enice
connecting technology

Annual Report

2017

About Enice

Enice Holding Company Limited (“Enice” or “the Company”) was established in May 2000 to provide technology solutions to China’s Mobile Carriers (either directly, or through the key suppliers to China’s Mobile Carriers). The provision of mobile network engineering services has assisted China’s Mobile Carriers in installing and maintaining the infrastructure underpinning their wireless communications networks.

The key objectives of the Group are to:

- be a leading developer, and supplier of technologically advanced wireless communication products and services; and
- deliver technology solutions and services across wireless communication networks both in China and internationally.

Enice’s vision and strategic positioning have resulted in it evolving into a vertically integrated telecommunications technology business, providing services, products and solutions to the wireless telecommunications industry predominantly in China. With proven capabilities in the areas of technology development, product supply, network management and maintenance, and network optimization services, Enice operates in the world’s fastest growing mobile market place, China, and is well positioned to expand into international export markets. The integration of the Enice business divisions provides a “network life cycle solution” for its customers.

Contents

Highlight

- Awarded 11.59% of China Mobile Group's DAS antenna centralized procurement program (**CPP**) for 2017 to 2019 ;
- Awarded 8.56% of Chinese Mobile Group's passive components and trunk amplifiers centralized procurement program **(CPP)** for 2017 to 2019;
- Sales of Wireless and RF products increased by 53.5% compared to 2016 and its sales map had expanded to two new provinces in the Chinese market;
- Build closer business cooperation relationship and sign framework service agreement with Huawei and Ericsson (China);
- Revenue of RMB 510.1m (A$105.8m), an increase of 1.3% over prior year;
- EBITDA of RMB 102.3m (A$ 21.2m), an increase of 44.2% over the prior year;
- NPAT of RMB 60.2m (A$ 12.5m), an increase of 41.7% over the prior year;
(Exchange rate: 4.82RMB/AUD 23/04/2018)

+1.3%	+44.2%	+41.7%
Revenue	**EBITDA**	**NPAT**
RMB 510.1m /	**RMB 102.3m /**	**RMB 60.2m /**
AUD 105.8m	**AUD 21.2m**	**AUD 12.5m**

Chairman’s letter

Dear fellow shareholders,

We are pleased to present the Company’s Annual Report for the FY 2017.

FY 2017 is the third year since the company listing on Australian Stock Exchange (ASX) in October 2015. In FY 2017, we continued to achieve strategic imperatives we outlined in our prospectus, including a number of new contract wins, geographic expansion and advancement of our innovation agenda through continued investment in R&D.

Some of the key highlights in FY 2017 include:

- Awarded 11.59% of China Mobile Group's DAS antenna centralized procurement program (**CPP**) for 2017 to 2019 ;
- Awarded 8.56% of Chinese Mobile Group’s passive components and trunk amplifiers centralized procurement program **(CPP)** for 2017 to 2019;
- Sales of Wireless and RF products increased by 53.5% compared to 2016 and its sales map had expanded to two new provinces in the Chinese market;
- Build more close business cooperation relationship and sign framework service agreement with Huawei and Ericsson (China);

The significant progress of company’s business was evidenced in Enice’s 2017 financial performance. The company reported NPAT of RMB 60.2 million compared to RMB 42.5 million in 2016, and EBITDA of RMB 102.3 million with an increase of 44.2% on the prior year.

We have been working to execute on the strategy that we set out in our Prospectus, which covers a number of areas of focus.

Development of Key Client Relationships

Enice has been one of the largest DAS antenna product suppliers for China Mobile Group, since the last reporting period. In FY 2017, the business relationship between Enice and China Mobile Group has been further enhanced. More specially, the company won the bid 11.59% of China Mobile Group's DAS antenna centralized procurement program (CPP) for 2017 to 2019 and 8.56% of Chinese Mobile Group's passive components and trunk amplifiers centralized procurement program (CPP) for 2017 to 2019. As the leading mobile services provider in Mainland China, China Mobile Group boasts the world's largest mobile network and the world's largest mobile customer base; this is therefore a significant achievement and an important strategic relationship for Enice.

Importantly, we have continued to develop our business relationship with China Tower Company, which is jointly owned by China's three leading telecommunications carriers; China Mobile, China Telecom and China Unicom. Commercializing this relationship is an important aspect of our development strategy.

Additionally, Enice has built more close business cooperation relationship and signed framework service agreement with Huawei and Ericsson (China) which both are market and technology leaders in Chinese telecommunications industry.

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Geographic Expansion

Expanding into new target provinces in China, including Zhejiang, Shandong and Chongqing has been the primary task of our current work. Throughout the FY 2017, the company has successfully entered those markets. In next FY, keeping broadening our regional footprint and increasing the market share in domestic market will continue to be our priority.

According to the company geographical expansion plan, US market is one of the most important overseas markets for our company. In FY 2017, the cooperative projects between Enice and American clients have been further boosted. In FY 2018, we will keep seeking more global market opportunities and develop more global business partners.

Product Innovation

Innovation is an essential and fundamental factor for our company to maintain its dynamic growth and increase its core competitiveness. During the FY 2017, our technology portfolio has become more robust. By 27 February 2018, Enice has owned 39 Chinese registered patents, of which 13 invention patents, 24 are utility model patents and 2 are design patents. In addition, Enice also held 37 invention patent applications, 7 PCT patent applications and 10 software copyrights. We will keep expanding investment in the R&D field to further enhance company capability in talent and technology. During the FY 2017, our company's self-developed intelligent router and second generation Epinpoint both has successfully gained sales contracts with China Mobile. We expect our self-developed intelligent router and Epinpoint RT program could make a considerable contribution of our revenue stream in the future.

Our market continues to grow rapidly as global demand for increased data and wireless communications technology is led by China, the world's largest mobile marketplace with over 1.29 billion users. China's mobile sector is going through a period of change as it shifts from 3G&4G mobile communication services to 5G wireless communication, and urbanization is placing increased demand on network coverage. Our technology is ideally positioned to support the sector as demand on infrastructure increases and China's telecommunications companies seek to optimize network performance.

Currently, the 5G wireless communication technology is developing at very astonishing speed.
We believe that there will be huge market potential of 5G wireless communication technology in Chinese market, one of the fastest-growing and most vibrant region in the global economy. To seize the future market opportunities, our company will make every effort to develop our technology strength relating to the 5G wireless communication in the next 1 to 3 years.

We are excited about the future prospects for the group and look forward to updating shareholders on our progress throughout the year.

Yours sincerely,

Yongjun Shen
Chairman

Operating and Financial Review

FINANCIAL HIGHLIGHTS

The Company is pleased to announce another strong FY in the 12 months ending 31 December 2017.

SUMMARY FINANCIALS

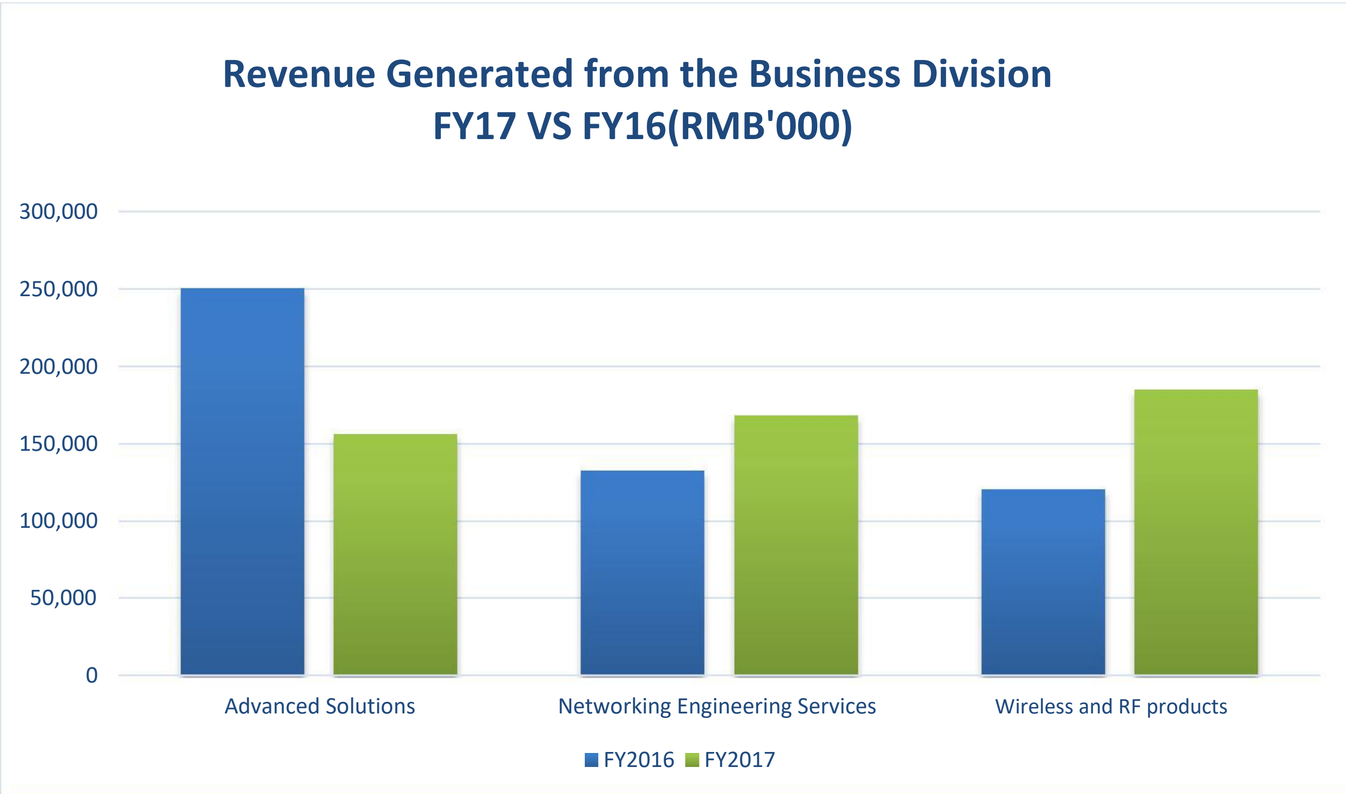
RMB millions			
Year ended 31 December 2017	**FY17**	**FY16**	**Change**
Total Revenue	510.2	503.8	1.3%
Gross Profit	146.6	105.6	38.8%
PBT	77.2	52.9	45.9%
NPAT	60.2	42.5	41.7%
EBITDA	102.3	70.9	44.2%

REVENUE AND GROSS MARGIN

The Company achieved record total revenue of RMB 510.2 million in FY2017, representing 1.3% total revenue growth compared to FY2016. Although the total revenue of Enice in FY2017 almost remained unchanged compared to the FY 2016, our gross profit increased by 38.8% from RMB 105.6 million in FY 2016 to RMB 146.6 million in FY 2017. One main reason is that the company is in the transition period and the company revenue structure has undergone a big change in FY 2017, focusing from the traditional Advanced Solutions Engineering to the diverse telecommunication products which are more profitable.

This is also because the COGS in 2017 experienced a significant decrease from RMB 398.2 million to 363.6 million. In FY 2016， due to the exploitation of new markets, the start-up cost was relatively high but these initial investments provided a valid foundation for future market development. From 2017, the business operation of Enice in these new markets started to make profits. Meanwhile, the company carried out stricter cost and budgeting control as well as more efficient supply chain management also made a contribution for the reduce of COGS.

The following chart demonstrates the change of company revenue structure. During the financial year 2017, the sales revenue of Wireless and RF products experienced a sharp rise by 53.5% compared to year 2016, which reflects the strong market competitiveness of Enice's Wireless and RF products unit. Also, the revenue of Network Engineering Services achieved a steady increase of 27.0% compared to year 2016. By contrast, the revenue from the Advanced Solutions saw a significant decrease from RMB 250.7 million in FY2016 to RMB 156 million in FY 2017. Based on these, the total revenue of Enice almost remained unchanged compared to the last year.



EBITDA

The Company reported earnings before interest, tax, depreciation and amortization ("EBITDA") of RMB 102.3 million in FY 2017, up by 44.2% over the prior period.

NPAT

The Company reported net profit after tax ("NPAT") of RMB 60.2 million in FY 2017, increasing by 41.7% comparing with the prior period.

CASH FLOW AND BALANCE SHEET

In FY 2017, the Company continues to invest large funds into the expansion of new markets as well as the R&D for Wireless and RF Products and network engineering services. As a result, our investment in marketing and R&D generated significant payoff to the Company in terms of market share and technology advantage. By March 2018， the Company has successfully expanded into the more than 15 provinces in Chinese domestic market. Internationally, our global business partners and clients also saw a steady growth. Meanwhile, by 27 February 2018, Enice has owned 39 Chinese registered patents, of which 13 invention patents, 24 are utility model patents and 2 are design patents. In addition, Enice also held 37 invention patent applications, 7 PCT patent applications and 10 software copyrights.

On the other hand, due to the continuing expansion of domestic and international market required the company's large working capital injection, the operating cash flow in FY 2017 was not very sufficient and robust. The other reason for the insufficient operating cash flow is because the company is keeping making huge investment in research and development for 5G wireless communication technology which is extremely working capital intensive, and requires sustained investment.

As in 31 December 2017, the Company held cash and cash equivalents of RMB 28.2 million, representing a 14.4% increase comparing with the prior period.

OPERATING HIGHLIGHTS

Geographic Expansion

In FY 2017, our geographical expansion plan in domestic market has achieved great success and the company products and engineering services has entered into more than 15 provinces in Chinese market. In FY 2018, the company plan to expand into more than 18 provinces. Internationally, our global cooperative partners and trading clients saw a steady increase. In the FY 2018, we will keep seeking more global market opportunities and exploit more international markets to boost the company global popularity and brand recognition.

RESEARCH AND DEVELOPMENT DIVISION

Due to the Chinese telecommunication industries are becoming increasingly competition intensive, there are higher market requirements for company technology capability. In order to keep sustainable competitive advantages, Enice treats Research and Development ("R&D") as its cornerstone of business. By 27 February 2018, Enice has owned 39 Chinese registered patents, of which 13 invention patents, 24 are utility model patents and 2 are design patents. In addition, Enice also held 37 invention patent applications, 7 PCT patent applications and 10 software copyrights. With the development of our new types of antenna products, passive equipment as well as intelligent router program, the Company will keep making more investment and resources in the R&D and we expects more patent applications will make their debut in FY 2018.

The Company will continue incubating or investing in, cutting-edge technologies as part of its research and development road map. The Company's development focus will include but not limited to network management solutions, innovative antennas and RF components.

In additional to the company traditional R&D areas, more resources will be channeled into improving the technology strength relating to 5G Wireless Communication Technologies;

NETWORK ENGINEERING SERVICES

Network engineering services is the company's traditional engineering business, it provides comprehensive solutions to China's mobile carriers through the establishment or upgrading of mobile networks, including project rollout, consultancy, planning, installation, and commissioning.

In FY 2017, Network Engineering Services generated a total sales revenue of 168 million, increasing by 27.2% compared the prior year. In terms of domestic geographical expansion, our company's network engineering services successfully expanded into Chongqing and Shandong Provinces in FY 2017, which is the significant breakthrough of our domestic market for Enice. In FY 2018, we plan to focus on further development of those two important markets.

The revenue of Network Engineering Services business division in FY 2017 is in line with management expectation. Network Engineering Services business division's gross profit margin increased to 63% compared to 28% in prior FY. The increase of the gross profit margin is mainly attributed to new business model called tenant lease sales. In FY2016, Enice implemented this model with its client Guangdong Mobile, by providing tenant lease sales in Network Engineering Services, which caused the company incurred large amount of costs in FY 2016. However, this project generated much higher financial payoff in FY 2017 compared to the initial investment in the FY 2016, which mainly contributed to the rise of gross profit of Network Engineering Services in FY2017.

Lastly, the business cooperation relationship between Enice and Chinese market leaders in the networking engineering services areas such as Huawei and Ericsson (China) has been further enhanced. The company has signed framework service agreement and business cooperation contracts with Huawei and Ericsson (China). This framework service agreement provides our company a very valuable opportunity to exchange with industry leaders which helps to strengthen technological cooperation and joint research and development of new products.

ADVANCED SOLUTION

The Company's advanced solutions division has offered network optimization, management and maintenance services to mobile carriers since 2009. Enice's talents and technology can identify issues with the customers' mobile networks, and provide solutions to manage repair and improve those networks.

Due to the increase of labor cost, gross profit margin of the traditional telecommunication engineering service especially the Advanced Solution Services has gradually declined during the recent years. Thus, from FY 2017, the company management decided to change business focus from traditional telecommunication engineer to more profitable innovative telecommunication products. In the process of transformation, more investment was channeled into the R&D of new product rather than traditional engineering services. As a result, the sales revenue of Advanced Solution services experienced a decrease of 38%, dropped from RMB 251 million in fiscal 2016 to RMB 156 million in FY 2017.

From the FY 2016 to 2017, the Epinpoint RT technology had finished all pilot tests and successfully commercialized by signing first sales contract with China Mobile in February 2017. We are aimed to expand Epinpoint RT program to more regions and generate more sales for the company in the FY 2018.

WIRELESS AND RF PRODUCTS

The Wireless and RF Products division offers high performance antennas and RF components for wireless network globally.

Due the needs of company transformation from engineer-focus to product-focus, more investment and resource has been moved to the R&D of Wireless and RF products. Consequently, the sales revenue generated from the Wireless and RF products achieved remarkable growth in FY 2017, increasing by 53.5% from RMB 120 million to 185 million during the period from the FY 2016 to 2017.

Our Wireless and RF Products division has made impressive breakthrough since the FY 2015. By continuously injecting investment into the R&D of the Wireless and RF Products,

the product’s performance has been further improved during the period from 2016 to 2017. Currently, Enice’s DAS antennas enjoy a wealth of competitive advantages including low Passive Intermodulation (“PIM”) and very high reliability at attractive price, which has been highly recognized by our primary clients. The company thus won the bid 11.59% of China Mobile Group's DAS antenna centralized procurement program (CPP) for 2017 to 2019 and 8.56% of Chinese Mobile Group’s passive components and trunk amplifiers centralized procurement program (CPP) for 2017 to 2019.

STAFF

Due to the adjustment in the company's business structure, the number and structure of company's employees has changed accordingly. During the FY 2017, the number of company declined to approximately 400 employees. The reduction is mainly due to the company change from traditional labor engineering services to advanced automatic production

In the FY 2018, the company will attach more importance to the cultivation of innovative talents and spare no efforts to improve our workers comprehensive quality and enhance the team cohesion.

LOOKING AHEAD

Looking forward, Enice will keep focusing on improving our technology capability through R&D investment. Also, the company will further strengthen business cooperation relationship with China's telecommunication industry leaders such as Chinese Mobile Group, Huawei and China Tower Group. The growth drivers of Enice in FY 2018 will mainly derived from the following 4 aspects: continuing domestic market expansion plan, increasing sales of Antenna products and Wireless and RF products, international sales expansion as well as technology innovation and breakthrough.

Meanwhile, we will keep making efforts to explore more innovative and efficient business models in traditional business divisions such as Network Engineering Services and Advanced Solutions. Also, the Company are planning to seek closer cooperation in technology and R&D with industry leading companies and jointly develop new products and services which helps to diversify our company revenue sources.

We look forward to updating our shareholders another strong growth in FY 2018.

***Enice assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.**

Board of Directors and Senior Management

Board of Directors

The Company currently has a Board of three Executive Directors, including the Executive Chairman, the founder of the Group, and three independent Non-Executive Directors.

Directors

Mr Yongjun Shen, Executive Chairman and Founder

In 1997 Mr Shen established Nanjing Yongjun Communication Electronic, which was the general agency for Motorola Pagers in East China. In 1999 he established Nanjing Junjie Communication Technology which partnered with China Mobile to form the Cooperation Business Hall in Jiangsu. In 2000 he established Enice China, specialising in research and development, production and sales of mobile communication equipment, and network services. Mr Shen was a founding shareholder of Nanjing Xinwang Tech ("Nanjing Xinwang") which listed on the Shanghai Stock Exchange in 2003. Nanjing Xinwang focuses on mobile communication networks, and system network engineering business support software. In 2012 Mr Shen co-founded SUPEQ, specialising in R&D of mobile platform/ communication software and hardware; development of computer network system; manufacture of communication equipment, electronic computers and accessories, instrumentation, electronic products; and sales of in-house products.

Dr Wei Yu, Chief Executive Officer

Dr Yu holds an Ph.D in electronic engineering in 2000 from Xidian University and undertook postdoctoral research at the University of Waterloo from 2001 to 2003. In 1994 he joined the Xi'an Institute of Space Radio Technology as an electronic engineer and he was appointed as deputy director of the National Key Lab of Space Microwave Technology in 2000. In 2004 Dr Yu founded Antennovation (Shenzhen) Electronics, which engaged in the R&D, manufacturing and sales of mobile phone antennas. In 2008 he became the CTO and co-founder of Shenzhen Sunway Communications. In 2010 Sunway was listed on the Shenzhen Stock Exchange. Sunway is the certified supplier for Apple, Samsung, Blackberry, Motorola, Nokia, as well as Chinese mobile phone manufacturers such as Huawei, BBK and OPPO. In 2012 Dr Yu co-founded Zhuhai DBJ and SUPEQ, and served as the Chief Operating Officer, engaged in the development and sales of mobile communication terminals and associated applications. In 2014 Dr Yu was appointed as CEO of Enice, after SUPEQ's antenna technology and management team joined Enice. Dr Yu is the inventor of more than 50 patents (and patent pending). Dr. Yu will continue to provide consulting services to SUPEQ and Zhuhai DBJ, and also serves as a Non-Executive Director of Shenzhen Sunway Communications.

Dr Yihong Qi, Chief Technology Officer

Dr Qi holds a PhD in electromagnetic ("EMC"), from Xidian University. He completed post PhD research at McMaster University from 1993 to 1995. Dr Qi is the Chairman of Emerging Wireless Technology of IEEE EMC Society. He is an adjunct professor of Missouri University of Science and Technology, and adjunct professor of Hunan University. In 1995 Dr Qi was employed as a Team lead/Manager/Director at Research in Motion(Blackberry), joining the company as a key technology contributor when there were less than 30 employees, and helped the business grow to 18,000 employees. In 2012 Dr Qi co-founded Zhuhai DBJ and SUPERQ. As CEO of DBJ, he engaged in the development and sales of mobile communication antennas, mobile communication terminals and associated applications. In 2014 he became CTO of Enice, after SUPEQ's antenna technology and management team joined Enice. Dr Qi currently has 131 US invention patents, as well as 56 new pending patents, and is considered an expert in antenna technologies, electromagnetic compatibility technologies, radio noise theory and radio measurement technologies. The highlights of his inventions include:

- Antenna on the bottom of wireless devices, which is in most smartphones today;
- First hearing aid compatible device and related technologies;
- Designed theory and technologies of high sensitivity radio, which can reach to the limit of a chipset; and
- Radio measurement theory and technologies and incorporated into 3G and 4G MIMO measurement standards.

Dr Qi will continue to provide consulting services to Zhuhai DBJ and SUPEQ.

Mr Ross Benson, Non-Executive Director

With over 27 years in the Australian financial services industry, Mr Benson has extensive experience in securities, transaction advisory and business strategy. He has acted as lead negotiator for a number of medium to large enterprise divestment or acquisitions in Australia and China. Following the formation of Investorlink Group in 1986, Mr Benson established associated business units in wealth management, private equity, property syndication and structured financial products. Mr Benson is the Executive Chairman of Investorlink Group Limited and Non-Executive Chairman of ASX Listed 99 Wuxian Limited.

Mr Simon Green, Non-Executive Director

Simon Green is SVP of Palo Alto Networks APAC the global leader in cyber security threat prevention. He was previously COO of Interactive an Australian based systems availability and data-centre company focused on cloud computing. Prior to that he was Senior Vice President and General Manager for Asia Pacific at NetApp where he served in multiple roles over 14 years. He was responsible for leading the business through setting strategy, managing the P&L, growing sales, including driving channel strategy, managing strategic partnerships, and developing the company's emerging products business. A significant double-digit growth business with over 1000 employees across 14 countries.

Green has extensive experience leading sales and business development teams. He joined NetApp in 2000 and previously held the role of vice president for Go-to-Market for Asia Pacific. In this position, he was responsible for the NetApp-IBM relationship, regional channel programs, and major account strategy. Before that, he was the area director for South Asia, responsible for NetApp strategic direction in the region.

Before joining NetApp, Green was national sales manager and director for ProVision, which was, at that time, NetApp's Australian distributor. Before entering the enterprise storage business, Green spent several years in a business-development position with Austereo. He also worked for seven years in a chartered accountant firm as a tax accountant.

Simon previously held the position of Non-Executive Director for Interactive from 2008 to 2015. Today he holds a NED position and Chairs the remuneration committee for ASX Listed Company 99 Wuxian a Hong Kong based mobile commerce company with over 100 million customers in China.

Dr Jun Fan, Non-Executive Director

Professor Fan holds a ph. D in Electrical Engineering from Missouri University of Science and Technology and a Master's Degree in Electronics Engineering from Tsinghua University, one of the nine members of the elite C9 League of universities in China.

As one of the pre-eminent experts in the electromagnetic field, Professor Fan has held numerous senior roles in the industry including the role of consultant engineer at NCR Corporation, San Diego, from 2000 to 2007. He has received numerous awards for his contributions to the sector over the years, and his academic achievements include being awarded the IEEE Electromagnetic Compatibility Society Certificate of Appreciation for outstanding service in 2012, 2014, 2015 and 2011, as well as multiple Symposium Best Paper Awards at many industry events in recent years. He has held various significant roles throughout his career, including Associate Editor of IEEE Transactions on Electromagnetic Compatibility; Founding Chair of SC-4 EMC for Emerging Wireless Technologies and Senior Investigator at the Material Research Center, Missouri University of Science and Technology. Professor Fan currently holds Directorships at the Center for Electromagnetic Compatibility and the Missouri University of Science and Technology EMC Laboratory-Additionally he is Associate Professor, Department of Electrical and Computer Engineering at Missouri University of Science and Technology.

Board Skills and Experience

Summary of the Directors' skills and experience relevant to Enice as at end of the reporting period is set out below.

Skills and Experience (out of 6 Directors)

Leadership and Management	
Executive management	6
Corporate Governance	6
Strategy	6
Policy Development	6
Corporate	
Business Operation	6
Legal	2
Investor Relation	6
Marketing	6
International Operation Management	6
Capital Market	
Capital Raising	3
Capital Management	6
Finance and Risk	
Risk Management and Compliance	6
Financial	4
Sector Experience	
Research and Development	4
Wireless Technology	3

Senior Management Executive committee

The role of the executive committee is to support and advise the Board, implement Board strategy, and exercise the executive powers of the companies within the Group.

Currently, the members of the executive committee are:

Mr Bo Cheng, Chief Financial Officer

Mr Bo Cheng holds a Master Degree in Accounting from Nanjing University and Certified Public Accountant qualifications in China. He is also a Senior Accountant with extensive experience in the finance sector. Mr Bo Cheng is an Independent Non-Executive Director of China Yutian Holdings Ltd.

A summary of Mr Bo Cheng's career follows;

May 2011 to December 2015: CFO for Nanjing Zhongzhe Technology Ltd., which is the wholly-owned subsidiary of Susino Umbrella Co., Ltd. (SZ: 002174 in Shenzhen Stock Exchange and now known as Youzu Network Co., Ltd.). April 2008 to May 2011: Vice-General Manager of Jiangsu East Century Network Information Co., Ltd.

April 2004 to March 2008: Financial Manager in Nanjing Xinwang Video Co., Ltd. (SH: 600403 in Shanghai Stock Exchange and now known as Dayou Resources Co., Ltd.)

August 2001 to March 2003: Associate Vice-General Manager in Nanjing Zhongda Film Making Group Co., Ltd. (SH: 600074 in Shanghai Stock Exchange and now known as Jiangsu Baoqianli Video Technology Group Co., Ltd.).

Mr Shitao Qin,VP in charge of Integration a n network management and maintenance

Mr Qin graduated from the Department of Radio Engineering, Nanjing University of Posts and Telecommunications in 1997, majoring in wireless communication.

From 1997 to 2005, Mr Qin worked in Zhongnan Company of China National Postal and Telecommunications Appliances Corporation as the department manager, principally in charge of business operations and daily management. From 2005-2014 Mr. Qin worked with China Comservice Nanjian Corporation as the general manager of the Wuhan office.

In 2014 Mr Qin joined Enice China as Vice President in charge of service integration and network management and maintenance service.

Dr Yu Zhu, VP in charge of marketing

Dr Zhu holds a PhD in Analysis and Management of Economic Systems from Dalian University of Technology. From 2002 to 2008,Dr Zhu worked in the headquarters of China Mobile, leading a team of national enterprise services, ICT and IOT solutions. From 2008 to 2015, Dr Zhu was assigned to work with a subsidiary of China Mobile, Aspire. He has held several leadership positions as a senior director, deputy general manager and general manager of Business Units. Also he was one of the members of Aspire's key strategic decision making committee. In 2015, Dr Zhu joined Enice China as Vice President of marketing and strategic business, with one of the key assignments being the EpinpointRTTM system deployment.

Mr Changjian Yang, Board secretary and VP in charge of supply chain

In 1994 Mr Yang graduated from Shanghai Jiao Tong University, majoring in Computer and Applications, and Applied Mathematics.

Between 1994 and 2000 Mr Yang was employed as Section Manager in charge of switching software development in Fujitsu Jiangsu Company. From 2000 to 2008 he was employed as a senior engineering manager in Motorola's Global Software Group China Centre, before joining Honeywell as director of advanced manufacturing engineering. In 2010 he founded Nanjing Nanyidina Company as Chief Operating Officer, before joining Enice China in 2012 as Vice President, in charge of manufacturing, procurement, quality and logistics

Mr Baojiang Ruan, General Manager of product and network optimisation

Mr Ruan graduated from the Information Engineering & Science Department of South East University in 2007, joining Shanghai Beidian Group, working as a network optimisation project manager.

In 2008 Mr Ruan joined Ericsson (China) as a network optimisation project manager for Wuhan Unicom, before being employed in 2009 by the Jiangsu Branch of Shanghai Beidian Group, as Vice President in charge of DAS integration, network optimisation, network management and maintenance, and network integration.

In 2012 Mr Ruan joined Enice China, as General Manager of product and network optimisation.

Corporate Governance

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles.

The Board considers that the Company generally complies with the ASX Corporate Governance Principles and where the Company does not comply, this is primarily due to the current size of the Company and scale of its current operations. Comments on compliance and departures are set out below.

The Company's corporate governance policies and charters have been posted on the Company's website: www.enice.com.cn/english.php.

The Company has adopted the third edition of the ASX Corporate Governance Principles and Recommendations.

Principle / Recommendation	Comply	How the Company Complies
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1: Companies should have and disclose: • the respective roles and responsibilities of the board and management; and • those matters expressly reserved to the board and those delegated to management.	 Yes Yes	This recommendation is included in the Board Charter. The Board's responsibilities are defined in the Board Charter and there is a clear delineation between the functions reserved to the Board and those conferred upon the Managing Director and certain other officers of the Company.
Recommendation 1.2: A company should: • undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and • provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	 Yes Yes	Appropriate checks including criminal record checks have been carried out on all Board members prior to their appointment. The Company will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director at future general meetings.

Principle / Recommendation	Comply	How the Company Complies
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.3: Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	All directors and senior executives have a written agreement with the Company setting out the terms of their appointment.
Recommendation 1.4: The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Company Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board and this is specifically outlined in the Board Charter which is available on the Company's website.

Principle / Recommendation	Comply	How the Company Complies
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.5: Companies should • establish a policy concerning diversity; • disclose the policy or a summary of that policy. The policy should include requirements for the board or a relevant committee of the board to establish measurable objectives for achieving gender diversity and to assess annually, and • disclose at the end of each reporting period, both the objectives and progress in achieving them.	Yes	The Board has adopted a Diversity Policy (a copy of which is on the Company's website). The Diversity Policy requires the Board to set measurable objectives for obtaining gender diversity. The Board has established measurable objectives for gender diversity and provided an annual assessment for FY 2017 of the performance against the target levels. By now, there are 4 female managers of important divisions and the company will cultivate more management backup which including female managers. Enice's performance against the policy objectives is a follows:

	Target		FY2017	
	Female %	Male %	Female %	Male%
Executive Director	0%	100%	0%	100%
Non-Executive Director	0%	100%	0%	100%
Executive/ Managerial	30%	70%	38%	62%
Total Employees	30%	70%	25%	75%

Principle / Recommendation	Comply	How the Company Complies
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.6: Companies should disclose • the process for evaluating the performance of the board, its committees and individual directors and • whether a performance evaluation was undertaken.	Yes	The Company has adopted a Remuneration and Nomination Committee Charter (a copy of which is on the Company's website). The Remuneration and Nomination Committee Charter sets out the processes for the annual review of the performance of the Board as a whole, each Director and the Board Committees. Due to the current size of the Company and its level of activity, the Board is responsible for the evaluation of its performance and the performance of individual Directors and other senior executives.
Recommendation 1.7: Companies should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken.	Yes	The Board has established a Remuneration and Nomination Committee which is responsible for reviewing the performance of senior executives and the performance evaluation has been undertaken during the year. Due to the current size of the Company and its level of activity, the Board is responsible for the evaluation of the performance of all senior executives. All the senior executives will submit their plans to the directors in the beginning of each year, in the year end, they will give a report on their yearly achievements to the directors. In this way, board will come out the performance results every year.

Principle / Recommendation	Comply	How the Company Complies
Principle 2: Structure the board to add value		
Recommendation 2.1: Companies should have a nomination committee which has at least three members, a majority of whom are independent directors and is chaired by an independent director. Companies should disclose the charter of the committee, the members of the committee and the number of times the committee met throughout each reporting period and the individual attendances of the members at those meetings	Yes	The Company has adopted a Remuneration and Nomination Committee Charter (a copy of which is on the Company's website) and established a Remuneration and Nomination Committee. The Remuneration and Nomination Committee has three members (Simon Green,Ross Benson and Dr Wei Yu). Two of them are independent non-executive directors. Simon Green is the chairman of the Remuneration and Nomination Committee. The Company will disclose the members of the Remuneration and Nomination Committee in its annual reports and during the 2017 financial year the committee held a meeting on 19 October 2017 where all the members were in attendance.
Recommendation 2.2: Companies should have and disclose a board skills matrix setting out the mix of skills and diversity that the board has or is looking to achieve in its membership.	Yes	n establishing the Board of the Company, regard was had to the skills and expertise required of the Directors relevant to the Company's business, its listing in Australia and operations in China and its franchising network. Directors with the desired skills and expertise were carefully selected for appointment to the Board. The Board skills matrix is available both on the company's website and the 2017 annual report.

Principle / Recommendation	Comply	How the Company Complies
Principle 2: Structure the board to add value		
Recommendation 2.3: Companies should disclose the names of independent directors, the length of service of each director and if a director has an interests, positions, associations and relationships that might cause doubts about the independent of a director but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion.	Yes	The Board consists of six members during the reporting period ended 31 December 2017, of which three are independent Non-Executive Directors, namely, Mr Ross Benson, Mr Simon Green and Prof. Jun Fan. The Board has assessed using the criteria set out in the ASX Corporate Governance Principles and Recommendations, the independence of Non-Executive Directors in light of their interests and relationships and considers them all to be independent.
Recommendation 2.4: A majority of the board of a listed entity should be independent directors.	Partly Comply	Mr Simon Green, Mr Ross Benson and Prof. Jun Fan, who make up half of the Board, are independent directors. The Board structure will continue to be reviewed at the appropriate stages of the Company's development to determine the size and composition of the Board.

Principle / Recommendation	Comply	How the Company Complies
Principle 2: Structure the board to add value		
Recommendation 2.5: The chair should be an independent director and, in particular, not the CEO.	No	The chairman of the Company's Board is Yongjun Shen, who is a non-independent director. The Board believes that Mr Shen is the most appropriate person to act as Chairman and lead the Board given his extensive experience and application of sound judgment to issues falling within the scope of Chairman. Further, Mr Shen has unmatched and extensive knowledge of the Group's operations and important business relationships that the Group as a whole can benefit from.
Recommendation 2.6: Companies should have a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	This recommendation is included in the Company Remuneration and Nomination Committee Charter (a copy of which is on the Company's website).
Principle 3: Act ethically and responsibly		
Recommendation 3.1: • Companies should have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it.	Yes	The Company has adopted a written Code of Conduct (a copy of which is on the Company's website) which applies to all employees of the Company, including executives and non-executives. The objectives of this Code are to ensure that high standards of corporate and individual behaviour are observed by all employees in the context of their employment.

Principle / Recommendation	Comply	How the Company Complies
Principle 4: Safeguard integrity in corporate reporting		
Recommendation 4.1: The board should establish an audit committee. The audit committee should be structured so that it: • consist only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members. The board should disclose: • the charter of the committee; • the relevant qualifications and experience of committee members; and • the number of times the committee met throughout each reporting period and the individual attendances of the members at those meetings.	partly comply	The Company has established an Audit and Risk Management Committee. The Audit and Risk Management Committee has three members (Ross Benson, Simon Green and Dr Wei Yu). Two of them are independent non-executive directors. The Committee is chaired by Ross Benson. The Audit and Risk Management Committee has adopted a formal Charter (a copy of which is on the Company's website) which outlines its role in ensuring that the Company has an adequate control framework for the oversight of external audit and internal audit arrangements. The charter and the members of the committee have published on the company's website. The committee held meetings on 24 March 2017 and 25 August 2017 and all the members were in attendance on both meetings except for Simon Green.

Principle / Recommendation	Comply	How the Company Complies
Principle 4: Safeguard integrity in corporate reporting		
Recommendation 4.2: The board should, before it approves the entity's financial statements, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity (as required by section 295A of the Corporations Act) and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	A decision by the Board to approve the Company's financial statements for a financial period, is subject to receipt, from its CEO and CFO, a declaration in accordance with section 295A of the Corporations Act and ASX Recommendation 4.2.
Recommendation 4.3: A listed entity that has an AGM should ensure that its external auditor attends and is available to answer questions from security holders relevant to the audit.	Yes	The Company will ensure that its external auditor attends AGMs.

Principle / Recommendation	Comply	How the Company Complies
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1: The Company should have a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules and disclose that policy or a summary of it.	Yes	The Company has adopted a Continuous Disclosure Policy (a copy of which is on the Company's website). This Policy sets out the standards, protocols and the detailed requirements expected of all Directors, officers, senior management and Team Members of the Company for ensuring the Company immediately discloses all price-sensitive information in compliance with the Listing Rules and Corporations Act relating to continuous disclosure.
Principle 6: Respect the rights of security holders		
Recommendation 6.1: A company should provide information about itself and its governance to investors via its website.	Yes	The Company has adopted a Shareholder Communications Policy (a copy of which is on the Company's website) governing its approach to communicating with its Shareholders.
Recommendation 6.2: Companies should design and implement an investors relation program to facilitate effective two-way communication with investors.	Yes	This recommendation is included in the Company's Shareholder Communications Policy (a copy of which is on the Company's website).
Recommendation 6.3: Companies should have and disclose the policies and procedures it has in place to facilitate and encourage participation at meetings of security holders.	Yes	This recommendation is included in the Company's Shareholder Communications Policy. A copy of the Shareholder Communications Policy is available on the Company's website.
Recommendation 6.4: Companies should give security holders the opportunity to communicate electronically.	Yes	This recommendation is included in the Company's Shareholder Communications Policy (a copy of which is on the Company's website).

Principle / Recommendation	Comply	w the Company Complies
Principle 7: Recognise and manage risk		
Recommendation 7.1: Companies should have a committee or committees to oversee risk, each of which has at least three members, a majority of whom are independent directors, and is chaired by an independent director. Companies should disclose the charter and members of the committee and the number of times the committee met throughout each reporting period and the individual attendances of the members at those meetings.	Yes	The Company has established an Audit and Risk Management Committee. The Audit and Risk Management Committee has three members, (Ross Benson, Simon Green and Dr Wei Yu). Two of them are independent non-executive directors. The Committee is chaired by Ross Benson. The Audit and Risk Management Committee has adopted a formal Charter (a copy of which is on the Company's website) which outlines its role in ensuring that the Company has an adequate control framework for the oversight of external audit and internal audit arrangements. The qualifications and experience of committee members will be set out in the company's annual report .The committee held meetings on 24 March 2017 and 25 August 2017 and all members were in attendance for both meetings except for Simon Green.
Recommendation 7.2: The board or a committee of the board should: • review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and • disclose in relation to each reporting period, whether such a review has taken place.	Yes	This recommendation is included in the Company's Audit and Risk Management Committee Charter (a copy of which is on the Company's website).

Principle / Recommendation	Comply	How the Company Complies
Principle 7: Recognise and manage risk		
Recommendation 7.3: Companies should disclose if it has an internal audit function, how the function is structured and what role it performs. Alternatively, if it does not have an internal audit function, the listed entity should disclose the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	The Board, having regard to the Company's stage of development does not consider a separate internal audit function is necessary at this stage. Alternatively, an Audit and Risk Management Committee has been established. One of the Audit and Risk Management Committee's responsibilities is to evaluate compliance with the Company's risk management and internal control processes.
Recommendation 7.4: Companies should disclose whether they have regard to environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	The Company will ensure details as to its compliance with this recommendation in its annual reports. The company has passed the ISO14000 system and complied with the rules of this system.

Principle / Recommendation	Comply	ow the Company Complies
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1: The board should establish a remuneration committee. The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members. The board should disclose the charter and members of the committee and the number of times the committee met throughout each reporting period and the individual attendances of the members at those meetings.	Yes	The Company has established a Remuneration and Nomination Committee. Please refer to Recommendation 2.1 of this statement for the structure of the Remuneration and Nomination Committee. A copy of the Remuneration and Nomination Committee Charter is available on the Company's website. The Company will disclose the members of the Remuneration and Nomination Committee in its annual report and the committee held a meeting on 19 October 2017 where all members attended the meeting.
Recommendation 8.2: A listed entity should disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	The Company has established a Remuneration and Nomination Committee and adopted a Remuneration and Nomination Committee Charter (a copy of which is on the Company's website). In accordance with its Charter, the Remuneration and Nomination Committee clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company will provide disclosure of its Directors' and executives' remuneration in its annual report.

Principle / Recommendation	Comply	How the Company Complies
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.3: Companies which have an equity-based remuneration scheme should have a policy on hedging participation in that scheme; and disclose that policy or a summary of it.	Yes	This recommendation is included in the Company's Securities Trading Policy (a copy of which is on the Company's website).

Director’s Report

The board of Directors (the “Board”) herein present their report and the audited financial statements of Enice Holding Company Limited (the “Company”) and its subsidiaries for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The Company’s profit for the year ended 31 December 2017 and its state of affairs at that date are set out on the page 6 of the financial statements.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2017.

SHARE CAPITAL

There was no change of share capital during the year ended December 31, 2017.

RESERVES

Details of movements in the Company’s reserves during the year are set out in the consolidated statement of changes in equity and note 20 to the financial statements respectively.

DIRECTORS

The directors of the Company during the year were:

YongJun Shen (“Mr. Shen”)

Dr Wei Yu

Dr Yihong Qi

Ross Benson (“Mr Benson”)

Simon Green

Jun Fan

In accordance with article 22 and article 23 of the Company’s article of association, the directors retire and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

As at the date of report, the directors have the following interests in fully-paid shares/CDIs in the Company.

Director	Number of Shares and equivalent CDIs held directly	Number of shares and equivalent CDIs held indirectly
Mr. Shen	120,420,000	Nil
Dr Wei Yu	10,900,000	Nil
Dr Yihong Qi	20,690,000	Nil
Mr Benson	Nil	330,000
Simon Green	25,000	12,500
Jun Fan	Nil	Nil

None of the directors hold any partly-paid shares or options at the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS

Mr Benson is the Executive Chairman of the Investorlink Group limited and has an interest in a contract for the provision of professional services to the Group. He is also the Non-Executive Chairman of ASX listed Enice Holding Limited.

Except as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in Note 32 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Shen Yong Jun

Hong Kong, 29 March 2018

Independent auditor's report

Opinion

We have audited the consolidated financial statements of Enice Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 46, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "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.

Key audit matters *continued*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for projects	
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 33% of total revenue of the Group for the year ended 31 December 2017. A significant degree of management judgment is required to properly apply the percentage of completion method. The Group's disclosures about revenue for projects are included in Note 2.3 and Note 6.	We evaluated the Group's revenue recognition policy; We understood the rationale for the revenue recognition and the overall transaction and procedures adopted by the management; We tested relevant internal controls over the revenue transaction cycle; We also evaluated the significant estimates made by management and discussed the status of projects in progress with management, finance and technical staff of the Group.

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Key audit matters *continued*

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2017, trade receivables were significant to the Group as these represent approximately 65% of its total assets. Approximately 39% 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. The Group's disclosures about trade receivables and related impairment provisions are included in Note 16 and about credit risk in Note 31.	We evaluated management's assessment on impairment of trade receivables by checking the aging analysis and settlements made subsequent to the year-end date. For long-aged receivables, we assessed the Group's provision by considering historical payment patterns, available information concerning the creditworthiness of the customers and any correspondence with customers on expected settlement dates which we tested the settlements for proper execution of such repayment schedules. For balances where a provision for impairment was recognized, we understood the rationale behind management's judgement, considering historical patterns of trading and settlement as well as recent communications with the counterparties.

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. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

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 IFRSs, 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.

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

- 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.

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 Du Lei.

Ernst & Young Hua Ming LLP.

Certified Public Accountants
Shanghai, the People’s Republic of China
29 March 2018

Financial Statements

Consolidated statements of profit or loss

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	6	510,162	503,767
Cost of sales	9	(363,578)	(398,178)
Gross profit		**146,584**	**105,589**
Marketing expenses	9	(4,855)	(4,878)
Administrative expenses	9	(47,792)	(34,617)
Other gains - net	7	4,224	1,186
Operating profit		**98,161**	**67,280**
Finance costs - net	8	(20,971)	(14,294)
Profit before income tax		**77,190**	**52,986**
Income tax expenses	11	(17,005)	(10,496)
Profit for the year		**60,185**	**42,490**
Profit attributable to:			
Equity holders of the parent		**60,185**	**42,490**
Non-controlling interests		-	-
		60,185	**42,490**
Earnings per share:			
Basic and diluted earnings for the period attributable to ordinary equity holders of the parent	19	RMB0.23	RMB0.16

Consolidated statements of comprehensive income

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
Profit for the year	60,185	42,490
Total comprehensive income	60,185	42,490
Attributable to:		
Equity holders of the parent	60,185	42,490
Non-controlling interest	-	-
	60,185	42,490

Consolidated statements of financial position

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	12	57,210	59,808
Prepaid land lease payments	13	32,683	33,521
Intangible assets	14	1,103	1,241
Deferred tax assets	25	469	276
		91,465	94,846
Current assets			
Inventories	15	20,644	14,696
Trade receivables	16	637,889	470,722
Prepayments, deposits and other receivables	17	127,728	110,508
Amounts due from related parties	28	59,389	44,658
Restricted bank balances	18	11,279	6,295
Cash and cash equivalents	18	28,166	24,610
		885,095	671,489
Total assets		**976,560**	**766,335**
Equity and liabilities			
Equity			
Share capital	19	187,405	187,405
Other reserves	20	27,433	20,265
Accumulated profits		99,161	46,144
Equity attributable to equity holders of the parent		**313,999**	**253,814**
Non-controlling interests		-	-
Total equity		**313,999**	**253,814**
Non-current liabilities			
Other long-term payables	21	40,709	17,898
		40,709	**17,898**
Current liabilities			
Trade payables and bills payables	22	249,082	178,213
Advances and other current liabilities	23	90,266	70,290
Bank borrowings	24	212,760	207,030
Amounts due to related parties	28	201	471
Other long-term payables - current portion	21	29,062	14,623
Income tax payable		40,481	23,996
		621,852	**494,623**
Total liabilities		**662,561**	**512,521**
Total equity and liabilities		**976,560**	**766,335**

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			
	Notes	Share capital	Other reserves	Retained profits	Total Equity
		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	20	-	4,172	(4,172)	-
As at 31 December 2016		**187,405**	**20,265**	**46,144**	**253,814**
As at 1 January 2017		**187,405**	**20,265**	**46,144**	**253,814**
Profit for the year		-	-	60,185	60,185
Appropriation of statutory reserves	20	-	7,168	(7,168)	-
As at 31 December 2017		**187,405**	**27,433**	**99,161**	**313,999**

Consolidated statements of cash flows

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before income tax		77,190	52,986
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	12	3,080	2,652
Amortization of leasehold land	13	838	838
Amortization of intangible assets	14	203	159
Finance income	8	(2,161)	(64)
Finance costs	8	22,133	14,396
Provision for write-down of inventories	15	830	220
Provision of impairment of trade receivables	16	5,381	896
Provision of impairment of other receivables and prepayments	17	2,121	759
Exchange loss/(gain)	8	999	(38)
Working capital adjustments:			
Increase in inventories	15	(6,778)	(4,146)
(Increase)/ decrease in restricted bank balances pledged as security for bills payables	18	(9,684)	351
Increase in trade receivables, other receivables, deposits and prepayments		(191,889)	(109,283)
Increase/(decrease) in trade payables, accruals, advances from customers and other current liabilities		89,589	(731)
(Decrease)/ increase in amounts due to related parties for operating activities	28	(270)	190
		(8,418)	(40,815)
Interest received		1,096	676
Interest paid		(20,653)	(15,157)
Income tax paid		(713)	(789)
Net cash flows used in operating activities		**(28,688)**	**(56,085)**
Investing activities			
Purchase of property, plant and equipment	12	(482)	(2,814)
Additions to other Intangible assets	14	(65)	(880)
Loans provided to related parties		(36,695)	(23,673)
Collection of loans from related parties		23,029	3,086
Net cash flows used in investing activities		**(14,213)**	**(24,281)**

continued/...

Consolidated statements of cash flows *continued*

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from employees for unexecuted share incentive plans		(224)	14,990
(Increase)/decrease in restricted bank balances pledged as security for bank loans		4,700	(4,700)
Proceeds from bank borrowings		259,760	368,030
Repayment of bank borrowings		(254,030)	(346,100)
Proceeds from other long-term payables		63,525	40,170
Repayment of other long-term payables		(26,275)	(7,649)
Net cash flows from financing activities		**47,456**	**64,741**
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	18	24,610	40,424
Cash and cash equivalents at 31 December	18	**28,166**	**24,610**

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 2017 were authorized for issue in accordance with a resolution of the directors on 29 March 2017. The Company was incorporated by Mr. Shen Yong Jun ("Mr. Shen") with the registered capital of 1 Hong Kong Dollars ("HKD") on 29 October 2014 in Hong Kong Special Administration Region ("HKSAR"), the People's Republic of China ("China" or "PRC"). The address of its registered office is Flat B, 33/F, Block 4, Hillsborough Crt, 18 Old Peak Road, 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 Depositary 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 ("IFRSs") 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 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2017. 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 the end of each reporting period. 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 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on 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. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts.

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.

2.3 Summary of significant accounting policies *continued*

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.

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

2.3 Summary of significant accounting policies *continued*

f) Taxes *continued*

- 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

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 the 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 repairs 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
Motor 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 consolidated statement of profit or loss 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.

2.3 Summary of significant accounting policies *continued*

h) Prepaid land lease payments

All land in 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.

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 consolidated statement of financial position.

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.

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 statement of profit or loss.

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 statement of cash flows, 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 statement of profit or loss 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 drawdown 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 Changes in accounting policies and disclosures

The Group applied for the first time certain amendments to the standards, which are effective for annual periods

beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below:

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

Although these new standards and amendments apply for the first time in 2017, 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.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over income tax treatment*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Of those standards, IFRS 9 and IFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

In September 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables and amounts due from related parties within the next twelve months. The Group has determined that the provision for impairment will not significantly change upon the initial adoption of the standard.

2.5 Issued but not yet effective international financial reporting standards *continued*

IFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. Moreover, the expected changes in accounting policies will not have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15.

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.

Impairment allowances for trade and other receivables

Impairment allowances for trade and other receivables are made on the 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).

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

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 end of each reporting period 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 (the "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 2017.

5. Group information about subsidiaries

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

Name	Place and date of incorporation establishment	Legal status	Principal activities	Issued and fully paid capital	% equity interest 2017	% equity interest 2016
Enice (Jiangsu) Communication Co., Ltd. ("Enice (Jiangsu)")	PRC 19 December 2014	Limited liability company	Telecom products and services	USD 18,000,000	100	100
Jiangsu Eastcentury Network Communication Co., Limited ("ENICE")	PRC 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")	PRC 11 May 2006	Limited liability company	Sales of 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, geographical information required by IFRS 8 - *Operating Segments* is not presented.

Revenue from continuing operations of approximately RMB90,179,000 (2016: RMB84,339,000), RMB89,790,000 (2016: RMB122,723,000) and RMB42,853,000 (2016: RMB46,672,000) was derived from sales to 3 single customers, respectively, amounting to 10% or more of the Group's revenue for the year ended 31 December 2017.

	2017	2016
	RMB'000	RMB'000
Advanced solutions	155,985	250,710
Network engineering services	168,022	132,339
Wireless and Radio Frequency ("RF") products	184,739	120,317
Others	1,416	401
Total	**510,162**	**503,767**

7. Other gains - net

	2017	2016
	RMB'000	RMB'000
Other gains - net:		
Government subsidy	4,050	1,018
Others	174	168
Total	**4,224**	**1,186**

8. Finance costs - net

	2017	2016
	RMB'000	RMB'000
Interest on debts and borrowings	20,359	13,058
Financial service fee and others	914	933
Discount interest	860	405
Financial cost	**22,133**	**14,396**
Interest income	(2,161)	(64)
Exchange loss /gain	999	(38)
Financial Income	**(1,162)**	**(102)**
Net finance costs	**20,971**	**14,294**

9. Expenses by nature

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

	2017	2016
	RMB'000	RMB'000
Cost of advanced solutions	117,139	208,541
Cost of network engineering services	103,148	94,978
Cost of wireless and RF products sold	142,461	92,539
Employee benefit expense (Note 10)	32,096	32,435
Depreciation of property, plant and equipment (Note 12)	3,080	2,652
Rental fee	1,232	2,252
Amortization of prepaid land lease payments (Note 13)	838	838
Amortization of intangible assets (Note 14)	203	159
Provision of trade receivables (Note 16)	5,381	896
Provision of other receivables (Note 17)	2,121	759
Provision of inventories (Note 15)	830	220

10. Employee benefit expense

	2017	2016
	RMB'000	RMB'000
Staff costs		
- Salaries	26,191	28,166
- Pension costs and other welfare	5,905	4,269
	32,096	32,435

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 2017, 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 2017 are:

Consolidated statement of profit or loss

	2017	2016
	RMB'000	RMB'000
Current income tax:		
Current income tax charge	17,198	10,240
Deferred tax:		
Relating to origination and reversal of temporary differences	(193)	256
Income tax expense reported in the statement of profit or loss	**17,005**	**10,496**

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 2017 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 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 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 2017:

	Hong Kong	Tax rate	Mainland China	Tax rate	2017 Total	Tax rate	2016 Total	Tax rate
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Accounting (loss)/profit before income tax	**(10,232)**		**87,422**		**77,190**		**52,986**	
Taxation calculated at each statutory tax rate	(1,688)	(16.5)	21,855	25	20,167	26	12,960	25
Tax losses for which no deferred income tax asset was recognized	1,688	16.5	-	-	1,688	2	92	-
Non-deductible expenses	-	-	6,535	7	6,535	9	3,424	7
Tax losses utilised from previous periods	-	-	(661)	(1)	(661)	(1)	-	-
Tax Impact of deemed interest income from related parties	-	-	1,343	2	1,343	2	1,491	3
Additional deduction for Research Development expense	-	-	(1,679)	(2)	(1,679)	(2)	(1,370)	(3)
Preferential rate enacted by the local authority	-	-	(10,388)	(12)	(10,388)	(14)	(6,101)	(12)
At the effective income tax rate	**-**	**-**	**17,005**	**19**	**17,005**	**22**	**10,496**	**20**

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 2016	**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**
Additions	374	108	-	-	-	482
Transfers	112	2,822	542	-	(3,476)	-
Disposals	-	-	-	-	-	-
At 31 December 2017	**5,983**	**8,933**	**56,255**	**4,107**	**-**	**75,278**
Depreciation and impairment						
At 1 January 2016	**(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)**
Depreciation charge for the year	(965)	(260)	(1,493)	(362)	-	(3,080)
Disposals	-	-	-	-	-	-
At 31 December 2017	**(4,861)**	**(5,358)**	**(4,440)**	**(3,409)**	**-**	**(18,068)**
Net book value						
At 31 December 2016	**1,601**	**905**	**52,766**	**1,060**	**3,476**	**59,808**
At 31 December 2017	**1,122**	**3,575**	**51,815**	**698**	**-**	**57,210**

As at 31 December 2017, the gross carrying amount of fully depreciated property, plant and equipment that were still in use was RMB 10,709,000.00 (2016: RMB 10,020,000.00).

As at 31 December 2017, buildings with a carrying amount of RMB51,815,000 (2016: RMB52,766,000) 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 2016	36,201
At 31 December 2016 and 2017	36,201
Amortization and impairment	
At 1 January 2017	(2,680)
Amortization	(838)
At 31 December 2017	(3,518)
Net book value	
At 31 December 2016	33,521
At 31 December 2017	32,683

As at 31 December 2017, approximately RMB32,683,000 (2016: RMB33,521,000) 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 2016	494	1,527	2,021
Additions	-	880	880
At 31 December 2016	494	2,407	2,901
Additions	-	65	65
At 31 December 2017	494	2,472	2,966
Amortization and impairment			
At 1 January 2016	(36)	(1,465)	(1,501)
Amortization	(36)	(123)	(159)
At 31 December 2016	(72)	(1,588)	(1,660)
Amortization	(36)	(167)	(203)
At 31 December 2017	(108)	(1,755)	(1,863)
Net book value			
At 31 December 2016	422	819	1,241
At 31 December 2017	386	717	1,103

15. Inventories

	2017	2016
	RMB'000	RMB'000
Finished goods	18,673	10,529
Raw materials	2,958	3,431
Work in progress of projects	1,280	2,173
	22,911	**16,133**
Provision		
Finished goods	(1,898)	(1,096)
Raw materials	(369)	(341)
	(2,267)	**(1,437)**
	20,644	**14,696**

During 2017, the Group recognized a provision for inventory impairment of RMB830,000 (2016: a provision of RMB220,000). Such expenses were recognized in cost of sales.

As at 31 December 2017, total inventories were disclosed at the lower of cost and net realizable value.

16. Trade receivables

	2017	2016
	RMB'000	RMB'000
Trade receivables	**644,166**	471,618
Less: Impairment of trade receivables	(6,277)	(896)
	637,889	**470,722**

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

	2017	2016
	RMB'000	RMB'000
Within 1 year	395,950	336,572
1 to 2 years	157,205	119,102
2 to 3 years	84,734	15,048
More than 3 years	6,277	896
	644,166	**471,618**

As at 31 December 2017, approximately RMB104,989,000 (2016: RMB91,640,000) were pledged as security for the Group's borrowings (Note 24).
Movements in the provision for impairment of trade receivables were as follows:

	Total
	RMB'000
At 1 January 2017	**896**
Impairment losses recognized	5,381
At 31 December 2017	**6,277**

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

	2017	2016
	RMB'000	RMB'000
Prepayments	107,709	75,215
Other receivables	27,948	37,617
Deposits	8,194	11,521
Deferred expense	316	473
	144,167	**124,826**
Less:		
Provision (i)	(16,439)	(14,318)
	127,728	**110,508**

(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 16,439,000 (2016:RMB14,318,000) with a carrying amount before provision of RMB16,941,000(2016:RMB17,643,000).

18. Cash and cash equivalents and restricted bank balances

	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents	28,166	24,610
Restricted bank balances	11,279	6,295

As at 31 December 2017, restricted bank balances were composed of the following items:

(i) Approximately RMB2,579,000 (2016: RMB1,595,000) were pledged as security for issuing letters of guarantee of the Group for rendering services to customers.

(ii) Approximately RMB8,700,000 (2016: nil) was pledged as security for bills payable (Note 22).

(iii) No deposit was pledged as security for short-term bank loans in 2017 (2016: RMB4,700,000).

19. Shares Capital

	Number of shares in issue	Share Capital	Share premium	Total
		RMB'000	RMB'000	RMB'000
As at 31 December 2016 and at 31 December 2017	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 31 December 2017.

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 2017.

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

	2017	**2016**
	RMB'000	**RMB'000**
Profit attributable to ordinary equity holders of the parent:	60,185	42,490
	2017	**2016**
Weighted average number of ordinary shares for basic EPS*	259,300,000	259,300,000

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

20. Other reserves

	Share-based compensation	**Statutory reserve**	**Merger reserve**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 1 January 2016	**11,984**	**3,265**	**844**	**16,093**
Share-based compensation				
Profit appropriation	-	4,172	-	4,172
As At 31 December 2016	**11,984**	**7,437**	**844**	**20,265**
As at 1 January 2017	**11,984**	**7,437**	**844**	**20,265**
Profit appropriation	-	7,168	-	7,168
As At 31 December 2017	**11,984**	**14,605**	**844**	**27,433**

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 payables

	2017 RMB'000	2016 RMB'000
Other long-term payables	69,771	32,521
Less: current portion	29,062	14,623
	40,709	**17,898**

The effective interest rate of the other long-term payables of the Group 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").

22. Trade payables and bills payable

	2017 RMB'000	2016 RMB'000
Trade payables	220,082	178,213
Bills payable	29,000	-
	249,082	**178,213**

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

	2017 RMB'000	2016 RMB'000
Within 1 year	134,432	109,513
1 to 2 years	36,056	45,649
More than 2 years	49,594	23,051
	220,082	**178,213**

23. Advances and other current liabilities

	2017	2016
	RMB'000	RMB'000
Other payables	29,258	22,418
Business and other tax payables	47,476	37,170
Salary payables	11,162	10,136
Advance from customers	2,370	566
	90,266	**70,290**

24. Bank borrowings

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Secured	4.35~5.66	2018	212,760	4.35~6.44	2017	207,030

The Group's bank loans were secured by:

	2017	2016
	RMB'000	RMB'000
Mortgaged over trade receivables of the Group and guaranteed by others (i)	84,960	75,000
Mortgaged by property and buildings (ii)	77,800	66,900
Guaranteed by others (iii)	50,000	60,900
Mortgaged over bank deposit (iv)	-	4,230
	212,760	**207,030**

(i) Mortgaged by trade receivables of the Group (Note 16) and 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 buildings and prepaid land lease payments. (Notes 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.

(iv) Mortgaged by bank deposit of RMB4,700,000 in 2016 (Note 18).

25. Deferred tax

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

	2017	2016
	RMB'000	RMB'000
Opening balance as of 1 January	276	532
Credited to the statement of profit or loss	193	(256)
Closing balance as at 31 December	**469**	**276**

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 2017.

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 2016	**183**	**-**	**185**	**164**	**532**
Credited/(charged) to the statement of profit or loss	32	-	(185)	(103)	(256)
At 31 December 2016	**215**	**-**	**-**	**61**	**276**
Credited to the statement of profit or loss	125	-	-	68	193
At 31 December 2017	**340**	**-**	**-**	**129**	**469**

The Group has tax losses arising in Hong Kong of RMB25,555,050 (2016: RMB15,323,674) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses arising in the PRC of RMB6,372,055 (2016: RMB10,253,834) 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 2017, 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.

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 lessor

The Group leases its landings and office properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years.

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

	2017	2016
	RMB'000	RMB'000
Within one year	200	200
After one year but not more than three years	400	400
	600	**600**

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:

	2017	2016
	RMB'000	RMB'000
Within one year	834	1,621
After one year but not more than five years	398	278
	1,232	**1,899**

Capital commitments

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

	2017	2016
	RMB'000	RMB'000
Contracted, but not provided for:		
Plant and machinery	15	59
Authorised, but not contracted for:		
Plant and machinery	928	930

27. Financial guarantee contracts

As at 31 December 2017, the Group did 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.

(a) For the year ended 31 December 2017, 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
Shengyu Baiqi (Nanjing) Communication Technology Co., Ltd ("Supeq (Nanjing)")	Controlled by Mr. Shen
Nanjing Longgang Science&Technology Co., Ltd ("Longgang")	Controlled by a family member of Mr. Shen
Zhuhai Debai Technology Co., Ltd. ("Zhuhai DBQ")	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
Beijing Jinjianheng Communication Equipment Co., Ltd ("Beijing Jinjianheng")	Controlled by Mr. Shen
Nanjing Yinbang Energy Co., Ltd ("Yinbang")	Controlled by Mr. Shen

(b) Save as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2017, 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:

	2017	2016
	RMB'000	RMB'000
Rental income as lessor		
Longgang	189	189
Supeq (Nanjing)	11	11

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.

	2017	2016
	RMB'000	RMB'000
Purchase of goods		
Zhuhai DBQ	42	5
Interest income from loans to related party		
Longgang	1,066	-

28. Related party transactions continued

	2017 RMB'000	2016 RMB'000
Other transactions-Loans provided to related parties		
Longgang	35,254	20,916
Mr. Shen	1,205	427
Supeq (Nanjing)	202	-
Beijing Jinjianheng	34	1,029
YInbang	-	1,301

(c) As at 31 December 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

	2017 RMB'000	2016 RMB'000
Balances relating to non-operating activities		
Loan to related parties		
Longgang**	57,421	21,103
Mr. Shen*	1,205	-
Mr. Shen Yongzheng*	527	526
Supeq (Nanjing)	202	-
Beijing Jin Jianheng	34	-
Zhuhai DBQ*	-	1,029
Beijing Zhongguang*	-	22,000
	59,389	44,658

(ii) Amounts due to related parties

	2017 RMB'000	2016 RMB'000
Balances relating to non-operating activities		
Mr. Shen*	201	201
Balances relating to operating activities		
Supeq (Nanjing)*	-	270
	201	471

* These balances were interest free and payable on demand.
** The lending bore an annual interest rate of 4.75%, and the term of the loan is 1 year.

28. Related party transactions continued

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

	2017 RMB'000	2016 RMB'000
Short term employee benefits	2,420	2,980
Equity-settled share based compensation	-	1,810
Pension scheme contribution	141	173
	2,561	**4,963**

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 2017, 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)	-	201	-	201
Mr. Yu Wei (Appointed on 28 May 2015)	-	212	-	212
Mr. Qi Yihong (Appointed on 28 May 2015)	-	213	-	213
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) *	250	-	-	250
	950	876	-	1,826

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) *	250	-	-	250
	950	874	-	1,824

*Independent non-executive directors
None of the directors waived or agreed to waive any remuneration during the years ended 31 December 2017.

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
	2017	**2016**
	RMB'000	**RMB'000**
Assets as per consolidated balance sheet		
Trade receivables (Note 16)	637,889	470,722
Deposits and other receivables (Note 17)	19,703	34,820
Amounts due from related parties (Note 28)	59,389	44,658
Restricted bank balances (Note 18)	11,279	6,295
Cash and cash equivalents (Note 18)	28,166	24,610
Total	**756,426**	**581,105**

	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost
	2017	**2016**
Liabilities as per consolidated balance sheet	**RMB'000**	**RMB'000**
Trade and bills payables (Note 22)	249,082	178,213
Other payables (Note 23)	29,258	22,418
Bank borrowings (Note 24)	212,760	207,030
Other long term payables (Note 21)	69,771	32,521
Amounts due to related parties (Note 28)	201	471
Total	**561,072**	**440,653**

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 long-term payables are based on a 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 end of the reporting period.

	Carrying amount		Fair value	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
Other long-term payables	69,771	32,521	71,960	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
31 December 2017		
RMB	100	(10,070)
RMB	(100)	10,070
31 December 2016		
RMB	100	(9,478)
RMB	(100)	9,478

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 16% (2016: 22%) and 42% (2016: 70%) 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 2017				
Interest-bearing loans and borrowings (Note 24) (i)	220,464	-	-	220,464
Trade payables (Note 22)	134,432	36,056	49,594	220,082
Bills payables (Note 22)	29,000	-	-	29,000
Other long-term payables (Note 21)	35,112	26,127	19,302	80,541
Other payables (Note 23)	29,258	-	-	29,258
Amounts due to related parties (Note 28)	201	-	-	201

	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)	213,311	-	-	213,311
Trade payables (Note 22)	109,513	45,649	23,051	178,213
Other long-term payables (Note 21)	17,281	11,785	8,541	37,607
Other payables (Note 23)	22,418	-	-	22,418
Amounts due to related parties (Note 28)	471	-	-	471

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2017 and 2016 without taking into account extension or refinancing of the borrowings in future. The floating-rate interest is estimated using current interest rate as at 31 December 2017 and 2016 respectively

32. Notes to the consolidated statement of cash flows

Changes in liabilities arising from financing activities:

	Bank borrowings RMB'000	Other long-term payables RMB'000
At 1 January 2017	207,030	32,521
Changes from financing cash flows	5,730	37,250
At 31 December 2017	**212,760**	**69,771**

33. Other important matters

On 5 October 2017, Enice Holding Company Limited (ASX: ENG) (the Company) announced that it had received a Proposal to privatize the Company at A$0.44 per Chess Depositary Interest (CDI) (the Proposal), and the Company intended to put the Proposal to Scheme CDI Holders for their consideration. The Proposal is at a price which is almost double the company's CDI trading price on ASX of A$0.23 as at 3 October 2017, and values the Company at approximately A$114million. The Company plans to complete the privatization in June 2018.

34. 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 2017.

35. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

Additional Information

Issued Capital

As at 24 April 2018, the Company has 259,300,000 ordinary fully paid shares on issue, of which 259,300,000 are held by Chess Depositary Nominees Pty Ltd (CDN). CDN has issued 259,300,000 CHESS Depositary Interests (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.

CDIs are traded in a manner similar to shares of Australian companies listed on ASX. CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

There is no shares/CDIs that are currently under trading restrictions.

There is currently no on-market buyback in place.

Substantial Shareholders

The substantial holders of CDIs are the following CDI holders listed below who have notified the Company that they are a substantial holder under the Corporations Act 2001 in Australia. In general, under the Corporations Act (Australia), a person who holds a relevant interest in shares/ CDIs of more than 5% of the Company's issued share capital is a substantial holder.

Holder Name	Number of Shares/CDIs	Percentage of issued capital
Mr. Yongjun Shen	120,420,000	46.44%
Mr. Jinsong Zhang and Copious Century Holdings Limitedtury	39,150,000	15.10%
Mr. Yihong Qi	20,690,000	7.98%
Enice Nominees Limited	17,500,000	6.75%

Top 20 shares / CDI Holders as at 24 April 2018

Rank	Name	24 Apr 2018	%IC
1	MR YONGJUN SHEN	120,420,000	46.44
2	QI YIHONG	20,690,000	7.98
3	COPIOUS CENTURY HOLDINGS LIMITED	18,750,000	7.23
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	COPIOUS CENTURY HOLDINGS LIMITED	6,500,000	2.51
9	COPIOUS CENTURY HOLDINGS LIMITED	4,750,000	1.83
10	INVESTORLINK SECURITIES LIMITED	3,338,924	1.29
11	WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	3,250,000	1.25
12	SANDEEP SINGH	3,000,000	1.16
13	PROMIN MINING SERVICES PTY LIMITED	2,250,000	0.87
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,178,927	0.84
15	BNP PARIBAS NOMINEES PTY LTD	1,571,186	0.61
16	INVESTORLINK SECURITIES LIMITED	1,432,565	0.55
17	MR SHITAO QIN	1,250,000	0.48
18	MR MARTIN JAMES HICKLING & MRS JANE FRANCES HICKLING	1,147,062	0.44
19	CITICORP NOMINEES PTY LIMITED	1,025,000	0.40
20	MR JINGHAI SHI	1,000,000	0.39
	Total	239,893,664	92.52
	Balance of register	19,406,336	7.48
	Grand total	259,300,000	100.00

Distribution of Shareholders/CDI holders

There were 231 shareholders/CDI holders at 24 April 2018. Each Shareholder/CDI holder is entitled to one vote for each security held.

Range	Top Holders	Units	% of issued capital
1-1,000	9	1,058	0.00%
1,001-5,000	59	274,460	0.11%
5,001-10,000	17	154,378	0.06%
10,001-100,000	70	3,020,827	1.16%
Over 100,000	76	255,849,277	98.67%
Total	231	259,300,000	100.00%

There are no CDI holders who hold less than a marketable parcel as at 24 April 2017.

Voting Rights

The voting rights are that each CDI holder is entitled to 1 vote per CDI at a meeting of members, provided that a CDI Holder undertakes the following steps.

1. Instructing CDN as the legal owner to vote the shares underlying in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting and this must be completed and returned to the share registry prior to the meeting.

2. Informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their shares underlying the CDIS for the purposes of attending and voting at the general meeting or;

3. Converting their CDIs into a holding of these shares and voting these shares at the meeting.

Use of Cash Consistent with Business Objectives

Enice confirms that during the financial year ending 31 December 2017, it has used cash and other assets readily convertible to cash that it held at time of admission, in a way consistent with its business objectives.

Enice's Place of Incorporation

As Enice is incorporated in Hong Kong and not established in Australia, its corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by the Hong Kong Companies Ordinance and the Hong Kong Securities and

Futures Commission. Enice is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of its shares (including substantial holdings and takeovers)

Limitations on the acquisition of securities

The following information is provided as required by ASX on an annual basis to disclose the limitations on the acquisition of securities imposed under Hong Kong law and Enice's Articles of Association but should not be viewed as an exhaustive statement of the relevant Hong Kong laws.

Takeovers

The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong. The Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

(i) acquire, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company; or

(ii) hold not less than 30% but more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period,then a general offer must be made to all other shareholders of the company.

Compulsory acquisition

Subdivision 2 of Division 4 of Part 13 of the Hong Kong Companies Ordinance (the "Companies Ordinance") sets out the right to buy out minority shareholders. The compulsory acquisition provisions enable an offeror who has, by virtue of acceptances of an original takeover offer, acquired or contracted unconditionally to acquire at least 90% in number of the shares to give notice to the remaining shareholders that it desires to acquire their shares. Such notice must be given within : (i) 3 months after the end of the offer period of the takeover offer; or (ii) 6 months from the date of the takeover offer, whichever is earlier.

Provided that notice is given The offeror is entitled and bound to acquire those shares on the same terms as the original takeover offer, unless the court, on application by the remaining shareholder(s) within 2 months of receiving such notice, makes an order that (i) the offeror is not entitled and bound to acquire the shares; or (ii) the offeror is entitled and bound to acquire the shares on the terms specified in the order.

Substantial holder notices

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a corporation, the securities of which are listed on The Stock Exchange of Hong Kong Limited ("listed corporation") of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation.

Stamping and documentation requirements

The Hong Kong Stamp Duty Ordinance requires that any person who effects any sale or purchase of Hong Kong stock as principal or agent must:

(i) execute a contract note;
(ii) cause the note to be stamped;
(iii) transmit the stamped note to his principal if the person is an agent;
(iv) execute an instrument of transfer; and
(v) cause an endorsement to be made on the instrument of transfer of the stock, or cause a stamp certificate to be issued in respect of the instrument.

Division 5 of Part 4 of Enice's Articles of Association governing the transfer and transmission of shares also provides that the shares of Enice may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors.

Pursuant to the Hong Kong Companies Ordinance, it shall not be lawful for a company to register a transfer of its shares unless a proper instrument of transfer has been delivered to such company.

Corporate directory

Registered Office - Hong Kong

Address:

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18 Chater Road, Central
Hong Kong

Website:

www.enice.com.cn/english.php
Phone: +852 2803 3688
Fax: +852 2803 3608

Registered Office - Australia

Address:

Investorlink Corporate Limited
Level 26, 56 Street
Sydney, New South Wales 2000

Website:

www.investorlinkgroup.com.au
Phone: +61 2 9276 2000
Fax: +61 2 9247 9977

Share Registry
Link Market Services Limited

Address:

Level 12,680 George Street,
Sydney, New South Wales 2000 Australia
Phone: 1300 554 474 (Australia)
+61 1300 554 474 (outside Australia)

Company Secretary

Address:

HWB (Corporate Services) Limited
27/F., Alexandra House
18 Chater Road, Central
Hong Kong SAR

Auditors
Ernst & Young Hua Ming LLP

Address:

50F.， Shanghai World
Finance Center
100 Century Avenue
Pundong New Area,
Shanghai PRC

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Annual Report

2017