INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1328)

Annual Report 2015

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Li Kin Shing *(Chairman and Chief Executive Officer)*
Li Yin
Wong Kin Wa
Li Wen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Xue Dao
Cheung Sai Ming
Liu Chun Bao

AUTHORIZED REPRESENTATIVES

Li Kin Shing
Wong Kin Wa

COMPLIANCE OFFICER

Wong Kin Wa

COMPANY SECRETARY

Chan Wai Ching

AUDIT COMMITTEE

Cheung Sai Ming *(Chairman)*
Chen Xue Dao
Liu Chun Bao

REMUNERATION COMMITTEE

Cheung Sai Ming *(Chairman)*
Wong Kin Wa
Chen Xue Dao

NOMINATION COMMITTEE

Cheung Sai Ming *(Chairman)*
Li Kin Shing
Chen Xue Dao

REGISTERED OFFICE

The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
Grand Cayman KY1-1208
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3809-3810, Hong Kong Plaza
188 Connaught Road West
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Gilman Street Branch
136 Des Voeux Road
Central, Hong Kong

Citibank N.A.
21/F Tower 1, The Gateway
Harbour City, Tsimshatsui
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
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183 Queen’s Road East
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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Central
Hong Kong

STOCK CODE

1328

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of Directors (the "Director(s)") of International Elite Ltd. (the "Company"), I am pleased to present the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

In 2015, the Group has broadened its customer base and successfully entered into a number of Customer Relationship Management ("CRM") agreements with non-telecommunications, customers, including but not limited to China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司) and Shanghai CHC Exhibition Co., Ltd. (上海荷瑞會展有限公司). The Group has also successfully entered into a number of CRM agreements with cooperative customers, including but not limited to China Unicom, Watson's and Hutchison Telecom, applying the internet-CRM solution which is based on a new concept of "Internet + CRM" under the new business trend of internet industry. Furthermore, subsequent to the cooperation with Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司) ("Guangzhou Xinghai") in supporting the development and promotion of the "People's Welfare Card" in Panyu Region, the People's Republic of China ("PRC"), the Group entered into cooperative agreements with Beijing Shuntiantong Property Management Co., Ltd. (北京順天通物業管理有限公司), Cable Television Working Committee of China Alliance of Radio, Film and Television (中國廣播電影電視社會組織聯合會有線電視工作委員會), China Smartpay Group Holdings Limited (中國支付通集團控股有限公司) (HKEX Stock Code: 8325) and Guangdong Sunshine Kangzhong Medical Investment Management Limited (廣東陽光康眾醫療投資管理有限公司) in respect of the Certificate Authority Subscriber Identity Module ("CA-SIM") collaboration on the solution of "Smart City", e.g. authentication, payment, protection of the copyright and medical treatment, which will facilitate the Group to enlarge the market penetration in "Smart City". The leading position of the Group in service and technology has been acknowledged through industry awards, certification and recognition granted.

Looking ahead, the Directors believe that the Group will continue to benefit from the opportunities arising from the favorable government policies in China including the growth in 4G mobile communications, the "Internet Plus" strategy, the increase in domestic demand and China's 13th Five-Year Plan for the development of "Smart City". The Group is confident that in 2016 it will win more contracts from customers of both telecommunications and non-telecommunications segments in the provinces outside Guangdong, China. The Group is confident that it will achieve continuous business growth as it is well positioned to take the advantage of market expansion with its strong reputation, transparency and solid customer portfolio.

The Group is an organisation that is fast growing and ever evolving. It imagines, conceptualizes, realizes and takes new challenges and new forms. Through business acquisitions, it has been constantly expanding its investment portfolios on an enterprising yet prudent strategy.

Throughout the development course of the Group, it is crucial to have the devotion of its staff. On behalf of the Board, I would like to thank all of our staff for their passion and hard work in turning the Group's vision into reality. I also take this opportunity to extend my appreciation to our shareholders and business partners for their trust and support. The Group's management and staff will work cohesively under the leadership of the Board to overcome challenges in the coming year and return a rich harvest to shareholders.

LI KIN SHING
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a Customer Relationship Management ("CRM") outsourcing service provider with business focus in Hong Kong, Macau and the PRC markets. CRM is a process of providing services to customers with the use of communication and computer networks. During the year under review, the Group continued to provide services to established telecommunications service providers, including Hutchison Telecommunications, Hutchison Global, China Unicom Guangdong and PCCW Mobile. Besides, management continues to diversify the Group's CRM customer base to non-telecommunications industries, the clients of which include, but not limited to, KFC, Guangzhou Watsons, Wuhan Watsons, Guangzhou Park'N Shop, Pizza Hut and Panasonic (Guangzhou).

Upon the acquisition of the Sunward Group in September 2010, Radio-Frequency Subscriber Identity Module ("RF-SIM") business has been added as one of the principal business segments. The principal business of the Group is classified into the following three segments:

Inbound Services

The Group offers inbound services which comprise a range of customer hotline services, including general enquiry, technical support, broadband connection arrangement, service installation, account activation, subscriber details update, account enquiry, account termination, order placement, member registration, built-in secretary ("BIS") and super secretarial services ("Super BIS"). BIS service is a personalized message taking service, where its operators transmit messages left to the subscriber via SMS. The Super BIS service is a concierge service where the operators can provide advanced functions such as making restaurant reservation and purchasing flight tickets for high-end subscribers.

Outbound Services

Outbound services are mainly made up of telesales and market research services. The Group's operators run on behalf of their customers promotions and ongoing telemarketing via unsolicited phone calls (cold calls). The operators can also conduct large scale surveys to efficiently collect feedback, opinions, and in some cases, complaints for their customers.

RF-SIM Business

RF-SIM is a technology of proprietary intellectual property right that embeds a special-made radio frequency module into a mobile SIM card that complies with GSM specifications. The RF-SIM card is a combination of ordinary mobile phone subscriber identity module card and contactless smartcard. RF-SIM business covers (i) the research and development, production and sales of RF-SIM products; and (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau (iii) research and development and technology transfer of CA-SIM application rights to customers.

BUSINESS ENVIRONMENT

Mature development of China's service outsourcing base cities leads to the fierce competition of CRM market. It becomes a big challenge to the Group. Due to the robust domestic demand of CRM services, the risk exposure to the operation of the Group is still at a manageable level. In 2015, China's economic growth rate reached 6.9%, which was slightly lower than the economic growth target of 7% expected by the government of China earlier. Capitalizing on the valuable opportunities arising from a number of favorable government policies in China, including the growth in 4G mobile communications, the "Internet Plus" strategy, the increase in domestic demand and the demand arising from the 13th Five-Year Plan for the development of "Smart City", the Group continues to explore the China market.

CRM outsourcing is relatively common in the traditional telecommunications industry. CRM customer base has been extended to a wide range of industries, stretching across finance, postal, travel, healthcare, logistics, information technology, online business, media, public utilities and retail. Meanwhile, new concepts such as "Services in China", online services, mobile internet application ("APP") and the government's "Internet Plus" strategy are getting increasingly popular and these new elements have been integrated into traditional CRM services. In 2015, the Group continued to expand its internet CRM services to customers to operate intelligent online business for them. Therefore, the immense potential scale of a rising intelligent CRM market will be further enhanced along with the swift growth in China's booming consumer market. The Group is well-prepared for capturing the opportunities and meeting the challenges ahead.

The Group is supplying RF-SIM products, a widely commercialized and proven technology in the market, as one of the alternative solutions to Near Field Communication ("NFC") handsets to mobile service providers in China and exploring the overseas market.

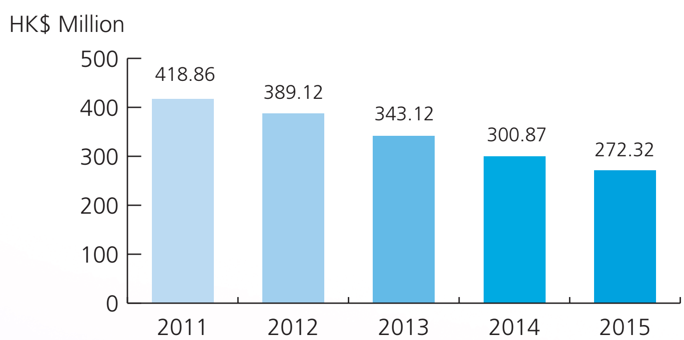
The Group continues to develop CA-SIM, which is based on the RF-SIM technologies with new capabilities to enable Online-to-Offline (O2O) transactions. According to the Ministry of Industry and Information Technology ("MIIT") of China, in 2014, one of the MIIT's initiatives was to further promote the use of e-payment in China. With this initiative in mind, MIIT has been actively promoting technologies including Mobile Internet, Cloud Computing, Internet-of-Things (IOT), etc., enabling O2O to become a new and popular way of spending. It is the Group's vision that the CA-SIM products will open up new sales opportunities by riding the wave of the newly developed O2O spending.

The Group is still keeping its vision on the long term opportunity of its product portfolio derived from its RF-SIM technology as prudently optimistic despite the uncertainty and risks on its business growth and product strategies due to the total accessible market which is huge and its unique position in the complex mobile payment ecosystem. The Group has been paying a lot of attention and caution to the changing market environment and adjusted its company's development direction accordingly, by reviewing its existing challenges and prospects.

FINANCIAL REVIEW

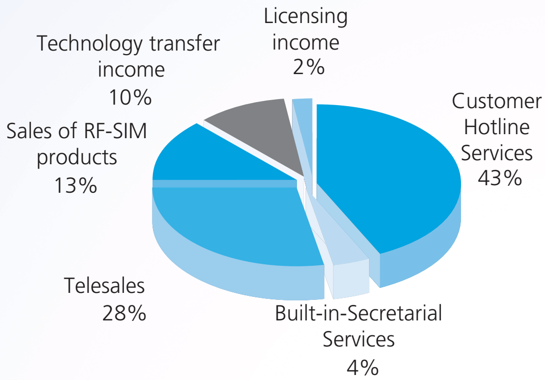
Revenue

For the year ended 31 December 2015, with revenue of approximately HK$243,012,000 and HK$29,308,000 contributed by CRM service business and RF-SIM business respectively, the Group's total revenue was approximately HK$272,320,000, representing a drop of approximately 10% as compared with approximately HK$300,874,000 in 2014. There was an approximately 5% increase in revenue contributed by CRM service business and an approximately 15% decrease in revenue contributed by RF-SIM business. The following table illustrates the Group's revenue from 2011 to 2015:

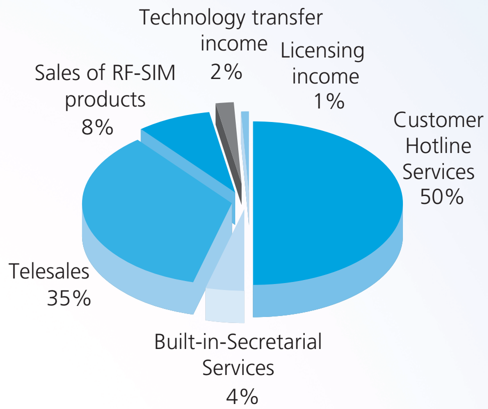


Revenue from 2011 to 2015

Revenue from inbound services, outbound services and RF-SIM business accounted for approximately 54%, 35% and 11% of the Group's total revenue for the year ended 31 December 2015 respectively. There were an increase of approximately 4% of inbound services, an increase of approximately 12% of outbound services and a decrease of approximately 60% of RF-SIM business as compared with last year. The new revenue stream of RF-SIM business, income from technology transfer, accounted for approximately 2% of the total revenue. Below are the charts illustrating the Group's revenue generated from different sections in 2014 and 2015.



Revenue by services in 2014



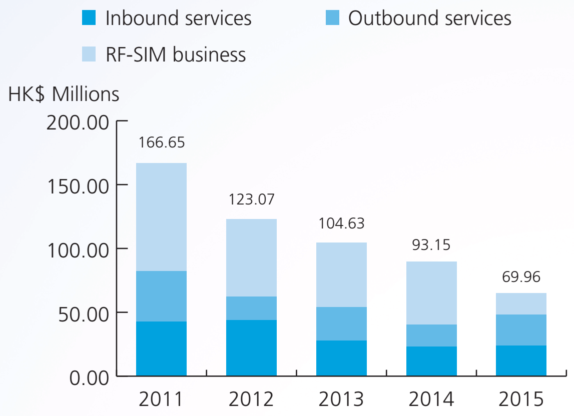
Revenue by services in 2015

Gross Profit

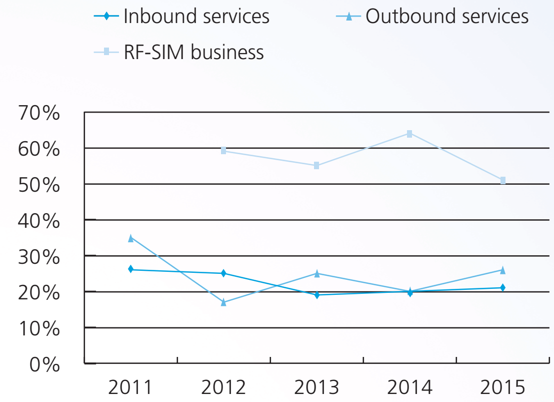
The Group's gross profit for the year ended 31 December 2015 was approximately HK$69,957,000, representing a decrease of approximately 25% as compared with last year. The gross profit margin decreased by approximately 5% from approximately 31% to approximately 26% as compared with last year.

The gross profit of CRM service business for the year ended 31 December 2015 was approximately HK$55,031,000, which increased by approximately HK$9,289,000 as compared with last year and accounted for approximately 10% of the increase in gross profit of the Group. The gross profit margin of CRM service business increased by approximately 3% from approximately 20% to approximately 23%. The gross profit of RF-SIM business for the year ended 31 December 2015 was approximately HK$14,926,000, which decreased by approximately HK$32,481,000 as compared with last year and accounted for approximately 35% of the decrease in gross profit of the Group. The gross profit margin of RF-SIM business decreased by approximately 13% from approximately 64% to approximately 51% as compared with last year.

The gross profit of inbound services, outbound services and RF-SIM business accounted for approximately 44%, 35% and 21% of the Group's gross profit for the year ended 31 December 2015 respectively. The gross profit margins of the inbound services, outbound services and RF-SIM business for the year ended 31 December 2015 were approximately 21%, 26% and 51% respectively. Below are the charts illustrating the Group's gross profit from different business segments from 2011 to 2015.



Gross profit by segment



Gross profit margin by segment

Administrative and Other Operating Expenses

For the year ended 31 December 2015, the total administrative and other operating expenses of the Group were approximately HK$47,930,000 equivalent to approximately 18% of the Group's revenue in 2015. The administrative and other operating expenses to sales ratio was approximately 4% higher as compared with last year.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2015 was approximately HK$28,294,000, while the Group's profit attributable to equity holders of the Company for the year ended 31 December 2014 was approximately HK$44,513,000, representing a decrease of approximately 36%. The net profit margin also dropped from approximately 15% to approximately 10%. The decrease in profit attributable to equity holders of the Company for the year ended 31 December 2015 was mainly attributable to decrease in technology transfer income.

CRM SERVICE BUSINESS

Business Review

Customers in Telecommunications Industry

In 2015, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. There was an increase in revenue of the Group from telecommunications service providers for the year ended 31 December 2015 of approximately 2% as compared with last year.

Customers in Non-Telecommunications Industries

In 2015, the Group continued to broaden its non-telecommunications customer base through active negotiation with potential customers in various industries such as food and beverage, slimming and beauty shops, social welfare, education, information technology, banking and exposition and has successfully acquired service contracts from new customers under the paragraph – "New Customers" of this report.

Subsequent to the cooperation with Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司) in supporting the development and promotion of the "People's Welfare Card" in Panyu Region, the PRC, the Group entered into cooperative agreements with Beijing Shuntiantong Property Management Co., Ltd. (北京順天通物業管理有限公司), Cable Television Working Committee of China Alliance of Radio, Film and Television (中國廣播電影電視社會組織聯合會有線電視工作委員會), China Smartpay Group Holdings Limited (中國支付通集團控股有限公司) (HKEX Stock Code: 8325) and Guangdong Sunshine Kangzhong Medical Investment Management Limited (廣東陽光康眾醫療投資管理有限公司) in respect of CA-SIM collaboration on soultion of "Smart City", e.g. authentication, payment, protection of the copyright and medical treatment.

The Group continued to cooperate with and provide CRM services to well-established customers and customers with business established outside Guangdong Province, China. These customers have stronger demand for the Group's services in line with their development and expansion. The existing customers have built up a consolidated customer base for the Group and have witnessed the Group's notable development in non-telecommunications industries.

Multi-Skill Training

Benefiting from the government's favorable training policy for CRM industry in China, the Group provided various training programs for its staff, including a multi-skill-and-management training program. This training program is designed to imbue experienced operators with skills that will allow them to work on multiple projects. This makes the project teams to be more versatile and better allocates the Group's resources. Consequently, operators that would otherwise be idle can now serve customers of different projects. That has significantly enhanced the Group's efficiency, particularly in small projects with volatile call volume.

An additional benefit of the training program is the further improvement in service quality. The multi-skill operators have attended at least two structured training programs, and have demonstrated superior performance in terms of customer satisfaction and telesales success rate. The Directors believe that the operators with multi-skills can form an elite CRM team that particularly suits high-end customers.

CRM Service Centers

The Group has established four CRM service centers and the current production capacity is at an impressive level of over 4,500 seats, securing the Group's leading position in China.

New Customers

During the year under review, the Group has entered into service contracts with the following customers for the provision of CRM services.

Customer	Service	Contract date
China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司)	Hotline Service	July 2015
Shanghai CHC Exhibition Co. Ltd. (上海荷瑞會展有限公司)	Telephone Survey Service	August 2015

Awards and Certification

In July 2015, China Elite Info. Co., Ltd. ("China Elite") was certified with the ISO/IEC 27001:2013 (the certificate registration No.AN15IS112R1M).

Internet CRM

During the year under review, the Group continued to provide Internet CRM service named Intelligent Internet Chat Application ("iChat") service, to established telecommunications service providers as well as customers in non-telecomunications industries. With the introduction of iChat service, the labor force structure of the traditional CRM service has been optimized. Furthermore, iChat service creates a unique value to the Group's customers. The Group believes that by changing the cost structure and increasing revenue source, the service will enhance profit margin of the Group.

Furthermore, the Group has integrated internet and mobile phone APPs to develope an artificial intelligence "CallVu" system and be able to redirect customers by using intelligent robots. CallVu is a visual customer service system, an extension of the Group's call center system and CRM system. Taking the advantage of the call center and based on voice interaction, CallVu provides a visual multimedia interactive display, through which users can communicate by voice as well as Interactive Display Response ("IDR") or by digital call-enhanced customer service system which combines voice and IDR. CallVu develops a visual and smart solution for call centers. The Directors believe that such new online customer service model of "Internet + CRM" will become an inevitable trend.

Prospects

The Group strives to increase the penetration in China market and the possibility of developing non-telecommunications markets. The Group expects new market opportunities from the startup of the 13th Five-Year Plan. More clients recognise the importance of the Group's professional service and may cooperate with the Group for lower operation cost, bigger market and higher customer loyalty management. The Group is looking forward to entering into service agreements with these potential customers.

Under a scientific and technological innovative environment in China, including, but not limited to, the growth in 4G mobile communications, the penetration of mobile internet application into everyday life, the emerging application for Smart City as well as the "Internet Plus" strategy, the Directors anticipate that there will be more opportunities emerged in the market of China and for the business development of the Group. In 2016, the Group expects to enter into service contracts with government departments of cities other than Guangzhou. The Group will continue to seek further business opportunities with other government departments and companies having establishments in provinces other than Guangdong, China.

In addition, the Group has been constantly seeking business improvement and worked out plans on launching new services, new programs and entering into new markets. In the near future, the Group is going to launch a new WiFi service named Mzone, which is a WiFi access based on wireless access points providing its users with high speed data communication services, including but not limited to Net surfing, Cloud game, Cloud media, SNS chat. With the Group's strong operating team and its developed and advanced in-house technologies, both CRM and evolution gaining increasing recognition, the Directors anticipate that there will be a growing demand for quality intelligent CRM outsourcing solution from various industries in local and overseas markets. The Directors are confident that the Group can capture the lucrative opportunities provided by these future growth drivers.

RF-SIM BUSINESS

Business Review

For the year ended 31 December 2015, sales of RF-SIM products continued to decline, while CA-SIM products yet to achieve volume sales. The situation is caused by several factors. Firstly, technologies available for mobile payments and mobile e-commerce are increased. Secondly, the rollout of QR Code and Mobile APP based payment solutions (such as Wechat Wallet and Alipay) caused impact on mobile micro payment industry. Thirdly, mobile handset manufacturers have launched their own handset-based contactless payment solutions (such as Apple Pay) and aroused participation of many commercial banks. Fourthly, mobile operators tend to adopt NFC-based SWP SIM solution as mobile payment solution. Fifthly, though the Group's technology and products are comparatively more advanced in features and of higher security level, its cost in manufacturing and marketing is high. As a result, the Group encountered significant decline in revenue and operating profit as compared with last year.

Marketing Strategy

The Group will continue to keep its marketing strategy to deploy its RF-SIM and NFC-SIM products as well as the CA-SIM products through its well-established channels including SIM card vendors, system integrators as well as service aggregator companies. The Group will also explore to establish direct sales channel with mobile operators and to offer different incentive programs with channels to promote product sales.

The Group has never stopped exploring the international market, but there was not much progress due to the long sales cycle as well as different business environments and requirements as compared to that in China for the overseas business. The Group will leverage on the CA-SIM products together with the existing product portfolio to explore the international market through co-operation with overseas system integrators and service operators.

The Group will continue to explore and expand the new licensing program to increase revenue.

Product Development

The Group is actively studying new technology to develop a NFC-based SIM card with Bluetooth-enabled product in order to meet demand in the industry particularly of mobile operators. The new product will be able to overcome technology deficiencies of all solutions and applications available to mobile payment and mobile e-commerce industry nowadays.

In addition, the Group will continue to invest in research and development on new technology and sphere, strive to achieve technology diversification and enhance the accumulate technical reserves.

Manufacturing and Production

The Group did experience a slowdown in demand for the products under outsourcing arrangement but two contracted manufacturing facilities were still employed in the meantime. New products were on trial run and pilot manufacturing in one of them while volume production was being carried out in another one with a bigger capacity. The readiness for supplying a larger scale of the Group's RF-SIM, NFC-SIM and CA-SIM products was maintained and the supply chain management techniques were being continuously enhanced to reduce the inventory level despite the demand for the existing products was not strong and has not been solid for the new products yet. The Group had tried whatever measures to ensure the improvement in quality of production and products, including submitting the products for third party certification and authoritative organizations in quality examination when applicable.

Awards and Recognition

In 2015, the Group received the following awards and certifications:

"Innovative Product Award of Golden Ant Award" by Office of China Golden Card Project (中國金卡工程辦公室金「螞蟻獎-創新產品獎」)

"Model Enterprise of Intellectual Property" by Intellectual Property Office of Xiamen (廈門市知識產權局「知識產權示範企業」)

"Innovative Enterprise" by Xiamen Municipal Government (廈門市市政府「廈門市創新性企業」)

Patent: Mobile phone subscriber identity card based on multichannel digital authentication of mobile payment.

Prospects

The Group is extending its product portfolio with new product line and licensing programs which can continue to meet the requirements from both the market as well as the customers, and to arouse new demand for the Group's products. These initiatives to extend the Group's product portfolio and to explore international markets will be a challenge for the Group but the Group will continue to pursue with a proper risk assessment and management philosophy in place.

CAPITAL STRUCTURE

The Group adopts a sound financial policy, and the cash surplus is deposited with the banks to facilitate extra expenditure or investment. The management makes financial forecast on a regular basis. As at 31 December 2015, the Group had no outstanding loan or borrowing, and the gearing ratio (being ratio of total borrowings outstanding less cash and deposits to the sum of total equity and total borrowings) was therefore inapplicable. As at 31 December 2015, the Group's balance of cash and deposits was approximately HK$447,701,000, which was attributable to the proceeds from the IPO and cashflow from operations.

LIQUIDITY AND FINANCIAL POSITION

	2015 **HK$'000**	2014 HK$'000
Cash at bank and in hand	**156,313**	244,445
Bank deposits	**291,388**	209,478
Total cash and deposits	**447,701**	453,923

The Group normally finances its operations with internally generated cash flows. Cash position decreased by approximately HK$6,222,000 in 2015.

As at 31 December 2015, the current ratio was 30.40 (2014: 33.74) and the quick ratio was 28.09 (2014: 31.55).

FOREIGN EXCHANGE RISK

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group has not entered into any significant forward exchange contract to hedge its exposure to foreign exchange risk.

ASSET MORTGAGE

The Group had no outstanding asset mortgage as at 31 December 2015.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2015.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

As at 31 December 2015, the Group had no specific acquisition target. The Group did not have any material acquisition and disposal of subsidiaries and affiliated companies, and investment during the year under review.

GEARING RATIO AND INTEREST CAPITALIZATION

The Group had no outstanding bank loans or other loans with interest as at 31 December 2015. During the year under review, no interest was capitalized by the Group.

CAPITAL COMMITMENTS

As at 31 December 2015, there was no capital commitment contracted and not provided for in the financial statements (2014: nil).

SEGMENT REPORTING

In accordance with IFRS 8, Operating Segments, operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The Group has identified three reportable segments which are inbound services, outbound services and RF-SIM business. Details of the segment reporting are set out in note 6 to the consolidated financial statements.

STAFF AND REMUNERATION POLICY

As at 31 December 2015, the Group had 3,055 employees (2014: 2,687 employees). Among them, 3,040 employees worked in the PRC, 13 employees worked in Hong Kong and 2 employees worked in Macau.

Breakdown of the Group's staff by function as at 31 December 2015 is as follows:

Function	As at 31 December 2015	As at 31 December 2014
Management	**15**	14
Operation	**2,793**	2,444
Financial, administrative and human resources	**106**	102
Sales and marketing	**7**	14
Research and development	**93**	81
Repair and maintenance	**41**	32
	3,055	2,687

The total staff remuneration including Directors' remuneration paid by the Group in 2015 was approximately HK$190,927,000 (2014: approximately HK$198,297,000). The remuneration paid to the staff, including Directors, is based on their qualification, experience, performance, and market rates, so as to maintain a competitive remuneration level. The Group also offers various staff welfare, including share option scheme, housing fund, social insurance and medical insurance. It believes that employees are the most valuable assets of the Group.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year under review.

REPORT OF DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION LOCATION

The principal activity of the Company is investment holding. Activities and the analysis of operation location of its subsidiaries are set out in note 25 to the consolidated financial statements.

PRINCIPAL PLACE OF BUSINESS

The principal places of business include Hong Kong, the PRC and Macau.

BUSINESS REVIEW

A review and outlook of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" respectively on page 3 and pages 4 to 12 of this report.

Principal Risks and Uncertainties

Apart from those stated in the Chairman's Statement and Management Discussion and Analysis sections, the Group is exposed to the following principal risks and uncertainties.

Risks Relating to the Industry

The industry in which the Group operates is subject to rapid changes in technology. There can be no assurance that the Group will necessarily be able to offer the latest technology or services to its customers, nor develop the expertise, experience and resources to offer the latest technology or services required by customers on a timely and competitive basis. The Group may incur significant expense in developing services and expertise in order to closely follow the latest technology.

The Group faces increasing competition in the business areas in which it operates. The Directors expect this trend to continue and to accelerate. There is no assurance that competitors will not develop the expertise, experience and resources to provide services that offer greater competitiveness in both price and quality as compared to the services offered by the Group, or that the Group will be able to maintain and enhance its competitive edge.

As at the latest practicable date, there is no legal requirement pursuant to which the Group must obtain a licence under the Regulations on Telecommunications in the PRC (中華人民共和國電信條例) to operate as a CRM outsourcing service provider in the PRC. In the event that the PRC government imposes any such law and/or regulations which impacts on the Group's business, the Directors will use its best endeavours to comply with such laws and/or regulations as required. However, there can be no assurance that the changes in the regulatory environment will not have an adverse effect on the Group's business and results of operation.

Reliance on Major Customers

The Group derives a significant portion of its turnover from the provision of services and sales of goods to a certain number of its key customers.

In addition, some of the contracts entered into between certain of the major customers and the Group contain an exclusive clause restricting the provision of the Group's services to any companies which undertake competing business with those major customers in Hong Kong, Macau and the PRC, unless (i) prior written consent has been given by those major customers or (ii) those competitors were existing customers of the Group at the time when the Group entered into contracts with those major customers.

Reliance on the Telecommunications Industry

The Group currently derives a substantial portion of its turnover from telecommunications service providers and SIM card vendors in Hong Kong, Macau and the PRC. Demand for the products and services of the Group depends on the level of activities in the telecommunications industry in Hong Kong, Macau and the PRC and market competition. Any trend towards an increase in competition in the telecommunications industry in Hong Kong, Macau and the PRC, particularly amongst the telecommunications service providers which are the Group's direct and indirect customers, may put downward pressure on prices for their products and services, and consequently on their turnover. Should this happen, these telecommunications service providers may reduce purchase orders for SIM cards and attempt to maintain their profit margins by reducing their costs, including the CRM outsourcing fee they are willing to pay to the Group.

Potential Product and Service Liabilities

The Group's CRM services may be critical to the operations of its customers' businesses. If the Group provides wrong information in delivering its services which subsequently adversely affect any of the Group's customers' businesses, the Group may incur additional costs in rectifying such errors or defending any legal proceedings and claims brought by its customers against the Group. Consequently, this may affect the Group's relationship with such customers and may result in negative publicity of the Group. The Group has no insurance cover on its potential liabilities. Any defects or errors in the Group's products or services could result in delayed or lost turnover, adverse customer relationship, negative publicity and additional costs.

The Trade Descriptions (Unfair Trade Practices) Ordinance ("TDO") Amendment 2012 was passed by the Legislative Council on 17 July 2012 and has come into effect on 19 July 2013. It extends the coverage to prohibit specified unfair trade practices deployed by traders against consumers, including false trade descriptions of services, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment. To control the risk and to comply with the regulation, the Group is using its best endeavours to train and manage the employees involved. As at the latest practicable date, the Directors are not aware of any complaints and/or claims against the Group for violation of TDO. However, there is no assurance that employees of the Group will not violate TDO in the future.

Reliance on Key Management

To a significant extent, the Group's success depends on the experience, expertise and the continuous services of the Group's executive Directors. The Group's performance also depends on its ability to retain and motivate its key officers. However, there is no assurance that the Group will be able to retain the continuous services of the executive Directors and the members of the senior management. If the Group is unable to retain their services, the operations of the Group may be adversely affected, if for any reason, replacement cannot be found in a timely and commercially viable manner.

Failure to Recruit and Retain Competent Employees

The success of the Group especially its CRM business depends heavily upon the continuous services provided by a huge quantity of employees whose industry expertise and experience in the business e.g. business vision, operating skills, and working relationship with customers and regulatory authorities are relied. If many of the employees are unable or unwilling to continue providing their services to the Group, or join competitors of the Group, or form competing companies, the Group's business may be adversely affected.

The sustainability and growth of the Group depend on the devotion of its employees. If the Group is unable to identify, hire and retain qualified employees, it may be unable to meet its business and financial goals.

The Stability of the Network of the Group

The Group's operational systems utilized by the CRM service centers are vulnerable to damage from fire, flood, power loss, telecommunications failures, computer virus, hackings and similar events. Any network interruption or inadequacy that causes interruptions in the connectivity of the system of the Group or deterioration in the quality of access to the system of the Group or failure to maintain the network and server or failure to solve such problems quickly could reduce the Group's customers' satisfaction. In addition, any security breach caused by hackings, which involve efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could have a material adverse effect on the business, financial condition and results of operations. The Group maintains insurance policies covering losses relating to the systems of the Group and does not have business interruption insurance.

Infringement or Misappropriation of Intellectual Property rights

The Group's CRM business heavily relies on the operating systems in its daily operations which are developed by the Group's research and development department. The Group obtained registration certificate issued by the National Copyright Administration (國家版權局) in respect of internet CRM systems in 2011. The Group has remained among few of the operation systems owners who applied protection for these intellectual property rights. The Group also relies on non-disclosure of confidential information agreements provided by the Group's research and development personnel to protect the Group's intellectual property rights on the operating systems currently in use.

The operation and future plan of the Group's RF-SIM business involves various intellectual property rights, such as the RF-SIM and CA-SIM IP Rights.

There is no assurance that the current protection measures adopted by the Group provide adequate protection against infringement of any intellectual property rights attributable to the Group. Any unauthorized use, infringement or misappropriation of such rights by third parties may adversely affect the Group's business.

Inadequate Protection of Personal Data

The Group, acting as a CRM outsourcing service provider, obtains a significant amount of personal data from its customers, in particular, personal data of subscribers of the Group's telecommunications customers. Pursuant to contracts entered into between the Group and its customers and in compliance with the Personal Data (Privacy) Ordinance (Chapter 486), the Group is obliged to keep all such data confidential. In the event that there is a breach of confidentiality by the Group and data is leaked to third parties, the subscribers may take legal action against the Group's customers for loss and/or damages. In addition, the Group's customers may exercise their rights under the contract to terminate the contract and proceed to institute legal proceedings to claim damages for any loss sustained as a result of the Group's breach. Further, the contracts entered into by the Group with its customers contain general indemnity clauses which cover amongst others, such circumstances.

The Group has implemented internal control procedures to safeguard confidential data, including (1) restricted physical access to the designated working areas; (2) prohibited use of information storage devices; and (3) non-disclosure and confidentiality agreements with the Group's employees. However, there is no assurance that there will not be any leakage of personal data that may adversely affect the Group's business and reputation.

The Effect of the Unsolicited Electronic Messages Ordinance ("UEMO")

The UEMO governs the sending of commercial electronic messages which, for the purposes of the UEMO, include a message in any form sent over a public telecommunications service (including among others, SMS, faxes or emails) to an electronic address and includes but is not limited to a text, voice, sound, image or video message; and a message combining text, voice, sound, image or video for the purpose of advertising, promoting or offering any goods, services, business opportunities or the organizations themselves. The UEMO also governs the use of address harvesting software i.e. software which is specifically designed or marketed for use for searching the Internet or a public telecommunications network and collecting electronic addresses such as telephone numbers or email addresses in connection with or to facilitate the sending of such commercial electronic messages. The UEMO does not apply to person-to-person telemarketing calls. The Group's current business does not involve the sending of commercial electronic messages and the Group does not use any address harvesting software. Therefore the Group's business activities are not under the scope of the UEMO. However, there can be no assurance that the Group's future business activities will not fall under the scope of the UEMO. Should this happen, the Group's operations may be adversely affected by the costs and time involved in ensuring that the Group's activities comply with the UEMO. In addition, should the Group fail to comply with the UEMO, it may be liable for fines.

Risk Relating to the PRC

The Group's CRM service centers are located in Guangdong Province, the PRC, the operations of which are therefore subject to the laws and regulations prevailing in the PRC. The Group's RF-SIM business, the development, production and sales of RF-SIM and CA-SIM products and the licensing of RF-SIM and CA-SIM operation rights in the PRC are subject to the laws and regulations in the PRC. The Group's operations may be adversely affected should there be any changes in the political, economic and legal environment in the PRC or changes in the policies or regulations in the PRC relating to the industry in which the Group operates.

At present, RMB is not freely convertible into other currencies. Pursuant to the current relevant regulations in the PRC, foreign investment enterprises are permitted to remit their profit or dividends in foreign currencies overseas or repatriate such profit or dividends after converting the same from RMB into foreign currencies through banks which are authorised to engage in foreign exchange business. Foreign investment enterprises are permitted to convert RMB into foreign currencies for items in their current accounts (including dividend payment to foreign investors) and that the control over conversion of RMB into foreign currencies for items in their capital accounts (including direct investment, loan and investment in securities) is more stringent. The Group's business operations are, to a significant extent, undertaken by China Elite and Xiamen Elite Electric Company Limited ("Xiamen Elite"), wholly foreign-owned enterprises established in the PRC, which are subject to the above regulations.

The Group is subject to restrictions on foreign investment policies imposed by the PRC law from time to time. For instance, under the Foreign Investment Catalogue, some industries are categorized as sectors which are encouraged, restricted or prohibited for foreign investment. As the Foreign Investment Catalogue is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of the businesses of the Group to fall within the restricted or prohibited categories. If the Group cannot obtain approval from relevant approval authorities to engage in businesses which become prohibited or restricted for foreign investors, it may be forced to sell or restructure the businesses which have become restricted or prohibited for foreign investment. If the Group is forced to adjust the corporate structure or business line as a result of changes in government policy on foreign investment, the business, financial condition and results of operations of the Group may be materially adversely affected.

Financial Risk

The Group is exposed to financial risks, such as foreign exchange risks, interest rate risks, credit risks and liquidity risks. The Group reviews regularly and manages its capital structure to maintain a sound capital position. Certain portion of the Group's trade receivables and deposits with banks is denominated in foreign currency i.e. Renminbi ("RMB"). The Group currently does not have hedging policy in respect of the foreign exchange risk. Nevertheless, the Group has continuously evaluated and monitored the fluctuation of RMB and may consider entering into forward contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rate. For details of the Group's financial management policies and strategies in managing these financial risks, please refer to note 3 to the consolidated financial statements.

Major Financial and Business Performance Indicators

Major financial and business performance indicators include revenue, gross profit margin, ratio of administrative and other operating expenses, net profit margin, current and quick ratio etc. Details of these indicators are set out in the section "Management Discussion and Analysis" of this report.

Environment Policies and Performance

The Group has committed to be an environmentally-friendly corporation that pays close attention to conserve natural resources. It strives to minimize environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group also requests factories of its suppliers and its contracted manufacturing facilities to operate in strict compliance with the relevant environmental regulations and rules.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with the requirements of relevant laws and regulations, and any failure to comply with such requirements may result in interruptions in, or termination of the operation. The Group has allocated systems and human resources to ensure continuing compliance with rules and regulations and sound working relationships with regulators through effective communications. During the year under review, to the best of our knowledge, the Group has complied with the Listing Rules, the Securities Ordinance, the Companies Ordinance, the Trade Descriptions Ordinance (Chapter 362), the Personal Data (Privacy) Ordinance (Chapter 486), the Unsolicited Electronic Messages Ordinance (Chapter 593), the Company Law of the PRC (中華人民共和國公司法), the PRC Foreign Investment Law (中華人民共和國外資企業法), the PRC Administration of Tax Collection (中華人民共和國税收徵收管理法), Regulations on Telecommunications in the PRC (中華人民共和國電信條例), the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law of the PRC on Work Safety (中華人民共和國安全生產法), the Labor Law of the PRC (中華人民共和國勞動法), the Labor Contract Law of the PRC (中華人民共和國勞動合同法), the Computer Software Protection Regulations Rules (計算機軟件保護條例), the Code of Computer Software Copyright Registration (計算機軟件著作權登記辦法) and other relevant rules and regulations.

Relationships with Major Stakeholders

The Group's success relies on the support of major stakeholders including customers, employees, suppliers, regulators and shareholders.

Customers

The Group is committed to providing its customers with quality products and services so as to strive for sustained growth in respect of revenue and profitability. The Group has adopted various means to strengthen communication with its customers to provide excellent and quality products and services so as to increase market penetration and expand its various businesses.

Employees

Employees are considered to be the most important and valuable assets of the Group. The purpose of human resources management of the Group is to reward the staff with excellent performances through the provision of generous remuneration package and the implementation of the comprehensive performance evaluation plan. Besides, the Group formulates an appropriate training plan based on various positions and duties and titles and provides certain opportunities and platforms to assist them to develop and get promoted within the Group.

Suppliers

Maintaining good relationships with the suppliers is essential to the Group in respect of the supply chain and when facing business challenges and regulatory requirements. It can achieve cost efficiency and promote long term commercial benefits. Major suppliers include raw material suppliers, system and equipment suppliers, external consultants providing professional services, suppliers of office supplies or commodities and other business partners providing the Group with value added services.

Regulator

As a company listed in Hong Kong, the Company is subject to the regulation of the Securities and Futures Commission of Hong Kong, the Hong Kong Stock Exchange and other relevant regulators. With operations in the PRC, the Group is also subject to the regulation of the PRC of the Ministry of Commerce (商務部), the State Administration for Industry and Commerce (工商行政管理總局), the State Administration of Taxation (稅務總局), the Ministry of Human Resources and Social Security Bureau (人力資源和社會保障部), the National Copyright Administration (國家版權局) and other relevant regulators. The Group expects to constantly update and ensure compliance with new rules and regulations.

Shareholders

One of the corporate objectives of the Group is to enhance the corporate value for its shareholders. The Company will distribute dividends or issue bonus shares to its shareholders in recognition of their continual support while boosting the Group's business development to achieve the sustainable profit growth and taking into account the capital adequacy level, liquidity and business expansion needs.

FINANCIAL INFORMATION

Five-Year Financial Summary

A summary of the consolidated income statement and the assets and liabilities of the Group for the last five financial years is set out on page 96 of this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement, on page 43 of this report.

Major Customers and Suppliers

For the year ended 31 December 2015, the revenue attributable to the largest customer and the five major customers accounted for approximately 42% and approximately 83% of the Group's revenue respectively.

For the year ended 31 December 2015, purchases from the largest supplier accounted for approximately 27% of the Group's total purchases. Purchases from the five largest suppliers accounted for approximately 71% of the Group's total purchases.

None of the Directors, or any of their respective associates, or any Shareholders (whom to the knowledge of the Directors own more than 5% of the issued share capital of the Company), had any interests in any of the Group's five largest customers or five largest suppliers during the year.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015. No dividend was paid in respect of the year ended 31 December 2014.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

Debentures

The Group has not issued any convertible debentures, futures, or granted any options, or other similar rights for the year ended 31 December 2015.

Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in notes 21 and 29 to the consolidated financial statements respectively.

Distributable Reserve and Share Premium

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2015, the Company had approximately HK$1,481,785,000 (2014: approximately HK$1,542,342,000) available for distribution to equity shareholders of the Company, subject to immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

Connected Transactions

On 23 November 2015, Xiamen Elite, an indirect wholly-owned subsidiary of the Company entered into technology development agreements (the "Technology Development Agreements") with Directel Communications Limited ("Directel Communications"), an indirect wholly-owned subsidiary of Directel Holdings Limited ("DHL"), pursuant to which Directel Communications entrusted Xiamen Elite to research and develop the OTA Card based on CA-SIM and RF-SIM technology and the application programming interface for the "One Card Multiple Number" for Directel Communications with aggregate consideration of RMB3,500,000 (equivalent to approximately HK$4,241,000).

As Mr. Li Kin Shing is a director and controlling shareholder (as defined in the Listing Rules or the GEM Listing Rules) (as the case may be) of both the Company and DHL, Xiamen Elite and Directel Communications are connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Technology Development Agreements thus constituted connected transactions of the Company.

As the percentage ratios (other than the profits ratio) applicable to the Company exceeds 5% but is less than 25% and the total consideration is less than HK$10,000,000, the transactions contemplated under the Technology Development Agreements were subject to reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 23 November 2015, notes 5 and 27 to the consolidated financial statements.

Continuing Connected Transactions

The continuing connected transactions as referred to in paragraphs A and B fell under the category of continuing connected transactions exempt from the independent shareholders' approval requirements during the three years ended 31 December 2012. Upon their renewal on 12 December 2012, these continuing connected transactions as referred to in paragraphs A and B fell under the category of de minimis transactions and are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

A. *Service agreements*

1. Service agreement between International Elite Limited – Macao Commercial Offshore (IEL Macau) (novate from its affiliated company, PacificNet Communications Limited – Macao Commercial Offshore ("PacificNet Communications") on 1 October 2011) and Elitel Limited in respect of BIS services; and

2. Service agreement between IEL Macau (novated from its affiliated company, PacificNet Communications on 1 October 2011) and China-Hong Kong Telecom Ltd. ("China-HK Telecom") in respect of BIS and customer hotline services.

B. *China-HK Telecom Telesales Agreement*

1. Service agreement between IEL Macau (novated from its affiliated company, PacificNet Communications on 1 October 2011) and China-HK Telecom in respect of telesales services.

Details of the above continuing connected transactions are disclosed in the prospectus of the Company dated 11 October 2007.

The Directors confirm that the Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above-mentioned connected transaction and continuing connected transactions.

Issuance of Bonus Shares

The Board has made a bonus issues of two new shares credited as fully paid for every one share held by shareholder of the Company whose names appeared on the register of members of the Company on 10 June 2015 after the ordinary resolution was passed on the same date. For further details about the bonus issues, please refer to note 20 to the consolidated financial statements.

Post Balance-Sheet Events

Honor Crest Holdings Limited (the "Subscriber"), a direct and wholly-owned subsidiary of the Company, has entered into a subscription agreement with Global Link Communications Holdings Limited ("Global Link") on 27 February 2016 (the "Subscription Agreement"), whereby Global Link has conditionally agreed to allot and issue 1,000,000,000 subscription shares at a subscription price of HK$0.08 per subscription share. The net consideration of the subscription is estimated to be approximately HK$79,000,000.

Immediately prior to the entering into the Subscription Agreement, the Company is interested in 128,000,000 shares of Global Link, representing approximately 11.76% of the entire issued share capital of Global Link as at the date of Subscription Agreement. Immediately after the completion, the Subscriber and other parties acting in concert with it will own 1,128,000,000 shares, representing approximately 54.00% of the entire issued share capital of Global Link as enlarged by the allotment and issue of subscription shares. Pursuant to Rule 26.1 of the Takeovers Code, the Company is required to make an unconditional mandatory cash offer for all the issued shares, thus, 960,807,500 shares will be subject to the unconditional mandatory cash offer to be made by China Galaxy International Securities (Hong Kong) Co., Limited on behalf of the Subscriber (the "Offer") and the total consideration of the Offer would be approximately HK$77,000,000. Further details of the acquisition are set out in the announcement of the Company dated 29 February 2016 and the circular of the Company dated 30 March 2016.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

- Li Kin Shing (李健誠) *(Chairman and Chief Executive Officer)*
- Li Yin (李燕)
- Wong Kin Wa (黃建華)
- Li Wen (李文)

Independent Non-Executive Directors

- Chen Xue Dao (陳學道)
- Cheung Sai Ming (張世明)
- Liu Chun Bao (劉春保)

In accordance with the Company's Articles of Association (the "Articles"), Mr. Li Kin Shing, Mr. Li Wen and Mr. Chen Xue Dao shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM"), and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Confirmation of Independence

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

(a) Each renewal of service agreements is for an initial term of three years commencing on 16 October 2013. Each of these service agreements may be terminated by either party thereto giving to the other not less than three months' prior notice in writing;

(b) Each of the executive Directors is entitled to allowance, non-cash benefit, retirement scheme contribution and management bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the executive Director; and

(c) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus payable to himself.

Each of the independent non-executive Directors has entered into a service agreement or appointment letter with the Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

(a) Each of Mr. Chen Xue Bao and Mr. Cheung Sai Ming entered into a service agreement with the Company for an initial term of three years commencing on 16 October 2013. Mr. Liu Chun Bo has signed an appointment letter with the Company and been appointed for a term of three years commencing from 3 June 2014. Each of these service contracts may be terminated by either party thereto giving to the other not less than three months' prior notice in writing. The appointment letter of Mr. Liu Chun Bo may be terminated by either party thereto giving to the other not less than one month prior notice in writing.

(b) Each of the non-executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus payable to himself.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Permitted Indemnity Provision

Pursuant to section 164 of the Articles, every Director is entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may sustain or concur in or omitted in or about the execution of his or her duties, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended December 31, 2015.

Contract of Significance

Save for the service contracts of the Directors and the contracts under the paragraphs – "Connected Transactions"and "Continuing Connected Transactions" as disclosed above, no contract of significance in relation to the Group's business to which the Company, its subsidiaries and controlling Shareholders was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

DIRECTORS AND SENIOR MANAGEMENT

The brief biographical details of Directors and senior management are set out in pages 39 to 40 of this report.

Directors Remunerations and Five Employees with Highest Emolument

Details of Directors' remunerations and five employees with highest emolument are set out in notes 8 and 30 to the consolidated financial statements.

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2015 (2014: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2015 (2014: Nil).

During the year ended 31 December 2015, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

Staff Contribution Retirement Schemes

The amounts of contributions and details of the Group's defined contribution retirement schemes are set out in notes 8 and 2.17(i) to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2015, so far as known to the Directors, the Directors and the chief executives of the Company had the following interests and short positions in the shares, underlying shares or the debentures of Company or any of its associated corporation within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests, and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Interests in ordinary shares of the Company – long position

		Number of shares held				
Name of Directors	Company/Associated corporation	Personal Interests	Family Interests	Corporate Interests	Total of Interests	Percentage of Equity
Mr. Li Kin Shing	Company (Note 1)	1,150,470,000	3,122,430,000	2,052,000,000	6,324,900,000	69.63%
Mr. Li Wen	Company	36,900,000	–	–	36,900,000	0.41%
Mr. Wong Kin Wa	Company	15,000,000	–	–	15,000,000	0.17%
Ms. Li Yin	Company (Note 2)	–	–	–	–	–
Mr. Li Kin Shing	Ever Prosper International Limited ("Ever Prosper") (Note 3)	500	465	–	965	96.5%
Ms. Li Yin	Ever Prosper (Note 2)	35	–	–	35	3.5%

NOTES:

1. The 2,052,000,000 shares are held by Ever Prosper, which is held as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. The 3,122,430,000 shares are held by Ms. Kwok King Wa in person. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 6,324,900,000 shares under the SFO.

2. Ms. Li Yin holds 3.5% of the issued share capital of Ever Prosper, which in turn holds 22.59% of the issued share capital of the Company. Therefore, she will have an attributable interest of 0.79% of the issued share capital of the Company.

3. Mr. Li Kin Shing holds 500 shares of Ever Prosper in person, with the nominal value US$1 per share. The 465 shares of Ever Prosper is held by Ms. Kwok King Wa in person. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 965 shares under each other's name under the SFO.

Save as disclosed above, as at 31 December 2015, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND, UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Interests in ordinary shares of the Company – long position

Name	Capacity	Number of Shares	Approx. percentage of interests
Ever Prosper	Beneficial owner	2,052,000,000 (Note 1)	22.59%
Jovial Elite Limited	Beneficial owner	900,000,000 (Note 2)	9.91%
Glory Moment Investments Ltd.	Beneficial owner	840,000,000 (Note 3)	9.25%

NOTES:

1. The 2,052,000,000 shares are held by Ever Prosper, which is held as to 50%, 46.5% and 3.5% by Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa.

2. According to the notice filed by Jovial Elite Limited, Jovial Elite Limited is a wholly owned subsidiary of Hony Capital Fund 2008, L.P.. Hony Capital Fund 2008, L.P. is 100% controlled by Hony Capital Fund 2008 GP, L.P.. Hony Capital Fund 2008 GP, L.P. is 100% controlled by Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is 100% controlled by Hony Capital Management Limited. Hony Capital Management Limited is 80% controlled by Hony Managing Partners Limited. Hony Managing Partners Limited is 100% controlled by Mr. Zhao John Huan.

3. The 840,000,000 shares are held by Glory Moment Investments Ltd., which is wholly owned by Mr. Fang Shin.

Save as disclosed above, as at 31 December 2015, so far as known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTIONS SCHEMES

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") in the written resolutions of the Shareholders passed on 4 May 2010, for the purpose of providing incentives or rewards to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non- executive directors, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high caliber employees. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 4 May 2010.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 283,860,000 shares, representing 10% of the shares of the Company in issue as at 31 December 2015. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

As at 31 December 2015, no option has been granted under the Share Option Scheme.

THE PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands. According to the laws of the Cayman Islands, the Company should issue new shares on a pro-rata basis to existing shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Tuesday, 31 May 2016. The register of members will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016, both days inclusive. In order to ascertain the members' entitlement to the attendance of the forthcoming AGM, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, namely Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Thursday, 26 May 2016.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the year under review, there was no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company to acquire such rights in any other body corporate.

PURCHASE, SALE, REDEMPTION OR CANCELLATION OF THE COMPANY'S LISTED SECURITIES OR REDEEMABLE SECURITIES

During the year ended 31 December 2015, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any share of the Company.

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any redeemable securities of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report and below, during the year and up to the date of this report, none of the Directors nor their respective associates is considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group.

In September 2003, Mr. Li Kin Shing, an executive Director, acquired 1,150,000 shares in PacificNet Inc. ("PacificNet"). PacificNet is a company incorporated in the State of Delaware and listed on the NASDAQ Stock Exchange in the US till August 2012. Based on the last filed quarterly report of PacificNet for the nine months ended 30 September 2008, the shares acquired by Mr. Li Kin Shing represented approximately 7.21% shareholding in PacificNet as of 30 September 2008.

According to its financial reports, PacificNet is engaged in the business of providing CRM and outsourcing services, telecommunications value-added services, telecommunications and gaming products and services in Asia. The CRM and outsourcing services provided by PacificNet include business process outsourcing such as CRM centers, CRM and telemarketing services, and IT outsourcing services including software programming and development services. In April 2008, PacificNet consummated the sale of its subsidiary, PacificNet Epro Holdings Limited, which is primarily engaged in the business of providing call centre telecom and CRM services as well as other business outsourcing services in China. However, the Directors consider that it is uncertain as to whether or not PacificNet will continue to develop and/or operate CRM outsourcing services. Accordingly, the Directors are of the view that there is a potential risk that services provided by PacificNet may compete with the services provided by the Group.

The Directors confirm that the Group had not experienced any notable customer loss in the past as a result of competition from PacificNet and the Group is capable of carrying on its business independently of and at arm's length from the business of PacificNet as (i) Mr. Li Kin Shing is only an investor in PacificNet and he has no management role or duty in PacificNet; (ii) to the best knowledge of the Directors, all the directors and senior management of PacificNet are independent of and not connected with any Directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates and the Board operates independently from the board of directors of PacificNet; and (iii) the Group is not operationally or financially dependent on PacificNet.

The Directors confirm that Mr. Li Kin Shing has no absolute right to appoint a director in PacificNet. As Mr. Li Kin Shing holds no board representation or management position and only holds a 7.21% minority interest in PacificNet, it is highly unlikely that Mr. Li Kin Shing's interest in PacificNet would influence the decision-making of the board of directors or management of PacificNet. As such, the Directors are of the view that the Group's business will not be materially and adversely impacted as a result of Mr. Li Kin Shing's shareholding interest in PacificNet.

Mr. Li Kin Shing has excluded his interests in PacificNet from the Group since:

1. the Group is a CRM outsourcing service provider whereas PacificNet is also engaged in the business of providing telecommunications value-added services, telecommunications and gaming products and services as well as IT outsourcing services;

2. the Group focuses on the Hong Kong, Macau and the PRC markets whereas PacificNet targets customers in the whole Asian market; and

3. given that Mr. Li Kin Shing only holds approximately 7.21% minority interest without any board representation or management position in PacificNet, injection of his interest in PacificNet into the Group does not provide a material benefit to the Group as a whole.

As of the date of this report, Mr. Li Kin Shing confirmed that he had no intention to inject his interest in PacificNet into the Group and he had no intention to increase his shareholding in PacificNet.

Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin (the "Covenantors") executed a deed of non-competition undertaking in favour of the Company on 10 October 2007 pursuant to which the Covenantors have undertaken to the Company that in the event the Covenantors were given any business opportunity that is or may involve direct or indirect competition with the business of the Group, the Covenantors shall assist the Company in obtaining such business opportunities in the terms being offered to the Covenantors, or more favourable terms being acceptable to the Company provided that the Covenantors shall not proceed with such opportunity should the Company decline to accept such offer.

COMPETING INTERESTS

Directel Limited, a company incorporated in the Cayman Islands, is held as to 50% and 50% by Mr. Li Kin Shing, a non-executive director, the chairman of DHL, a controlling shareholder and a substantial shareholder of DHL, and Ms. Kwok King Wa, a controlling shareholder and a substantial shareholder of DHL and the spouse of Mr. Li Kin Shing, respectively. According to the Listing Rules, Directel Limited is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a connected person.

Directel Limited is the legal and beneficial owner of the RF-SIM intellectual property rights in Hong Kong and Macau. Further, Directel Limited is the licensee of the operation rights of RF-SIM in markets other than the PRC in addition to its owned RFSIM intellectual property rights in Hong Kong and Macau and it has the right to grant licences of the operation rights of RF-SIM intellectual property rights to others in markets other than the PRC. There is a risk that such services provided by Directel Limited may compete with the services provided by DHL and its subsidiaries ("DHL Group") as Directel Limited is expected to grant licences of the operation rights of RF-SIM intellectual property rights in other regions in the future.

DHL is a company incorporated in the Cayman Islands and a listed company on the GEM of The Stock Exchange with Mr. Li Kin Shing and Ms. Kwok King Wa as controlling shareholders. According to the Listing Rules, DHL is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a connected person. The principal activity of DHL is investment holding. Its subsidiaries are principally engaged in the provision of mobile phone services. DHL Group also provides services of resale of airtime to mobile network operators and telesales dealership.

The Directors confirm that as China-HK Telecom, a wholly-owned subsidiary of DHL, has obtained the exclusive licence of the operation rights of RF-SIM intellectual property rights in Hong Kong and Macau and since the services provided by DHL Group are mainly in Hong Kong and Macau, there will be no direct competition between the services provided by Directel Limited, which are in territories other than the PRC, Hong Kong and Macau. There will also be no direct competition between the services provided by the Company, which strategy is to concentrate on the application of the RF-SIM intellectual property rights in the PRC. Nevertheless, Mr. Li Kin Shing, Ms. Kwok King Wa and Directel Limited (as Covenantors) executed a deed of non-competition undertaking in favour of DHL on 24 May 2010 pursuant to which the Covenantors have undertaken to DHL inter alia, that (i) the Covenantors shall not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on his/her/its own account or with each other or in conjunction with or on behalf of any person or company, any business which will or may compete with the RF-SIM business of DHL Group in Hong Kong and Macau; and (ii) in the event the Covenantors or their associates were given any business opportunities that is or may involve in direct or indirect competition with the business of DHL Group, the Covenantors shall assist DHL in obtaining such business opportunities in the terms being offered to the Covenantors, or more favourable terms being acceptable to DHL.

CORPORATE GOVERNANCE

The corporate governance report adopted by the Company is set out on pages 29 to 38 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the year under review and as at the date of this report.

AUDITOR

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, PricewaterhouseCoopers.

On behalf of the Board
International Elite Ltd.

LI KIN SHING
Chairman

Hong Kong, 30 March 2016

CORPORATE GOVERNANCE REPORT

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules except for the deviation as described below:

The code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of chairman and chief executive officer of the Company are not separated and are performed by the same individual, Mr. Li Kin Shing. The Board will meet regularly to consider, discuss and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that sufficient measures have been taken and the vesting of the roles of chairman and the chief executive officer of the Company in Mr. Li Kin Shing will not impair the balance of power and authority between the Board and the management. The Board considers that the structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct which is not more lenient than Appendix 10 of the Listing Rules. Specific enquiry to all Directors has been made and the Company has confirmed that the Directors have complied with the required standard set out in the code of conduct during the year ended 31 December 2015.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2015 and the date of this report, the Board comprises seven Directors. The following are the members of the Board:

Executive Directors

- Li Kin Shing (李健誠) *(Chairman and Chief Executive Officer)*
- Li Yin (李燕)
- Wong Kin Wa (黃建華)
- Li Wen (李文)

Independent Non-Executive Directors

- Chen Xue Dao (陳學道)
- Cheung Sai Ming (張世明)
- Liu Chun Bao (劉春保)

The profile of Chairman and other Directors of the Board is set out in pages 39 to 40 of this report.

In conformity to the board diversity policy adopted by the Company in August 2013, the composition of the Board reflects the necessary balance of skills, experience and diversity of perspectives desirable for effective leadership of the Company and independence in decision-making.

In addition, the functions of the Board and the management are clearly established and set out in writing for delegation of day-to-day operational responsibility to the management of the Company.

Relationship Between Board Members

Mr. Li Kin Shing is the elder brother of Ms. Li Yin and the spouse of Ms. Kwok King Wa. Save as disclosed herein, to the best knowledge of the Company, there is no other financial business relationship among the members of the Board.

Function and duties of the Board

The Board is responsible for the Company's business strategy, interim and annual results, succession planning, risk management, significant acquisitions, sales, capital transactions, and other significant operational and financial issues. The Board delegates to the Company's management the following duties: preparation of interim and annual reports for the Board's review before their publication, formulation of business execution strategy, definition and enforcement of company policies, implementation of adequate internal control systems, design of sound risk management, guidance, and compliance with the relevant laws and regulations.

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive office should be clearly established and set out in writing. The roles of chairman and chief executive officer of the Company are not separated and are performed by the same individual, Mr. Li Kin Shing. The Board will meet regularly to consider, discuss and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that sufficient measures have been taken and the vesting of the roles of chairman and the chief executive officer of the Company in Mr. Li Kin Shing will not impair the balance of power and authority between the Board and the management. The Board considers that the structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Appointment, Re-election and Removal of Directors

In compliance with Rules 3.10(1) and (2) of the Listing Rules, the Company has appointed sufficient number of independent non-executive Directors with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards and that appropriate systems are in place to protect the interest of the Company and its shareholders. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and considers that their independence is in compliance the Listing Rules as at the date of this report.

The term of appointment of each non-executive Director and independent non-executive Director is for a period of three years, subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with the Articles, at each AGM one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve interim and annual results, and other significant matters. Notices of regular Board meetings are duly given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides Directors information on activities and development of the businesses of the Group. The company secretary records the proceedings of each Board meeting by keeping minutes, including the record of all decisions by the Board together with concerns raised and dissenting views expressed (if any). Draft of Board minutes are circulated to all Directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any Director.

Each Director ensures that he/she can give sufficient time, commitments and attention to the affairs of the Company for the year.

During the year under review, the Board of Directors held six meetings. The following is the attendance record of the Board meetings:

Name of Directors	Number of Meetings Attended
Mr. Li Kin Shing (李健誠) *(Executive Director, Chairman and Chief Executive Officer)*	6/6
Ms. Li Yin (李燕) *(Executive Director)*	4/6
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	6/6
Mr. Li Wen (李文) *(Executive Director)*	4/6
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	4/6
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director)*	4/6
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	4/6

Besides the meetings held above, Directors will hold meetings for special issues regularly.

Director's Training

As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. During the year and up to the date of this report, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

The participation by individual Directors during the year ended 31 December 2015 is recorded in the table below.

Name of Directors	Attending (Note)
Mr. Li Kin Shing (李健誠) *(Executive Director, Chairman and Chief Executive Officer)*	✓
Ms. Li Yin (李燕) *(Executive Director)*	✓
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	✓
Mr. Li Wen (李文) *(Executive Director)*	✓
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	✓
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director)*	✓
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	✓

Note:

- seminar(s)/course(s)/conference(s)/forums relevant to the business or directors' duties and responsibilities
- reading newspaper, journals, regulatory updates and relevant materials

Directors' and Officers' Liabilities Insurance

Pursuant to the code provision A.1.8 of the CG Code, appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company arising out of corporate activities of the Group has been arranged by the Company.

NON-COMPETITION UNDERTAKING

Each of Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin (collectively, the "Covenantors" and each a "Covenantor") entered into a deed of non-competition undertaking ("Deed of Non-Competition Undertaking") with the Company on 10 October 2007 pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with the Company that, each of the Covenantors shall, and shall procure that their associates (other than members of the Group):

(i) not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on his/her/its own account or with each other or in conjunction with or on behalf of any person or company, any business which will or may compete with the business then engaged and from time to time engaged by the Group in the PRC, Hong Kong, Macau or anywhere else (the "Restricted Business");

(ii) not solicit any of the Group's existing or then existing employees for employment by him/it and his/her/its associates (other than members of the Group); and

(iii) not, without the Company's consent, make use of any information pertaining to the business of the Group which may have come to his/her/its knowledge in his/her/its capacity as the controlling Shareholder or Director (as the case may be) or their respective associates for the purpose of competing with the Restricted Business.

The above restrictions do not apply in the following cases:

(i) each of the Covenantors and their respective associates (excluding members of the Group) may hold securities of any company which conducts or is engaged in any Restricted Business provided that (a) such securities are listed on a recognised stock exchange (as defined in the SFO); and (b) the aggregate number of securities held by the Covenantors and their respective associates (excluding members of the Group) do not exceed 5% of the issued shares of such company;

(ii) each of the Covenantors and their respective associates (excluding members of the Group) may invest in the Group; and

(iii) Mr. Li Kin Shing, one of the Covenantors, holds 1,150,000 shares in Pacificnet Inc., representing approximately 7.21% shareholding in PacificNet Inc. as at 30 September 2008. The Company has agreed that Mr. Li Kin Shing can hold such shares.

Under the deed of non-competition undertaking, the Covenantors further undertake to the Company the following:

(i) the Covenantors shall allow, and shall procure that the relevant associates (excluding members of the Group) to allow, the Directors and the Company's auditor to have access to such financial records of such Covenantors and/or their respective associates as may be necessary for the Company to determine whether the terms of the deed of non-competition have been complied with;

(ii) the Covenantors shall allow, and shall procure that their associates (excluding members of the Group) to allow, the independent non-executive Directors to review, at least on an annual basis, the Covenantors' compliance with the deed of non-competition undertaking, the options, pre-emptive rights or first rights of refusals provided by the Covenantors in their existing or future complied business;

(iii) the Covenantors shall provide all information necessary for the annual review by the independent non-executive Directors in making a fair and reasonable assessment of the Covenantors' compliance with the deed of non-competition undertaking including but not limited to, (1) a list of listed companies in which he/she/it and/or his/her/its associates are beneficially interested or legally holds 5% or more shareholding interest and the nature of business of each of such companies; and (2) a list of private companies in which he/she/it and/or his/her/its associates beneficially and/or legally holds and the nature of business of each of such companies;

(iv) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to the Company with a declaration annually for inclusion by the Company in its annual report, in respect of their compliance with the terms of the deed of non-competition undertaking, how the deed of non-competition undertaking has been complied with and enforced, and disclose such information in the corporate governance report under the annual report of the Company (any such disclosure would be consistent with the principles of making voluntary disclosures in the corporate governance report);

(v) the Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition undertaking (e.g. the exercise of options or first rights of refusals) either through the annual report, or by way of announcements to the public;

(vi) in the event the Covenantors or their associates (excluding members of the Group) were given any business opportunity that is or may involve in direct or indirect competition with the business of the Group, the Covenantors shall assist, and shall procure their relevant associates to assist, the Company in obtaining such business opportunity directly or in the event that such business opportunity relates to the provision of any service(s) which is/are supplementary to the core business of such Covenantors or the relevant associates, by ways of subcontracting or outsourcing in the terms being offered to the Covenantors or the relevant associates, or more favorable terms being acceptable to the Company provided that the Covenantors shall not proceed, and shall procure their associates not to proceed, with such opportunity should the Company decline to accept such offer; and

(vii) each of the Covenantors agrees to indemnify the Company from and against any and all losses, damages and costs which loss, damage or cost is resulted from any failure to comply with the terms of the deed of non-competition by the Covenantors or any of their respective associates.

The independent non-executive Directors may review, at least on an annual basis, the compliance with the Deed of Non-Competition Undertaking by the Covenantors, and if applicable, the options, pre-emptive rights or first rights of refusals provided by the Covenantors on its existing or future competing businesses. The Board has received from each of the Covenantors the annual declaration in respect of their compliance with and the enforcement of the Deed of Non-Competition Undertaking. The independent non-executive Directors are of the view that the terms of the Deed of Non-Competition Undertaking are fully complied with.

BOARD COMMITTEES

The Company has established three Board committees (the "Board Committees"), namely the audit committee, the remuneration committee and the nomination committee to assist the Board in discharging its duties and responsibilities. The Board Committees are provided with sufficient resources to discharge their duties and are able to obtain outside independent professional advice in connection with their duties at the Company's expenses.

Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the requirements of the CG Code. The primary duties of the audit committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. Liu Chun Bao. Mr. Cheung Sai Ming is chairman of the audit committee.

During the year under review, the audit committee held two meetings to review the Company's interim and annual reports and the consolidated financial statements of the Group and consider any significant or unusual items and discuss with external auditors before submission to the Board, review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement and review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The attendance record of the meetings is as follows:

Name of Directors	Number of Meetings Attended
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director and Chairman)*	2/2
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	2/2
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	2/2

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015 and is of the opinion that the audited consolidated financial statements complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

Auditors' Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing other non-audit functions performed by the external auditors, including whether such non-audit functions have any potential significant negative impact on the Company.

Remuneration for audit services and non-audit services provided by the external auditors for the year ended 31 December 2015 are set out in note 10 to the consolidated financial statements. Auditors' remuneration for non-audit services includes remuneration paid/payable to auditors for providing certain tax advisory service.

Nomination Committee

The Company has established a nomination committee with written terms of reference in accordance with the requirements of the CG Code. The nomination committee comprises one executive Director namely Mr. Li Kin Shing and two independent non-executive Directors namely Mr. Chen Xue Dao and Mr. Cheung Sai Ming. Mr. Cheung Sai Ming has been appointed as the chairman of the nomination committee. The nomination committee is mainly responsible for (i) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy; (ii) reviewing the structure, size and composition of the Board and the board diversity policy; (iii) make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iv) identify individuals suitably qualified to become Board members; and (v) assess the independence of independent non-executive Directors.

The Board took into consideration criteria such as expertise, experience, the market situation and applicable laws and regulations when considering new director appointments during the year under review. The Directors held one meeting for the nominations of Directors. The nomination committee members considered and passed resolutions recommending that all the Directors shall be retained. In addition, resolutions were passed pursuant to the Articles, and subject to the proposed arrangement being passed at the forthcoming AGM, that Mr. Li Kin Shing, Mr. Li Wen and Mr. Chen Xue Dao will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The attendance record of the meeting is as follows:

Name of Directors	Number of Meeting Attended
Mr. Li Kin Shing (李健誠) *(Executive Director)*	1/1
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	1/1
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director and Chairman)*	1/1

Furthermore, the nomination committee has reviewed the annual confirmation of independence submitted by the independent non-executive Directors, assessed their independence and reviewed the structure, size and composition including the skills knowledge and experience of the Board.

The Company has recognised the importance of diversity in the boardroom and its benefits to the Company, and the Board has revised the terms of reference of nomination committee to incorporate the elements of board diversity. Thereafter, the board diversity policy was adopted in August 2013. The following is a summary of the board diversity policy:

- reviewing and assessing the composition of the Board to maintain an appropriate range and balance of talents, skills, experience and background on the Board;
- recommending candidates for appointment to the Board by considering merit against objective criteria and with due regard for the benefits of diversity on the Board; and
- conducting the annual review of the effectiveness of the Board by considering the balance of talents, skills, experience, independence and knowledge of the Board and the diversity of the Board.

The achievement of these criteria will be measurable on an objective review, which can enhance the diversity of background and experience of individual directors and the effectiveness of the Board in promoting shareholders' interests.

Remuneration Committee

The Company has established a remuneration committee with written terms of reference in compliance with the CG Code. The remuneration committee comprises one executive Director, namely, Mr. Wong Kin Wa and two independent non-executive Directors, namely Mr. Chen Xue Dao, and Mr. Cheung Sai Ming. Mr. Cheung Sai Ming was appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

During the year under review, the remuneration committee held one meeting and the attendance record of the meeting is as follows:

Name of Directors	Number of Meeting Attended
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	1/1
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	1/1
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director and Chairman)*	1/1

The remuneration committee members have considered and reviewed the service contracts of the executive Directors, the independent non-executive Directors and senior management. The remuneration committee members are of the opinion that the provisions of the service contracts of the executive Directors, the independent non-executive Directors and senior management and are fair.

In addition, the remuneration committee has made recommendations to the Board to establish a more formal and transparent procedure for determining the remuneration packages of individual senior management.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 30 to the consolidated financial statements.

In addition, pursuant to the code provision B.1.5 of the CG Code, the annual remuneration of members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration band	Number of individuals
HK$Nil to HK$500,000	4
HK$500,001 to HK$1,000,000	1

CORPORATE GOVERNANCE FUNCTIONS

The Board has delegated the corporate governance functions to the audit committee with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner as required by the Listing Rules.

The external auditor's statement about reporting responsibility is set out on pages 41 and 42 of this report.

COMPANY SECRETARY

Ms. Chan Wai Ching is an employee of the Company and has been appointed as the company secretary of the Company since 1 June 2007. As the company secretary, Ms. Chan supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. The biographical details of Ms. Chan is set out in the section of Profile of Directors and Senior Management on page 40 of this report.

Pursuant to Rule 3.29 of the Listing Rules, Ms. Chan has undertaken not less than 15 hours of relevant professional training to update her skill and knowledge.

BUSINESS STRATEGIES AND OBJECTIVES

The Group's objectives are to expand its geographical coverage, customer base and type of services. The current business strategy is disclosed in the section of Management Discussion and Analysis of this report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convened meeting periodically to discuss financial, operational and risk management control. The Directors are of the opinion that internal controls at present have been valid and adequate.

INVESTOR RELATIONS

The Company has disclosed necessary information in compliance with the Listing Rules. The Company meets the media and investors on a regular basis and answers questions of the Shareholders.

The attendance of members of the Board to the general meeting held during the year ended 31 December 2015 is as follows:

Name of Directors	Number of Meeting Attended
Mr. Li Kin Shing (李健誠) *(Executive Director, Chairman and Chief Executive Officer)*	1/1
Ms. Li Yin (李燕) *(Executive Director)*	1/1
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	1/1
Mr. Li Wen (李文) *(Executive Director)*	1/1
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	1/1
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director)*	1/1
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	1/1

In addition, interim/annual reports, announcements and press releases are posted on the Company's website www.iel.hk as well as the website of the Stock Exchange at www.hkexnews.hk which is constantly being updated in a timely manner and so contains additional information on the Group's business.

SHAREHOLDERS' RIGHT

Convening an extraordinary general meeting

Pursuant to article 58 of the Articles, extraordinary general meetings of the Company (the"EGM(s)") shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

Shareholders may at any time make enquiries to the Board or make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong at Room 3809-3810, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

Putting forward proposals at Shareholders' meeting

The procedures for shareholders to put forward proposals at general meeting include a written notice of proposals being submitted by shareholders, addressed to the Company Secretary of the Company at our head office. Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's head office. Other general enquiries can be directed to the Company through the Company's website.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. LI KIN SHING (李健誠), aged 58, is an executive Director, chairman and chief executive officer of the Company. He is responsible for the overall strategic planning and direction of the Group. Mr. Li has over 28 years of experience in the telecommunications industry. He joined the Group in 1993 and has been a director of the Company since its establishment in 2000. Mr. Li was the chief executive officer and president of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, US, whose shares are displayed on the Over the Counter Bulletin Board when he resigned from these positions on 2 February 2007. He is the spouse of Ms. Kwok King Wa (郭景華) and the elder brother of Ms. Li Yin (李燕), an executive Director. Mr. Li is also an authorized representative of the Company. Mr. Li has been a non-executive director and chairman of Directel Holdings Limited, a company listed on the GEM Board and controlled by Mr. Li and his spouse Ms. Kwok King Wa since 2009.

MS. LI YIN (李燕), aged 41, is an executive Director and the chief operation officer of the Company and the general manager of China Elite. She is responsible for the Group's overall management, corporate planning and business development. Ms. Li obtained a diploma in Finance from Guangzhou University in 1998. Ms. Li has over 16 years of experience in the telecommunications industry. She has joined the Group since 2000. She is the sister of Mr. Li Kin Shing, an executive Director and chief executive officer of the Company.

MR. WONG KIN WA (黃建華), aged 48, is an executive Director, the chief financial officer and the compliance officer of the Company. Mr. Wong obtained a diploma in Auditing from Guangzhou Radio & TV University in 1988. He joined the Group as chief financial officer in 2000 and is responsible for the overall management of the Group's financial matters. Mr. Wong has over 19 years of finance and marketing experience, in particular in the telecommunications industry in Hong Kong and Macau. Before joining the Group, he was the manager of China-Hong Kong Telelink Company Limited from 1997 to 1999. Mr. Wong joined Denway Motors Limited (駿威汽車有限公司) (previously known as Denway Investment Limited), a company whose shares were formerly listed on the Main Board of the Stock Exchange, as the vice general manager in 1993. Mr. Wong is also an authorized representative of the Company. Mr. Wong has been a non-executive director of Directel Holdings Limited since 2009.

MR. LI WEN (李文), aged 53, is an executive Director and the deputy general manager of the Company. Mr. Li is responsible for overseeing the overall management of the Group's marketing activities. Mr. Li holds a bachelor's degree in Electronic Engineering from Xi'an Electronic and Technology University and an Executive Master of Business Administration from Sun Yat Sen University. He also holds the qualification as an engineer granted by Ministry of Mechanical and Electrical Industry (機械電子工業部). Mr. Li has over 29 years of experience in electronic industry. Mr. Li joined the Group in 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHEN XUE DAO (陳學道), aged 73, was appointed as an independent non-executive Director in September 2007. Mr. Chen graduated with his major of Telegraph and telephone in Beijing University of Posts and Telecommunications in 1967. Mr. Chen is currently an honorary member of the China Institute of Communications (中國通信學會), honorary chairman of the Guangdong Institute of Communications (廣東省通信學會) and honorary chairman of Guangdong Communication Industry Association (廣東省通信行業協會). Mr. Chen also holds the qualification of a senior engineer at Professor grade, and he has been granted the special subsidy by the State Council of the PRC for his prominent contributions to engineering science since 1992. From 2010 to 2014, Mr. Chen was an independent director of Eastone Century Technology Holding Co., Ltd. (Guangdong) (廣東宜通世紀科技股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code 300310. Mr. Chen is currently an independent non-executive director of Directel Holdings Limited and an independent director of GCI Science & Technology Co., Ltd. (廣州傑賽科技股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code 002544.

MR. CHEUNG SAI MING (張世明), aged 41, was appointed as an independent non-executive Director in September 2007. Mr. Cheung is a certified public accountant of Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Cheung obtained a bachelor's degree of arts in accountancy and finance from the Heriot-Watt University in 2006. He has extensive experience in auditing and accounting.

MR. LIU CHUN BAO (劉春保), aged 70, was appointed as an independent non-executive Director in June 2011. He is a senior engineer, graduated from Wuhan College of Posts and Telecommunications in 1969. Mr. Liu served as engineer, deputy section chief and section chief in Guangdong Posts and Telecommunications Administration Bureau and as researcher and the assistant to the director in Guangdong Communication Administration Bureau. Mr. Liu also served as the general secretary of the Guangdong Institute of Communications (廣東省通信學會), Guangdong Communication Industry Association (廣東省通信行業協會), Guangdong Internet Society (廣東省互聯網協會) and a committee member of the China Association of Communications Enterprises (中國通信企業協會).

SENIOR MANAGEMENT

MR. ZHAO YONG (趙勇), aged 43, joined the Group in 2016 and is the chief technology officer of the Group from 1 January 2016. Mr. Zhao obtained a bachelor's degree of computer science from Beijing Tsinghua University in 1996. He has 20 years of technical experience in telecommunications technology industry and over 10 years of technical experience in mobile payment, data security and ID authentication industries.

MS. CHAN WAI CHING (陳惠貞), aged 54, joined the Group in 2007 and is the Company's qualified accountant and company secretary. Ms. Chan has over 33 years of experience in accounting, finance, taxation and corporate governance and is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan obtained a master's degree of professional accounting from The Hong Kong Polytechnic University in 2008. Ms. Chan has been the company secretary of Directel Holdings Limited since 2009.

MS. XUAN JING SHAN (禤靜珊), aged 47, joined the Group in 1999 and is the finance manager of the Group. Ms. Xuan worked as the accounts manager in Guangzhou Talent Information Engineering Company Limited (廣州天龍信息工程公司) from 1992 to 1999. She has 19 years of experience in the finance field. Ms. Xuan graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) with a diploma in Financial Accounting in 1992.

MS. LIN YUAN YI (林原翼), aged 41, joined the Group in 2005 and is the manager of the Group's customer service department and assistant to the general manager. Ms. Lin has 22 years of experience in customer relationship management. Prior to joining the Group, Ms. Lin worked for a Telecommunications service provider for over 10 years. Ms. Lin graduated from the Tai Shan Panshi TV University with a Diploma in Pedagogic English in 1994.

MS. PENG JIAN TAO (彭健濤), aged 40, joined the Group in 2005 and is the Manager of the Group's Mobile Relationship Management Centre and assistant to the General Manager. Ms. Peng has 19 years of experience in customer relationship management. Prior to joining the Group, Ms. Peng worked for a Telecommunications service provider for 7 years. Ms. Peng obtained a Certificate in Administrative Management from the University of Macau in 2000.

MR. CHOW SIU KONG, FRANCO (周少剛), aged 43, joined the Group in 2010 and is the Senior Manager of Business Development of Sunward Telecom Limited. Mr. Chow obtained a master's degree in business administration and a bachelor's degree in computer science from The Hong Kong University of Science and Technology in 2007 and 1995 respectively. He has over 20 years of technical experience in payment-related industries. Mr. Chow is the inventor of two patents for smart-card and payment applications. Prior to joining the Group, he played important roles in several multi-national corporations.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF INTERNATIONAL ELITE LTD.
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of International Elite Ltd. (the "Company") and its subsidiaries set out on pages 43 to 95, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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羅兵咸永道

OTHER MATTERS

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2016

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2015

	Note	**2015 HK$'000**	2014 HK$'000
Revenue	5	**272,320**	300,874
Cost of sales	10	**(202,363)**	(207,725)
Gross profit		**69,957**	93,149
Other revenue	7	**15,321**	16,525
Research and development expenses	10	**(9,731)**	(18,435)
Administrative and other operating expenses	10	**(47,930)**	(42,336)
Profit before income tax		**27,617**	48,903
Income tax credit/(expense)	11	**677**	(4,390)
Profit for the year attributable to equity holders of the Company		**28,294**	44,513
			(As restated)
Earnings per share attributable to equity holders of the Company:			
– basic (HK cents)	12	**0.31**	0.49
– diluted (HK cents)	12	**0.31**	0.49

The accompanying notes on pages 48 to 95 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Note	**2015 HK$'000**	2014 HK$'000
Profit for the year		**28,294**	44,513
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Fair value (loss)/gain on available-for-sale financial asset	21	**(6,784)**	640
– Currency translation differences		**(21,228)**	(1,086)
Total comprehensive income for the year, net of tax		**282**	44,067

The accompanying notes on pages 48 to 95 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**58,459**	62,351
Intangible assets	14	**36,679**	15,184
Deferred tax assets	15	**2,278**	1,095
Available-for-sale financial asset	16	**24,960**	31,744
		122,376	110,374
Current assets			
Inventories	17	**45,680**	39,769
Trade and other receivables	18	**109,713**	120,068
Time deposits with maturity over three months	19	**8,004**	–
Cash and cash equivalents	19	**439,697**	453,923
		603,094	613,760
Total assets		**725,470**	724,134
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**90,835**	30,278
Reserves	21	**611,663**	671,938
Total equity		**702,498**	702,216
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	15	**3,131**	3,725
		3,131	3,725
Current liabilities			
Trade and other payables	22	**13,187**	12,294
Current income tax liabilities		**6,654**	5,899
		19,841	18,193
Total liabilities		**22,972**	21,918
Total equity and liabilities		**725,470**	724,134

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016 and were signed on its behalf.

Li Kin Shing
Director

Wong Kin Wa
Director

The accompanying notes on pages 48 to 95 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Attributable to equity holders of the Company							
	Share Capital HK$'000	Share premium HK$'000	Investment reserve HK$'000	Other reserves HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2014	30,278	1,542,342	–	1,458,416	97	122,931	(2,495,915)	658,149
Transfer to statutory reserve	–	–	–	–	913	–	(913)	–
Comprehensive income								
Profit for the year	–	–	–	–	–	–	44,513	44,513
Other comprehensive income								
Fair value gain on available-for-sale financial asset	–	–	640	–	–	–	–	640
Currency translation differences	–	–	–	–	–	(1,086)	–	(1,086)
As at 31 December 2014	30,278	1,542,342	640	1,458,416	1,010	121,845	(2,452,315)	702,216
Transfer to statutory reserve	–	–	–	–	914	–	(914)	–
Comprehensive income								
Profit for the year	–	–	–	–	–	–	28,294	28,294
Other comprehensive income								
Fair value loss on available-for-sale financial asset	–	–	(6,784)	–	–	–	–	(6,784)
Currency translation differences	–	–	–	–	–	(21,228)	–	(21,228)
Transactions with owners								
Issue of bonus shares	60,557	(60,557)	–	–	–	–	–	–
As at 31 December 2015	90,835	1,481,785	(6,144)	1,458,416	1,924	100,617	(2,424,935)	702,498

The accompanying notes on pages 48 to 95 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Cash generated from operations	23	**29,444**	22,563
Income tax refund/(paid)		**21**	(2,211)
Net cash generated from operating activities		**29,465**	20,352
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		**(6,466)**	(4,854)
Expenditure on development of software	14	**(24,818)**	(137)
Interest received		**10,607**	8,268
Proceeds from disposal of property, plant and equipment		**157**	32
Increase in bank deposits with maturity over three months		**(8,004)**	–
Net cash (used in)/generated from investing activities		**(28,524)**	3,309
Increase in cash and cash equivalents		**941**	23,661
Cash and cash equivalents at beginning of year		**453,923**	430,702
Exchange loss on cash and cash equivalents		**(15,167)**	(440)
Cash and cash equivalents at end of year		**439,697**	453,923

The accompanying notes on pages 48 to 95 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

International Elite Ltd. (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the provision of Customer Relationship Management ("CRM") services, which include inbound services and outbound services, to companies in various service-oriented industries. Following the acquisition of Sunward Telecom Limited and its subsidiaries ("Sunward Group") in September 2010, the Group is also engaged in research and development, production and sales of Radio-Frequency Subscriber Identity Module ("RF-SIM") products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau as well as the research and development and technology transfer of Certificate Authority-SIM ("CA-SIM") application right to customers.

The Company was incorporated in the Cayman Islands on 18 September 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has established a place of business in Hong Kong and was registered in Hong Kong under Part XI of the Companies Ordinance as an overseas company on 27 June 2007. The address of its registered office is The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman KY1–1208, Cayman Islands. On 16 October 2007, the Company listed its shares with a par value of HK$0.01 each on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 16 April 2009, the Company applied to the Stock Exchange for the transfer of listing from the GEM to the Main Board of the Stock Exchange in respect of the 946,200,000 shares in issue. Approval was granted by the Stock Exchange for the shares to be listed on the Main Board and to be de-listed from GEM on 15 May 2009. Dealings in the shares on the Main Board commenced on 25 May 2009.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(i) *Amendments to existing standards that are effective in 2015 but do not have a significant impact to the Group*

IAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The adoption of the above amendments to existing standards did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies.

(ii) *New standards and amendments to existing standards that have been issued but are not yet effective during the year and have not been early adopted by the Group*

		Effective for accounting periods beginning on or after
Annual improvements 2014	Annual Improvements 2012-2014 Cycle	1 January 2016
IAS 1 (Amendment)	Disclosure Initiative	1 January 2016
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
IAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
IAS 34	Interim Financial Reporting	1 July 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019

The Group has commenced an assessment of the impact of these new standards and amendments to existing standards, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Business combinations

The Group applies the acquisition method to account for business combinations and for business combinations under common controls. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as key management team that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, where appropriate, over their estimated useful lives as follows:

Buildings	39 years
Leasehold improvements	The shorter of the unexpired term of lease or 5 years
Facilities equipment	5 years
Office equipment	3–5 years
Vehicles and other equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised with administrative and other operating expenses in the consolidated income statement.

2.6 Intangible assets

(a) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to ten years. Cost associated with maintaining computer software programmes are recognised as an expense as incurred.

(b) *Patent*

Patent acquired in a business combination is recognised at fair value at the acquisition date. The patent has a finite useful life and is amortised over its estimated useful life of 8 years on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets (continued)

(c) *Research and development cost*

Research costs are expensed as incurred. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development of the software product are available; and

– the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product cost includes employee costs for software development and on appropriate portion of relevant overheads.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an assets in a subsequent period.

The Group will amortise the intangible asset from the point at which the asset is ready for use on a straight line basis over a period of five years.

During the year ended 31 December 2015, the Group has developed an artificial intelligence "CallVu" system and the related development expenditures were capitalised as intangible assets. CallVu is a visual customer service system and an extension of the Group's call center system and CRM system. The amount initially recognised for intangible assets during the year is the sum of the expenditure incurred from the date when the intangible asset first meet the recognition criteria listed above.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition.

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 reporting period which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and "time deposits with maturity over three months" in the consolidated statement of financial position (Notes 2.11 and 2.12).

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of reporting date.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets 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 amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale financial assets are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities". Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of financial assets

(a) *Assets carried at amortised 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 reorganisation, 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.

For the 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 recognised in the consolidated income statement.

In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct cost and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

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

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and short-term bank deposits with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 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 one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.15 Current and deferred income tax

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Employee benefits

(i) Pension and employee social security and benefits obligations

The subsidiary in Hong Kong participates in a pension scheme. The scheme is generally funded through payments to insurance companies or trustee-administered funds. The assets of the defined contribution plan are generally held in separate trustee-administered funds. It is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The subsidiary in the PRC participates in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Bonus plan

The Group recognises a provision for bonus when contractually obliged or when there is a past practice that has created a constructive obligation.

(iii) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example, an entity's share price); but excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in the parent equity account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Provisions

Provisions are recognised 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. Provisions are not recognised for future operating losses.

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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.19 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) CRM services

CRM services comprise (1) inbound services which include customer hotline services and built-in secretary services, a personalised message taking services, and (2) outbound services which include telesales services and market research services.

Revenue is recognised when the services have been provided and the Group has obtained the right to demand payment of the consideration. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or when the amount of revenue and the costs incurred or to be incurred in respect of the services cannot be measured reliably.

(ii) Sales of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from sales of goods is recognised when the Group has delivered the goods to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(iii) Licensing income

Licensing income is recognised on an accrual basis in accordance with the underlying terms of the relevant agreements.

(iv) Technology transfer income

Technology transfer income is recognised at the fair value of the consideration received in accordance with the underlying terms of the relevant agreements. Revenue is recognised when the risks and rewards of ownership of the application rights of the technology has been transferred to the buyer and the Group has no remaining performance obligations subsequent to the transfer.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB") and United States dollars ("US$"). As the HK$ is pegged to the US$, the Group believes the exposure of transactions denominated in US$ which are entered into by group companies with a functional currency of HK$ to be insignificant. Foreign exchange risk arises from recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contracts to hedge against foreign exchange risk as management considers its exposure minimal.

At 31 December 2015, if the HK$ had weakened/strengthened by 4% against the RMB with all other variables held constant, the Group's post-tax profit for the year would have been HK$2,969,000 (2014: HK$5,619,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated recognised assets and liabilities which are not hedged by hedging instruments.

(ii) *Interest rate risk*

The Group's interest rate risk arises from cash balances placed with reputable banks.

As at 31 December 2015, if the interest rate on the cash at bank had been 25 basis points higher or lower with all other variables held constant, the impact on the Group's post-tax profit for the year would have been approximately HK$1,091,000 (2014: HK$1,042,000) higher/lower.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade and other receivable and deposits with banks and financial institutions.

For credit exposures to cash and cash equivalents, bank deposits are only placed with reputable banks. For credit exposures to customers, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer.

At 31 December 2015, the Group had a concentration of credit risk as 83% (2014: 83%) of the total trade receivables were due from the Group's five largest customers and 43% (2014: 46%) of the total trade receivables was due from the Group's largest customer.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the consolidated statement of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy to managing liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from shareholders to meet its liquidity requirements in the short and longer term. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months HK$'000	3-6 months HK$'000	7-9 months HK$'000	10-12 months HK$'000	Total HK$'000
At 31 December 2015					
Trade and other payables	**7,407**	**–**	**–**	**–**	**7,407**
At 31 December 2014					
Trade and other payables	5,759	–	–	–	5,759

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(v) Price risk

The Group is exposed to securities price risk because investments held by the Group are classified on the consolidated statement of financial position as available-for-sale financial asset. The Group has not mitigated its price risk arising from these financial assets.

For the Group's financial assets that are publicly traded, the fair values of which are determined with reference to quoted market prices. For the Group's financial assets that are not publicly traded, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the reporting date.

As at 31 December 2015, if the price of the listed available-for-sale financial asset has increased/decreased by 10% with all other variables being held constant, the Group's investment reserve would have increased/decreased by HK$2,496,000 (2014: HK$3,174,000).

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from 2014.

The Group defines capital as total equity attributable to equity holders of the Company, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(c) Fair value estimation

(i) Financial instruments carried at fair value

The Group's financial instruments carried at fair value as at 31 December 2015 and 2014 are analysed, by level of the inputs to valuation technique used to measure fair value. The difference levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

(i) Financial instruments carried at fair value (continued)

The available-for-sale financial asset of the Group is measured at level 1 as at 31 December 2015 and 2014.

There were no transfer between levels 1, 2 and 3 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial assets, including cash and cash equivalents, time deposits with maturity over three months and trade and other receivables and financial liabilities including trade and other payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Provision for impairment of assets

(i) Estimated impairment of assets that are subject to amortisation and depreciation

The Group tested assets that are subject to amortisation and depreciation whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, as set out in Note 2.7.

During the year ended 31 December 2015, management determined that there is no impairment on the patent. As at 31 December 2015, the carrying amount of patent is approximately HK$11,548,000 (2014: HK$14,717,000).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Provision for impairment of assets (continued)

(i) *Estimated impairment of assets that are subject to amortisation and depreciation* (continued)

Changing the discount rates and other assumptions selected by management in assessing impairment, including the growth rates assumption in the cash flow projections, could materially affect the net present value used in the impairment test. If the estimated sales growth rates for each of the year from 2015 to 2016 had been 15% lower than management's estimates and estimated sale decline rates for each of the years from 2017 to 2020 had been 15% higher than management's estimates at 31 December 2015 with all other variables held constant, the Group would not have to recognise any impairment charge on patent. If the discount rate had been 5% higher than management's estimates at 31 December 2015 with all other variables held constant, the Group would not have to recognise any impairment charge of the patent.

(ii) *Trade and other receivables*

Significant judgement is exercised in the assessment of the collectibility of trade and other receivables from customers. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment pattern including subsequent payments and customers' financial position.

(b) Net realisable value of inventories

Net realisable 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 and the historical experience of selling products of similar nature. Management will reassess the estimates at each balance sheet date.

(c) Provision for obsolete and slow-moving inventories

Provision for obsolete and slow-moving inventories is based on technology trends, historical experience and estimate of future demand for products. The estimate of future demand is compared to inventory balance to detemine the amount, if any, of obsolete or excess inventories. If demand forecast for specific products is less than the related inventory level on hand, full provision would be made for the excess.

(d) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment on a straight-line basis over their respective estimated useful lives. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technology obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

(f) Research and development costs

Critical judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available of each balance sheet date. In addition, all internal activities related to the research and development of products are continuously monitored by the Group's management.

5. REVENUE

The amount of each significant category of revenue recognised during the year is as follows:

	2015 HK$'000	2014 HK$'000
Inbound services	147,111	141,570
Outbound services	95,901	85,443
Technology transfer income (Note i)	4,241	31,104
Sales of goods	20,667	38,518
Licensing income	4,400	4,239
	272,320	300,874

Note:

(i) On 30 December 2014, the Group completed an assignment with Global Link Communications Holdings Limited ("Global Link"), a third party listed entity on the GEM Board of the Hong Kong Stock Exchange), pursuant to which the Group assigned certain application of CA-SIM technology throughout Panyu Region, Guangdong Province of the PRC to Global Link and its subsidiaries, for a consideration of 128,000,000 listed shares in Global Link. Such revenue was recognised at the fair value of the shares at the date of completion on 30 December 2014.

On 23 November 2015, the Group entered into a technology development agreement with Directel Communications Limited ("Directel Communications"), a related company of the Group, pursuant to which Directel entrusted the Group to research and develop the OTA Card based on CA-SIM and RF-SIM technology and the application programming interface for the "One Card Multiple Number" for Directel at a consideration of RMB3,500,000 (equivalent to HK$4,241,000).

By the end of the reporting period, the software and applications created in the course of performance of the technology development agreements have been transferred to Directel and the income was recognised as a technology transfer income.

5. REVENUE (continued)

The Group has two customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2015 (2014: 3 customers). The amounts of revenue from the customers are as follows:

	2015 HK$'000	2014 HK$'000
Largest customer	113,754	112,916
Second largest customer	65,634	70,346
Third largest customer	N/A	31,104

6. SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM assesses the performance of the operating segments based on the results and assets attributable to each reportable segment. Interest income and expense are not allocated to segment, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The CODM has determined the operating segments based on these reports. The Group is organised into three business segments:

(i) Inbound services: this segment includes customer hotline services and built-in secretarial services, a personalized message taking services.

(ii) Outbound services: this segment includes telesales services and market research services.

(iii) RF-SIM business: this segment includes (a) the research and development, production and sales of RF-SIM products; (b) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau; and (c) research and development and technology transfer of CA-SIM application rights to customers.

No operating segments have been aggregated to form the reportable segments.

6. SEGMENT INFORMATION (continued)

(a) Segment results and assets

The CODM assesses the performance of the operating segments based on the revenue from external customers and reportable segment profit (i.e. revenue less cost of sales).

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments including depreciation and amortisation of assets attributable to those segments.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other assets.

The following tables present revenue, reportable segment profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2015 and 2014:

	For the year ended 31 December 2015				
	Inbound services HK$'000	Outbound services HK$'000	RF-SIM business HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	**147,111**	**95,901**	**29,308**	**–**	**272,320**
Inter-segment revenue	**–**	**–**	**4,500**	**(4,500)**	**–**
	147,111	**95,901**	**33,808**	**(4,500)**	**272,320**
Reportable segment profit	**30,343**	**24,688**	**14,926**	**–**	**69,957**
Depreciation and amortisation	**2,427**	**474**	**3,468**	**–**	**6,369**
Reportable segment assets	**77,097**	**24,709**	**80,650**	**–**	**182,456**
Additions to non-current segment assets during the year	**25,843**	**817**	**104**	**–**	**26,764**

	For the year ended 31 December 2014				
	Inbound services HK$'000	Outbound services HK$'000	RF-SIM business HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	141,570	85,443	73,861	–	300,874
Inter-segment revenue	5,953	–	2,514	(8,467)	–
	147,523	85,443	76,375	(8,467)	300,874
Reportable segment profit	28,399	17,343	47,407	–	93,149
Depreciation and amortisation	2,366	324	3,632	–	6,322
Reportable segment assets	54,221	29,600	84,900	–	168,721
Additions to non-current segment assets during the year	18	2,784	351	–	3,153

6. SEGMENT INFORMATION (continued)

(b) Reconciliations of reportable segment revenue, profit or loss and assets

	2015 HK$'000	2014 HK$'000
Revenue		
Reportable segment revenue	272,320	300,874
Consolidated revenue	272,320	300,874
Profit		
Reportable segment profit	69,957	93,149
Other revenue	15,321	16,525
Unallocated depreciation and amortisation	(2,171)	(2,279)
Research and development expenses	(9,731)	(18,435)
Unallocated head office and administrative and other operating expenses	(45,759)	(40,057)
Consolidated profit before income tax	27,617	48,903
Assets		
Reportable segment assets	182,456	168,721
Deferred tax assets	2,278	1,095
Available-for-sales financial asset	24,960	31,744
Time deposits with maturity over three months	8,004	–
Cash and cash equivalents	439,697	453,923
Unallocated head office and other assets	68,075	68,651
Consolidated total assets	725,470	724,134

6. SEGMENT INFORMATION (continued)

(c) Geographical information

The following tables set out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets and available-for-sale financial asset ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the location of the operation to which they are allocated.

Year ended 31 December 2015

	Hong Kong HK$'000	PRC HK$'000	Macau HK$'000	Total HK$'000
Revenue from external customers	**207,099**	**57,934**	**7,287**	**272,320**
Specified non-current assets	**27,934**	**67,346**	**24,818**	**120,098**

Year ended 31 December 2014

	Hong Kong HK$'000	PRC HK$'000	Macau HK$'000	Total HK$'000
Revenue from external customers	233,893	60,494	6,487	300,874
Specified non-current assets	32,519	76,760	–	109,279

7. OTHER REVENUE

	2015 HK$'000	2014 HK$'000
Interest income	**10,195**	8,847
Government grants (Note a)	**4,256**	7,193
Others	**870**	485
	15,321	16,525

Note:

(a) Government grants were provided by the local authorities to support the Group's enhancement of service provision to overseas customers and the Group's application of technical patents. There are no unfulfilled conditions or contingencies relating to these grants.

8. EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2015 HK$'000	2014 HK$'000
Wages, salaries and other benefits	174,091	179,340
Contribution to retirement benefit schemes	16,836	18,957
Total employee benefits expenses	190,927	198,297

Employee benefits expenses of HK$164,051,000 (2014: HK$164,816,000) and HK$8,141,000 (2014: HK$13,312,000) have been charged to cost of sales and research and development expenses, respectively.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest are as follows:

	2015 Number of individual	2014 Number of individual
Director of the Company	4	4
Senior management	1	1

Out of the five individuals with the highest emoluments, four (2014: four) are directors whose emoluments are disclosed in Note 30(a). The aggregate emoluments in respect of the remaining one (2014: one) highest paid individuals are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other emoluments	685	683
Retirement scheme contribution	33	34
	718	717

The emoluments of the above-mentioned individual with the highest emoluments fall within the following band:

	2015 Number of individual	2014 Number of individual
HK$Nil–HK$1,000,000	1	1

No directors waived any emoluments during the year (2014: nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

10. EXPENSES BY NATURE

Cost of sales, administrative and other operating expenses and research and development expenses

	2015 HK$'000	2014 HK$'000
Employee benefits expenses, including directors' emoluments (Note 8)	**190,927**	198,297
Auditors' remuneration		
– audit services	**1,657**	1,536
– non-audit services	**–**	–
Depreciation of property, plant and equipment (Note 13)	**5,991**	6,029
Amortisation of intangible assets (Note 14)	**2,549**	2,572
Loss on disposal of property, plant and equipment	**734**	91
Cost of inventories sold (Note 17)	**11,740**	15,393
Provision for impairment of inventories (Note 17)	**3,000**	2,456
Operating lease charges in respect of		
– rental of building and offices	**9,859**	9,299
– hire of transmission lines	**7,466**	6,907
Other expenses	**26,101**	25,916
Total cost of sales, administrative and other operating expenses and research and development expenses	**260,024**	268,496

11. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Current income tax:		
Hong Kong profits tax	146	38
PRC corporate income tax	1,502	4,821
(Over)/under provision in the prior year	(746)	437
Deferred tax (Note 15)	(1,579)	(906)
Income tax (credit)/expense	(677)	4,390

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

(ii) PRC corporate income tax

China Elite Info. Co., Ltd. ("China Elite") was approved as a Technology Advanced Service Enterprise ("TASE") during the year. According to the tax circular, Caishui [2014] No. 59, China Elite is eligible for a preferential PRC corporate income tax rate of 15% during the 5-year period from 2014-2018 as a TASE, subject to the in-charge tax authority's acceptance of the annual record filing for the entitlement of this reduced corporate income tax rate.

Xiamen Elite Electric Co. Ltd. ("Xiamen Elite") is eligible for a preferential income tax rate of 15% 2015-2018 as a High and New Technology Enterprise ("HNTE"), subject to the approval of Science and Technology Bureau, Ministry of Finance and tax authorities and fulfilment of all the criteria as a HNTE.

11. INCOME TAX EXPENSE (continued)

(iii) Macao complementary tax

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, the Group is exempted from Macao Complementary Tax. As a result, no provision for Macao Complementary Tax has been made by the Group for the year.

The tax on the Group's profit before income tax differs than the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015 HK$'000	2014 HK$'000
Profit before income tax	**27,617**	48,903
Tax calculated at domestic tax rates applicable to profits in the respective countries	**273**	3,947
Tax effects of:		
Income not subject to tax	**(89)**	(697)
Expenses not deductible for tax purposes	**207**	610
Additional deduction on research and development expenses	**(663)**	–
(Over)/under provision in the prior year	**(746)**	437
Tax losses for which no deferred income tax asset was recognised	**341**	93
Income tax (credit)/expense	**(677)**	4,390

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

On 23 July 2015, the Group completed a bonus issue of 6,055,640,000 shares at HK$0.01 each on the basis of two bonus shares for every one share pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 3 June 2015. Details of bonus shares have been disclosed in Note 20 (a). The basic earnings per share for the year ended 31 December 2014 have been restated to take into account the bonus issue during the year. The weighted average number of shares outstanding was retrospectively adjusted to reflect the effect of bonus issue. For the year ended 31 December 2014, the weighted average of number of ordinary shares in issue was 3,027,820,000 before the restatement.

	2015	2014 (As restated)
Profit attributable to equity holders of the Company (HK$'000)	**28,294**	44,513
Weighted average number of ordinary shares in issue (thousand)	**9,083,460**	9,083,460
Basic earnings per share (HK cents)	**0.31**	0.49

12. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Diluted earnings per share are equal to the basic earnings per share for the year ended 31 December 2015 as there were no potential dilutive ordinary shares outstanding during the year (2014: same).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Facilities equipment HK$'000	Office equipment HK$'000	Vehicles and other equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2014							
Cost	53,175	29,999	34,250	21,211	9,922	–	148,557
Accumulated depreciation	(5,408)	(25,475)	(30,419)	(15,456)	(7,627)	–	(84,385)
Net book amount	47,767	4,524	3,831	5,755	2,295	–	64,172
Year ended 31 December 2014							
Opening net book amount	47,767	4,524	3,831	5,755	2,295	–	64,172
Additions	–	519	767	2,648	721	–	4,655
Depreciation	(1,386)	(1,864)	(585)	(1,479)	(715)	–	(6,029)
Disposals	–	–	(8)	(20)	(95)	–	(123)
Exchange differences	(171)	(120)	(16)	(13)	(4)	–	(324)
Closing net book amount	46,210	3,059	3,989	6,891	2,202	–	62,351
At 31 December 2014							
Cost	52,993	30,440	34,862	23,702	9,667	–	151,664
Accumulated depreciation	(6,783)	(27,381)	(30,873)	(16,811)	(7,465)	–	(89,313)
Net book amount	46,210	3,059	3,989	6,891	2,202	–	62,351
Year ended 31 December 2015							
Opening net book amount	**46,210**	**3,059**	**3,989**	**6,891**	**2,202**	**–**	**62,351**
Additions	**–**	**3,265**	**224**	**2,485**	**652**	**8**	**6,634**
Depreciation	**(1,267)**	**(1,994)**	**(323)**	**(1,819)**	**(588)**	**–**	**(5,991)**
Disposals	**–**	**–**	**(220)**	**(660)**	**6**	**–**	**(874)**
Exchange differences	**(2,647)**	**(134)**	**(399)**	**(382)**	**(99)**	**–**	**(3,661)**
Closing net book amount	**42,296**	**4,196**	**3,271**	**6,515**	**2,173**	**8**	**58,459**
At 31 December 2015							
Cost	**49,900**	**32,270**	**30,739**	**19,192**	**9,859**	**8**	**141,968**
Accumulated depreciation	**(7,604)**	**(28,074)**	**(27,468)**	**(12,677)**	**(7,686)**	**–**	**(83,509)**
Net book amount	**42,296**	**4,196**	**3,271**	**6,515**	**2,173**	**8**	**58,459**

14. INTANGIBLE ASSETS

		Software		
	Patent	Development expenditures	Other software	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014				
Cost	32,590	–	2,538	35,128
Accumulated amortisation	(15,361)	–	(2,078)	(17,439)
Net book amount	17,229	–	460	17,689
Year ended 31 December 2014				
Opening net book amount	17,229	–	460	17,689
Additions	–	–	137	137
Amortisation for the year	(2,443)	–	(129)	(2,572)
Exchange differences	(69)	–	(1)	(70)
Closing net book amount	14,717	–	467	15,184
At 31 December 2014				
Cost	32,478	–	868	33,346
Accumulated amortisation	(17,761)	–	(401)	(18,162)
Net book amount	14,717	–	467	15,184
Year ended 31 December 2015				
Opening net book amount	**14,717**	**–**	**467**	**15,184**
Additions	**–**	**24,818**	**–**	**24,818**
Amortisation for the year	**(2,417)**	**–**	**(132)**	**(2,549)**
Exchange differences	**(752)**	**–**	**(22)**	**(774)**
Closing net book amount	**11,548**	**24,818**	**313**	**36,679**
At 31 December 2015				
Cost	**30,582**	**24,818**	**2,512**	**57,912**
Accumulated amortisation	**(19,034)**	**–**	**(2,199)**	**(21,233)**
Net book amount	**11,548**	**24,818**	**313**	**36,679**

Note: in accordance with the Group's accounting policy on asset impairment (Note 2.7), the carrying value of intangible assets was tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Key assumptions used for assessing the recoverable amount of patent are as follows:

Estimated sales growth rate from 2016 to 2017	-5% – 51%
Estimated sales decline rate from 2018 to 2020	-10% – -20%

Discount rate used for assessing the recoverable amount was 20%.

15. DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015 HK$'000	2014 HK$'000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	(2,278)	(1,095)
At 31 December	(2,278)	(1,095)
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	2,323	3,112
Deferred tax liability to be recovered within 12 months	808	613
At 31 December	3,131	3,725
Deferred tax liabilities (net)	853	2,630

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

	2015 HK$'000	2014 HK$'000
At 1 January	2,630	3,553
Credited to consolidated income statement (Note 11)	(1,579)	(906)
Exchange differences	(198)	(17)
At 31 December	853	2,630

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The movement in the deferred income tax account is as follows:

Deferred tax liabilities	Accelerated tax depreciation HK$'000	Patent value gain HK$'000	Total HK$'000
At 1 January 2014	96	4,061	4,157
Credited to the consolidated income statement	(49)	(366)	(415)
Exchange differences	–	(17)	(17)
At 31 December 2014	47	3,678	3,725
At 1 January 2015	**47**	**3,678**	**3,725**
Credited to the consolidated income statement	**(33)**	**(363)**	**(396)**
Exchange differences	**–**	**(198)**	**(198)**
At 31 December 2015	**14**	**3,117**	**3,131**

Deferred tax assets	Decelerated tax depreciation HK$'000	Unrealised profits and others HK$'000	Total HK$'000
At 1 January 2014	26	578	604
(Charged)/credited to the consolidated income statement	(25)	516	491
At 31 December 2014	1	1,094	1,095
At 1 January 2015	**1**	**1,094**	**1,095**
(Charged)/credited to the consolidated income statement	**(61)**	**1,244**	**1,183**
At 31 December 2015	**(60)**	**2,338**	**2,278**

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2015, the Group did not recognise deferred income tax assets of HK$341,000 (2014: HK$93,000) in respect of losses as it is not probable that future taxable profits against which the losses can be utilised. The estimated tax losses are subject to approval by the relevant tax authorities.

Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to HK$276,904,000 (2014: HK$267,042,000) of the Group's subsidiaries in Mainland China earned after 1 January 2008 because the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

16. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2015 HK$'000	2014 HK$'000
Beginning of the year	31,744	–
Additions	–	31,104
Fair value (loss)/gain	(6,784)	640
End of the year	24,960	31,744

Available-for-sale financial asset includes the following:

	2015 HK$'000	2014 HK$'000
Listed shares in Hong Kong	24,960	31,744

Available-for-sale financial asset is denominated in HK$.

The fair value of the available-for-sale financial asset is based on its current bid prices in an active market. It represents 128,000,000 listed shares in Global Link (approximately 11.76% of the entired issued share capital of Global Link), a listed company in Hong Kong. Fair value loss during the year was recognised as other comprehensive income.

17. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	27,338	26,573
Work in progress	25,446	19,319
Finished goods	2,952	933
	55,736	46,825
Less: provision for impairment of inventories	(10,056)	(7,056)
	45,680	39,769

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$11,740,000 (2014: HK$15,393,000).

During the year, an additional HK$3,000,000 (2014: HK$2,456,000) of provision for inventories was recorded and recognised in "cost of sales" as a result of technology obsolescence.

18. TRADE AND OTHER RECEIVABLES

	Note	2015 HK$'000	2014 HK$'000
Trade receivables			
– amounts due from related parties	27(c)	**4,229**	60
– amounts due from third parties		**85,134**	104,624
		89,363	104,684
Provision for doubtful debts	(b)	**(680)**	(421)
Trade receivables, net	(a)	**88,683**	104,263
Deposits, prepayments and other receivables		**21,030**	15,805
		109,713	120,068

The amounts due from related parties were unsecured, interest free and repayable on demand (2014: same).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
US$	**2**	15
RMB	**44,323**	51,168
HK$	**65,388**	68,885
	109,713	120,068

(a) Ageing analysis

Included in trade receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis based on the dates on which the relevant sales were made:

	2015 HK$'000	2014 HK$'000
Aged within 1 month	**31,883**	29,629
Aged over 1 to 3 months	**32,196**	37,667
Aged over 3 to 6 months	**17,377**	33,804
Aged over 6 months to 1 year	**7,227**	3,163
	88,683	104,263

18. TRADE AND OTHER RECEIVABLES (continued)

(b) Impairment of trade receivables

Trade receivables of HK$41,410,000 (2014: HK$59,993,000) of the Group were past due but not impaired. These relate to a number of independent customers who have a long-term business relationship with the Group. An ageing analysis of these trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
Overdue by 0 to 3 months	33,294	58,882
Overdue by 3 to 6 months	7,861	1,105
Overdue by 6 months to 1 year	255	6
	41,410	59,993

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2.9).

The movement in the allowance for doubtful debts during the year is as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	421	181
Provision for impairment	259	240
At 31 December	680	421

At 31 December 2015, the Group's trade receivables of HK$680,000 (2014: HK$421,000) were individually determined to be impaired.

The individually impaired receivables related to invoices that were default in payments and management assessed that the receivables are not expected to be recovered as at 31 December 2015.

According to the contracts entered into between the Group and its customers, payments in respect of the Group's provision of services are made on an open account with credit terms ranging from 15 to 30 days. Its customers are granted with credit terms of a maximum of 30 days for the sales of goods. Subject to negotiation, credit terms could be further extended to three to six months for certain customers with well-established trading and payment records on a case-by-case basis. The Group generally gives credit terms to its customers based on certain criteria, such as the length of business relationship with the customers and the customer's payment history, background and financial strength. The Group reviews the settlement records of its customers on a regular basis to determine their credit terms.

The carrying values of trade and other receivables approximate their fair values. Deposits, prepayments and other receivables do not contain impaired assets. The maximum exposure to credit risk is the fair value of each class of financial assets mentioned above. The Group does not hold any collateral as security.

19. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

	2015 HK$'000	2014 HK$'000
Cash at banks and in hand	156,313	244,445
Short-term bank deposits	291,388	209,478
	447,701	453,923
Less: Time deposits with maturity over three months	(8,004)	–
Cash and cash equivalents	439,697	453,923

The interest rates on short-term bank deposits ranged from 0.2%-4.9% (2014: 0.1%-3.2%) per annum. These deposits have an average maturity of 31-94 days (2014: 30-92 days).

The carrying values of cash and cash equivalents and bank deposits approximate their fair values.

The carrying amounts of the Group's cash and cash equivalents and bank deposits are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	194,915	46,034
US$	53,146	56,057
RMB	199,604	351,804
Other currencies	36	28
	447,701	453,923

As at 31 December 2015, cash and cash equivalents of approximately HK$110,713,000 (2014: HK$184,639,000) of the Group were deposited with banks in the People's Republic of China ("PRC"). The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by The State Administration for Exchange Control.

20. SHARE CAPITAL

(a) Authorised and issued share capital

	Note	2015 Number of shares '000	2015 Nominal value HK$'000	2014 Number of shares '000	2014 Nominal value HK$'000
Ordinary shares of HK$0.01 each					
Authorised:					
At 1 January		**10,000,000**	**100,000**	10,000,000	100,000
Increase on 3 June 2015	(i)	**10,000,000**	**100,000**	–	–
At end of the year		**20,000,000**	**200,000**	10,000,000	100,000
Issued and fully paid:					
At 1 January		**3,027,820**	**30,278**	3,027,820	30,278
Issue of bonus shares	(ii)	**6,055,640**	**60,557**	–	–
At end of the year		**9,083,460**	**90,835**	3,027,820	30,278

Notes:

(i) Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 3 June 2015, the authorised share capital of the Company was increased from HK$100,000,000 (divided into 10,000,000,000 ordinary shares of HK$0.01 each) to HK$200,000,000 (divided into 20,000,000,000 ordinary shares of HK$0.01 each) by the creation of an additional 10,000,000,000 ordinary shares of HK$0.01 each of the Company.

(ii) Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 3 June 2015, the Company issued two bonus shares for every one share held. The issued share capital of the Company was therefore increased from 3,027,820,000 shares of HK$0.01 each to 9,083,460,000 shares of HK$0.01 each accordingly. On 23 June 2015, the Company completed the bonus issue, in which, the share premium account for the period ended 30 June 2015 was reduced by approximately HK$60,557,000 and the same amount was credited to share capital account.

(b) Share based payments

The Company has two share option schemes, namely the Share Option Scheme and the Pre-IPO Share Option Scheme, which were adopted on 21 September 2007 whereby the Board of the Company is authorised, at its discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a cash consideration of HK$1.00 for each grantee to subscribe for shares of the Company. As at 31 December 2015, no option was granted under the Share Option Scheme (2014: same). The exercise price of the share options under the Pre-IPO Share Option Scheme was determined based on the new issue price of the Company's shares on 16 October 2007 (the "Listing Date"). The options vest after one year from the Listing Date and are then exercisable within a period of six months. Each option gives the holder the right to subscribe for one ordinary share in the Company. All Pre-IPO share options grants by the Company on 8 October 2007 under its Pre-IPO Share Option Scheme had not been exercised and such Pre-IPO share options ceased to have any effect after the end of the exercise period on 15 April 2009.

21. RESERVES

	Statutory reserve HK'000	Exchange reserve HK'000	Share premium HK'000	Investment reserve HK'000	Other reserves HK'000	Accumulated losses HK'000	Total HK'000
At 1 January 2014	97	122,931	1,542,342	–	1,458,416	(2,495,915)	627,871
Profit for the year	–	–	–	–	–	44,513	44,513
Fair value gain on available-for-sale financial asset	–	–	–	640	–	–	640
Transfer to statutory reserve	913	–	–	–	–	(913)	–
Exchange difference on translation of financial statements of subsidiaries	–	(1,086)	–	–	–	–	(1,086)
At 31 December 2014	1,010	121,845	1,542,342	640	1,458,416	(2,452,315)	671,938
At 1 January 2015	**1,010**	**121,845**	**1,542,342**	**640**	**1,458,416**	**(2,452,315)**	**671,938**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**28,294**	**28,294**
Fair value loss on available-for-sale financial asset	**–**	**–**	**–**	**(6,784)**	**–**	**–**	**(6,784)**
Transfer to statutory reserve	**914**	**–**	**–**	**–**	**–**	**(914)**	**–**
Exchange difference on translation of financial statements of subsidiaries	**–**	**(21,228)**	**–**	**–**	**–**	**–**	**(21,228)**
Issue of bouns share	**–**	**–**	**(60,557)**	**–**	**–**	**–**	**(60,557)**
At 31 December 2015	**1,924**	**100,617**	**1,481,785**	**(6,144)**	**1,458,416**	**(2,424,935)**	**611,663**

(i) Statutory reserve

The Group's wholly owned subsidiaries in Macau are required to transfer not less than 25% of their net profits, as determined in accordance with Commercial Code of Macau, to their statutory reserve funds until the balance reaches 50% of the registered capital. The balances of statutory reserve in the subsidiaries had already reached 50% of the respective registered capital and no more transfer was required to be made to the statutory reserve funds of these subsidiaries.

The statutory reserve can be used to make up for previous years' losses of the subsidiaries, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable n liquidation. Transfer to this fund must be made before distributing dividends to the equity holders.

Pursuant to the applicable regulations in the PRC, the Group's wholly owned subsidiary in the PRC, namely China Elite, is required to transfer at least 10% of its after-tax profit determined under the relevant accounting regulations in the PRC (after offsetting prior year losses) to the statutory reserve until the balance reaches 50% of the registered capital. As China Elite is profit making, HK$914,000 was transferred to the statutory reserve during the year (2014: HK$913,000). For Xiamen Elite, before the acquisition by the Company during the year ended 31 December 2010, the balance of statutory reserve had already reached 50% of its registered capital.

22. TRADE AND OTHER PAYABLES

	Note	2015 HK$'000	2014 HK$'000
Trade payables	(a)	**4,747**	3,502
Other payables and accruals		**8,440**	8,792
		13,187	12,294

The carrying amounts of trade and other payables approximate their fair value.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
US$	**812**	1,181
RMB	**9,999**	8,615
HK$	**2,376**	2,498
	13,187	12,294

(a) Trade payables

The ageing analysis of trade payables is as follows:

	2015 HK$'000	2014 HK$'000
0–30 days	**4,632**	3,299
31–90 days	**14**	79
91–180 days	**53**	–
181 days–1 year	**–**	66
Over 1 year	**48**	58
	4,747	3,502

23. CASH GENERATED FROM OPERATIONS

	2015 HK$'000	2014 HK$'000
Profit before income tax	**27,617**	48,903
Adjustments for:		
– Depreciation of property, plant and equipment	**5,991**	6,029
– Amortisation of intangible assets	**2,549**	2,572
– Loss on disposal of property, plant and equipment	**734**	91
– Technology transfer income	**–**	(31,104)
– Provision for impairment of inventories	**3,000**	2,456
– Interest income	**(10,196)**	(8,847)
– Foreign exchange losses	**(2,009)**	(33)
Changes in working capital		
– Inventories	**(8,911)**	(5,645)
– Trade and other receivables	**9,944**	10,220
– Trade and other payables	**725**	(2,079)
Cash generated from operations	**29,444**	22,563

Non-cash transaction

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2015 HK$'000	2014 HK$'000
Net book amount	**874**	123
Exchange difference	**17**	–
Loss on disposal of property, plant and equipment	**(734)**	(91)
Proceeds from disposal of property, plant and equipment	**157**	32

24. COMMITMENTS

(a) Capital commitments

These were no capital expenditure contracted for but not yet incurred as at 31 December 2015 and 31 December 2014.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015		2014	
	Properties HK$'000	**Transmission lines HK$'000**	Properties HK$'000	Transmission lines HK$'000
Within 1 year	**5,906**	**663**	5,256	1,983
Over 1 year but within 5 years	**704**	**128**	3,743	–
	6,610	**791**	8,999	1,983

The Group leases a number of properties and transmission lines held under non-cancellable operating leases. The lease terms are between one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

25. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

Name	Place of incorporation or establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid-up capital and debt securities	Interest held
China Elite Info Co., Ltd.(2)	PRC, limited liability company	Services relating to information and telecommunications system network technology; data communications technology services in the PRC	Registered and paid-up capital of HK$94,000,000	100%
International Elite Limited – Macao Commercial Offshore	Macau Special Administrative Region ("Macau") of the PRC, limited liability company	Call centre for customer support and back offices in Macau	Authorised and paid-up capital of Macau Patacus ("MOP") 100,000	100%
International Elite Services Limited	Hong Kong, limited liability company	Investment holding	Authorised and paid-up capital of HK$1	100%(1)
Honor Crest Holdings Limited	British Virgin Islands, limited liability company	Investment holding	Authorised and piad-up capital of US$1	100%

25. SUBSIDIARIES (continued)

Name	Place of incorporation or establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid-up capital and debt securities	Interest held
Xiamen Elite Electronics (Hong Kong) Limited	Hong Kong, limited liability company	Designing, development and manufacturing of telecommunications products and software in Hong Kong and the PRC	Paid up capital of HK$80,000,000	100%
Keithick Profits Limited	British Virgin Islands, limited liability company	Investment holding	Authorised capital of US$50,000 and paid-up capital of US$1	100%[1]
PacificNet Communications Limited – Macao Commercial Offshore	Macau, limited liability company	Designing, development and manufacturing of telecommunications products and software in Hong Kong and the PRC	Authorised and paid-up capital of MOP100,000	100%
PacificNet Management Limited	British Virgin Islands, limited liability company	Investment holding	Authorised capital of US$50,000 and paid-up capital of US$50	100%
Sunward Network Technology Limited	British Virgin Islands, limited liability company	Telecommunications consultancy in Hong Kong	Authorised capital of US$50,000 and paid-up capital of US$2	100%
Sunward Telecom Limited	British Virgin Islands, limited liability company	Investment holding	Authorised capital of US$50,000 and paid-up capital of US$2	100%[1]
Target Link Enterprises Limited	Hong Kong, limited liability company	Designing, development and manufacturing of telecommunications products and software in Hong Kong and the PRC	Authorised capital of HK$10,000 and paid-up capital of HK$250	100%
Winet Engineering Limited	Hong Kong, limited liability company	Marketing and technical support services for telecommunications companies in Hong Kong	Authorised capital of HK$10,000 and paid-up capital of HK$2	100%
Xiamen Elite Electric Co. Ltd.[2]	PRC, limited liability company	Manufacturing and sales of RF-SIM cards in the PRC	Registered and paid-up capital of HK$4,000,000	100%

(1) Shares held directly by the Company

(2) These entities are established as wholly foreign owned enterprises in the PRC. The English names of these entities incorporated in Mainland China are direct translation of the Chinese names.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the date of statement of financial position are as follows:

	Loans and receivables HK$'000
Assets as per consolidated statement of financial position	
31 December 2015	
Trade and other receivables, excluding prepayments	**104,530**
Available-for-sale financial asset	**24,960**
Cash and cash equivalents	**439,697**
Time deposits with maturity over three months	**8,004**
Total	**577,191**
31 December 2014	
Trade and other receivables, excluding prepayments	117,960
Available-for-sale financial asset	31,744
Cash and cash equivalents	453,923
Total	603,627

	Other financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
31 December 2015	
Trade and other payables	**7,407**
31 December 2014	
Trade and other payables	5,759

27. RELATED PARTY TRANSACTIONS

(a) Relationship between the Group and related parties

(i) *Ultimate shareholders of the Group*

Li Kin Shing

Kwok King Wa

Li Yin

(ii) *Ultimate parent*

Ever Prosper International Limited

(iii) *Subject to common control of ultimate shareholders*

China-Hong Kong Telecom Ltd.

Directel Communications Limited

Directel Holdings Limited

Elitel Limited

Fastary Limited

Jandah Management Limited

Talent Information Engineering Co., Ltd.

(b) Transactions with related parties

The following transactions were carried out with related parties:

	Note	2015 HK$'000	2014 HK$'000
Sales	(i)	673	787
Licensing income	(ii)	65	65
Rental expenses for properties	(iii)	332	332
Technology transfer income	(iv)	4,241	–

Notes:

(i) Sales to related parties mainly represent the rendering service of CRM. The selling prices are determined based on prevailing price of similar services to independent third party customers.

(ii) Licensing income from Directel Limited, licensee of the operation rights of RF-SIM in markets other than the PRC is determined on a mutually agreed basis.

(iii) The Group rented properties from the ultimate shareholder, Mr. Li Kin Shing, and a related party, Talent Information Engineering Co., Ltd., at a price mutually agreed.

(iv) Technology transfer income from Directel Communications Limited is determined on a mutually agreed basis. Details of technology transfer income have been disclosed in Note 5.

27. RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

The outstanding balances arising from the above transactions at the date of statement of financial position are as follows:

	Note	2015 HK$'000	2014 HK$'000
Amounts due from related parties			
– trade	18	**4,229**	60

Balances with related parties are unsecured, interest-free and repayable on demand.

(d) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2015 HK$'000	2014 HK$'000
Wages, salaries and other benefits	**5,628**	5,938
Contribution to retirement benefit schemes	**360**	355
	5,988	6,293

28. EVENT AFTER THE REPORTING PERIOD

Honor Crest Holdings Limited (the "Subscriber"), a direct and wholly-owned subsidiary of the Company, has entered into a subscription agreement with Global Link on 27 February 2016 (the "Subscription Agreement"), whereby Global Link has conditionally agreed to allot and issue 1,000,000,000 subscription shares at a subscription price of HK$0.08 per subscription share. The net consideration of the subscription is estimated to be approximately HK$79,000,000.

Immediately prior to the entering into the Subscription Agreement, the Company is interested in 128,000,000 shares of Global Link (Note 16), representing approximately 11.76% of the entire issued share capital of Global Link as at the date of Subscription Agreement. Immediately after the completion, the Subscriber and other parties acting in concert with it will own 1,128,000,000 shares, representing approximately 54.00% of the entire issued share capital of Global Link as enlarged by the allotment and issue of subscription shares. Pursuant to Rule 26.1 of the Takeovers Code, the Company is required to make an unconditional mandatory cash offer for all the issued shares, thus, 960,807,500 shares will be subject to the unconditional mandatory cash offer to be made by China Galaxy International Securities (Hong Kong) Co., Limited on behalf of the Subscriber (the "Offer") and the total consideration of the Offer would be approximately HK$77,000,000. Further details of the acquisition are set out in the announcement of the Company dated 29 February 2016 and the circular of the Company dated 30 March 2016.

29. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2015 HK$'000	2014 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**2,522**	21
Investments in subsidiaries	**218,374**	218,374
Deferred tax assets	**154**	1
Available-for-sales financial asset	**24,960**	31,744
	246,010	250,140
Current assets		
Trade and other receivables	**1,500**	1,406
Amounts due from subsidiaries	**114,548**	110,410
Cash and cash equivalents	**129,151**	137,706
	245,199	249,522
Total assets	**491,209**	499,662
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**90,835**	30,278
Reserves (Note a)	**399,119**	468,091
Total equity	**489,954**	498,369
Current liabilities		
Trade and other payables	**1,218**	1,256
Current income tax liabilities	**37**	37
	1,255	1,293
Total liabilities	**1,255**	1,293
Total equity and liabilities	**491,209**	499,662

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2016 and was signed on its behalf.

Li Kin Shing
Director

Wong Kin Wa
Director

29. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

(a) Reserve of the Company

	Share premium HK'000	Investment reserve HK'000	Other reserves HK'000	Accumulated losses HK'000	Total HK'000
At 1 January 2014	1,542,342	–	1,451,503	(2,527,085)	466,760
Fair value gain on available-for-sale financial asset	–	640	–	–	640
Profit for the year	–	–	–	691	691
At 31 December 2014	1,542,342	640	1,451,503	(2,526,394)	468,091
At 1 January 2015	1,542,342	640	1,451,503	(2,526,394)	468,091
Issue of bonus shares	(60,557)	–	–	–	(60,557)
Fair value loss on available-for-sale financial asset	–	(6,784)	–	–	(6,784)
Loss for the year	–	–	–	(1,631)	(1,631)
At 31 December 2015	1,481,785	(6,144)	1,451,503	(2,528,025)	399,119

(i) *Distribution of reserves*

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) *Investment reserve*

It represents the accumulated fair value adjustment recognised for the change in fair value of an available-for-sale financial asset. When the available-for-sale financial assets is sold or impaired, the accumulated fair value adjustment recognised in investment reserve is included in the income statement as other gain and loss.

(iii) *Other reserves*

It mainly represented the equity component which was arose the issuance of convertible notes on 26 July 2011. All the convertible notes were fully converted in 2011.

30. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every directors and the chief executive is set out below:

For the year ended 31 December 2015:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors									
Li Kin Shing (Note (i))	80	1,200	147	–	13	67	–	–	1,507
Li Yin	80	600	50	–	12	33	–	–	775
Wong Kin Wa	80	600	65	–	12	33	–	–	790
Li Wen	80	867	–	–	–	34	–	–	981
Independent and non-executive directors									
Chen Xue Dao	80	–	–	–	–	–	–	–	80
Cheung Sai Ming	80	–	–	–	–	–	–	–	80
Liu Chun Bao	80	–	–	–	–	–	–	–	80

30. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2014:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors									
Li Kin Shing (Note (i))	80	1,200	147	–	12	67	–	–	1,506
Li Yin	80	600	50	–	11	33	–	–	774
Wong Kin Wa	80	600	68	–	11	33	–	–	792
Li Wen	80	877	68	–	–	34	–	–	1,059
Independent and non-executive directors									
Chen Xue Dao	80	–	–	–	–	–	–	–	80
Cheung Sai Ming	80	–	–	–	–	–	–	–	80
Liu Chun Bao	80	–	–	–	–	–	–	–	80

Note:

(i) Mr. Li Kin Shing is the director and the chief executive of the Company.

There was no arrangement during the year ended 31 December 2015 and 2014 under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

30. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Company does not pay consideration to any third parties for making available directors' services (2014: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2015, there are no loans, quasi-loans and other dealing arrangements entered into by the Company or subsidiary undertaking of the Company in favour of directors, controlled bodies corporate by and controlled entities with such directors (2014: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Except as mentioned in Notes 5 and 27 to the consolidated financial statements, there is no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**272,320**	300,874	343,124	389,118	418,856
Profit from operations	**27,617**	48,903	41,143	33,418	1,087,369
Finance costs	**–**	–	–	–	20,778
Profit before taxation	**27,617**	48,903	41,143	33,418	1,066,591
Income tax credit/(expense)	**677**	(4,390)	(2,838)	(2,029)	3,650
Profit for the year attributable to equity shareholders of the Company	**28,294**	44,513	38,305	31,389	1,070,241

	At 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Property, plant and equipment	**58,459**	62,351	64,172	66,264	68,312
Intangible assets	**36,679**	15,184	17,689	19,822	43,696
Available-for-sale financial asset	**24,960**	31,744	–	–	–
Deferred tax assets	**2,278**	1,095	604	724	757
Net current assets	**583,253**	595,567	579,841	528,028	475,389
Total assets less current liabilities	**705,629**	705,941	662,306	614,838	588,154
Deferred tax liabilities	**3,131**	3,725	4,157	4,914	10,204
Net assets	**702,498**	702,216	658,149	609,924	577,950
Capital and reserves					
Share capital	**90,835**	30,278	30,278	30,278	30,278
Reserves	**611,663**	671,938	627,871	579,646	547,672
Total equity	**702,498**	702,216	658,149	609,924	577,950