INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1328)

INTERIM REPORT 2016

HIGHLIGHTS

- Revenue for the six months ended 30 June 2016 was approximately HK$132,607,000, representing a drop of approximately 1% as compared to that for the six months ended 30 June 2015.

- Loss attributable to equity holders of the Company for the six months ended 30 June 2016 was approximately HK$13,600,000. The loss for the six months ended 30 June 2016 was mainly attributable to (i) the decrease in sales of RF-SIM products as compared to that in the six months ended 30 June 2015; and (ii) the provision for obsolete and slow-moving inventories.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of International Elite Ltd. (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 (the "Relevant Period") together with the unaudited comparative figures for the corresponding period in 2015 (the "Last Corresponding Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 June 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Revenue	6	**132,607**	134,267
Cost of sales	7(a)	**(120,196)**	(108,696)
Gross profit		**12,411**	25,571
Other revenue		**3,848**	6,037
Other gain	12	**4,736**	–
Research and development expenses	7(a)	**(4,128)**	(4,817)
Administrative and other operating expenses	7(a)	**(33,242)**	(24,270)
(Loss)/profit before income tax		**(16,375)**	2,521
Income tax credit/(expense)	8	**995**	(236)
(Loss)/profit for the period		**(15,380)**	2,285
(Loss)/profit attributable to:			
– Equity holders of the Company		**(13,600)**	2,285
– Non-controlling interests		**(1,780)**	–
		(15,380)	2,285
(Loss)/earnings per share attributable to equity holders of the Company:			
– basic	10	**HK (0.15) cent**	HK 0.03 cent
– diluted	10	**HK (0.15) cent**	HK 0.03 cent

The notes on pages 7 to 25 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit for the period	**(15,380)**	2,285
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
– Fair value gain on an available-for-sale financial asset	**10,880**	25,856
– Currency translation differences	**(6,051)**	129
Total comprehensive (loss)/income for the period, net of tax	**(10,551)**	28,270
Total comprehensive (loss)/income for the period attributable to:		
– Equity holders of the Company	**(8,427)**	28,270
– Non-controlling interests	**(2,124)**	–
	(10,551)	28,270

The notes on pages 7 to 25 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**60,056**	58,459
Goodwill	12	**41,459**	–
Intangible assets		**60,770**	36,679
Deferred tax assets		**2,805**	2,278
Available-for-sale financial asset	12	**–**	24,960
		165,090	122,376
Current assets			
Inventories	13	**54,550**	45,680
Trade and other receivables	14	**156,947**	109,713
Pledged bank deposit		**1,185**	–
Time deposits with maturity over three months	15	**–**	8,004
Cash and cash equivalents	15	**443,321**	439,697
		656,003	603,094
Total assets		**821,093**	725,470
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**90,835**	90,835
Reserves		**598,500**	611,663
		689,335	702,498
Non-controlling interests		**61,239**	–
Total equity		**750,574**	702,498
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**2,823**	3,131
Provision for long service payments		**56**	–
		2,879	3,131
Current liabilities			
Trade and other payables	17	**52,899**	13,187
Current income tax payables		**14,741**	6,654
		67,640	19,841
Total liabilities		**70,519**	22,972
Total equity and liabilities		**821,093**	725,470

The notes on pages 7 to 25 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Investment reserve (Unaudited) HK$'000	Other reserves (Unaudited) HK$'000	Statutory reserve (Unaudited) HK$'000	Exchange reserve (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling Interests (Unaudited) HK$'000	Total Equity (Unaudited) HK$'000
As at 1 January 2015	30,278	1,542,342	640	1,458,416	1,010	121,845	(2,452,315)	702,216	–	702,216
Transfer from profit to statutory reserve	–	–	–	–	492	–	(492)	–	–	–
Comprehensive income										
Profit for the period	–	–	–	–	–	–	2,285	2,285	–	2,285
Other comprehensive income										
Fair value gain on an available-for-sale financial asset	–	–	25,856	–	–	–	–	25,856	–	25,856
Currency translation differences	–	–	–	–	–	129	–	129	–	129
Transactions with owners										
Issue of bonus shares	60,557	(60,557)	–	–	–	–	–	–	–	–
As at 30 June 2015	90,835	1,481,785	26,496	1,458,416	1,502	121,974	(2,450,522)	730,486	–	730,486
As at 1 January 2016	**90,835**	**1,481,785**	**(6,144)**	**1,458,416**	**1,924**	**100,617**	**(2,424,935)**	**702,498**	**-**	**702,498**
Transfer from profit to statutory reserve	**-**	**-**	**-**	**-**	**688**	**-**	**(688)**	**-**	**-**	**-**
Comprehensive loss										
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(13,600)**	**(13,600)**	**(1,780)**	**(15,350)**
Reversal of investment reserve upon step acquisition	**-**	**-**	**(4,736)**	**-**	**-**	**-**	**-**	**(4,736)**	**-**	**(4,736)**
Other comprehensive income/(loss)										
Fair value gain on an available-for-sale financial asset	**-**	**-**	**10,880**	**-**	**-**	**-**	**-**	**10,880**	**-**	**10,880**
Currency translation differences	**-**	**-**	**-**	**-**	**-**	**(5,707)**	**-**	**(5,707)**	**(344)**	**(6,051)**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63,363**	**63,363**
As at 30 June 2016	**90,835**	**1,481,785**	**-**	**1,458,416**	**2,612**	**94,910**	**(2,439,223)**	**689,335**	**61,239**	**750,574**

The notes on pages 7 to 25 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six months ended 30 June 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Cash flows from operating activities			
Cash used in operations		**(9,778)**	(2,716)
Income tax paid		**(1,080)**	(125)
Net cash used in operating activities		**(10,858)**	(2,841)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(4,544)**	(1,995)
Proceeds on disposal of property, plant and equipment		**10**	–
Purchases of intangible assets		**(516)**	(138)
Interest received		**2,165**	5,682
Decrease in bank deposits with maturity over three months		**8,004**	–
Decrease in pledged bank deposit		**35**	–
Acquisition of subsidiaries	12	**12,482**	–
Net cash generated from investing activities		**17,636**	3,549
Net increase in cash and cash equivalents		**6,778**	708
Cash and cash equivalents at 1 January		**439,697**	453,923
Effect of foreign exchange rate changes		**(3,154)**	(38)
Cash and cash equivalents at 30 June	15	**443,321**	454,593

The notes on pages 7 to 25 form an integral part of these condensed consolidated financial information.

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 and outbound services to companies in various service-oriented industries. Following the acquisition of Sunward Telecom Limited and its subsidiaries (collectively,"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. After the completion of the subscription of 1,000,000,000 shares of Global Link Communications Holdings Limited ("GLCH") in April 2016, GLCH became a subsidiary of the Group, thereafter, the Group is also engaged in the provision of passenger information management system ("PIMS").

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"). 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.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated.

The condensed consolidated interim financial information is not audited but has been reviewed by the audit committee.

The condensed consolidated interim financial information was approved for issue by the Board on 30 August 2016.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016. The followings are other accounting policies which are relevant to the preparation of the condensed consolidated interim financial information for the six months ended 30 June 2016.

(a) Goodwill

Goodwill arisen on the acquisition of subsidiaries, associates and joint ventures represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of thenon-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(c) The following new standards, amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2016 and currently relevant to the Group:

- Amendments to IFRS 10, IFRS 12 and IAS 28, "Investments entities applying the consolidation exception"
- Amendment to IFRS 11, "Accounting for acquisition of interests in joint operations"
- IFRS 14, "Regulatory deferral accounts"
- Amendments to IAS 1, "The disclosure initiative"
- Amendments to IAS 16 and IAS 38, "Clarification of acceptable methods of depreciation and amortisation"
- Amendments to IAS 16 and IAS 41, "Agriculture: Bearer plants"
- Amendment to IAS 27, "Equity method in separate financial statements"
- Annual improvements to IFRSs — 2012–2014 cycle

The Group has adopted these standards and the adoption of these standards did not have significant impacts on the Group's results and financial position.

3. Accounting policies (Continued)

(c) (Continued)

There are no other new standards, amendments to standards and annual improvements that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(d) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

IFRS 9,"Financial instruments"	1 January 2018
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	*Note*
IFRS 15, "Revenue from contracts with customers"	1 January 2018
IFRS 16, "Leases"	1 January 2019

Note: To be announced by HKICPA

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

The carrying amounts of cash and cash equivalents, pledged bank deposit, trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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) CRM services ("CRMS") business: this segment includes (a) inbound services which include customer hotline services and built-in secretarial services, a personalised message taking services; and (b) outbound services which include telesales services and market research services.

(ii) 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.

(iii) PIMS business: this segment includes supply, development and integration of passenger information management system.

No operating segment has 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 property, plant and equipment, intangible assets, inventories and receivables.

The following tables present revenue, reportable segment (loss)/profit and certain assets, and expenditure information for the Group's business segments for the six months ended 30 June 2016 and 2015, and as at 30 June 2016 and 31 December 2015.

	For the six months ended 30 June 2016				For the six months ended 30 June 2015		
					(Restated)	(Restated)	(Restated)
	CRMS business (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	PIMS business (Unaudited) HK$'000	Total (Unaudited) HK$'000	CRMS business (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	Total (Unaudited) HK$'000
Revenue from external customers	**117,965**	**2,215**	**12,427**	**132,607**	115,436	18,831	134,267
Reportable segment (loss)/profit	**16,102**	**(4,183)**	**492**	**12,411**	18,148	7,423	25,571
Depreciation and amortisation	**5,421**	**2,133**	**104**	**7,658**	2,881	1,492	4,373

	As at 30 June 2016				As at 31 December 2015		
					(Restated)	(Restated)	(Restated)
	CRMS business (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	PIMS business (Unaudited) HK$'000	Total (Unaudited) HK$'000	CRMS business (Audited) HK$'000	RF-SIM business (Audited) HK$'000	Total (Audited) HK$'000
Reportable segment assets	**185,075**	**90,295**	**56,843**	**332,213**	168,977	81,410	250,387
Addition to non-current segment assets during the period	**4,211**	**317**	**29**	**4,557**	30,397	1,244	31,641

6. Segment information (Continued)

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

	For the six months ended 30 June 2016 (Unaudited) HK$'000	(Restated) 2015 (Unaudited) HK$'000
Revenue		
Reportable segment revenue	**132,607**	134,267
Consolidated revenue	**132,607**	134,267
Profit		
Reportable segment profit	**12,411**	25,571
Other revenue	**3,848**	6,037
Other gain	**4,736**	–
Unallocated depreciation and amortisation	**(36)**	(38)
Research and development expenses	**(4,128)**	(4,817)
Unallocated head office and administrative and other operating expenses	**(33,206)**	(24,232)
Consolidated (loss)/profit before income tax	**(16,375)**	2,521

	As at 30 June 2016 (Unaudited) HK$'000	(Restated) As at 31 December 2015 (Audited) HK$'000
Assets		
Reportable segment assets	**332,213**	250,387
Deferred tax assets	**2,805**	2,278
Available-for-sale financial asset	**–**	24,960
Pledged bank deposit	**1,185**	–
Time deposits with maturity over three months	**–**	8,004
Cash and cash equivalents	**443,321**	439,697
Unallocated head office and other assets	**41,569**	144
Consolidated total assets	**821,093**	725,470

6. Segment information (Continued)

(c) Geographic information

The following tables set out the information about the geographical location 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 operations to which they are allocated.

	PRC (Unaudited) HK$'000	Hong Kong (Unaudited) HK$'000	Macau and others (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2016				
Revenue from external customers	**28,629**	**100,333**	**3,645**	**132,607**
As at 30 June 2016				
Specified non-current assets	**65,395**	**32,733**	**22,698**	**120,826**

	PRC (Unaudited) HK$'000	Hong Kong (Unaudited) HK$'000	Macau and others (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2015				
Revenue from external customers	33,951	97,182	3,134	134,267

	PRC (Audited) HK$'000	Hong Kong (Audited) HK$'000	Macau and others (Audited) HK$'000	Total (Audited) HK$'000
As at 31 December 2015				
Specified non-current assets	67,346	27,934	24,818	120,098

7. Expenses by nature

(a) Cost of sales, research and development expenses and administrative and other operating expenses

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Employee benefits expenses, including directors' emoluments	**109,925**	103,554
Depreciation of property, plant and equipment	**3,225**	3,177
Amortisation of intangible assets	**4,469**	1,234
Cost of inventories sold	**13,124**	9,797
Provision for impairment of inventories	**2,724**	1,500
Operating lease charges in respect of		
– rental of building and offices	**5,575**	4,559
– hire of transmission lines	**3,468**	3,420
Other expenses	**15,056**	10,542
Total cost of sales, research and development expenses and administrative and other operating expenses	**157,566**	137,783

(b) Employee benefits expenses, including directors' emoluments

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, wages and other benefits	**101,791**	95,413
Contribution to retirement benefit schemes	**8,134**	8,141
Total employee benefits expenses	**109,925**	103,554

8. Income tax expense

	For the six months ended 30 June	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Current income tax		
– Hong Kong profits tax	**112**	459
– PRC corporate income tax	**899**	854
Over-provision in prior year	**(1,454)**	(702)
Deferred income tax	**(552)**	(375)
Income tax (credit)/expense	**(995)**	236

(i) Hong Kong profits tax

The provision for Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 June 2016 and 2015.

(ii) PRC corporate income tax

China Elite Info. Co., Ltd. ("China Elite") was approved as a Technology Advanced Service Enterprise ("TASE") in December 2009, and the status was renewed in August 2014. 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 4-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 is eligible for a preferential PRC corporate 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.

Guangzhou Global Link Communications Inc. was qualified as a HNTE in October 2014 and is entitled to a concessionary rate of PRC corporate income tax at 15% for 3 years.

Other than the above, remaining subsidiaries located in the PRC are subject to the PRC corporate income tax rate of 25% (2015: 25%) on its assessable profits.

(iii) 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 six months ended 30 June 2016 and 2015.

9. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016. No interim dividend was paid in respect of the six months ended 30 June 2015.

10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the six months ended 30 June 2016 is based on the loss attributable to equity holders of the Company of approximately HK$13,600,000 (2015: profit of approximately HK$2,285,000) and on the weighted average number of 9,083,460,000 ordinary shares (2015: 9,083,460,000) in issue during the period.

(b) Diluted (loss)/earnings per share

Diluted loss and earnings per share are equal to the basic loss and earnings per share for the six months ended 30 June 2016 and 2015 respectively as there were no potential dilutive ordinary shares outstanding during the period.

11. Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$4,041,000 (2015: approximately HK$2,163,000). Property, plant and equipment have been fully depreciated with zero net book value were disposed of during the six months ended 30 June 2016 (2015: nil).

12. Goodwill, available-for-sale financial asset and business combinations

Step acquisition of Global Link Communications Holdings Limited from available-for-sale financial asset to a subsidiary of the Group

On 21 April 2016, Honor Crest Holdings Limited, a direct and wholly-owned subsidiary of the Company, completed the subscription of 1,000,000,000 shares of GLCH, which is principally engaged in the provision of passenger information management system for consideration of HK$80,000,000. Prior to the business combination, the Group already held 11.76% equity interest in GLCH and classified as an available-for-sale financial asset. As a result of the business combination, the Group held approximately 54% equity interest in GLCH.

12. Goodwill, available-for-sale financial asset and business combinations (Continued)

Step acquisition of Global Link Communications Holdings Limited from available-for-sale financial asset to a subsidiary of the Group (Continued)

The following table summarises the consideration paid for GLCH and its subsidiaries (collectively, "Global Link"), and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	21 April 2016 HK$'000
Purchase consideration	
– Cash paid	80,000
– Fair value of previously held interest in Global Link (note b)	35,840
Total purchase consideration	115,840
Recognised amounts of identifiable assets acquired and liabilities assumed	
Provisional fair value	
Pledged bank deposit	1,220
Cash and cash equivalents	92,482
Property, plant and equipment	1,904
Intangibles assets	28,257
Inventories	7,451
Receivables	44,579
Deposits and prepayments	2,584
Payables	(20,483)
Provision for product warranties	(12,721)
Provision for long service payments	(56)
Provision for taxation	(7,473)
Total identifiable net assets	137,744
Non-controlling interest	(63,363)
Goodwill (Note a)	41,459
	115,840
Acquisition-related costs (included in administrative and other operating expenses in the interim condensed consolidated income statement for the period ended 30 June 2016)	4,315

12. Goodwill, available-for-sale financial asset and business combinations (Continued)

Step acquisition of Global Link Communications Holdings Limited from available-for-sale financial asset to a subsidiary of the Group (Continued)

	21 April 2016 HK$'000
Inflow of cash to acquire business, net of cash	
– Cash consideration	**80,000**
– Cash and cash equivalents of subsidiaries acquired	**92,482**
Cash inflow on acquisition	**12,482**

(a) Goodwill

The acquisition is expected push forward and execute business plans and strategies to improve and develop the existing business, in particular the development of the "Smart City" by using the CA-SIM technology assigned by the Group.

The goodwill of HK$41,459,000 arising from the acquisition is attributable to the synergies expected to arise from the business combination and future growth of Global Link. None of the goodwill recognised is expected to be deductible for income tax purposes.

	As at 30 June 2016 (Unaudited) HKS'000	As at 31 December 2015 (Audited) HKS'000
At 1 January	**–**	–
Acquisition of Global Link	**41,459**	–
At end of the period/year	**41,459**	–

Goodwill acquired has not yet been allocated to a cash-generating unit at the end of the period as the accounting for business combination is still provisional.

(b) Available-for-sale financial asset

	As at 30 June 2016 (Unaudited) HKS'000	As at 31 December 2015 (Audited) HKS'000
At beginning of the period/year	**24,960**	31,744
Fair value gain/(loss)	**10,880**	(6,784)
Reclassification to investment in a subsidiary	**(35,840)**	–
At end of the period/year	**–**	24,960

12. Goodwill, available-for-sale financial asset and business combinations (Continued)

(b) Available-for-sale financial asset (Continued)

Available-for-sale financial asset includes the following:

	As at 30 June 2016 (Unaudited) HKS'000	As at 31 December 2015 (Audited) HKS'000
Listed shares in Hong Kong	–	24,960

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

The interest of 11.76% in GLCH previously held by the Group prior to the completion of the acquisition was recognised as an available-for-sale financial asset. The fair value has been re-measured as HK$35,840,000, using the opening share price as at 21 April 2016 and fair value gain of HK$10,880,000 has been recognised in the other comprehensive income. The remaining cumulative fair value gain recognised in the investment reserve of 4,736,000 has been released to condensed consolidation income statement.

(c) The fair value of trade and other receivables is HK$44,579,000 and includes trade receivables with a fair value of HK$42,612,000. The gross contractual amount for trade receivables due is HK$54,475,000, of which HK$11,863,000 is expected to be uncollectible.

The acquired business contributed HK$12,427,000 to the Group's total revenue and HK$3,870,000 loss to the Group's loss before tax for the period between the date of acquisition and end of the reporting period.

If the acquisition had occurred on 1 January 2016, consolidated revenue and consolidated loss after tax for the six months ended 30 June 2016 would have been HK$152,833,000 and HK$25,005,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of total revenue and income and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

The Group has chosen to recognise the non-controlling interest at their proportionate share of Global Link's total identifiable net assets for this acquisition.

13. Inventories

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Raw materials	**41,537**	27,338
Work in progress	**23,686**	25,446
Finished goods	**1,766**	2,952
	66,989	55,736
Less: provision for impairment of inventories	**(12,439)**	(10,056)
	54,550	45,680

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$13,124,000 (Last Corresponding Period: HK$9,797,000).

During the period, an additional HK$2,724,000 (Last Corresponding Period: HK1,500,000) of provision for impairment of inventories was recorded and recognised in "cost of sales" as a result of technology obsolescence.

14. Trade and other receivables

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Accounts and bills receivables		
– amounts due from related parties	**49**	4,229
– amounts due from third parties	**128,295**	85,134
	128,344	89,363
Provision for doubtful debts	**(11,920)**	(680)
Trade receivables, net	**116,424**	88,683
Deposits, prepayments and other receivables	**40,523**	21,030
	156,947	109,713

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 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 their payment history, background and financial strength. The Group reviews the settlement records of its customers on a regular basis to determine their credit terms.

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:

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Aged within 1 month	**28,256**	31,883
Aged over 1 month to 3 months	**36,738**	32,196
Aged over 3 months to 6 months	**31,592**	17,377
Aged over 6 months to 1 year	**10,975**	7,227
Aged over 1 year	**1,507**	–
	109,068	88,683
Retention receivables	**7,356**	–
	116,424	88,683

14. Trade and other receivables (Continued)

At 30 June 2016, the Group had a concentration of credit risk as 67% (31 December 2015: 83%) of the total trade receivables were due from the Group's five largest customers and 36% (31 December 2015: 43%) of the total trade receivables was due from the Group's largest customer.

15. Cash and cash equivalents

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Cash at banks and in hand	**277,845**	156,313
Short-term bank deposits	**165,476**	291,388
	443,321	447,701
Less: Time deposits with maturity over three months	**–**	(8,004)
	443,321	439,697

16. Share capital

	Note	As at 30 June 2016		As at 31 December 2015	
		Number of shares (Unaudited) '000	Nominal value (Unaudited) HK$'000	Number of shares (Audited) '000	Nominal value (Audited) HK$'000
Ordinary shares of HK$0.01 each					
Authorised:					
At 1 January		**20,000,000**	**200,000**	10,000,000	100,000
Increase	(i)	**–**	**–**	10,000,000	100,000
At end of the period/year		**20,000,000**	**200,000**	20,000,000	200,000
Issued and fully paid:					
At 1 January		**9,083,460**	**90,835**	3,027,820	30,278
Issue of bonus shares	(ii)	**–**	**–**	6,055,640	60,557
At end of the period/year		**9,083,460**	**90,835**	9,083,460	90,835

16. Share capital (Continued)

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.

17. Trade and other payables

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Trade payables	**21,941**	4,747
Other payables and accruals	**30,958**	8,440
	52,899	13,187

Included in trade payables are trade creditors with the following ageing analysis:

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Aged 0 - 30 days	**9,961**	4,632
Aged 31 - 90 days	**8,134**	14
Aged 91 - 180 days	**2,118**	53
Aged 181 days - 1 year	**917**	–
Aged over 1 year	**811**	48
	21,941	4,747

18. Commitments

(a) Capital commitments

The Group did not have any capital expenditure contracted but not yet incurred as at 30 June 2016 and 31 December 2015.

(b) Operating lease commitments

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

	As at 30 June 2016 (Unaudited) HK$'000		As at 31 December 2015 (Audited) HK$'000	
	Properties	**Transmission lines**	Properties	Transmission lines
Not later than 1 year	**5,187**	**1,764**	5,906	663
Later than 1 year and not later than 5 years	**2,044**	**546**	704	128
	7,231	**2,310**	6,610	791

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.

19. 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 Ltd.
Directel Holdings Limited
Directel Limited
Elitel Limited
Fastary Limited
Jandah Management Limited
Talent Information Engineering Co., Ltd.

19. Related party transactions (Continued)

(b) Transactions with related parties

The Group entered into the following related party transactions:

		For the six months ended 30 June	
		2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Sales	(i)	**296**	356
Licensing income	(ii)	**33**	33
Rental expenses of properties	(iii)	**482**	166

Notes:

(i) Sales to related parties mainly represent rendering service of CRM. The selling prices are determined based on the prevailing prices 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 a related party, Talent Information Engineering Co., Ltd., at a price set on a mutually agreed basis.

(c) Balances with related parties

The outstanding balances arising from the above transactions at the end of the reporting period are as follows:

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Amounts due from related parties – trade	**49**	4,229

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

19. Related party transactions (Continued)

(d) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	For the six months ended 30 June	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Wages, salaries and other benefits	**2,985**	2,789
Contribution to retirement benefit schemes	**180**	167
	3,165	2,956

The remuneration is included in "employee benefits expenses" (see note 7(b)).

20. Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

21. Comparative figures

The comparative figures represent figures for the period ended 30 June 2015. Certain items in these comparative figures have been reclassified to conform with the current period's presentation to facilitate comparison.

Business Overview

The Group is a 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. Services provided by the Group are classified into inbound and outbound services. During the period 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, the Group is also engaged in the 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.

On 21 April 2016, the Group completed the subscription of 1,000,000,000 shares of Global Link Communications Holdings Limited ("GLCH") (stock code: 8060), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM. Acquiring majority voting rights in GLCH upon completion of the subscription, being 54% of the enlarged issued share capital of GLCH, the Group considers it will be more effective for it to push forward and execute business plans and strategies to improve and develop the existing businesses of GLCH and its subsidiaries (collectively, "Global Link"), in particular the development of the "Smart City" by using the CA-SIM technology assigned by the Group. Though the subscription, immediate cash is provided for Global Link to improve its liquidity and financial position, in particular, the working capital and cash flow position of Global Link. After the subscription, GLCH became a subsidiary of the Group, thereafter, the Group is engaged in the provision of passenger information management system ("PIMS") as well.

Financial Review

Revenue of the Group for the six months ended 30 June 2016 amounted to approximately HK$132,607,000, representing a decrease of approximately 1% as compared to that of the Last Corresponding Period. Revenue from CRMS business, RF-SIM business and PIMS business accounted for approximately 89%, 2% and 9% of the Group's total revenue for the six months ended 30 June 2016 respectively.

The gross profit of the Group for the six months ended 30 June 2016 was approximately HK$12,411,000, representing a decrease of approximately 51% as compared to that of the Last Corresponding Period. The gross profit margin decreased from approximately 19% to approximately 9% for the six months ended 30 June 2016. The gross profit margins of the CRMS business and PIMS business for the six months ended 30 June 2016 were approximately 14% and 4% respectively. The gross loss margin of the RF-SIM business for the six months ended 30 June 2016 was approximately 189%.

The Group's loss attributable to equity holders of the Company for the six months ended 30 June 2016 was approximately HK$13,600,000, while the Group's profit attributable to equity holders of the Company for the six months ended 30 June 2015 was approximately HK$2,285,000. The loss for the six months ended 30 June 2016 was mainly attributable to (i) the decrease in sales of RF-SIM products as compared to that in the six months ended 30 June 2015; and (ii) the provision for obsolete and slow-moving inventories.

CRM Service Business

Business Review

Customers in Telecommunications Industry

During the period under review, 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. However, due to the fierce competition in the CRM and telecommunications industry, there was a decrease in revenue of the Group from telecommunications service providers for the six months ended 30 June 2016 of approximately 4% as compared to that of the Last Corresponding Period.

Customers in Non-Telecommunications Industries

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

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 our services in line with their development and expansion. With the new and established customers, the Group has built up a consolidated customer base and they have witnessed the achievement of the Group's development in non-telecommunication 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 the experienced operators with skills that will allow them to work on multiple projects. This makes the project teams 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 of 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 of the Company (the "Directors") believe that the operators with multi-skills can form an elite CRM team that particularly suits for 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 period under review, the Group has entered into service contracts with the following customers for the provision of CRM services.

Customer	Service	Contract date
China United Network Communications Co., Ltd. Shantou Branch	Telesales	March 2016
Guangzhou Panyu Agile Realty Development Co., Ltd.	Telesales	April 2016

Awards and Certification

In April 2016, China Elite was awarded the Best Telecommunication Service Outsourcing Enterprise of 2015 from the Guangdong Service Outsourcing Industry Association;

In May 2016, China Elite was certified the 4PS Contact Center International Standard Certification (the registration No. 4PS 2015SSES001-201505012).

Internet CRM

During the period under review, the Group continued to provide the Internet CRM service named as Intelligent Internet Chat Application ("iChat") service, to the established telecommunications service providers as well as customers in non-telecommunications 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 new service will enhance profit margin of the Group.

Furthermore, the Group has integrated internet and mobile phone APPs to develop 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

China strives its main efforts to cultivate services outsourcing industry and the CRM services provided by the Group is one of the essential expressions of that. According to the domestic commerce operation situation announcement issued by China's Ministry of Commerce for the six months ended 30 June 2016, contract amount of services outsourcing industry has reached RMB507 billion, increased by 39.6% as compared to that of the Last Corresponding Period.

With the government's "Internet Plus" strategy, innovative integration between Internet and service industry has been coming along. Under such innovative services outsourcing industry environment in China, the management believes that the Group can increase its penetration in the China market and explore the possibility of developing non-telecommunications markets. Benefiting from the introduction of Internet CRM and other new services to be launched based on internet concept.

Under China's scientific and technological innovative environment, including, but not limited to, mature 4G mobile communications, the penetration of mobile internet application into everyday life, the Directors anticipate that there will be more opportunities emerged in the market of China and for the business development of the Group.

In addition, the Group has been constantly seeking business improvement and working 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 high speed data communication services, including but not limited to Net surfing, Cloud game, Cloud media, SNS chat. With our strong operating team and our 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 six months ended 30 June 2016, sales of RF-SIM products continued to decline, while CA-SIM products yet to achieve volume sales.

The reasons for the decrease in sales of RF-SIM products including:–

1. the number of technologies available for mobile payments and mobile e-commerce increases;

2. the rollout of QR Code and Mobile APP based payment solutions (such as Wechat Wallet and Alipay) caused impact on all major areas of mobile micro payment industry except public transportation;

3. mobile handset manufacturers have launched their own handset-based contactless payment solutions (such as Apple Pay and Samsung Pay) and aroused participation of many commercial banks to rollout Quick Pass service;

4. as NFC-equipped handsets are becoming more popular, mobile operators tend to adopt NFC-based SWP SIM solution for close-loop and transportation projects, as well as to cooperate with commercial banks to rollout Quick Pass service; and

5. the production scale of RF-SIM products remains limited and with long industry chain, its manufacturing and marketing cost do not exhibit any competitive advantage.

Last but not least, volume sales of CA-SIM has not yet achieved due to:–

1. the delay in product development because longer time has been taken to complete the development of core technologies; and

2. longer time and much more effort are taken to integrate resources in the market due to CA-SIM's long industry chain.

Marketing Strategy

The Group will continue to keep its marketing strategy to deploy its RF-SIM as well as CA-SIM products through its well-established channels including SIM card vendors, system integrators as well as service aggregator companies. The Group will continue to cooperate with mobile operators in order to increase market shares on well-establish applications in the market. The Group will continue to integrate necessary resources and to market proactively CA-SIM through government initiated "Smart City" projects.

The Group will continue to explore the international market through co-operation with overseas system integrators and service operators for solutions and technologies developed in China.

Product Development

The Group will continue to introduce new features and functions to CA-SIM aiming to build a comprehensive product portfolio supporting all handsets. CA-SIM with SWP interface for Android NFC handsets is ready to roll out in mass, in addition, the Group is in the final phase in testing and trial production of a special bluetooth-enabled SIM for Apple's handsets. The Group will continue to develop products and solutions supporting mobile APPs that are capable to address business needs from MNO and other customers in the market.

Furthermore, the Group will continue to invest in research and development on new technology and sphere, to accumulate experience and technology knowhow for necessary transformation in the future.

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. Although demand of products dropped last year, it is necessary to produce and maintain reasonable inventory to support sales in the market. At the same time, the Group was successful in improving the yield rate while reducing the subcontracting cost significantly.

In addition, the Group increases trial productions for new products gradually and employs numerous new production technologies and methods aiming to maintain reasonable product quality and manufacturing cost.

Awards and Recognition

During the period under review, the Group received the following certification:

Patent: An induction antenna structure for mobile SIM card

Prospects

Despite challenges from various alternative solutions in the market as well as difficulties of business integration caused by a long industry chain, the Group remains confident of developing new products and solutions for the market according to existing strategy.

In China, the Group will seek for cooperation with the government on initiatives including "Smart City", public transportation to increase the Group's sales and market share. "Smart City" construction is gradually coming into reality and strengthening the idea of "livelihood archives, livelihood cards, livelihood credits and livelihood service" put forward by the government of Panyu District of Guangzhou. Although spirit and time needed to put into the "Smart City" projects in the preliminary development are more than previously expected, it is expected that the Group will carry out the projects by stages and in groups this year in light of the government's beneficial service for residents and management of temporary rental housing, etc., gradually bringing the technical advantages into play.

For overseas markets, the Group will continue to explore new opportunities by replicating successful experiences in China and customising solutions for specific markets.

PIMS Business

Business Review

During the period under review, National Development and Reform Commission and Ministry of Transport jointly published the Three-Year Action Plan for Major Projects Construction of Transportation Facilities《交通基礎設施重大工程建設三年行動計劃》, which explicitly states that 303 projects will be developed in priority from 2016-2018, covering railway, road and urban rail transit, etc. Pursuant to the plan, the preparatory work for 103 urban rail transit projects will be facilitated and more than 2,000 kilometers of urban rail transit route will be constructed, which will involve investments of approximately RMB1.6 trillion. Companies in the industrial chain will probably benefit from increased investments in the industry for the coming three years as it is expected that the investment of urban rail transit construction to be completed in the 13th Five-Year Plan will be 50%-70% more than that in the 12th Five-Year Plan. The Group is still primarily focusing on market expansion of urban rail transit and product delivery in accordance with contracts executed. The delivered train information systems for projects entered into last year (including the southern extension of Line 4 as well as Line 7 and Line 9 of the Guangzhou Metro; the Fuzhou Metro; expansion of Line 2 as well as Line 6 of the Wuhan Metro) in accordance with the delivery schedules.

Adhering to national economic development policy of promoting the structural reform at the supply side, the group emphasized on system product innovation and perfection as well as improving the overall quality of its products delivered for the period, aiming at enhancing the execution of projects and sharpening the competitive edges by means of continuous market exploration. The Group has completed the verification of the first article of train delivered for new projects in cities such as Harbin and Guangzhou during the period.

Prospects

Since the completion of the restructuring of two state-owned enterprises, China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR") from last year, they have displayed their international market competitiveness in express rail, light rail and other products. With the implementation of the "One Belt and One Road" economic policy, relevant PRC enterprises have obtained rail transit infrastructure contracts in North America, South America, the Middle East, Asia-Pacific region and Europe. The rail transit market of China has maintained a sound trend of growth. Presently, operating railways in China span across a distance of 121,000 km in total, of which express rail links cover 19,000 km. The investments on construction of urban rail transit infrastructure have also maintained a notable year-over-year growth. As planned, urban metro lines will operate in 50 cities throughout the country by 2020, and 2,500 to 2,700 km of railway coverage will be added, with a total investment of approximately RMB4 trillion.

Guided by the fundamental policy of the PRC economic policies, the Group has persistently implemented the existing "two-wheel-drive" strategy for business operation and development. The overall solutions of rail transit information systems have over 10 years' track record in the industry under the brand of "Global Link". In recent years, with the participation of other integrated project enterprises applying the low-price strategy, the industry has become highly competitive. However, after products from different enterprises being put into operation, the quality problems and functional faults brought by low prices have forced train manufacturers and owners to focus on selecting the suppliers with solid track results and good service experience. Based on a comprehensive understanding on the core spirit of the structural reform at the supply side, Guangzhou Global Link Communications Inc. adjusted its performance appraisal system, increased investments on innovation and improved supply channels to control the overall costs and improve the reliability of system products. Finally, it managed to reverse the downward trend in market expansion occurred in the previous two years. Moreover, it obtained certain new contracts and the service revenue will increase significantly.

Capital Structure

The Group adopts a sound financial policy, and the surplus cash is deposited at banks to facilitate extra operation expenditure or investment. Management makes financial forecast on a regular basis. As at 30 June 2016, 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 not applicable. As at 30 June 2016, the Group's balance of cash and deposits, excluding pledged bank deposit was approximately HK$443,321,000, which was attributable to the proceeds from the IPO and cashflow from operations.

Liquidity and Financial Position

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Cash at banks and in hand	**277,845**	156,313
Short-term bank deposits	**165,476**	291,388
Total cash and deposits, excluding pledged bank deposit	**443,321**	447,701

The Group normally finances its operations with internally generated cash flows. Cash position decreased by approximately HK$4,380,000 during the six months ended 30 June 2016.

The current ratio was 9.70 as at 30 June 2016, which is lower than 30.40 as at 31 December 2015. The quick ratio was 8.89 as at 30 June 2016, which is lower than 28.09 as at 31 December 2015.

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 forward exchange contract to hedge its exposure to foreign exchange risk.

Asset Mortgage

The Group has no outstanding asset mortgage as at 30 June 2016 (31 December 2015: nil).

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2016 (31 December 2015: nil).

Significant Acquisition, Disposal or Investment

On 21 April 2016, Honor Crest Holdings Limited ("Honor"), a direct and wholly-owned subsidiary of the Company completed the subscription of 1,000,000,000 shares of GLCH (stock code: 8060), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM, at a subscription price of HK$0.08 per subscription share.

Immediately prior to the entering into the subscription agreement with GLCH on 27 February 2016 (the "Subscription Agreement"), the Company was interested in 128,000,000 shares of GLCH, representing approximately 11.76% of the entire issued share capital of GLCH as at the date of Subscription Agreement. Immediately after the completion, Honor and other parties acting in concert with it owns 1,128,000,000 shares, representing approximately 54% of the entire issued share capital of GLCH 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 were subject to the unconditional mandatory cash offer to be made by China Galaxy International Securities (Hong Kong) Co., Limited on behalf of Honor (the "Offer"). Subsequent to the completion of the Offer, Honor and other parties acting in concert with it were interested in total of 1,128,020,000 shares of GLCH, representing approximately 54% of the entire issued share capital of GLCH.

Details of the acquisition are set out in the announcements of the Company dated 29 February 2016, 21 April 2016, 28 April 2016 and 19 May 2016 and the circular of the Company dated 30 March 2016.

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies, and investment during the period under review.

Capital Commitments

There was no capital commitment contracted for but not yet incurred as at 30 June 2016 (31 December 2015: 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. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

Upon the completion of subscription of 1,000,000,000 shares of GLCH in April 2016, GLCH became a subsidiary of the Group, thereafter, the Group identifies three reportable segments which are CRMS, RF-SIM and PIMS businesses. Details of the segment reporting are set out in note 6 to the condensed consolidated interim financial information.

Staff And Remuneration Policy

As at 30 June 2016, the Group had 2,938 employees (31 December 2015: 3,055 employees). Among them, 2,914 employees worked in the PRC, 22 employees worked in Hong Kong and 2 employees worked in Macau.

Breakdown of the Group's staff by function as at 30 June 2016 is as follows:

Function	As at 30 June 2016	As at 31 December 2015
Management	21	15
Operation	2,469	2,793
Financial, administration, and human resources	129	106
Sales and marketing	121	7
Research and development	165	93
Repairs and maintenance	33	41
Total	2,938	3,055

The total staff remuneration including Directors' remuneration paid by the Group for the six months ended 30 June 2016 was approximately HK$109,925,000 (Last Corresponding Period: approximately HK$103,554,000). The remuneration paid to the staff, including the 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 housing fund, social insurance and medical insurance. We believe that at International Elite Ltd., our employees are our most valuable asset.

Disclosure Under Chapter 13 of the Rules Governing the Listing of Securities on the Stock Exchange (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 Listing Rules during the period under review.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016. No interim dividend was paid in respect of the six months ended 30 June 2015.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2016, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the 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 the 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 30 June 2016, 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 30 June 2016, 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 Exponential Fortune Group Limited. Exponential Fortune Group Limited is 49% 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 30 June 2016, 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.

Directors' and Chief Executives' Right to Acquire Shares or Debentures

Save as disclosed in this report, during the period under review, there was no right 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.

Share Options Scheme

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 calibre 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 30 June 2016. 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 30 June 2016, no option has been granted under the Share Option Scheme.

Model Code for Directors' Securities Transactions

The Company has adopted its own code of conduct which is not 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 six months ended 30 June 2016.

Purchase, Sale, Redemption or Cancellation of the Company's Listed Securities or Redeemable Securities

During the six months ended 30 June 2016, 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 six months ended 30 June 2016, 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 six months ended 30 June 2016 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 Directel Holdings Limited ("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 RF-SIM 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 (collectively, "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–Hong Kong Telecom Ltd., 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.

Compliance with Code on Corporate Governance Practices

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 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 during the six months ended 30 June 2016 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 the chairman and the 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.

Audit Committee

The Company has established an audit committee ("Audit Committee") with written terms of reference in accordance with the requirements of the CG Code ("Terms of Reference"). The Terms of Reference were revised and adopted by the Board on 30 March 2016. 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 is also responsible for reviewing and monitoring the risk management and internal control system. The Audit Committee is of the view that the risk management and internal control system at present have been valid and adequate. 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 the chairman of the Audit Committee.

The audit committee of the Company has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2016 and is of the opinion that the unaudited consolidated interim results complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

By order of the Board
International Elite Ltd.
LI KIN SHING
Chairman

Hong Kong, 30 August 2016

As at the date of this report, the executive Directors are Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa, and Mr. Li Wen and the independent non-executive Directors are Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. Liu Chun Bao.