As a key player within the telecommunications industry, China Mobile Limited’s business performance becomes a key point of reference measuring the demand for network components and support services.

China Mobile reported an increase in 4G subscription additions of just 0.3% in 2016, down from 146.9%, and forecasts fewer subscription additions for 2017-2019. The expansion of 4G coverage has reduced data costs considerably and users have responded through increased consumption, with mobile data usage increasing by 105.6% during 2016. The result is steady growth in average revenue per user (‘ARPU’) expected for the next two years. During 2016, China Mobile’s wireless data revenue grew by 43.5% and became their largest revenue stream. This is expected to continue as more of China Mobile’s subscriber base upgrades to 4G and fixed line subscription revenue growth slows. Figure C.2 illustrates that ARPU has grown, and is forecast to grow, steadily despite smaller increases in the subscriber base.

Figure C.2 China Mobile ARPU and Additional Subscriber Forecast



Source: Guotai Junan Securities

China Mobile and other telecommunications carriers are primary customers for producers of wireless antennas and network services. Continued growth in data revenue drives the demand for wireless service infrastructure and products. As China aggressively pursues 5G coverage, network engineering services and technology are expected to play a vital role in the development of the industry.

C.2 Overview of Wireless Network Improvement⁶

Industry revenue is expected to rise with the introduction of new wireless technology as it has previously when carriers upgraded to the 4G network. In urban areas, the average concentration of mobile network users can be as high as 3,700 per square kilometre. This presents barriers to improving service coverage and speed affordably in developed metropolitan areas. In addition, with the constant change in user environment, network infrastructure and the supporting technology need to keep up with the ever growing demand for ultra-reliable and low latency communications.

In 2020, China is expected begin to see the aggressive roll-out of 5G infrastructure and the transition from 4G to 5G networks. It is anticipated that the transition will likely be driven by domestically developed technology to avoid licensing fees for foreign technology. In order to meet this goal, parties within the industry are investing heavily in research and development.

Service providers are forecast to spend RMB2.8 trillion (AUD540 billion) combined on building 5G mobile networks between 2020 and 2030. This includes significant spending in the procurement of network engineering services and equipment, and the funding of research and development into supporting technologies. With the completion of 5G networks by 2030, it is expected that 7.9 trillion yuan will be generated in combined 5G related revenue. The 5G market is forecast to have a significant impact on China’s economy, estimated to account for approximately 3.2% of China’s entire GDP in 2025. This will bring significant demand for technology, equipment and employment opportunities to fuel the growth and development of the 5G markets.

⁴ Information in this section has been sourced from Guotai Junan Securities, (2017). Company Report: China Mobile. China Mobile Limited (2017). Annual Report, 2016.

⁵ Information regarding market share of mobile subscriptions has been sourced from each service provider’s website, August 2017.

⁶ China Academy of Information and Communications Technology, June 2017

Appendix D: Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this IER assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this IER, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in *RG 111: Content of Expert Reports*. The methodologies include those mentioned directly below.

D.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

D.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

D.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

D.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

Appendix E: Valuation of Enice Prior to the Proposed Transaction

E.1 Our Valuation Approach

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this IER include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies (these valuation methodologies are discussed further in Appendix D). RG 111 does not prescribe which methodology should be used by the expert but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

We have considered each of the valuation methodologies outlined above and formed the view that the most appropriate methodologies to consider for calculating the value of the Company are a CME valuation and an MBV valuation. In forming this view, we considered the following:

- It is possible to estimate the maintainable earnings of Enice having regard to the recent earnings of the Company, discussions with Management and our overall assessment of the relevant maintainable earnings;
- It is possible to observe the trading and transaction multiples of companies which may be considered broadly comparable to Enice;
- It is difficult to prepare future cash flow projections with the appropriate level of certainty or accuracy for companies such as Enice given the reliance on winning large contracts. We also note that the forecast cash flows provided to us by the Company has changed materially throughout the course of our work; and
- While we consider CDI trading in Enice to be relatively illiquid which reduces the reliability, there is a suitable off-market arm's length transaction available to observe a value for Enice in relation to an investor's purchase of an approximately 11.6% (30 million CDIs) interest in the Company through three separate transactions.

E.2 CME Valuation of Enice

The CME valuation approach involves identifying a maintainable earnings stream for an entity and multiplying the earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total value of the Company. This section of this IER is structured as follows:

- Section E.2.1 sets out our view of the appropriate maintainable earnings to adopt to value Enice;
- Section E.2.2 sets out our view on the appropriate capitalisation multiple to adopt to value Enice;
- Section E.2.3 sets out our calculation of the enterprise value of Enice on a controlling interest basis;
- Section E.2.4 sets out our calculation of the adjustments for surplus assets and liabilities; and
- Section E.2.5 sets out our calculation of the equity value of Enice on a controlling interest basis.

E.2.1 Enice's Maintainable Earnings

In our view it is appropriate to adopt earnings before interest, tax, depreciation and amortisation ('EBITDA') as an earnings measure for the purpose of determining the fair value of Enice using the CME valuation methodology. We have adopted EBITDA as opposed to other earnings measures as it is independent of the direct financial impacts of capital structure and taxes. Adopting EBITDA as an earnings measure also assists in removing irregularities that may arise from differences in depreciation and amortisation accounting policies of different companies, including those that may arise from acquisition related amortisation.

To determine an appropriate level of EBITDA for Enice for the purpose of our valuation, we have considered the historical and forecast EBITDA of the company and discussed the financial performance, operating environment and future prospects of Enice with Management. We have then adjusted the EBITDA as necessary, removing the impacts of non-recurring, abnormal and one-off amounts that have been incurred by the Company.

To value Enice using the CME methodology, we have considered financial information provided to us by Management for the 12-month periods ended on 31 December 2015 and 31 December 2016, and the 6-month period ended on 30 June 2017. In addition, we have also considered the forecast financial information provided to us.

Enice is responsible for both the historical and forecast financial information. BDOCF has not performed any audit or review of any type on the historical financial information of Enice and we make no statement as to the accuracy of the information provided. BDOCF has not been instructed to and has not completed any formal audit, review or due diligence on the financial information provided to us beyond a critical analysis of the assumptions adopted and enquiry of Management.

Normalised Historical EBITDA

Table E.1 below sets out our view of the normalised EBITDA of Enice for the 12-months ended 31 December 2015 and 2016.

Table E.1: Normalised Earnings for Enice for 2015 and 2016

| | 12 Months Ended 31-Dec-15 (RMB'000) Actuals | 12 Months Ended 31-Dec-16 (RMB'000) Actuals | 12 Months Ended 31-Dec-17 (RMB'000) Preliminary |
|--|--|--|--|
| Profit before tax | 21,253 | 52,986 | 76,016 |
| Add: Net finance expense | 16,168 | 14,294 | 14,976 |
| Add: Depreciation and amortisation expense | 3,962 | 3,649 | 4,121 |
| EBITDA | 41,383 | 70,929 | 95,113 |
| Normalisations | | | |
| Add: Listing Costs | 14,017 | - | - |
| Less: Other Gains | (5,715) | (1,186) | (4,224) |
| Less: Non-recurring Earnings | - | - | (13,500) |
| Normalised EBITDA | 49,685 | 69,743 | 77,389 |
| Revenue | 423,740 | 503,767 | 510,735 |
| <i>Normalised EBITDA Margin (%)</i> | <i>11.73%</i> | <i>13.84%</i> | <i>15.15%</i> |

Source: Enice's 2015 and 2016 Annual reports and BDOCF analysis

In relation to Table E.1 above we note:

- Finance expenses mainly relate to interest on debts and borrowings;
- Listing costs relate to expenses for IPO and pre-IPO transaction costs during the ASX listing process in October 2015;
- Other gains in 2015 predominately consist of the gains from a sale of a subsidiary and dividend income. Other gains also include government grants and gains from financial guarantees contracts. These gains are not considered part of Enice's normal business operations and have been normalised to remove their impact; and
- Non-recurring earnings relate to the sale of a one-off internet technology product developed by the Company in 2015 (refer to Section B.4.1).

Forecast Financial Information

We have been provided with forecast financial information from the Company for the 12 months ended 31 December 2018 and 2019 (we have not included the forecast financial information in this IER on instructions from Management as the Company has not yet provided earnings guidance to the market). We have discussed the forecast financial information with Management and note the following:

- The forecast financial information that we have been provided with indicates that Management are forecasting earnings growth relative to normalised EBITDA of prior years;

- The forecast has been prepared based on contracted amounts and uplifts allowing for potential contracts based on the Company's experience within the industry. Historical costing metrics have been utilised in the forecast due to the similar nature of work performed;
- As announced on the ASX on 5 September 2017 and 12 September 2017, the Company has won two tenders with China Mobile Group. We have been informed that the total contract value of the two tenders is estimated to be approximately RMB121 million, with the majority of revenue recognition in 2018 and 2019;
- In accordance with the Company's accounting policies, revenue is recognised when the service is complete and outcome of the transaction can be reliably estimated. The Company's auditors rely on a "completion report" from the Company's clients before fully recognising revenue. However, costs are recognised as an expense when they are incurred. This results in a timing difference between revenue and cost recognition, where the Company appears less profitable until the completion of projects, which generally occur in the second half of the year; and
- The forecast financial information that we were provided with by the Company changed materially throughout the course of our work.

Conclusion on Adopted Maintainable Earnings

In our opinion, it is appropriate to adopt a maintainable earnings figure of RMB77 million for the purpose of the analysis set out in this IER. In forming this view, we have considered the following:

- The normalised earnings calculated in Table E.1 above;
- Enice has prepared forecasts to 2019 which indicate that Management are forecasting earnings growth relative to prior years. Notwithstanding this, from discussions with Management, we understand that it is difficult to forecast revenues in later years, as revenue is heavily dependent on winning contracts and the financial reporting period that work is completed;
- The industry in which Enice operates is competitive. As shown in the industry section set out in Appendix A, the industry is largely dependent on winning large contracts from a few major players;
- The importance of aligning the methodology used to calculate the maintainable earnings with the methodology used to assess an appropriate multiple from the broadly comparable trading and transaction data. We note that while we have set out for information purposes the forward looking enterprise value ('EV') to EBITDA trading multiples for any comparable company where this information was available, it is our view that the historical multiples represent a more complete data set for considering an appropriate multiple to adopt. Adopting a multiple based on historical financial information is more suited to a maintainable earnings figure based on historical data (i.e. 2017); and
- The growth forecast will be incorporated in the historical multiples of broadly comparable companies in the industry.

E.2.2 Capitalisation Multiple

We have selected a capitalisation multiple to apply to Enice having regard to our research relating to the following:

- Multiples derived from the share market prices of companies which may be considered to be broadly comparable to Enice; and
- Prices and multiples derived from sales transactions where the target entity may be considered to be broadly comparable to Enice.

In selecting our view of an appropriate multiple, we have also had regard to our own assessment of the Company's financial performance, risk and future growth prospects.

Comparable Trading Multiples

It is useful to analyse the trading multiples of comparable listed companies to assist with determining an appropriate capitalisation multiple for Enice. In this IER, we have conducted research into comparable share market multiples of listed companies which operate in telecommunication networking. For completeness, we note that trading multiples are generally reflective of a minority interest. A summary of this analysis is set out in Table E.2 below (refer to Appendix F for a more detailed description).

Table E.2: Mean and Median Historical and Forecast EBITDA Multiples Observed for Comparable Companies

| | EV/ EBITDA Multiple (Historical) | EV/ EBITDA Multiple (Forward) |
|--------|-------------------------------------|----------------------------------|
| Mean | 19.6x | 10.9x |
| Median | 14.1x | 10.9x |

Source: Table F.1 from Appendix F

We note from our research that broadly comparable companies trade with a median of historical EBITDA multiples of 14.1 times and 2017 forecast EBITDA multiple of 10.9 times.

While providing useful information, we note the results of our trading multiples analysis should be considered with an appropriate degree of caution. Although the listed companies referred to for our analysis are broadly comparable to Enice, differences exist between Enice and each of the comparable companies. In particular, we note:

- The comparable companies differ in size compared to Enice;
- The services provided by each of the comparable companies is often different to those provided by Enice;
- The geographic regions in which the comparable companies operate are often different to that of Enice; and
- The industries that the customers of the comparable companies operate in are often different to those of Enice.

Comparable Transaction Multiples

We have also had regard to selected sales transactions of companies that operate in the telecommunication network and equipment industry.

Generally, a transaction price provides evidence of earnings multiples that may be appropriate to use for valuation purposes. The acquisition price also generally represents the market value of a controlling interest in the company being analysed and therefore usually incorporates a premium for control. Each sale transaction is the product of a combination of factors which may or may not be specific to a transaction, including:

- Economic factors;
- General investment and share market conditions;
- Strategic importance to the acquirer;
- Synergistic benefits specific to the acquirer; and
- The number of potential buyers.

An analysis of selected transactions involving telecommunication network companies considered broadly comparable to Enice is set out in Appendix F. Table E.3 below sets out a summary of this analysis. We note that historical EV to EBITDA transaction multiples have been referred to for the broadly comparable companies as forecasts are generally not available.

Table E.3: Mean and Median EBITDA Multiples Observed for Comparable Transactions

| | EV/ EBITDA Multiple (Historical) |
|--------|----------------------------------|
| Mean | 20.3x |
| Median | 13.6x |

Source: Table F.3 from Appendix F

Appropriate Multiple to apply to the Earnings of Enice

In selecting an appropriate multiple to adopt for Enice, we have considered a range of factors including the following:

- Historical performance of Enice;
- Similarity of Enice to comparable companies having regard to metrics such as size and market share, service offerings, diversity of operations and financial metrics;
- Enice’s terms of trade often results in a substantial lag between the completion of projects and the collection of the remaining contract value. We note the following:
 - Enice’s trade receivable balance and debtor days are larger than the comparable group. There is risk associated with the collectability of these trade receivables; and
 - Delayed collection of debtors can result in a working capital deficiency that needs to be funded;
- A number of the trading multiples are obtained from comparable companies that are listed on a different exchange to the ASX (see Section F.2). This can result in variability between different corporate governance rules and continuous disclosure requirements, and exposure to investors with different risk appetites. These factors may all impact on the variability in trading multiples;
- The trading multiples are more varied (see Section F.3) and in many cases are higher than the transaction multiples. This may be due to a number of factors including influences by market speculation and variability in earnings between years;
- Current and future growth opportunities for Enice;
- A controlling interest basis; and
- Our selected multiple is a historical EV/EBITDA multiple. In our view it is appropriate to adopt a historical multiple for reasons including:
 - There is limited comparable companies with forecast multiples to allow us to determine an appropriate and reliable forecast multiple;
 - We do not have access to information to critically analyse forecasts from comparable companies to determine their reliability; and
 - As discussed in Section E.2.1 above, we have determined a maintainable earning figure that is based on historical earnings.

Using the comparable market data and sales transactions outlined in Appendix F as a guide, together with our own assessment of company specific factors, in our view, it is appropriate to apply a multiple within the range of 10.0 times to 13.0 times the maintainable EBITDA which we have determined for Enice on a controlling interest basis.

E.2.3 Enterprise Value of Enice on a Controlling Interest Basis

Table E.4 below summarises our calculation of the enterprise value of Enice.

Table E.4: Enterprise Value of Enice

| | Low (‘000) | High (‘000) |
|-------------------------------|----------------|------------------|
| Maintainable earnings (RMB) | 77,000 | 77,000 |
| EBITDA multiple | 10.0x | 13.0x |
| Enterprise Value (RMB) | 770,000 | 1,001,000 |

Source: BDOCF analysis

E.2.4 Adjustment for Surplus Assets and Liabilities

The valuation of a company adopting a CME valuation methodology based on a multiple of EBITDA excludes, amongst other issues, the impact of the Company's debt on the financial results as well as the value of any surplus assets or liabilities (i.e. those assets and liabilities which are not required for the usual business operations). When adopting the CME valuation methodology, to calculate the value of equity in a company, it is appropriate to add the Company's surplus cash and cash equivalents, subtract the value of interest bearing liabilities, and add/subtract the value of any surplus assets/liabilities to the enterprise value.

To determine an appropriate value for Enice's surplus assets and liabilities, we have considered certain accounts from the balance sheet provided by Management as at 31 January 2018 and have made enquiries of Management in relation to any material adjustments required to reflect the fair market value of the assets and liabilities.

Table E.5 summarises our view, having regard to the enquiries of the management of Enice, of an appropriate value to adopt for Enice's surplus assets and liabilities for the purpose of this IER

Table E.5: Value of Enice's Surplus Assets and Liabilities

| | ('000) |
|---------------------------------------|------------------|
| Cash and cash equivalents (RMB) | 7,805 |
| Loans to related parties (RMB) | 37,448 |
| Interest bearing liabilities (RMB) | (281,531) |
| Net value of Adjustments (RMB) | (236,278) |

Source: BDOCF analysis and account balances provided by Management as at 31 January 2018

E.2.5 Equity Value of Enice on a Controlling Interest Basis

Table E.6 below summarises our calculation of the equity value of Enice on a controlling interest basis as at the date of this IER.

Table E.6: Enterprise Value of Enice

| | Low ('000) | High ('000) |
|--|----------------|----------------|
| Enterprise Value (RMB) | 770,000 | 1,001,000 |
| Net Value of Adjustments | (236,278) | (236,278) |
| Equity Value - Controlling Interest (RMB) | 533,722 | 764,722 |
| Exchange Rate ¹ | 4.9799 | 4.9799 |
| Equity Value - Controlling Interest (AUD) | 107,175 | 153,562 |

Source: BDOCF analysis

¹ Sourced from RBA as an average of the daily exchange rate for the month of February 2018

Table E.6 below summarises our calculation of the value of a CDI in Enice as at the date of this IER.

Table E.7 Value of a CDI in Enice

| | Reference | Low ('000) | High ('000) |
|---|-------------|---------------|----------------|
| Equity Value - Controlling interest | Table E.6 | 107,175 | 153,562 |
| CDIs Outstanding | Section B.2 | 259,300 | 259,300 |
| Value per CDI - Controlling Interest | | 0.41 | 0.59 |

Source: BDOCF analysis

E.3 Market-based Valuation of Enice

This section sets out our market-based valuation of Enice CDIs by considering:

- Enice CDIs trading and liquidity data; and
- An off-market transaction in relation to Enice CDIs.

E.3.1 Analysis of Enice CDIs Trading and Liquidity Data

CDI Trading Performance on the ASX

Enice's CDIs are listed on the ASX. Information on the recent share trading data of Enice's CDIs along with an analysis of recent announcements made by the Company to the ASX are set out in Section B.3 of this IER.

For the purposes of our market-based valuation, we have assessed the VWAP of Enice CDIs over 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to the announcement on 5 October 2017, being the day before the Proposed Transaction was announced and the 23 February 2018. For information purposes, we have also set out the VWAP prior to 23 February 2018 and note that Enice's CDI price increased from \$0.230 on 4 October to \$0.375 on 5 October 2017 following the announcement of the Proposed Transaction.

Table E.8 Enice's VWAP for Specified Periods Prior to 5 October 2017 and 23 February 2018

| Period before 5 October 2017 ¹ | VWAP (AUD) | Period before 23 February 2018 | VWAP (AUD) |
|---|------------|--------------------------------|------------|
| 1 Week | \$0.2220 | 1 Week | \$0.3282 |
| 1 Month | \$0.2159 | 1 Month | \$0.3443 |
| 3 Months | \$0.2051 | 3 Months | \$0.3407 |
| 6 Months | \$0.2654 | 6 Months | \$0.3405 |
| 9 Months | \$0.2626 | 9 Months | \$0.3297 |
| 12 Months | \$0.2618 | 12 Months | \$0.3228 |

Source: *Capital IQ as at 26 February 2018*

¹ Prior to the announcement of the Proposed Transaction

With regard to Table E.8 we note the following:

- The VWAP of Enice CDIs over the periods specified before 5 October 2017 ranges from \$0.2051 to \$0.2654; and
- The VWAP of Enice CDIs over the periods specified before 23 February 2018 ranges from \$0.3228 to \$0.3443.

Liquidity of Enice CDIs

Information on the liquidity of Enice CDIs is set out in Section B.3 of this IER.

Assuming a weighted average number of 259,300,000 Enice CDIs on issue over the period, approximately 2.96% of the total CDIs on issue were traded over the period from 1 February 2017 to 23 February 2018. In our view, this indicates Enice CDIs display a relatively low level of liquidity.

E.3.2 Off-Market Transaction

There has been a number of off market transactions in Enice CDIs by Jinsong Zhang and Copious Holdings Limited as follows:

- The purchase of 11.25 million Enice CDIs for \$3,937,500 or \$0.35 per Enice CDI as announced on 12 April 2017;
- The purchase of 11.25 million Enice CDIs for \$3,937,500 or \$0.35 per Enice CDI as announced on 24 January 2017; and
- The purchase of 7.5 million Enice CDIs for \$2,625,000 or \$0.35 per Enice CDI as announced on 19 December 2016.

E.3.3 Conclusion on MBV

In our view, the off-market transaction referred to in Section E.3.2 above at a price of \$0.35 provides evidence for a market based valuation of a CDI in Enice on a minority interest basis. In our view, it is harder to draw conclusions from the ASX trading price of Enice CDIs given that the market for CDIs in Enice is relatively illiquid. For completeness, we note that the VWAPs for CDI trading in Enice has ranged between approximately \$0.21 and \$0.27 in the periods considered prior to 5 October 2017.

Both the price of the off-market transfer and the price of Enice's CDIs observed on the ASX prior to 5 October 2017 represent the value on a minority interest basis. For the purpose of assessing the Proposed Transaction, and in accordance with the requirements of RG 111, the value to adopt for Enice prior to the Proposed Transaction is to be on a controlling interest basis.

A controlling interest in a company is generally regarded as being more valuable than that of a minority interest as it may provide the owner with the following:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the Company's assets; and
- Control over appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40% which is broadly consistent with our recent transaction analysis (refer to Appendix G for our control premium research).

To determine a value of Enice on a controlling interest basis for the purpose of the analysis set out in this IER, it is our view that it is appropriate to adopt a control premium for Enice of 30%. Applying a control premium of 30% would result in the following controlling interest valuations:

- The price of the \$0.35 off-market transfer increasing to \$0.46 on a control interest basis; and
- The VWAP range referred to above increasing from a range of \$0.21 to \$0.27 to a range of \$0.27 to \$0.35. We reiterate that caution should be utilised in considering CDI VWAPs given the relative illiquid nature of trading.

E.4 Adopted Value per Enice CDI

Having regard to our valuation of Enice CDIs, in our view, for the purpose of our assessment of the Proposed Transaction it is appropriate to adopt a value as at the date of this IER in the range of **\$0.41 and \$0.59** per Enice CDI on a controlling interest basis. For completeness we note that:

- Our valuation range is consistent with our CME valuation;
- The CME valuation is greater than the CDI trading prices referred to under the MBV (\$0.27 to \$0.35 after adjusting for a control premium). We reiterate however that the CDI trading prices are of reduced relevance given they are relatively illiquid; and
- The off-market transaction referred to within the MBV (\$0.46 after adjusting for a control premium) is towards the lower end of the range of the CME valuation methodology.

Appendix F: Comparable Trading Companies and Precedent Transaction Analysis

This section sets out information in relation to comparable trading companies and precedent transactions that we consider broadly comparable to Enice. The information set out below includes a summary of the information that we have relied on and the assumptions that we have adopted. Appendix F is set out as follows:

- Section F.1 sets out an overview of the methodology we have adopted to identify companies and transactions that we consider broadly comparable to Enice;
- Section F.2 summarises trading multiples and description of listed companies we consider broadly comparable to Enice; and
- Section F.3 outlines transaction multiples and description of target companies that we consider broadly comparable to Enice.

F.1 Methodology

The trading and transaction multiples we have regard to in this IER are EBITDA multiples. We have had regard to selected multiples to inform our opinion when considering the value of Enice within this IER. The multiples utilised have been derived from broadly comparable target companies in transactions and listed companies with broadly similar operations.

The trading multiples adopted in this IER relate to multiples calculated for broadly comparable companies. The value of the comparable trading companies can be estimated having regard to exchange-traded securities and publicly available information.

In determining our comparable group for trading multiples, we have applied various criteria including:

- Selected companies from Capital IQ within industries that Enice operate and identified broadly comparable companies to Enice based on business operations;
- Filtered through the comparable group based on analysis of financial metrics and its comparability to Enice, including:
 - Profitability;
 - DuPont analysis;
 - Forecasted growth; and
 - Accounts receivables turnover.

The transaction multiples calculated in this IER have been estimated from transactions in which a significant stake (50% or greater) has been purchased. The transactions included in our analysis occurred within the last five years, involved target companies with broadly similar operations to Enice, and disclosed adequate information to estimate an EBITDA multiple. The measure of implied enterprise value is used to compare the transaction values on a 100% interest basis.

F.2 Comparable Trading Multiples

It is useful to analyse the current trading multiples of exchange listed comparable companies to assist with determining an appropriate multiple. Comparable trading multiples need to be treated with caution as not all companies within an industry are comparable. Different companies contain a range of inherent risks specific to their own company based on factors including company size, location, and operations. With this as a caveat, the usual step in applying a multiple based valuation methodology is to construct a multiple from market information. The multiple is then adjusted for specific company differentiators.

Table F.1 sets out financial information on comparable listed companies that may be considered broadly comparable to Enice. We note that trading multiples typically reflect the value of a minority parcel of shares and generally do not include any synergies or benefits which may accrue to an acquirer.

Table F.1 Broadly Comparable Trading Companies

| Company Name ¹ | Enterprise Value (A\$m) | LTM Revenue (A\$m) | LTM EBITDA (A\$m) | Forecast EBITDA (A\$m) | EV/EBITDA Multiple (Historical) | EV/EBITDA Multiple (Forward ²) |
|--|----------------------------|-----------------------|----------------------|---------------------------|------------------------------------|---|
| MOBI Development Co., Ltd. (SEHK:947) | 172 | 239 | 5 | - | 33.9 | - |
| Microelectronics Technology Inc. (TSEC:2314) | 264 | 314 | 13 | 18 | 20.6 | 14.7 |
| Shenzhen Kexin Communication Technologies Co., Ltd (SZSE:300565) | 565 | 133 | 14 | - | 40.1 | - |
| Codan Limited (ASX:CDA) | 434 | 217 | 60 | 62 | 7.2 | 7.0 |
| Nanjing Huamai Technology Co., Ltd. (SHSE:603042) | 663 | 200 | 20 | - | 34.0 | - |
| Hitron Technologies Inc. (TSEC:2419) | 166 | 383 | 39 | - | 4.3 | - |
| Maxnerva Technology Services Limited (SEHK:1037) | 113 | 86 | 15 | - | 7.5 | - |
| CMI Limited (ASX:CMI) | 23 | 48 | 7 | - | 3.6 | - |
| ICO Group Limited (SEHK:1460) | 108 | 74 | 3 | - | 32.6 | - |
| Centron Telecom International Holding Limited (SEHK:8033) | 140 | 306 | 46 | - | 3.0 | - |
| InvesTech Holdings Limited (SEHK: 1087) | 40 | 78 | 1 | - | 40.6 | - |
| Vodatel Networks Holdings Limited (SEHK: 8033) | 18 | 82 | 2 | - | 7.6 | - |
| Average | 225 | 180 | 19 | 40 | 19.6 | 10.9 |
| Median | 153 | 166 | 13 | 40 | 14.1 | 10.9 |

Source: BDOCF analysis and Capital IQ as at 1 March 2018

1 The ticker of the companies are contained in brackets. SEHK: The Stock Exchange of Hong Kong Limited, TSEC: Taiwan Stock Exchange, SZSE: Shenzhen Stock Exchange, and ASX: Australian Securities Exchange.

2 The forward EV/EBITDA calculation utilises the 12-month forecasted EBITDA in its calculation.

With regard to Table F.1, we note:

- Revenue and EBITDA figures are determined based upon most recently available financial information and are displayed on a last twelve month ('LTM') basis;
- All financial figures and multiples have been calculated and translated to AUD using closing figures on 28 February 2018;
- The comparable group are bigger in scale relative to Enice, with median enterprise value and revenue of \$153 million and \$166 million respectively;
- Historical average and median enterprise value is 19.6x and 14.1x EBITDA respectively on a minority interest basis;
- Within the comparable group, there is significant variability within the historical EV/EBITDA multiple, with a range of 3.0x to 40.6x. We note there are five entities (MOBI Development Co. Ltd, Shenzhen Kexin Communication Technologies Co. Ltd., Nanjing Huamai Technology Co., Ltd., ICO Group Limited and InvesTech Holdings Limited) with significantly higher EV/EBITDA multiples than the comparable group. If the EV/EBITDA multiples of above 30x are excluded, the average and median EBITDA multiple will be 7.7x and 7.2x respectively; and
- The average and median one-year forward EBITDA multiple from the comparable group is 10.9x. We note that this is only based off two reference points, as there is limited amount of companies with disclosed forecast figures.

Descriptions of the broadly comparable trading companies in the analysis are provided below in Table F.2.

Table F.2 Descriptions of Broadly Comparable Trading Companies

| Company | Description |
|--|--|
| MOBI Development Co., Ltd. (SEHK:947) | MOBI Development Co., Ltd. engages in the design, development, manufacture, marketing, and sale of wireless communication antennas, base station radio frequency (RF) subsystems and solutions, and products of coverage extension solutions. MOBI Development Co., Ltd. was founded in 1999 and is headquartered in Shenzhen, the People's Republic of China. |
| Microelectronics Technology Inc. (TSEC:2314) | Microelectronics Technology Inc. designs, manufactures, and sells microwave and satellite communication products in Taiwan and internationally. The company offers wireless communication products, including satellite communication equipment, mobile transceiver base station modules and subsystems. The company was founded in 1983 and is headquartered in Hsinchu, Taiwan. |
| Shenzhen Kexin Communication Technologies Co., Ltd (SZSE:300565) | Shenzhen Kexin Communication Technologies Co., Ltd engages in the research, development, manufacture, and marketing of telecom communication network equipment in China and internationally. The company also provides application solutions; and offers technical services in the areas of engineering construction, operating, and maintenance. The company serves telecom operators, ICT equipment manufacturers, and network integrators. Shenzhen Kexin Communication Technologies Co., Ltd was founded in 2001 and is based in Shenzhen, China. |
| Codan Limited (ASX:CDA) | Codan Limited develops rugged and electronics solutions for government, corporate, NGO, and consumer markets in Australia. The company operates through three segments: Communications Equipment, Metal Detection, and Tracking Solutions. It designs and manufactures communications equipment for high frequency and land mobile radio applications. Codan Limited was founded in 1959 and is headquartered in Mawson Lakes, Australia. |
| Nanjing Huamai Technology Co., Ltd. (SHSE:603042) | Nanjing Huamai Technology Co., Ltd. engages in the research and development, design, manufacture, and sale of telecom distribution products and passive microwave products in China. The company offers fibre optic telecommunications products; and microwave telecommunications products, such as indoor signal distribution systems and passive microwave components. The company was founded in 1998 and is based in Nanjing, China. |
| Hitron Technologies Inc. (TSEC:2419) | Hitron Technologies Inc. engages in integrating communication systems, and producing and selling electronic and telecom communication products primarily in Taiwan. The company offers data over cable interface specification (DOCSIS) products to MSOs, which support residential and business class applications. In addition, the company offers MoCA-WiFi extenders; and measures DOCSIS and DVB-C networking environments. The company was founded in 1986 and is headquartered in Hsinchu, Taiwan. |
| Maxnerva Technology Services Limited (SEHK:1037) | Maxnerva Technology Services Limited provides information technology (IT) integration and solutions services across the U.S. and Asia. The company offers system and network integration, information technology solutions development and implementation, and related maintenance services. It also manufactures telecommunication modules used in mobile phone infrastructures; and electronic products. Maxnerva Technology Services Limited was founded in 1979 and is based in Shatin, Hong Kong. |
| CMI Limited (ASX:CMI) | CMI Limited manufactures and distributes electrical cables and components for industrial and mining applications in Australia. The company provides a range of specialty cabling and electrical products, such as power and communication cables/assemblies, computer cabling, plugs, and high voltage couplers. CMI Limited was founded in 1991 and is headquartered in Zillmere, Australia. |
| ICO Group Limited (SEHK:1460) | ICO Group Limited provides IT consultancy and services for enterprises in Hong Kong and internationally. It operates through four segments: IT Application and Solution Development, IT Infrastructure Solutions, Secondment Services, and Maintenance and Support Services. In addition, the company offers maintenance and support services. ICO Group Limited was founded in 1992 and is headquartered in Kowloon, Hong Kong. |
| Centron Telecom International Holding Limited (SEHK:8033) | Centron Telecom International Holding Limited, an investment holding company, primarily engages in the research, development, manufacture, and sale of wireless telecommunications coverage system equipment and related engineering services in the People's Republic of China. Additionally, the company provides multi-mode digital signal distribution system, high-performance radio frequency devices, and multi-mode and multi-frequency indoor distribution solution products. Centron Telecom International Holding Limited was incorporated in 2007 and is headquartered in Wan Chai, Hong Kong. |
| InvesTech Holdings Limited (SEHK: 1087) | InvesTech Holdings Limited, an investment holding company, engages in the network system integration, professional network services, and mobile software platform businesses. The company also offers mobile Internet software for office automation and trades in telecommunications equipment. It operates in Mainland China, Hong Kong, the United States, and internationally. InvesTech Holdings Limited was founded in 1997 and is headquartered in Beijing, the People's Republic of China. |
| Vodatel Networks Holdings Limited (SEHK: 8033) | Vodatel Networks Holdings Limited, an investment holding company, primarily engages in the design, sale, and implementation of network and systems infrastructure in Mainland China, Hong Kong, and Macau. Further, it is involved in the sale of data networking systems, as well as the provision of related engineering services. The company is headquartered in Taipa, Macau. |

Source: Capital IQ as at 1 March 2018

F.3 Precedent Transaction Multiples

The price achieved in a sales transaction generally provides reliable evidence of earnings multiples for a valuation as it represents the market value of a controlling interest in the asset being acquired. We note however, that each sales transaction is the product of a combination of factors which may or may not be specific to the transaction including:

- Economic environment and factors at the time of the transaction;
- Regulatory frameworks;
- Synergy benefits to the acquirer; and
- The number of potential buyers.

Table F.3 outlines financial information of the target companies from precedent transactions that may be considered broadly comparable to Enice. We note the acquisitions were all for a majority stake within the target companies and are on a controlling interest basis.

Table F.3 Broadly Comparable Target Companies in Precedent Transactions

| Target Company Name | Target Company Location ¹ | Transaction Date | Latest Total Revenue (A\$m) | Implied Enterprise Value ² (A\$m) | Implied EV/EBITDA Multiple ³ (Historical) |
|---|--------------------------------------|------------------|-----------------------------|--|--|
| Unistar Enterprises Pty Ltd | Australia | 22-Apr-14 | 2 | 1 | 30.0 |
| BigAir Group Limited | Australia | 13-Sep-16 | 80 | 232 | 13.6 |
| Harbinger Technology Corp. | Taiwan | 25-Jan-16 | 22 | 58 | 78.4 |
| China TieTong Telecommunications Corporation ⁵ | China | 27-Nov-15 | 5,082 | 7,547 | 5.0 |
| LanTroVision (S) Ltd | Singapore | 27-Jan-16 | 171 | 91 | 5.1 |
| Nera Telecommunications Ltd | Singapore | 19-Nov-12 | 142 | 110 | 4.8 |
| Alcatel-Lucent ⁵ | France | 15-Apr-15 | 18,734 | 22,024 | 16.2 |
| Qorvo US, Inc. ⁵ | United States | 03-Apr-13 | 1,993 | 1,744 | 17.0 |
| Norsat International Inc. | Canada | 24-Mar-17 | 96 | 71 | 12.7 |
| Average | | | 2,925 | 3,542 | 20.3⁴ |
| Median | | | 142 | 110 | 13.6⁴ |

Source: BDOCF analysis and Capital IQ as at 1 March 2018

- 1 The location in which the target company has its primary office location or headquarters.
- 2 Implied enterprise value is calculated by Capital IQ and represents the implied value of 100% of the target based on the consideration and stake acquired in the respective transaction.
- 3 EBITDA figures are based on the last twelve months of operations prior to the acquisition, based on the output provided by Capital IQ and the most recent publicly available information.
- 4 The implied EV/EBITDA multiple of Harbinger Technology Corp. appears to be an outlier, if excluded, the average and median EBITDA multiple is 13.1x and 13.2x respectively.
- 5 These companies have significantly higher total revenue and implied enterprise value compared to the Company. If these multiples are excluded (along with Harbinger Technology Corp.) the average and median EBITDA multiple is 13.2x and 12.7x respectively.

With regard to Table F.3, we note:

- The analysed transactions involved majority stake acquisitions within the last five years from comparable industries to Enice;
- All values and financial metrics were calculated and translated to AUD as at the date of the transaction; and
- The average and median EBITDA transaction multiple is 20.3x and 13.6x respectively. We note that the multiple of Harbinger Technology Corp. is significantly larger than the comparable group and appears to be an outlier. Excluding this multiple, the average and median EV/EBITDA multiple becomes 13.1x and 13.2x respectively.

Descriptions of the broadly comparable target companies in the precedent transaction analysis are provided below in Table F.4.

Table F.4 Descriptions of Broadly Comparable Target Companies in Precedent Transactions

| Company | Description |
|-----------------------------|--|
| Unistar Enterprises Pty Ltd | Unistar Enterprises Pty Ltd provides telecommunications and wireless engineering services in Australia. It serves enterprise and government clients. The company was founded in 1990 and is based in Sydney, Australia. |
| BigAir Group Limited | BigAir Group Limited provides managed services, cloud-based solutions, and networking infrastructure in Australia. The company offers a range of network services, including wide area network, fixed wireless network, local area network, fixed line connectivity and private networks. The company was founded in 2002 and is headquartered in St Leonards, Australia. |
| Harbinger Technology Corp. | Harbinger Technology Corp. engages in the research and development, manufacture, system integration, and sale of communication systems. It also provides communication systems, including IDAS, a digital radio system to translate analogue signals to digital wireless signals and digital wireless pre-alert system integrations. The company was founded in 1987 and is based in New Taipei City, Taiwan. |
| China TieTong | China TieTong Telecommunications Corporation provides telecommunication services in China. The company provides local and long-distance telephone, internet protocol (IP) telephone, Internet data transmission, communications facilities, fax and telegraph, analogue/digital clustering communications, and network hosting services. The company operates in the information service business related to fixed network telephone information services in China. The company was founded in 2000 and is headquartered in Beijing, China. |
| LanTroVision (S) Ltd | LanTroVision (S) Ltd, an investment holding company, designs, supplies, installs, and provides consultancy services on network integration and structure cabling. The company offers system integration and network infrastructure services; and designs and installs computer cabling. In addition, the company provides solutions for testing, monitoring, and analysis of enterprise and telecommunication networks. The company was founded in 1990 and is based in Singapore. |
| Nera Telecommunications Ltd | Nera Telecommunications Ltd. designs, engineers, distributes, sells, installs, services, and maintains telecommunication systems and products in transmission, satellite communications, and information technology networks worldwide. It's Telecommunications segment provides wireless infrastructure network solutions, such as in-building, outdoor coverage enhancement, RF access network optimisation, benchmarking, 3G base, microwave solutions, and 3G data offloading. The company was incorporated in 1978 and is headquartered in Singapore. |
| Alcatel-Lucent | Alcatel-Lucent provides IP and cloud networking, and ultra-broadband access worldwide. The company's Core Networking segment offers IP routing, carrier Ethernet, and network functions virtualisation. It's Access segment offers wireless products and services, including long-term evolution products and small cells to enhance wireless network coverage; and cable and antenna systems, and active and passive RF conditioning modules that provide end-to-end packaged solutions for wireless and broadcast infrastructure. Alcatel-Lucent was founded in 1898 and is headquartered in Boulogne-Billancourt, France. |
| Qorvo US, Inc. | Qorvo US, Inc. provides RF solutions for mobile device, networks infrastructure, defence, and aerospace markets worldwide. It designs, develops, and manufactures high-performance power amplifiers, switches, and filter modules, as well as offers a range of filtering, switching, and amplification products for RF, microwave, and millimetre-wave applications. The company sells RF filters, duplexers, power amplifier modules, transmit modules, multi-band power amplifiers, and single and dual band wireless local area networks modules. The company was founded in 1981 and is based in Hillsboro, Oregon. |
| Norsat International Inc. | Norsat International Inc. provides communication solutions in the United States, Canada, Europe, and internationally. The Sinclair Technologies segment offers base station antennas, mobile/transit antennas, and covert antennas; and RF filter products, such as cavity filters, transmitter combiners, duplexers, isolators, circulators, and receiver multi-couplers. The Satellite Communications segment provides microwave components comprising satellite receivers, transmitters, transceivers, solid-state power amplifiers, and other microwave components that enable the transmission, reception, and amplification of signals to and from satellites. Norsat International Inc. was founded in 1977 and is headquartered in Richmond, Canada. |

Source: Capital IQ

Appendix G: Control Premium Research

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

The control premium observed in a given takeover bid may be impacted by a range of factors, including:

- The specific value that may have been applicable to the acquirer at the time of the transaction;
- The level of ownership already held by the acquirer in the target;
- The level of speculation in the market about a transaction between the target and the acquirer;
- The presence of competing bids for the target; and
- The prevailing strength of the market and the economy more broadly at the time of the transaction.

To determine an appropriate control premium range to apply to Enice in this IER, we have considered the following information:

- Control premiums implied in the comparable transactions (Appendix F) indicate average control premiums on 1-day, 1-week and 1-month VWAPs in the range of 27% to 33%;
- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice.

Having regard to empirical evidence and our experience, we would expect a control premium of 30% to be applicable. This implies a minority interest discount of 23%, which is calculated as the inverse of the control premium⁷.

⁷ Calculated as: $1 - 1 / (1 + \text{control premium})$

APPENDIX III GENERAL INFORMATION

1. RESPONSIBILITY STATEMENTS

This document includes particulars given in compliance with the Companies Ordinance for the purpose of giving information with regard to the Scheme and the Company.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this document relating to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document by the Company have been arrived at after due and careful consideration and there are no other facts relating to the Group not contained in this document, the omission of which would make any statement in this document misleading.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than opinions expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this document (other than opinions expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document misleading.

2. SHARE CAPITAL

The issued share capital of the Company as at the Latest Practicable Date were as follows:

| | |
|----------------------------------|-------------|
| <i>Issued and fully paid up:</i> | <i>RMB</i> |
| 259,300,000 Shares/CDIs | 187,405,000 |

All of the Shares/CDIs currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital. 259,300,000 Shares/CDIs have been issued since 31 December 2017 (being the end of the last financial year of the Company) up to the Latest Practicable Date.

The CDIs are listed on the ASX and, none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities issued by the Company.

3. MARKET PRICES

- (a) The highest and lowest closing prices of the CDIs as quoted on the ASX during the Relevant Period were A\$0.385 per CDI on 9 October 2017, 16 October 2017, 14 March 2018, 15 March 2018 and 16 March 2018 and A\$0.17 per CDI on 29 August 2017, 30 August 2017, 31 August 2017 and 1 September 2017 respectively.
- (b) The table below sets out the closing prices of the CDIs on the ASX on the last Business Day on which trading of the CDIs took place in each of the calendar months during the Relevant Period:

| Dates (2017) | Closing price (A\$) |
|------------------------|-------------------------------|
| 31 May | 0.34 |
| 30 June | 0.22 |
| 31 July | 0.23 |
| 31 August | 0.17 |
| 29 September | 0.22 |
| 31 October | 0.37 |

- (c) The closing price of the CDIs on the ASX on the Last Trading Date was A\$0.23.
- (d) The closing price of the CDIs on the ASX on the Latest Practicable Date was A\$0.385.

4. DISCLOSURE OF INTERESTS

- (a) **Directors and chief executive's interests and short positions in the Shares/CDIs and the shares of the Company's associated corporations**

(A) *Interests in the Company*

The table below sets out the aggregate long positions in the Shares and the underlying CDIs held by the Directors and chief executive of the Company:

| Name of Director/ chief executive | Number of Shares/CDIs | | | | Number of underlying Shares/CDIs held under equity derivatives | Total | Approximate percentage of issued share capital |
|-----------------------------------|-----------------------|------------------|-------------------------------|-----------------|--|-------------|--|
| | Personal interests | Family interests | Corporate interests | Other interests | | | |
| Mr. Shen | 120,420,000 | - | 17,500,000 <i>(Note 1)</i> | - | - | 137,920,000 | 46.44% |
| Mr. Yu Wei | 10,900,000 | - | - | - | - | 10,900,000 | 4.2% |
| Mr. Qi Yihong | 20,690,000 | - | - | - | - | 20,690,000 | 7.98% |
| Mr. Qinshi Tao | 1,250,000 | - | - | - | - | 1,250,000 | 0.48% |

Notes:

1. *Of these Shares, Enice Nominees Limited held 17,500,000 CDIs. Mr. Shen owned 100% of Enice Nominees Limited.*

(B) Interests in associated corporations of the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in associated corporations of the Company.

(C) Directors' rights to acquire Shares/CDIs

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any rights to subscribe Shares/CDIs of the Company.

(b) Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than any Directors or chief executive of the Company) were substantial Shareholders/CDI Holders of the Company holding 5% or more of the Company's issued share capital and had interests or short positions in the Shares/CDIs and underlying Shares/CDIs:

(A) Interests of substantial Shareholders/CDI Holders

| Name of Shareholder/CDI Holder | | Number of Shares/CDIs or underlying Shares/CDIs held | Approximate percentage of issued share capital |
|--------------------------------|------------------|--|--|
| Copious Holdings Limited | Century | 30,000,000 | 11.57% |
| Enice Limited | Nominees Limited | 17,500,000 | 6.75% |

5. DEALINGS IN SHARES/CDIS

During the Relevant Period, none of the Offeror, the Excluded Group and their respective directors had dealt for value in any Shares/CDIs, convertible securities, warrants, options or derivatives in respect of Shares/CDIs.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance to the Group as a whole and no such litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, none of the members of the Group had entered into any material contract, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group, after the date two years preceding the date of the Announcement.

8. EXPERTS

The following are the qualifications of each of the experts who are named in this document or have given their opinion or advice which is contained in this document:

| Name | Qualification |
|---|--|
| Huatai Financial Holdings (Hong Kong) Limited | A licensed corporation under SFO, licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO. |
| BDO Corporate Finance (QLD) Ltd | A financial services licence holder AFS Licence No. 244513 in Australia |

9. CONSENTS

Each of Huatai and the Independent Expert has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of the texts of its letter and references to its name in the form and context in which they are included.

10. COSTS OF THE SCHEME

In the event that the Scheme becomes effective, the costs of the Scheme will be borne by the Company. The costs of the Scheme and of its implementation are expected to amount to approximately A\$3.5 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

In the event that the Scheme is either not recommended by the Independent Directors or is not recommended as fair and reasonable by the Independent Expert, or not approved at the Court Meeting or EGM (or such adjourned meetings), all the expenses incurred by the Company in connection with the Scheme shall be borne by the Offeror.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from Friday, 23 March 2018 until the Effective Date or the date on which the Scheme lapses, whichever is earliest at (i) the registered office of the Company, at 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong; and (ii) the website of the Company at <http://www.enice.com.cn/english.php>:

- (a) the memorandum and articles of association of the Offeror;
- (b) the articles of association of the Company;
- (c) the annual reports of the Company for the two years ended 31 December 2015 and 31 December 2016;
- (d) the interim report of the Company for the six months ended 30 June 2017 and the preliminary financial report of the Company for the year ended 31 December 2017;
- (e) the letter from the Board, the text of which is set out on pages 5 to 10 of this document;
- (f) the letter from the Independent Directors, the text of which is set out on pages 11 to 13 of this document;
- (g) the Independent Expert Report from BDO Corporate Finance (QLD) Ltd set out in Appendix II of this document; and
- (h) the written consents referred to in the section headed “Consents” in Appendix III of this document.

12. MISCELLANEOUS

- (a) None of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme.

- (b) Except for the Consortium Agreement, there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.
- (c) Except for the Consortium Agreement, there is no agreement or arrangement or understanding (including any compensation arrangement) between either of the Offeror or any person acting in concert with either of them and any of the Directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Scheme.
- (d) The registered office of the Offeror is Flat/RM 1907 19/F, Lee Garden One, 33 HYSAN AVENUE, CAUSEWAY BAY, Hong Kong.
- (e) The Offeror does not have any intention to transfer, charge or pledge any securities acquired pursuant to the Scheme to any other person.
- (f) The sole director of the Offeror is Mr. Shen.
- (g) The company secretary of the Company is HWB (Corporate Services) Limited.
- (h) The qualified accountant of the Company is Ernst&Young Hua Ming LLP. (CPA).
- (i) The registered office of the Company is at 27th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong.
- (j) The principal place of business of the Company is at No.30 Shuige Road, Jiangning District, Nanjing, China.
- (k) The CDI registry of the Company is Link Market Services Limited, which is situated at 1A Homebush Bay Drive, Rhodes NSW 2138.
- (l) The Company's share registry in Hong Kong is located at 27/F Alexandra House, 18 Chater Road, Central, Hong Kong.
- (m) The registered office of Huatai is Unit 5801-05 & 08-12, 58/F, The Center, 99 Queen's Road Central, Hong Kong.
- (n) The registered office of the Independent Expert is Level 10, 12 Creek St, Brisbane QLD 4000, Australia.
- (o) As at the Latest Practicable Date, none of the Directors has entered into any service contract with the Company or any of its subsidiaries or associated companies for a fixed term contract with more than 12 months to run irrespective of notice period, or which has

been entered into or amended within six months before the commencement of the Offer Period or which are continuous contracts with a notice period of 12 months or more.

- (p) As described in the Explanatory Statement, the Proposal is conditional on the Conditions being fulfilled or (to the extent applicable) waived. Any decision in relation to invoking or waiving a Condition must be made by the Offeror. The circumstances in which the Conditions can be waived or invoked are set out in the Explanatory Statement on page 19 of this document. Subject to the foregoing, there are no other arrangements or agreements to which the Offeror is a party which relate to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Proposal.
- (q) The English language text of this document shall prevail over the Chinese language text.

APPENDIX IV DEFINITIONS

In this document, the following expressions have the meanings set out below unless the context requires otherwise:

| | |
|-----------------------|---|
| “ASX” | Australian Securities Exchange |
| “ASX Rules” | ASX Settlement Operating Rules |
| “A\$” | Australian dollars, the lawful currency of Australia |
| “Announcement” | the ASX announcement dated 5 October 2017 issued by the Company in relation to the Proposal |
| “Authorizations” | all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals, and all appropriate waiting periods (including extensions thereof), in connection with the Proposal |
| “Board” | the board of Directors |
| “Business Day” | a day other than a Saturday, Sunday or public holiday or days on which licensed banks are generally open for business in Australia throughout their normal business hours |
| “Cancellation Price” | a price of A\$0.44 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme |
| “CDIs” | CHESD Depository Interests, each representing one Share |
| “CDI Holders” | holders of the CDIs |
| “CDN” | CHESD Depository Nominees Pty Ltd, a subsidiary of ASX Limited which acts as the Company’s Australian depository to facilitate electronic trading on ASX and is the legal owner and shareholder of 100% of the issued share capital of the Company |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| “Companies Registry” | the Hong Kong Companies Registry |
| “Company” | Enice Holding Company Limited ARBN 605 525 326, a company incorporated in Hong Kong with limited liability and the CDIs of |

which are listed on ASX

| | |
|------------------------|--|
| “Conditions” | the conditions to which the Proposal is subject, which are set out in the section headed “Conditions of the Proposal” in the Explanatory Statement |
| “Consortium Agreement” | the consortium agreement dated 14 September 2017 between each of the Excluded CDI Holders in connection with the Proposal and the Company |
| “Court Meeting” | a meeting of the holder(s) of the Scheme Shares to be convened at the direction of the High Court at which the Scheme will be voted upon which will be held in Dentons Hong Kong LLP’s office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong on Wednesday, 11 April 2018 at 11 a.m. (Hong Kong time), the notice of which is set out in this document, or any adjournment thereof |
| “Court Order(s)” | the order(s) of the High Court confirming the sanction of the Scheme as required by Section 673 of the Companies Ordinance and confirming the reduction of capital of the Company as required by Section 229 of the Companies Ordinance |
| “Directors” | the directors of the Company |
| “Disinterested Shares” | CDIs in issue other than those held by: (i) the Offeror or by a nominee on its behalf; (ii) an associate (as defined in section 667(1)(b) of the Companies Ordinance) of the Offeror, except a person who falls within section 667(1)(b)(iii) of the Companies Ordinance or a person specified in section 674(4) of the Companies Ordinance; or (iii) a person who is a party to an acquisition agreement within the meaning of section 667(5) of the Companies Ordinance with the Offeror (except a person specified in section 674(4) of the Companies Ordinance), or by a nominee on behalf of the person under the acquisition agreement, as described in section 674(3)(a) of the Companies Ordinance |
| “Effective Date” | the date on which an office copy of the order of the High Court sanctioning this Scheme of Arrangement under Section 673 of the Companies Ordinance and confirming the reduction of capital under Section 229 of the Companies Ordinance provided for by this Scheme, together with a minute and a return relating to the reduction of capital of the Company containing the particulars required by Section 230 of the Companies Ordinance, shall have been registered by the Registrar of Companies in Hong Kong |

| | |
|---|---|
| “EGM” | the extraordinary general meeting of the Company to be held at 12p.m.(Hong Kong time) on Wednesday, 11 April 2018 (or as soon thereafter as the Court Meeting convened for the same date and place has concluded or adjourned) in Dentons Hong Kong LLP’s office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong, for the approval and implementation of the Scheme (including but not limited to the capital reduction in connection with the Scheme), the notice of which is set out in this document, or any adjournment thereof |
| “Excluded CDI Holders” | any person(s) of the Excluded Group |
| “Excluded Group” | Mr. Shen, Mr. Qi Yihong, Mr. Yu Wei, Mrs. Li Wen, Mr. Qin Shitao, Mr. Zhang Jinsong, Copious Century Holdings Limited and Enice Nominees Limited |
| “Explanatory Statement” | the explanatory statement set out in this document and issued in compliance with Section 671 of the Companies Ordinance |
| “Facility Agreement” | the term facility agreement entered into between the Offeror and Huatai, Mr. Shen and Mr. Zhang Jinsong on 8 December 2017, pursuant to which, Huatai has agreed to provide a loan facility to the Offeror in the principal amount of 12,500,000 US dollars at an interest rate of 10% per annum, to be repaid on the date falling twelve (12) months after the date of utilisation unless such facility is extended in accordance with the terms therein |
| “Group” | the Company and its subsidiaries |
| “High Court” | the High Court of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Financial Reporting Standards” | a collective term for all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants |
| “Huatai” | Huatai Financial Holdings (Hong Kong) Limited, a licensed corporation under SFO, licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO which is the financial adviser to the Offeror in respect of the Proposal |

| | |
|-----------------------------|--|
| “Huatai Approval” | the internal approval of Huatai approving the grant of a loan facility to the Offeror under the Facility Agreement in the principal amount of 12,500,000 US dollars at an interest rate of 10% per annum, to be repaid on the date falling twelve (12) months after the date of utilisation unless such facility is extended in accordance with the terms therein |
| “Independent CDI Holders” | CDI Holders other than the Excluded Group, the Offeror and any other persons acting in concert with/acting as nominees on behalf of the Offeror or the Excluded Group and any associate as defined in Section 667 of the Companies Ordinance |
| “Independent Directors” | the independent directors of the Company, comprising Mr Ross Benson, Prof. Jun Fan and Mr Simon Green being the independent non-executive Directors |
| “Independent Expert” | BDO Corporate Finance (QLD) Ltd, a financial services licence holder AFS Licence No. 244513 in Australia |
| “Independent Expert Report” | the report of the Independent Expert set out in Appendix II to this document |
| “Offeror” | Tech World Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned company of Mr. Shen |
| “Last Trading Date” | 3 October 2017, being the last full trading day pending the issue of the Proposal the subject of the Announcement |
| “Latest Practicable Date” | 16 March 2018, being the latest practicable date prior to the despatch of this document for ascertaining certain information contained in it |
| “MOU” | the memorandum of understanding dated 8 September 2017 and signed by Mr. Shen and the Offeror on 12 September 2017 and Huatai on 13 September 2017, pursuant to which, Huatai has intended to provide a loan facility in the principal amount of up to 12,500,000 US dollars at an interest rate of 10% per annum, for a term of twelve (12) months, extendable for six (6) months |
| “Mr. Shen” | Mr. Shen Yongjun, an executive Director of both the Company and the Offeror |

| | |
|---------------------------|--|
| “New Shares” | the new Shares to be issued to the Offeror pursuant to the Scheme and being the same number as the number of Scheme Shares to be cancelled pursuant to the Scheme |
| “Offer Period” | the period from 5 October 2017, being the date of the Announcement until the earlier of: (i) the Effective Date; (ii) the date on which the Scheme lapses, i.e. the expiration of six (6) months from the date the Court Meeting was ordered to be convened at the direction of the High Court; or (iii) the date on which an announcement is made of the withdrawal of the Scheme |
| “Post-Scheme CDI Holders” | the Offeror and the Excluded Group |
| “PRC” | the People’s Republic of China |
| “Proposal” | the proposal for the privatisation of the Company by the Offeror by way of the Scheme as described in this document |
| “Record Date” | the Business Day immediately preceding the Effective Date, being the record date for the purpose of determining the entitlement of the Scheme Shareholders under the Scheme (and the resulting practical effect on Scheme CDI Holders) |
| “Register” | the register of members of the Company |
| "Register of CDI Holders" | the register of CDI holders of the Company |
| “Relevant Authorities” | appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions (including the ASX) |
| “Relevant Period” | the period commencing on the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Scheme” | a scheme of arrangement under Section 673 of the Companies Ordinance between the Company and the holder(s) of the Scheme Shares involving the cancellation of all the Scheme Shares, details of which are set out in this document, with or subject to any modification thereof or addition thereto or condition approved or imposed by the High Court |
| “Scheme CDI Holders” | the existing CDI Holders other than the members of the Excluded Group |
| “Scheme Shares” | Shares represented by the CDIs held by the Scheme CDI Holders on the Record Date |

| | |
|------------------------------|--|
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shares” | ordinary share(s) in the share capital of the Company |
| “Shareholders” | holders of the Shares |
| “United States” or “US” | the United States of America |
| “Voting Instruction Form(s)” | Form to be sent to and completed by the CDI Holders to instruct CDN as to how to vote at the Court Meeting and/or the EGM with respect to the Shares which are beneficially held by such CDI Holders |
| “%” | per cent. |

Unless otherwise specified, amounts not derived from Appendix I Financial information of the Group of this document and denominated in A\$ and RMB have been translated for the purposes of illustration only into A\$ in this document at the following rates: RMB5.23:A\$1.

No representation is made that any amounts in A\$ or RMB can be or could have been converted at the relevant dates at the above rates or any other rates or at all.

Certain amounts set out in this document have been subject to rounding adjustments. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.

**APPENDIX V
SCHEME OF ARRANGEMENT**

HCMP No.: 2705/2017

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 2705 OF 2017**

**IN THE MATTER OF
ENICE HOLDING COMPANY LIMITED
AND
IN THE MATTER OF SECTION 673 OF
THE COMPANIES ORDINANCE
CHAPTER 622 OF THE LAWS OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

**SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance
Chapter 622 of The Laws of the Hong Kong Special Administrative Region**

**BETWEEN
ENICE HOLDING COMPANY LIMITED
AND
THE HOLDERS OF THE SCHEME SHARES (AS HEREINAFTER DEFINED)**

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

| | |
|----------------------|---|
| “ASX” | Australian Securities Exchange |
| “A\$” | Australian dollars, the lawful currency of Australia |
| “Business Day” | a day other than a Saturday, Sunday or public holiday or days on which licensed banks are generally open for business in Australia throughout their normal business hours |
| “Cancellation Price” | a price of A\$0.44 per Scheme Share payable in cash to the holder(s) of the Scheme Shares pursuant to the Scheme |
| “CDIs” | CHESS Depositary Interests, each representing one Share |
| “CDI Holders” | holders of the CDIs |

| | |
|-----------------------|--|
| “CDN” | CHESS Depository Nominees Pty Ltd, a subsidiary of ASX Limited which acts as the Company's Australian depository to facilitate electronic trading on ASX and is the legal owner and shareholder of 100% of the issued share capital of the Company |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| “Companies Registry” | the Hong Kong Companies Registry |
| “Company” | Enice Holding Company Limited, a company incorporated in Hong Kong with limited liability and the CDIs of which are listed on ASX |
| “Court Meeting” | a meeting of the holder(s) of the Scheme Shares to be convened at the direction of the High Court at which the Scheme will be voted upon which will be held in Dentons Hong Kong LLP’s office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong on Wednesday, 11 April 2018 at 11 a.m. (Hong Kong time), or any adjournment thereof |
| “Court Order(s)” | the order(s) of the High Court confirming the sanction of the Scheme as required by Section 673 of the Companies Ordinance and confirming the reduction of capital of the Company as required by Section 229 of the Companies Ordinance |
| “Effective Date” | the date on which an office copy of the order of the High Court sanctioning this Scheme of Arrangement under Section 673 of the Companies Ordinance and confirming the reduction of capital under Section 229 of the Companies Ordinance provided for by this Scheme, together with a minute and a return relating to the reduction of capital of the Company containing the particulars required by Section 230 of the Companies Ordinance, shall have been registered by the Registrar of Companies in Hong Kong |
| “Excluded Group” | Mr. Shen, Mr. Qi Yihong, Mr. Yu Wei, Mrs. Li Wen, Mr. Qin Shitao, Mr. Zhang Jinsong, Copious Century Holdings Limited and Enice Nominees Limited |

| | |
|---------------------------|--|
| “Explanatory Statement” | the explanatory statement explaining the effect of the Scheme, required to be furnished pursuant to Section 671 of the Companies Ordinance set out in the Scheme Document |
| “High Court” | the High Court of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Mr. Shen” | Mr. Shen Yongjun, an executive Director of both the Company and the Offeror |
| “Offeror” | Tech World Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned company of Mr. Shen |
| “Latest Practicable Date” | 16 March 2018, being the latest practicable date prior to the despatch of the Scheme Document for ascertaining certain information contained in it |
| “PRC” | the People’s Republic of China |
| “Record Date” | the Business Day immediately preceding the Effective Date, being the record date for the purpose of determining the entitlement of the Scheme Shareholders under the Scheme (and the resulting practical effect on Scheme CDI Holders) |
| “Scheme” | this scheme of arrangement in its present form or with or subject to any modification thereof or addition thereto or condition approved or imposed by the High Court |
| “Scheme Document” | the document dated 23 March 2018 issued by the Company and the Offeror which includes this Scheme |
| “Scheme CDI Holders” | the existing CDI Holders other than the members of the Excluded Group |
| “Scheme Shares” | Shares represented by the CDIs held by the Scheme CDI Holders on the Record Date |
| “Shares” | ordinary share(s) in the share capital of the Company |
| “%” | per cent. |

(B) The Company was incorporated in Hong Kong on 29 October 2014.

- (C) As at the Latest Practicable Date, the Company had 259,300,000 Shares on issue, all of which are fully paid or credited as fully paid and all of which were held by CDN.
- (D) The Offeror has proposed the privatization of the Company by way of the Scheme.
- (E) The primary purpose of this Scheme is to privatize the Company by cancelling and extinguishing all of the Scheme Shares in consideration of the Cancellation Price for the holder(s) of the Scheme Shares so that thereafter the Offeror will own the Company, together with the Excluded Group. Simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by applying the credit arising in the Company's books of accounts as a result of the aforesaid reduction of capital to pay up in full and issue to the Offeror such number of new Shares being equal to the Scheme Shares cancelled.
- (F) As at the Latest Practicable Date, the members of the Excluded Group were interested in 219,700,000 CDIs, constituting approximately 84.73% of the issued share capital of the Company. The details of which are set out as follows:

| Name of CDI Holders | Number of CDIs |
|----------------------------------|-----------------------|
| Mr. Shen | 120,420,000 |
| Mr. Qi Yihong | 20,690,000 |
| Mr. Yu Wei | 10,900,000 |
| Mrs. Li Wen | 9,790,000 |
| Mr. Qin Shitao | 1,250,000 |
| Mr. Zhang Jinsong | 9,150,000 |
| Copious Century Holdings Limited | 30,000,000 |
| Enice Nominees Limited | 17,500,000 |

- (G) The Offeror and the Excluded Group have agreed to appear by counsel on the hearing of the petition to sanction this Scheme and to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be respectively executed or done by them for the purpose of giving effect to this Scheme.

THE SCHEME

PART 1

Cancellation of the Scheme Shares

1. Upon the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the holder(s) of the Scheme Shares shall cease to have any rights with respect to the Scheme Shares except the right to receive the Cancellation Price;
 - (b) subject to and forthwith upon the reduction of capital referred to in paragraph (a) above taking effect, the issued share capital of the Company shall be increased to its former amount by the creation of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit in its books of account arising as a result of the said reduction of capital referred to in paragraph (a) of this clause 1 in paying up the new Shares referred to in paragraph (b) of this clause 1 in full at par and those new Shares shall be allotted and issued, credited as fully paid, to the Offeror.

PART II

Consideration for cancellation of the Scheme Share

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to holder(s) of the Scheme Shares the sum of A\$0.44 in cash for each Scheme Share cancelled.

PART III

General

3. The consideration shall be paid to the holder(s) of the Scheme Shares pursuant to the arrangements agreed as between the Offeror and the holder(s) of the Scheme Shares.
4. As from and including the Effective Date, all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title to the Shares comprised therein.
5. All mandates or relevant instructions in force on the Record Date relating to any of the Scheme Shares shall cease to be valid and effective mandates or instructions.
6. This Scheme shall become effective on the Effective Date.
7. Unless this Scheme shall have become effective on or before the expiration of six (6) months from the date the Court Meeting was ordered to be convened at the direction of the High Court

or such later date, if any, as the Offeror and the Company may agree and the High Court may allow, this Scheme shall lapse.

8. The Offeror and the Company, by their duly authorised agent(s)/servant(s), may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the High Court may see fit to approve or impose without any further Court Meeting to be held therefor.
9. All costs, charges and expenses of and incidental to this Scheme and of carrying this Scheme into effect shall be borne by the Company.

Dated 23 March 2018

APPENDIX VI
NOTICE OF COURT MEETING
SCHEME OF ARRANGEMENT
IN THE HIGH COURT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 2705 OF 2017

IN THE MATTER OF
ENICE HOLDING COMPANY LIMITED
AND
IN THE MATTER OF SECTION 673 OF
THE COMPANIES ORDINANCE
CHAPTER 622 OF THE LAWS OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION

SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance
Chapter 622 of The Laws of the Hong Kong Special Administrative Region

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 26 February 2018 (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed a meeting (the “**Meeting**”) to be convened of the holders of the Scheme Shares (as defined in the scheme of arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement proposed to be made between Enice Holding Company Limited (the “**Company**”) and the holders of the Scheme Shares (the “**Scheme**”), and that the Meeting will be held in Dentons Hong Kong LLP’s office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong **on Wednesday, 11 April 2018 at 11 a.m. (Hong Kong time)**, at which place and time all holders of the Scheme Shares are requested to attend.

Subject to sanction by the High Court, the Scheme will pass if approved by holders of the Scheme Shares representing at least 75% of the voting rights of the shareholders present and voting on behalf of Independent CDI Holders either in person or by proxy at the Court Meeting, provided that, the votes cast against the Scheme at the Court Meeting do not exceed 10% of the total voting rights attached to all the Shares held by the Independent CDI Holders in the Company.

A copy of the Scheme and a copy of an explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to Section 671 of the above mentioned Ordinance, are incorporated in the composite document of which this Notice forms part.

The above-mentioned holders of the Scheme Shares may vote in person at the Meeting or they may appoint one or more proxies (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed herewith.

In the case of joint holders, the vote of the most senior holder who tenders a vote, whether personally or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that the forms appointing proxies, together with the letter or power of attorney under which it is signed (if any) or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company) if any, be lodged with the Company, at 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong, not less than forty-eight (48) hours before the time appointed for the Meeting or any adjournment thereof. A vote cast by proxy shall not be invalidated by the revocation of the appointment of the proxy or of the authority under which the appointment was made unless notice in writing of such revocation shall have been received by the Company, at 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong, before the commencement of the Meeting or any adjournment thereof, or by the company secretary of the Company or the chairman of the Meeting on the day and at the place, but before the commencement, of the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a holder of the Scheme Shares from attending the Meeting or any adjournment thereof and voting in person if he/she so wishes. In the event that a holder of the Scheme Shares attends and votes at the Meeting or any adjournment thereof after having lodged his/her form of proxy, his/her form of proxy will be revoked by operation of law.

For the purpose of determining the entitlements of members to attend and vote at the Meeting, the Company's register of members will be closed from 12 p.m. on Friday, 6 April 2018 to the day the Meeting is concluded (both days inclusive) and during such period, no transfer of shares will be effected. In order to qualify to vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company at 27/F Alexandra House, 18 Chater Road, Central, Hong Kong and/or Link Market Services Limited, the share registry of the Company in Australia, at 1A Homebush Bay Drive, Rhodes NSW 2138, not later than 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Friday, 6 April 2018.

Direct voting by holders of CDIs

Holders of the CHESS Depositary Interests (“CDIs”) are invited to attend and speak at the Meeting but are not entitled to vote personally at the Meeting.

In order to have vote cast at the Meeting on their behalf, CDI holders must complete, sign and return the enclosed CDI Voting Instruction Form to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138, Australia (fax number: +61 2 9287 0309) in order to direct CHESS Depositary Nominees Pty Ltd (“CDN”) to vote the relevant underlying Ordinary Shares on his or her behalf. The CDI Voting Instruction Form needs to be received at the address shown on the Form by 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Sunday, 8 April 2018, being not later than 72 hours before the commencement of the Meeting.

CDI holders may complete, sign and return the enclosed CDI Voting Instruction Form online by visiting: www.linkmarketservices.com.au.

Alternatively, CDI Holders may request CDN to transfer the shares underlying the CDIs to the CDI Holders in order to vote personally.

By the Order, the High Court has appointed Shen Yongzheng, a director of the Company or, failing him, any other person who is a director of the Company as at the date of the Order to act as the chairman of the Meeting and has directed the chairman of the Meeting to report the outcome thereof to the High Court.

The Scheme will be subject to the subsequent approval of the High Court as set out in the Explanatory Statement contained in the document of which this Notice forms part.

Dentons Hong Kong LLP
3201 Jardine House
1 Connaught Road
Central, Hong Kong
Solicitors for Enice Holding Company Limited

Dated 23 March 2018

**APPENDIX VII
NOTICE OF EGM**



Enice Holding Company Limited
(Incorporated in Hong Kong with limited liability)
(ASX: ENC)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Enice Holding Company Limited (the “**Company**”) will be held in Dentons Hong Kong LLP’s office, Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong on Wednesday, 11 April 2018 at 12 p.m.(Hong Kong time) (or as soon thereafter as the Court Meeting (as defined in the scheme of arrangement hereinafter mentioned) convened for the same day and place shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the proposed scheme of arrangement (the “**Scheme**”) between the Company and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved by the High Court of the Hong Kong Special Administrative Region, be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) the Company shall take all such steps as are necessary and required under the ASX Settlement Operating Rules to adjust the rights of the Scheme CDI Holders as if they were Shareholders, as a result of the cancellation and extinguishment of the Scheme Shares, including the cancellation and extinguishment of the relevant CDIs representing the Scheme Shares;
 - (iii) subject to and forthwith upon the said reduction of share capital taking effect, the issued share capital of the Company shall be increased to its former amount by the creation of such number of new Shares (as defined in the Scheme) as is equal to the number of Scheme Shares cancelled and extinguished; and

- (iv) the Company shall apply the credit arising in its books of account as a result of the said reduction of capital in paying up the new Shares referred to in paragraph (iii) above in full at par and those new Shares shall be allotted and issued, credited as fully paid, to the Offeror.
- (C) the directors of the Company be and are hereby authorised to make application to The Australian Stock Exchange (hereinafter called the “**ASX**”) for the withdrawal of the listing of the Company’s CDIs on the ASX, subject to the Scheme taking effect; and
- (D) the directors of the Company be and are hereby authorised to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modifications of, or additions to, the Scheme, which the High Court of the Hong Kong Special Administrative Region may see fit to impose and to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme and in relation to the Proposal (as defined in the document of which the notice of this resolution forms part) as a whole under the laws of the Hong Kong Special Administrative Region and the laws of Australia including the ASX Settlement Operating Rules .”

By Order of the Board
Yongjun Shen
Chairman and Executive Director

Hong Kong, 23 March 2018

Registered office:
27/F, Alexandra House
18 Chater Road, Central
Hong Kong SAR

Notes:

1. At this meeting, the chairman of this meeting will put the above resolutions to be voted by way of poll under Article 49 of the articles of association of the Company.
2. A white form of proxy for use at this meeting is enclosed.

3. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies (who must be an individual) to attend and vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the white form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited with the Company, at 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding this meeting or any adjournment thereof.
5. Completion and return of the form of proxy shall not preclude a member from attending and voting in person at this meeting and, in such event, the form of proxy shall be deemed to be revoked.
6. For the purpose of determining the entitlements of members to attend and vote at this meeting, the Company's register of members will be closed from 12 p.m. on Friday, 6 April 2018 to the day this meeting is concluded (both days inclusive) and during such period, no transfer of shares will be effected. In order to qualify to vote at this meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company at 27/F Alexandra House, 18 Chater Road, Central, Hong Kong and/or Link Market Services Limited, the share registry of the Company in Australia, at 1A Homebush Bay Drive, Rhodes NSW 2138, not later than 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Friday, 6 April 2018.
7. Where there are joint holders of any share in the Company, any one of such joint holders may vote at this meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at this meeting personally or by proxy, the most senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.

8. Direct voting by holders of CDIs

Holders of the CHESS Depository Interests (“**CDIs**”) are invited to attend and speak at the EGM but are not entitled to vote personally at the EGM.

In order to have vote cast at the Meeting on their behalf, CDI holders must complete, sign and return the enclosed CDI Voting Instruction Form to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138, Australia (fax number: +61 2 9287 0309) in order to direct CHESS Depository Nominees Pty Ltd (“**CDN**”) to vote the relevant underlying Ordinary Shares on his or her behalf. The CDI Voting Instruction Form needs to be received at the address shown on the Form by 12 p.m. (Hong Kong time) (i.e. 3 p.m. (Sydney time)) on Sunday, 8 April 2018, being not later than 72 hours before the commencement of the EGM.

CDI holders may complete, sign and return the enclosed CDI Voting Instruction Form online by visiting: www.linkmarketservices.com.au.

Alternatively, CDI Holders may request CDN to transfer the shares underlying the CDIs to the CDI Holders in order to vote personally.

9. If a tropical cyclone warning signal No.8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 7:00 a.m. on the date of this meeting, this meeting will be postponed. The Company will post an announcement on the respective websites of the Australian Securities Exchange and the Company to notify members of the date, time and venue of the rescheduled meeting.

APPENDIX VIII
VOTING INSTRUCTION FORM IN RESPECT OF THE COURT MEETING



Enice Holding Company Limited
ARBN 605 525 326

LODGE YOUR INSTRUCTION

ONLINE
www.linkmarketservices.com.au

BY MAIL
Enice Holding Company Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X999999999999

STEP 1

CDI VOTING INSTRUCTION FORM

DIRECTION TO CHESSE DEPOSITARY NOMINEES PTY LTD

I/We being a holder of CHESSE Depository Interests (CDIs) of Enice Holding Company Limited (Company) hereby direct CHESSE Depository Nominees Pty Ltd (CDN) to vote the shares underlying my/our CDI holding at the Court Meeting of the Company to be held at **11:00am (Hong Kong) or 2:00pm (Sydney) Wednesday 11 April 2018 at Dentons Hong Kong LLP, Room 3201, 32/f, Jardine House, 1 Connaught Place, Central, Hong Kong**, and at any adjournment or postponement of that Meeting, in accordance with the following directions. By execution of this CDI Voting Instruction Form the undersigned hereby authorises CDN to appoint such proxies or their substitutes in their discretion to vote in accordance with the directions set out below.

STEP 2

VOTING INSTRUCTIONS

Voting instructions will only be valid and accepted by CDN if they are signed and received no later than 72 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

| | For | Against | Abstain* |
|-------------------------|--------------------------|--------------------------|--------------------------|
| 1 To approve the Scheme | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

* If you do not mark the "For", "Against" or "Abstain" box your vote will not be counted.

STEP 3

SIGNATURE OF CDI HOLDERS – THIS MUST BE COMPLETED

CDI Holder 1 (Individual)

Sole Director and Sole Company Secretary

Joint CDI Holder 2 (Individual)

Director/Company Secretary (Delete one)

Joint CDI Holder 3 (Individual)

Director

This form should be signed by the CDI Holder in accordance with the instructions overleaf.

ENC PRX1802I



HOW TO COMPLETE THIS CDI VOTING INSTRUCTION FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's CDI register. If this information is incorrect, please make the correction on the form. CDI Holders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your CDIs using this form.**

APPOINTMENT OF PROXY

Pursuant to the rules and regulations under the ASX Listing Rules and ASX Settlement Operating Rules, the CDI holders are given the right to attend and be appointed as a proxy in respect of the underlying share to the relevant CDI to vote at any meeting of the holder of shares. If you wish to attend the Court Meeting in person or appoint some person or company other than CDN, who need not be a stockholder, to attend and act on your behalf at the Court Meeting or any adjournment or postponement thereof, please contact Link Market Services. Please remember that a legal proxy is subject to all terms and conditions that apply to proxies as outlined in the Notice of Meeting including any cut off time for receipt of valid proxies.

DIRECTION TO CHESS DEPOSITARY NOMINEES PTY LTD

Each CHESS Depository Interest (CDI) is evidence of an indirect ownership in the Company's shares of common stock (Shares). The underlying Shares are registered in the name of CHESS Depository Nominees Pty Ltd (CDN). As holders of CDIs are not the legal owners of the Shares, they are not entitled to vote personally at the Meetings. CDN is entitled to vote at the Meetings of stockholders on the instruction of the registered holders of the CDIs.

Alternatively, holders of CDI may request CDN to transfer the shares underlying the CDI to the CDI holder.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either holder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with Link. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: with respect to an Australian company, where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. With respect to a U.S. company or other entity, this form may be signed by one officer. Please give full name and title under the signature.

LODGEMENT OF CDI VOTING INSTRUCTION FORM

This CDI Voting Instruction Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Hong Kong) or 2:00pm (Sydney) Sunday 8 April 2018**, being not later than 72 hours before the commencement of the Meeting. Any CDI Voting Instruction Form received after that time will be invalid.

CDI Voting Instruction Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the CDI Voting Instruction Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, stockholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the CDI Voting Instruction Form).



BY MAIL

Enice Holding Company Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* in business hours (Monday to Friday, 9:00am–5:00pm)

APPENDIX IX
VOTING INSTRUCTION FORM IN RESPECT OF THE EGM



Enice Holding Company Limited
ARBN 605 525 326


LODGE YOUR INSTRUCTION

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Enice Holding Company Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474



X99999999999

CDI VOTING INSTRUCTION FORM

STEP 1

DIRECTION TO CHESSE DEPOSITARY NOMINEES PTY LTD

I/We being a holder of CHESSE Depository Interests (CDIs) of Enice Holding Company Limited (**Company**) hereby direct CHESSE Depository Nominees Pty Ltd (CDN) to vote the shares underlying my/our CDI holding at the Extraordinary General Meeting of the Company to be held at **12:00pm (Hong Kong) or 3:00pm (Sydney) Wednesday 11 April 2018 at Dentons Hong Kong LLP, Room 3201, 32/f, Jardine House, 1 Connaught Place, Central, Hong Kong**, and at any adjournment or postponement of that Meeting, in accordance with the following directions. By execution of this CDI Voting Instruction Form the undersigned hereby authorises CDN to appoint such proxies or their substitutes in their discretion to vote in accordance with the directions set out below.

STEP 2

VOTING INSTRUCTIONS

Voting instructions will only be valid and accepted by CDN if they are signed and received no later than 72 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

- | | For | Against | Abstain* |
|--|--------------------------|--------------------------|--------------------------|
| 1 To approve the Scheme | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 To give effect to the scheme to reduce the issued share capital by cancelling and extinguishing the Scheme Shares, create such number of new shares as is equal to the number of Scheme Shares cancelled and extinguished and allot and issue those new Shares to the Offeror. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 To authorise the Directors to make application to ASX for the withdrawal of the listing of Company's CDIs on the ASX subject to the Scheme taking effect. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 To authorise the Directors to do all other acts and things as considered necessary or desirable in connection with the implementation of the Scheme and in relation to the Proposal (as defined in the document of which the notice of this resolution forms part) as a whole. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |



* If you do not mark the "For", "Against" or "Abstain" box your vote will not be counted.

STEP 3

SIGNATURE OF CDI HOLDERS – THIS MUST BE COMPLETED

CDI Holder 1 (Individual)

Sole Director and Sole Company Secretary

Joint CDI Holder 2 (Individual)

Director/Company Secretary (Delete one)

Joint CDI Holder 3 (Individual)

Director

This form should be signed by the CDI Holder in accordance with the instructions overleaf.

ENC PRX1802N



HOW TO COMPLETE THIS CDI VOTING INSTRUCTION FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's CDI register. If this information is incorrect, please make the correction on the form. CDI Holders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your CDIs using this form.**

APPOINTMENT OF PROXY

Pursuant to the rules and regulations under the ASX Listing Rules and ASX Settlement Operating Rules, the CDI holders are given the right to attend and be appointed as a proxy in respect of the underlying share to the relevant CDI to vote at any meeting of the holder of shares. If you wish to attend the Court Meeting in person or appoint some person or company other than CDN, who need not be a stockholder, to attend and act on your behalf at the Court Meeting or any adjournment or postponement thereof, please contact Link Market Services. Please remember that a legal proxy is subject to all terms and conditions that apply to proxies as outlined in the Notice of Meeting including any cut off time for receipt of valid proxies.

DIRECTION TO CHESS DEPOSITARY NOMINEES PTY LTD

Each CHESS Depository Interest (CDI) is evidence of an indirect ownership in the Company's shares of common stock (Shares). The underlying Shares are registered in the name of CHESS Depository Nominees Pty Ltd (CDN). As holders of CDIs are not the legal owners of the Shares, they are not entitled to vote personally at the Meetings. CDN is entitled to vote at the Meetings of stockholders on the instruction of the registered holders of the CDIs.

Alternatively, holders of CDI may request CDN to transfer the shares underlying the CDI to the CDI holder.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either holder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with Link. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: with respect to an Australian company, where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.

LODGEMENT OF CDI VOTING INSTRUCTION FORM

This CDI Voting Instruction Form (and any Power of Attorney under which it is signed) must be received at an address given below by **12:00pm (Hong Kong) or 3:00pm (Sydney) Sunday 8 April 2018**, being not later than 72 hours before the commencement of the Meeting. Any CDI Voting Instruction Form received after that time will be invalid.

CDI Voting Instruction Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the CDI Voting Instruction Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, stockholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the CDI Voting Instruction Form).



BY MAIL

Enice Holding Company Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* in business hours (Monday to Friday, 9:00am–5:00pm)

APPENDIX X
FORM OF PROXY IN RESPECT OF THE COURT MEETING



Enice Holding Company Limited
ARBN 605 525 326

LODGE YOUR INSTRUCTION

BY MAIL
Enice Holding Company Limited
27/F Alexandra House
18 Chater Road
Central, Hong Kong

BY FAX
+852 2803 3608

BY HAND
Enice Holding Company Limited
27/F Alexandra House
18 Chater Road
Central, Hong Kong

ALL ENQUIRIES TO
Telephone: +852 2803 3688



X999999999999

PROXY FORM

I/We being a member(s) of Enice Holding Company Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Court Meeting of the Company to be held at **11:00am (Hong Kong) or 2:00pm (Sydney) Wednesday 11 April 2018 at Dentons Hong Kong LLP, Room 3201, 32/f, Jardine House, 1 Connaught Place, Central, Hong Kong (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

| | Number of Shares voted |
|-------------------------|--------------------------------|
| 1 To approve the Scheme | |
| For | <input type="checkbox"/> _____ |
| Against | <input type="checkbox"/> _____ |
| Abstain* | <input type="checkbox"/> _____ |
| Total | _____ |

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

| | | |
|---|--|---|
| <p>Shareholder 1 (Individual)</p> <input style="width: 100%; height: 20px;" type="text"/> <p>Sole Director and Sole Company Secretary</p> | <p>Joint Shareholder 2 (Individual)</p> <input style="width: 100%; height: 20px;" type="text"/> <p>Director/Company Secretary (Delete one)</p> | <p>Joint Shareholder 3 (Individual)</p> <input style="width: 100%; height: 20px;" type="text"/> <p>Director</p> |
|---|--|---|

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



STEP 1

STEP 2

STEP 3

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Hong Kong) or 2:00pm (Sydney) Monday 9 April 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



BY MAIL

Enice Holding Company Limited
27/F Alexandra House
18 Chater Road
Central, Hong Kong



BY FAX

+852 2803 3608



BY HAND

delivering it to Enice Holding Company Limited
27/F Alexandra House
18 Chater Road
Central, Hong Kong

* During business hours (Monday to Friday, 9:00am–5:00pm)

Completion and return of the Proxy Form will not preclude a member from attending the Meeting or any adjournment thereof and voting in person if he/she so wishes. In the event that a member attends and votes at the Meeting or any adjournment thereof after having lodged his/her form of proxy, his/her form of proxy will be revoked by operation of law.

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE COURT MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

APPENDIX XI
FORM OF PROXY IN RESPECT OF THE EGM




Enice Holding Company Limited
ARBN 605 525 326

LODGE YOUR INSTRUCTION

 **BY MAIL**
Enice Holding Company Limited
27/F Alexandra House
18 Chater Road
Central, Hong Kong

 **BY FAX**
+852 2803 3608

 **BY HAND**
Enice Holding Company Limited
27/F Alexandra House
18 Chater Road
Central, Hong Kong

 **ALL ENQUIRIES TO**
Telephone: +852 2803 3688

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **12:00pm (Hong Kong) or 3:00pm (Sydney) Monday 9 April 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Completion and return of the Proxy Form will not preclude a member from attending the Meeting or any adjournment thereof and voting in person if he/she so wishes. In the event that a member attends and votes at the Meeting or any adjournment thereof after having lodged his/her form of proxy, his/her form of proxy will be revoked by operation of law.

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Enice Holding Company Limited
27/F Alexandra House
18 Chater Road
Central, Hong Kong

 **BY FAX**
+852 2803 3608

 **BY HAND**
delivering it to Enice Holding Company Limited
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18 Chater Road
Central, Hong Kong

* During business hours (Monday to Friday, 9:00am–5:00pm)

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

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You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**



X9999999999

PROXY FORM

I/We being a member(s) of Enice Holding Company Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **12:00pm (Hong Kong) or 3:00pm (Sydney) Wednesday 11 April 2018 at Dentons Hong Kong LLP, Room 3201, 32/f, Jardine House, 1 Connaught Place, Central, Hong Kong** (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Resolutions

Number of Shares voted

1 To approve the Scheme

For _____

Against _____

Abstain* _____

Total _____

2 To give effect to the scheme to reduce the issued share capital by cancelling and extinguishing the Scheme Shares, create such number of new shares as is equal to the number of Scheme Shares cancelled and extinguished and allot and issue those new Shares to the Offeror.

For _____

Against _____

Abstain* _____

Total _____

3 To authorise the Directors to make application to ASX for the withdrawal of the listing of Company's CDIs on the ASX subject to the Scheme taking effect.

For _____

Against _____

Abstain* _____

Total _____

4 To authorise the Directors to do all other acts and things as considered necessary or desirable in connection with the implementation of the Scheme and in relation to the Proposal (as defined in the document of which the notice of this resolution forms part) as a whole.

For _____

Against _____

Abstain* _____

Total _____



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

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