INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1328)

2016

ANNUAL REPORT

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

Royal Bank of Canada Trust Company (Cayman) Limited
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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

STOCK CODE

1328

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") 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 2016.

In 2016, the Group has broadened its customer base and successfully entered into a number of customer relationship management ("CRM") agreements with customers, including but not limited to China United Network Communications Co., Ltd.Shantou Branch (中國聯合網絡通信集團有限公司汕頭分公司), Guangzhou Panyu Agile Realty Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司) and China Unicom (Hongkong) Operations Limited (中國聯通(香港)運營有限公司). With the success in the broadening of customer base and the development of various solutions, the leading position of the Group in both service and technology is affirmed and acknowledged through industry awards and certification granted.

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 the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group acquired majority voting rights in GLCH upon completion of the subscription, being 54% of the enlarged issued share capital of GLCH. GLCH has become a subsidiary of the Group.

Subsequently, on 16 November 2016, the Board resolved to declare a special dividend by way of distribution in specie of 254,336,880 ordinary share(s) of HK$0.01 each in the share capital of GLCH ("GLCH Share"), representing approximately 12.18% of the total number of issued GLCH Shares to the shareholder(s) whose name(s) appear on the registers of members of the Company at the close of business on the record date, 2 December 2016 ("Qualifying Shareholders"), on a pro-rata basis of 280 GLCH Shares for every 10,000 ordinary share(s) of HK$0.01 each in the share capital of the Company held by the Qualifying Shareholders. The Board decided to implement the distribution as (i) it serves as a reward for the support of shareholders of the Company ("Shareholders") and simultaneously allows the Group to focus and strengthen its resources on its core business; and (ii) it will provide the Shareholders with an opportunity and the flexibility to participate, as shareholders of GLCH, in the growth and prospects of GLCH and its subsidiaries (collectively, the "GLCH Group") directly, and determine the level of their participation in investing in GLCH at their own discretion.

Looking ahead, the directors of the Company ("Director(s)") 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 2017 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 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a CRM outsourcing service provider with business focus in Hong Kong, Macau and the People's Republic of China ("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, 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 GLCH. The Company acquired majority voting rights in GLCH upon completion of the subscription, being 54% of the enlarged issued share capital of GLCH, GLCH has become a subsidiary of the Group, thereafter, the Group has engaged in the provision of passenger information management system ("PIMS").

The principal business of the Group is classified into the following three segments:

CRM Service ("CRMS") Business

CRMS business includes the provision of inbound services and outbound services. Inbound services 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, on the other hand, include telesales services 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 includes (i) research and development, production and sales of RF-SIM products; (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau; and (iii) research and development and technology transfer of CA-SIM application rights to customers.

PIMS Business

PIMS business includes sales of PIMS products.

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 2016, China's economic growth rate reached 6.7%, which has hit the economic growth target range between 6.5% and 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 2016, 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 has successfully developed the CA-SIM products which added Bluetooth support to RF-SIM to interact with Bluetooth mobile phones to enable features including secure data access, trusted computing and identity authentication.

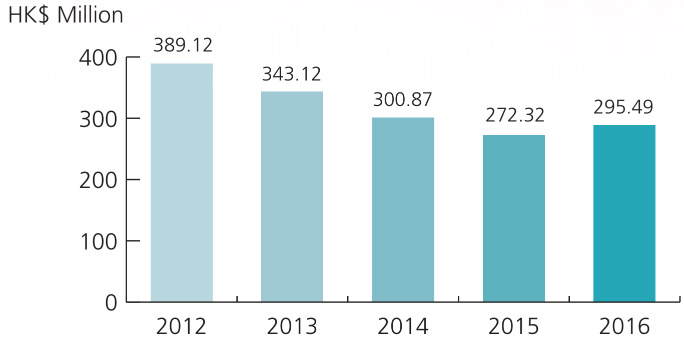
The rapid development of Internet and information technology fosters various digital applications such as e-commerce, network resource access, e-government, e-mail system and electronic bulletin board, etc., data security and access control become the key problems and the market demands solutions for that. CA-SIM is a strong candidate to address such demand which in turn, brings huge market opportunities to the CA-SIM products.

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

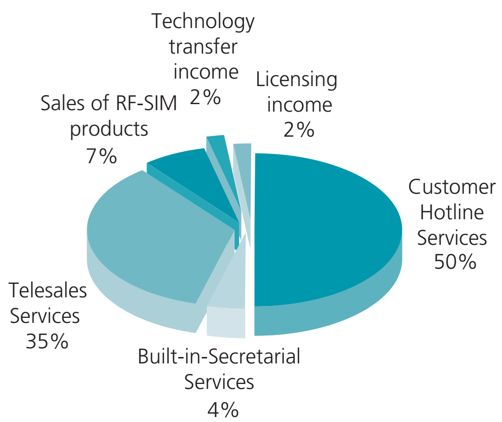
Revenue

For the year ended 31 December 2016, with revenue of approximately HK$237,455,000, HK$6,103,000 and HK$51,931,000 contributed by CRMS, RF-SIM and PIMS businesses respectively, the Group's total revenue was approximately HK$295,489,000, representing an increase of approximately 9% as compared with approximately HK$272,320,000 in 2015. There was an approximately 2% decrease in revenue contributed by CRMS business, an approximately 8% decrease in revenue contributed by RF-SIM business and an approximately 19% increase in revenue contributed by PIMS business. The following table illustrates the Group's revenue from 2012 to 2016:

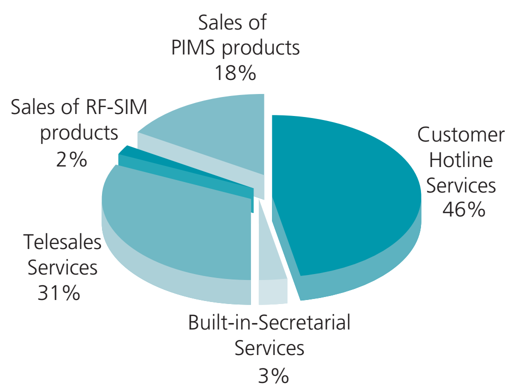


Revenue from 2012 to 2016

Revenue from CRMS, RF-SIM and PIMS businesses accounted for approximately 80%, 2% and 18% of the Group's total revenue for the year ended 31 December 2016 respectively. There were a decrease of approximately 2% of CRMS business and a decrease of approximately 79% of RF-SIM business as compared with last year. Below are the charts illustrating the Group's revenue generated from different sections in 2015 and 2016.



Revenue by services in 2015



Revenue by services in 2016

Gross Profit

The Group's gross profit for the year ended 31 December 2016 was approximately HK$27,321,000, representing a decrease of approximately 61% as compared with last year. The gross profit margin decreased by approximately 17% from approximately 26% to approximately 9% as compared with last year.

The gross profit of CRMS business for the year ended 31 December 2016 was approximately HK$22,139,000, which decreased by approximately HK$32,892,000 as compared with last year and accounted for approximately 47% of the decrease in gross profit of the Group. The gross profit margin of CRMS business decreased by approximately 14% from approximately 23% to approximately 9%. The gross loss of RF-SIM business for the year ended 31 December 2016 was approximately HK$2,591,000 while 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$17,517,000 as compared with last year and accounted for approximately 25% of the decrease in gross profit of the Group. The gross profit margin of RF-SIM business decreased by approximately 93% from approximately 51% to gross loss margin of approximately 42% as compared with last year. The gross profit of PIMS business for the year ended 31 December 2016 was approximately HK$7,773,000 which set off approximately 11% of the decrease in gross profit of the Group. The gross profit margin of PIMS business was 15%.

Administrative and Other Operating Expenses

For the year ended 31 December 2016, the total administrative and other operating expenses of the Group were approximately HK$73,894,000 equivalent to approximately 25% of the Group's revenue in 2016. The administrative and other operating expenses to sales ratio was approximately 7% higher as compared with last year.

Profit Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company for the year ended 31 December 2016 was approximately HK$33,166,000, while the Group's profit attributable to equity holders of the Company for the year ended 31 December 2015 was approximately HK$28,294,000. The net profit margin also dropped from approximately 10% to net loss margin of approximately 11%. The loss attributable to equity holders of the Company for the year ended 31 December 2016 was mainly attributable to decrease in revenue from the RF-SIM business, increase in costs of the CRMS business and the loss of GLCH Group being consolidated to the results of the Group from the date of completion of the subscription of shares in GLCH, 21 April 2016 to 31 December 2016.

CRMS BUSINESS

Business Review

Customers in Telecommunications Industry

In 2016, 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 year ended 31 December 2016 of approximately 2% as compared with last year.

Customers in Non-Telecommunications Industries

In 2016, the Group continued to broaden its non-telecommunications customer base through active negotiation with potential customers in various industries such as realty development, food and beverage, slimming and beauty shops, social welfare, education, information technology, banking and exposition and has successfully acquired service contracts from new customers, details of which are set out in the paragraph – "New Customers" of this report.

Subsequent to the cooperation with Guangzhou Xinghai 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 solution of "Smart City", e.g. authentication, payment, protection of the copyright, medical treatment and etc.

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 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 United Network Communications Co., Ltd. Shantou Branch (中國聯合網絡通信集團有限公司汕頭分公司)	Telesales	March 2016
Guangzhou Panyu Agile Realty Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司)	Telesales	April 2016
China Unicom (Hongkong) Operations Limited (中國聯通（香港）運營有限公司)	Telesales	September 2016

Awards and Certification

In April 2016, China Elite Info. Co., Ltd. ("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 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 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

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 2016, sales of RF-SIM products continued to decline, while CA-SIM products yet to achieve volume sales. The situation was caused by several factors. Firstly, there was a trend that mobile operators were steering to other competing technologies (e.g. WeChat Pay, AliPay, etc.) from RF-SIM under the influence of banks and the payment industry, this resulted in the decline of sales of RF-SIM products. For instance, one of the mobile operator had stopped purchasing RF-SIM products from the Group's customer, a SIM card vendor in 2016. Secondly, CA-SIM deployment to the mass market with applications including eID was not realized yet to contribute significant revenue to the Group. 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 take more proactive approaches in promoting the Group's products to mobile operators and relevant system integrators and will consider to promote through media where appropriate.

The Group will put more effort to promote CA-SIM as an enabler for O2O application, requiring secured data access and user-authentication to markets including e-ID and Smart City.

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 higher 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 for the new products has not yet been solid 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 authority organizations quality examination when applicable.

Awards and Certification

In 2016, the Group received the following awards and certification:

Patent:

"An induction antenna structure in mobile phone subscriber identity card" (一種手機SIM卡的感應天線結構)

"A special shaped radio frequency subscriber identity card for multichannel digital authentication" (一種異形感應偶合多通道數字認證射頻SIM卡)

"A radio frequency subscriber identity card supporting 2.4G and Bluetooth communication for digital authentication" (一種支持2.4G和藍牙射頻通信的數字認證手機用户識別卡)

"A radio frequency subscriber identity card supporting SWP for multichannel digital authentication" (一種支持SWP多通道數字認證的射頻SIM卡)

Prospects

The Group continues to extend 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.

PIMS BUSINESS

Business Review

During the year 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. During the period, the Group also launched its new lines for operation and maintenance. It implemented the operation and maintenance services for seven new lines in Guangzhou, Wuhan, Guangfo, Fuzhou and Century Link of Hong Kong. In the meantime, at the request of CRRC and customers in various regions, the Group promoted the train system application and innovation for urban rail transit in an orderly manner and signed new order contracts.

Adhering to the 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

The general economic policy of the PRC government is the reform of supply side and the purpose of reform is to win the market and expand profit margin through quality and efficiency upgrade to stimulate the corporate vitality. The management of the Group is convinced that its overall operation will gain new results as long as it makes constant efforts in innovation based on the actual circumstances, adhere to the core concept of "benefit and convenience for people, and serving the community", and concentrate on the construction and operation of specific and feasible projects.

CAPITAL STRUCTURE

The Group adopts a sound financial policy, and the cash surplus is deposited with the banks to facilitate extra expenditure or investment. Management makes financial forecast on a regular basis. As at 31 December 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 inapplicable. As at 31 December 2016, the Group's balance of cash and deposit was approximately HK$443,071,000, which was attributable to the proceeds from the IPO and cashflow from operations.

LIQUIDITY AND FINANCIAL POSITION

	2016 **HK$'000**	2015 HK$'000
Cash at bank and in hand	**205,828**	156,313
Bank deposits	**237,243**	291,388
Total cash and deposits	**443,071**	447,701

The Group normally finances its operations with internally generated cash flows. Cash position decreased by approximately HK$4,630,000 in 2016.

As at 31 December 2016, the current ratio was 10.46 (2015: 30.40) and the quick ratio was 9.70 (2015: 28.09).

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 had no outstanding asset mortgage as at 31 December 2016.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2016.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

On 21 April 2016, Honor Crest Holdings Limited ("Honor"), a direct wholly-owned subsidiary of the Company completed the subscription of 1,000,000,000 shares of GLCH, 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 the parties acting in concert with it owned 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 was 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 subscription are set out in the announcements of the Company dated 29 February 2016, 3 March 2016, 21 March 2016, 21 April 2016, 28 April 2016 and 19 May 2016 and the circular of the Company dated 30 March 2016.

On 16 November 2016, the Board resolved to declare a special dividend by way of distribution in specie of 254,336,880 ordinary share(s) of HK$0.01 each in the share capital of GLCH ("GLCH Share"), representing approximately 12.18% of the total number of issued GLCH Shares to the shareholder(s) whose name(s) appear on the registers of members of the Company at the close of business on the record date, 2 December 2016, ("Qualifying Shareholders"), on a pro-rata basis of 280 GLCH Shares for every 10,000 ordinary share(s) of HK$0.01 each in the share capital of the Company held by the Qualifying Shareholders.

Immediately after completion of the distribution, the Company, through Honor, and in its own name, hold the remaining 873,683,120 GLCH Shares in aggregate.

Details of the dividend distribution are set out in the announcement of the Company dated 16 November 2016.

Save as disclosed above, 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 2016. During the year under review, no interest was capitalized by the Group.

CAPITAL COMMITMENTS

As at 31 December 2016, there was no capital commitment contracted and not provided for in the financial statements (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. 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 CRMS, RF-SIM and PIMS businesses. Details of the segment reporting are set out in note 6 to the consolidated financial statements.

STAFF AND REMUNERATION POLICY

As at 31 December 2016, the Group had 3,659 employees (2015: 3,055 employees). Among them, 3,639 employees worked in the PRC, 18 employees worked in Hong Kong and 2 employees worked in Macau.

Breakdown of the Group's staff by function as at 31 December 2016 is as follows:

Function	As at 31 December 2016	As at 31 December 2015
Management	**17**	15
Operation	**3,195**	2,793
Financial, administrative and human resources	**129**	106
Sales and marketing	**51**	7
Research and development	**142**	93
Repair and maintenance	**125**	41
	3,659	3,055

The total staff remuneration including Directors' remuneration paid by the Group in 2016 was approximately HK$236,348,000 (2015: approximately HK$190,927,000). 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group will be issuing a separate environmental, social and governance ("ESG") report for the financial year ended 31 December 2016 and in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange. The ESG report will disclose information on the Group's ESG management approach, strategy, priorities and objectives.

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 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 2016.

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 27 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 14 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 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 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's will not violate of 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 (中華人民共和國稅收徵收管理法), 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 104 of this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement, on page 47 of this report.

Major Customers and Suppliers

For the year ended 31 December 2016, the revenue attributable to the largest customer and the five major customers accounted for approximately 33% and approximately 80% of the Group's revenue respectively.

For the year ended 31 December 2016, purchases from the largest supplier accounted for approximately 45% of the Group's total purchases. Purchases from the five largest suppliers accounted for approximately 60% 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

On 16 November 2016, the Board resolved to declare a special dividend by way of distribution in specie of 254,336,880 ordinary share(s) of HK$0.01 each in the share capital of GLCH ("GLCH Share"), representing approximately 12.18% of the total number of issued GLCH Shares to the shareholder(s) whose name(s) appear on the registers of members of the Company at the close of business on the record date, 2 December 2016 ("Qualifying Shareholders"), on a pro-rata basis of 280 GLCH Shares for every 10,000 ordinary share(s) of HK$0.01 each in the share capital of the Company held by the Qualifying Shareholders. The fair value of the distribution in specie of these GLCH Shares were HK$61,804,000. On 19 December 2016, share certificates of the relevant shares were issued and despatched to Qualifying Shareholders and the distribution was completed.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

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 2016.

Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in notes 21 and 30 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 2016, the Company had approximately HK$1,481,785,000 (2015: approximately HK$1,481,785,000) 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.

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.

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"), Ms. Li Yin, Mr. Chen Xue Dao and Mr. Cheung Sai Ming 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 2016. 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 2016. 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 31 December 2016.

Contract of Significance

Save for the service contracts of the Directors and the contracts, details of which are set out in the paragraphs – "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 note 8 and 31 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 2016 (2015: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2016 (2015: Nil).

During the year ended 31 December 2016, 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 (2015: 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 2016, 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 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 31 December 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 Mr. Zhao John Huan.

3. According to the notice filed by Glory Moment Investments Ltd., 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 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.

SHARE OPTION 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 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 the date of adoption of the Share Option Scheme as adjusted following the completion of the bonus issue of shares of the Company as disclosed in the announcement of the Company dated 30 March 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 2016, 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, 6 June 2017. The register of members will be closed from Thursday, 1 June 2017 to Tuesday, 6 June 2017, 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 4:30 p.m. on Wednesday, 31 May 2017.

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 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 year ended 31 December 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 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 (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-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 2017

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 2016.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2016 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 system, 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 the 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.

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 seven 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)*	7/7
Ms. Li Yin (李燕) *(Executive Director)*	5/7
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	7/7
Mr. Li Wen (李文) *(Executive Director)*	5/7
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	5/7
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director)*	5/7
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	5/7

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 2016 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 ("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 2016 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 2016 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 and services rendered in relation to the major acquisition of GLCH.

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. Pursuant to the code provision A.4.3 of the CG Code, (a) having served the Company for more than 9 years could be relevant to the determination of an independent non-executive Director's independence; and (b) if an independent non-executive Director has served more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Notwithstanding that each of Mr. Chen Xue Dao and Mr. Cheung Sai Ming has served as an independent non-executive Director for more than 9 years since September 2007, the Board is of the view that their independence are not affected by their long service with the Company. Mr. Chen Xue Dao and Mr. Cheung Sai Ming meet the independence guideline set out in Rule 3.13 of the Listing Rules. They are independent of the management and free from any business or other relationship or circumstances which would materially interfere with the exercise of his independent judgement. Hence, the Board considered Mr. Chen Xue Dao and Mr. Cheung Sai Ming as independent. Resolutions were passed pursuant to the Articles, and subject to the proposed arrangement being passed at the forthcoming AGM, that Ms. Li Yin, Mr. Chen Xue Dao and Mr. Cheung Sai Ming 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 note 8 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 2016 is set out below:

Remuneration band	Number of individuals
HK$Nil to HK$500,000	4
HK$500,001 to HK$1,000,000	3

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 46 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

In respect of internal control system, procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations.

The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2016. Besides, the Company has also conducted review of its risk management and internal control systems periodically and has convened meeting periodically to discuss the financial, operational and risk management control. The Directors are of the opinion that the risk management and internal control systems implemented by the Group 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 2016 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 59, 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 29 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), an executive Director and chairman who resigned with effect from 1 December 2013 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 August 2009 He is also an executive director and chairman of GLCH since May 2016.

MS. LI YIN (李燕), aged 42, 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 17 years of experience in the telecommunications industry. She has joined the Group and has been the assistant to the general manager of the Company 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 49, 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 20 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 August 2009. He is also an executive director of GLCH since May 2016.

MR. LI WEN (李文), aged 54, 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 (EMBA) 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 30 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 74, 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 42, 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. Cheung is an independent non-executive director of GLCH since May 2016.

MR. LIU CHUN BAO (劉春保), aged 71, 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). Mr. Liu is an independent non-executive director of GLCH since May 2016.

SENIOR MANAGEMENT

MR. MA YUANGUANG (馬遠光), aged 62, has become a member of the senior management since 2016. Mr. Ma is the executive director and chief executive officer of GLCH. He has over 30 years' experience in the telecommunications industry. Prior to joining GLCH, Mr. Ma had the experience of managing a state-owned telecommunications system production enterprise for 8 years. Mr. Ma has cooperated with several multinational hi-tech firms in the United States, Canada and Australia, etc. for the introduction of various new products and new technologies to the PRC.

MR. ZHAO YONG (趙勇), aged 44, joined the Group in 2016 and is the chief technology officer of the Group. Mr. Zhao obtained a bachelor's degree of computer science from Beijing Tsinghua University in 1996. He has 21 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 55, joined the Group in 2007 and is the Company's qualified accountant and company secretary. Ms. Chan has over 34 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 had been the company secretary of Directel Holdings Limited from August 2009 to June 2016. She is also the company secretary of GLCH since May 2016.

MS. XUAN JING SHAN (禤靜珊), aged 48, 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 20 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 42, 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 23 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 41, 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 20 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 44, 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 21 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

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of International Elite Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 103, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- The Group's power to control Global Link Communications Holdings Limited ("GLCH")
- Impairment assessment of intangible assets
- Provision for obsolete or slow-moving inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
1. The Group's power to control GLCH *Refer to Notes 4(g) and 15 to the consolidated financial statements* In April 2016, the Group completed the subscription of 1 billion shares of GLCH. Together with the 11.76% interest held previously, the Group's shareholding in GLCH increased to 54%. The Group regarded GLCH as a subsidiary and consolidated the financial information of GLCH thereafter. In December 2016, the Group's equity interest in GLCH was reduced to 41.83% subsequent to a dividend distribution-in-specie of GLCH to its then existing shareholders. Management performed an assessment and determined that the Group continued to have de-facto control over GLCH subsequent to the dividend distribution, and GLCH remained as a subsidiary of the Group. We regarded this as a key audit matter as significant judgement is required from management for determining the Group continued to have power to control GLCH subsequent to the dividend distribution, taking into account of the two common directors are seated in the board of directors (the "Board") of the Group and GLCH and are involved in the operation of GLCH, and the Board and shareholder distribution of GLCH.	We performed the following procedures on assessing the appropriateness of management's judgement on the Group's power to control GLCH: • We discussed with management to understand the background of the transaction regarding the additional share subscription of GLCH in April 2016 and the distribution-in-specie of GLCH's shares in December 2016. • We understood and evaluated management's assessment on the Group's continuation of de-facto control over GLCH by (i) reviewing the formation and composition of the Board of GLCH, tracing to statutory records of the Group and GLCH on the two common directors, (ii) corroborating management's consideration on decision making mechanism of the Board and shareholder meetings of GLCH by information contained in Article of Association of GLCH, and (iii) discussing with the Group's management and reviewing meeting minutes of GLCH as to their involvement in the operation of GLCH. • We also evaluated the shareholder distribution of GLCH before and after the dividend distribution-in-specie by tracing to statutory records of GLCH and the Group's meeting minutes. Based on the procedures performed above, we considered management's judgement on the Group's continuing power to control GLCH subsequent to the dividend distribution-in-specie to be supportable by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Impairment assessment of intangible assets *Refer to Notes 2.6(c), 2.6(d), 4(a)(i) and 14 to the consolidated financial statements* The Group has approximately HK$55 million intangible assets including a patent, an internally generated software and an application right of certain technology as at 31 December 2016. The recoverable amounts of these intangible assets are the higher of their value-in-use and fair value less costs of disposal. Given the overall sales and business performance of the Group was lower than expectation in the current year, management considered there is impairment indicator of these intangible assets. Management performed an impairment assessment to assess the recoverable amount of these intangible assets as at 31 December 2016 and concluded that no impairment was required. Management determined the value-in-use of these intangible assets based on the future cash flows generated by these assets. An independent valuer was engaged by management to perform valuations. We focused on this area because judgemental factors are involved in management's impairment assessment as the determination of the recoverable amount of the intangible assets is based on various key assumptions and estimates such as growth and discount rates.	We performed the following procedures on assessing the appropriateness of management's judgements over the recoverable amount of the intangible assets: • We evaluated the independent valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group. • We read the valuation report issued by the independent valuer and involved our in-house valuation expert in assessing the methodology used based on the value-in-use calculation, and the key assumptions used in the impairment assessment of the intangible assets. • For value-in-use calculation, we assessed the key assumptions used in the future cash flow forecasts, by comparing (i) growth rate to the underlying assumptions in the latest management approved budget and (ii) discount rate to the cost of capital for the Group and comparable companies. • We tested the mathematical accuracy of the calculations of the impairment assessment derived from the forecast model and assessed key inputs in the calculations by tracing to management's approved budget. • We also performed sensitivity analysis on the key assumptions underlying management's impairment assessment based on the cash flow forecasts by considering the variables and fluctuations in those underlying key assumptions. Based on the procedures performed above, we considered the key assumptions and estimates made by management in assessing the impairment of intangible assets to be supportable.

Key Audit Matter	How our audit addressed the Key Audit Matter
3. Provision for obsolete or slow-moving inventories *Refer to Notes 2.10, 4(c) and 17 to the consolidated financial statements* At 31 December 2016, the Group held inventories of HK$45.3 million (2015: HK$45.7 million). Inventories are carried at the lower of cost and net realisable value. At 31 December 2016, the Group's inventories of HK$12.2 million (2015: $10.1 million) were individually determined to be impaired. The directors determine the appropriate provisions for obsolete and slow-moving inventories based upon a detailed analysis of long-aged inventory and the Group's plans for inventory for future sale. We regarded this as a key audit matter as provision for obsolete or slow-moving inventories required management judgements on estimates of future demands and market and technology trends for the products.	We performed the following procedures on assessing the appropriateness of management's judgements over estimation of future demands and market and technology trends applied in calculating the inventory provision: • We understood, evaluated and tested the key controls on management's periodic review of provision for obsolete and slow-moving inventories across the Group. • We discussed with management the analysis they performed on the year end inventory level of different products. We understood and tested management's identification of inventories with extended turnover period or long aged products. • We assessed the reasonableness of management's forecasted utilisation and sales of different products as at 31 December 2016 and tested the estimates by (i) comparing the estimated future selling price of different products with the latest selling price taking into account of the market and technology trends and (ii) evaluating the projected sales volume of different products based upon the order quantities as stated in the short to medium term cooperative agreements signed with different customers. Based on the procedures performed above, we considered the estimates made by management in assessing the provision for obsolete or slow-moving inventories to be supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in "Corporate Information", "Report of Directors", "Corporate Governance Report", "Management Discussion and Analysis", "Profile of Directors and Senior Management", "Chairman's Statement", and "Five-Year Financial Summary" (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and "Environmental, Social and Governance Report", which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the "Environmental, Social and Governance Report", if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS 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.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Fong Wan Huen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
Revenue	5	**295,489**	272,320
Cost of sales	10	**(268,168)**	(202,363)
Gross profit		**27,321**	69,957
Other income	7	**16,045**	15,321
Other gain	15	**4,736**	–
Research and development expenses	10	**(12,020)**	(9,731)
Administrative and other operating expenses	10	**(73,894)**	(47,930)
(Loss)/profit before income tax		**(37,812)**	27,617
Income tax credit	11	**938**	677
(Loss)/profit the year		**(36,874)**	28,294
(Loss)/profit attributable to:			
– Equity holders of the Company		**(33,166)**	28,294
– Non-controlling interests		**(3,708)**	–
		(36,874)	28,294
(Loss)/earnings per share attributable to equity holders of the Company:			
– Basic (HK cents)	12	**(0.37)**	0.31
– Diluted (HK cents)	12	**(0.37)**	0.31

The accompanying notes on pages 52 to 103 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
(Loss)/profit for the year	**(36,874)**	28,294
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
– Fair value gain/(loss) on an available-for-sale financial asset	**10,880**	(6,784)
– Currency translation differences	**(18,608)**	(21,228)
– Reclassification of revaluation of previously held interest in GLCH	**(4,736)**	–
Total comprehensive (loss)/income for the year, net of tax	**(49,338)**	282
Attributable to:		
– Equity holders of the Company	**(44,730)**	282
– Non-controlling interests	**(4,608)**	–
	(49,338)	282

The accompanying notes on pages 52 to 103 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**56,071**	58,459
Goodwill	15	**41,459**	–
Intangible assets	14	**55,141**	36,679
Deferred tax assets	16	**3,273**	2,278
Available-for-sale financial asset	15	**–**	24,960
		155,944	122,376
Current assets			
Inventories	17	**45,315**	45,680
Trade, bill and other receivables	18	**134,241**	109,713
Time deposits with maturity over three months	19	**–**	8,004
Cash and cash equivalents	19	**443,071**	439,697
		622,627	603,094
Total assets		**778,571**	725,470
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**90,835**	90,835
Reserves	21	**551,009**	611,663
		641,844	702,498
Non-controlling interests	24	**74,679**	–
Total equity		**716,523**	702,498
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	16	**2,470**	3,131
Provision for long services payment		**56**	–
		2,526	3,131
Current liabilities			
Trade and other payables	22	**32,130**	13,187
Provision for warranty	23	**14,396**	–
Provision for taxation		**12,996**	6,654
		59,522	19,841
Total liabilities		**62,048**	22,972
Total equity and liabilities		**778,571**	725,470

The accompanying notes on pages 52 to 103 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	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	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2015	30,278	1,542,342	640	1,458,416	1,010	121,845	(2,452,315)	702,216	–	702,216
Comprehensive income										
Profit for the year	–	–	–	–	–	–	28,294	28,294	–	28,294
Other comprehensive loss										
Fair value loss on available-for-sale financial asset	–	–	(6,784)	–	–	–	–	(6,784)	–	(6,784)
Currency translation differences	–	–	–	–	–	(21,228)	–	(21,228)	–	(21,228)
Total other comprehensive loss, net of tax	–	–	(6,784)	–	–	(21,228)	–	(28,012)	–	(28,012)
Total comprehensive income	–	–	(6,784)	–	–	(21,228)	28,294	282	–	282
Transactions with owners in their capacity as owners										
Issue of bonus shares	60,557	(60,557)	–	–	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	914	–	(914)	–	–	–
Total transactions with owners in their capacity as owners	60,557	(60,557)	–	–	914	–	(914)	–	–	–
Balance at 31 December 2015	90,835	1,481,785	(6,144)	1,458,416	1,924	100,617	(2,424,935)	702,498	–	702,498
Comprehensive income										
Loss for the year	–	–	–	–	–	–	(33,166)	(33,166)	(3,708)	(36,874)
Other comprehensive income										
Fair value gain on available-for-sale financial asset	–	–	10,880	–	–	–	–	10,880	–	10,880
Reclassification of revaluation of previously held interest in GLCH	–	–	(4,736)	–	–	–	–	(4,736)	–	(4,736)
Currency translation differences	–	–	–	–	–	(17,708)	–	(17,708)	(900)	(18,608)
Total other comprehensive loss, net of tax	–	–	6,144	–	–	(17,708)	–	(11,564)	(900)	(12,464)
Total comprehensive loss	–	–	6,144	–	–	(17,708)	(33,166)	(44,730)	(4,608)	(49,338)
Transactions with owners in their capacity as owners										
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	63,363	63,363
Dividend in specie (Note 9) and changes in ownership interests in a subsidiary without change of control (Note 15d)	–	–	–	45,880	–	–	(61,804)	(15,924)	15,924	–
Transfer to statutory reserve	–	–	–	–	688	–	(688)	–	–	–
Total transactions with owners in their capacity as owners	–	–	–	45,880	688	–	(62,492)	(15,924)	79,287	63,363
Balance at 31 December 2016	90,835	1,481,785	–	1,504,296	2,612	82,909	(2,520,593)	641,844	74,679	716,523

The accompanying notes on pages 52 to 103 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	25	**(1,764)**	29,444
Income tax refund		**49**	21
Net cash (used in)/generated from operating activities		**(1,715)**	29,465
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**12,482**	–
Payment for the purchase of property, plant and equipment		**(5,928)**	(6,466)
Expenditure on development of software	14	**(516)**	(24,818)
Interest received		**4,226**	10,607
Proceeds from disposal of property, plant and equipment		**10**	157
Increase in bank deposits with maturity over three months		**–**	(8,004)
Decrease in bank deposits with maturity over three months		**8,004**	–
Net cash generated from/(used in)investing activities		**18,278**	(28,524)
Net increase in cash and cash equivalents		**16,563**	941
Cash and cash equivalents at beginning of year	19	**439,697**	453,923
Exchange loss on cash and cash equivalents		**(13,189)**	(15,167)
Cash and cash equivalents at end of year	19	**443,071**	439,697

The accompanying notes on pages 52 to 103 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

International Elite Ltd. (the "Company") and its subsidiaries (together, 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 Macao 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 is listed on the Main Board since 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 ("IFRSs") issued by the International Accounting Standards Board and requirements of the Hong Kong Companies ordinance Cap. 622. 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) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

IAS 1 (Amendment)	Disclosure Initiative
IAS 16 and IAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (Amendment)	Agriculture: Bearer Plants
IAS 27 (Amendment)	Equity Method in Separate Financial Statements
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
IFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
Annual improvements Project	Annual Improvement 2012-2014 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
IAS 7 (Amendment)	Statement of Cash Flows: Disclosure Initiative	1 January 2017
IAS 12 (Amendment)	Income Taxes	1 January 2017
IFRS 2 (Amendment)	Classification and measurement of Share-based Payment Transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate of Joint Venture	To be determined

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

IFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Currently the Group does not have any investment in debt instruments as at 31 December 2016. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(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* (continued)

IFRS 9, 'Financial instruments' (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The Group does not apply any hedge accounting, therefore the management expects no financial impact regarding the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15, 'Revenue from contracts with customers'

This standard replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under IFRS 15; and
- rights of return – IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statement.

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 consolidated income statement 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)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(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.

2.5 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 within "administrative and other operating expenses" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 acquiree over the fair value of the identified net assets acquired.

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 the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) 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.

(c) 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 10 years on a straight-line basis.

(d) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets (continued)

(d) *Research and development cost* (continued)

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 its estimated useful lives.

During 2015 and 2016, the Group had 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 was the sum of the expenditure incurred from the date when the intangible asset first meet the recognition criteria listed above. The development of CallVu was completed in January 2016. It is amortised over its estimated useful life of 5 years.

Application Right

The Application Right relates to certain Certificate Authority SIM ("CA-SIM") applications in the Panyu Region, Guandong Province of the PRC and is stated at its fair value at the date of acquisition, less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over its estimated useful life of 10 years.

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

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.

2.11 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 non-current 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Current and deferred income tax (continued)

(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.

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Employee benefits (continued)

(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.

2.18 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.

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within an average period ranging from four to five years. Significant judgment is required in determining the warranty expenses. The Group estimates the warranty expenses based on the actual repair and replacement costs incurred for the products sold which is still in the warranty period. Where the warranty expenses incurred are different from the original provision, such difference would impact the consolidated income statement in the period in which the warranty expenses are incurred.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Revenue recognition (continued)

(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.

2.20 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.

Distribution-in-specie such as shares held by the Company are valued at their fair value, with reference to the fair value of such shares as at the date of distribution.

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 2016, if the HK$ had weakened/strengthened by 4% (2015: 4%) against the RMB with all other variables held constant, the Group's post-tax profit for the year would have been HK$2,649,000 (2015: HK$2,969,000) 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 2016, 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$1,078,000 (2015: HK$1,091,000) higher/lower.

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

(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 2016, the Group had a concentration of credit risk as 69% (2015: 83%) of the total trade receivables were due from the Group's five largest customers and 29% (2015: 43%) of the total trade receivables were 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.

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(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 2016					
Trade and other payables	**23,141**	**–**	**–**	**–**	**23,141**
At 31 December 2015					
Trade and other payables	7,407	–	–	–	7,407

(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.

(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 2015.

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.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt. As at 31 December 2016 and 2015, the Group did not have any borrowings.

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

3 FINANCIAL RISK MANAGEMENT (continued)

(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 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).

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

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

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.

As at 31 December 2016, the carrying amount of patent, CallVu and application right are approximately HK$8,653,000, HK$20,267,000 and HK$26,000,000 respectively (2015: HK$11,548,000 for patent, HK$24,818,000 for CallVu and the entity holding the application right had not yet consolidated to the Group). During the year ended 31 December 2016, management determined that there is no impairment on these intangible assets.

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. At 31 December 2016, if sales growth rates for each of the year had been 5% lower than managements estimates with all other variables held constant, the value-in-use of patent, CallVu and application right would have been HK$655,000 and HK$2,535,000 and HK$9,708,000 lower respectively. Accordingly, the (shortfall)/surplus compared with the carrying amount of patent, CallVu and application right would have been (HK$290,000), HK$1,969,000 and, (HK$1,849,000) respectively.

If the discount rate had been 1% higher than management estimate at 31 December 2016 with all other variables held constant, value-in-use of patent, CallVu and application right would have been HK$130,000, HK$523,000 and HK$817,000 lower respectively. Accordingly, the surplus compared with the carrying amount of patent, CallVu and application right would have been HK$235,000, HK$3,981,000 and, HK$7,042,000 respectively.

(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 expenditures

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.

(g) Control over a subsidiary

Critical judgement by the Group's management is applied when deciding whether there is de-facto control over an entity when the Group's equity interest in it is less than 50%. During the year ended in 31 December 2016, the Group's equity interest in GLCH was first increased from 11.76% to 54%, whereby the Group has consolidated GL as a subsidiary since then, and subsequently reduced from 54% to 41.83%. Judgement is required, based on the management's evaluation of a combination of facts and circumstances, including Board and shareholder composition before and after the partial disposal as well as the Company's involvement in the operations and other decisions of GLCH. The Company considers that it still maintains de facto control over GLCH subsequent to the partial disposal therefore continued to account for GLCH as a subsidiary.

(h) Purchase price allocation and impairment of goodwill

Consideration paid to acquire a subsidiary are allocated to each identifiable assets and liabilities. The excess of consideration over the fair value of the net identifiable assets and liabilities is recognised as goodwill. Significant judgement is required in the purchase price allocation in terms of the underlying assumptions, such as the revenue growth and discount rate used.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. Significant judgement is required in assessing the recoverable amount on which the goodwill is allocated to the specific CGUs.

5 REVENUE

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

	2016 HK$'000	2015 HK$'000
Inbound services	**145,515**	147,111
Outbound services	**91,940**	95,901
Technology transfer income (Note i)	**–**	4,241
Sales of goods – RF-SIM	**5,280**	20,667
Sales of goods – PIMS	**51,931**	–
Licensing income	**823**	4,400
	295,489	272,320

Note:

(i) 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 Communications 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 Communications at a consideration of RMB3,500,000 (equivalent to HK$4,241,000).

By the end of 2015, the software and applications created in the course of performance of the technology development agreements have been transferred to Directel Communications and the income was recognised as a technology transfer income.

5 REVENUE (continued)

The Group has four customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2016 (2015: two customers). The amounts of revenue from the customers are as follows:

	2016 HK$'000	2015 HK$'000
Largest customer	97,859	113,754
Second largest customer	61,841	65,634
Third largest customer	36,378	N/A
Four largest customer	29,721	N/A

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

(ii) RF-SIM business: this segment includes (a) 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 Macao; and (c) research and development and technology transfer of CA-SIM application rights to customers.

(iii) PIMS business: this segment includes sales of PIMS products.

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

(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.

6 SEGMENT INFORMATION (continued)

(a) Segment results and assets (continued)

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 2016 and 2015:

	For the year ended 31 December 2016				
	CRMS business HK$'000	**RF-SIM business HK$'000**	**PIMS business HK$'000 (Note 1)**	**Elimination HK$'000**	**Total HK$'000**
Revenue from external customers	**237,455**	**6,103**	**51,931**	**–**	**295,489**
Reportable segment profit/(loss)	**22,139**	**(2,591)**	**7,773**	**–**	**27,321**
Depreciation and amortisation	**10,405**	**5,182**	**367**	**–**	**15,954**
Reportable segment assets	**157,422**	**124,662**	**50,077**	**–**	**332,161**
Additions to non-current segment assets during the year	**5,552**	**41,864**	**126**	**–**	**47,542**

	For the year ended 31 December 2015			
	(Restated) CRMS business HK$'000 (Note 2)	RF-SIM business HK$'000	Elimination HK$'000	(Restated) Total HK$'000
Revenue from external customers	243,012	29,308	–	272,320
Inter-segment revenue	–	4,500	(4,500)	–
	243,012	33,808	(4,500)	272,320
Reportable segment profit	55,031	14,926	–	69,957
Depreciation and amortisation	4,997	3,468	–	8,465
Reportable segment assets	169,737	80,650	–	250,387
Additions to non-current segment assets during the year	31,348	104	–	31,452

Note 1: As described in Note 15 to the consolidated financial statements, PIMS business segment is resulted in the consolidation of GLCH and its subsidiaries ("GLCH Group").

Note 2: In prior year, the CRMS business was split into 2 reportable segments, inbound and outbound services. These two segments were combined in the current year since the CODM regularly had been reviewing the operating results and allocation of resources of the these two services as a whole rather than separately. The prior year comparatives are therefore restated.

6 SEGMENT INFORMATION (continued)

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

	2016 HK$'000	(Restated) 2015 HK$'000
Revenue		
Reportable segment revenue	295,489	272,320
Consolidated revenue	295,489	272,320
(Loss)/profit		
Reportable segment profit	27,321	69,957
Other revenue	16,045	15,321
Unallocated depreciation and amortisation	(51)	(75)
Research and development expenses	(12,020)	(9,731)
Unallocated head office and administrative and other operating expenses	(69,107)	(47,855)
Consolidated (loss)/profit before income tax	(37,812)	27,617
Assets		
Reportable segment assets	332,161	250,387
Deferred tax assets	3,273	2,278
Available-for-sale financial asset	–	24,960
Time deposits with maturity over three months	–	8,004
Cash and cash equivalents	443,071	439,697
Unallocated head office and other assets	66	144
Consolidated total assets	778,571	725,470

(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 2016

	Hong Kong HK$'000	The People's Republic of China ("PRC") HK$'000	Macao HK$'000	Total HK$'000
Revenue from external customers	186,266	101,982	7,241	295,489
Specified non-current assets	4,695	127,709	20,267	152,671

Year ended 31 December 2015

	Hong Kong HK$'000	PRC HK$'000	Macao 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

7 OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest income	**3,979**	10,195
Government grants (Note a)	**7,957**	4,256
Recovery of bad debts	**2,870**	–
Others	**1,239**	870
	16,045	15,321

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

	2016 HK$'000	2015 HK$'000
Wages, salaries and other benefits	**17,508**	174,091
Contribution to retirement benefit schemes	**218,840**	16,836
Total employee benefits expenses	**236,348**	190,927

Employee benefits expenses of HK$195,458,000 (2015: HK$164,051,000), HK$10,984,000 (2015: HK$8,141,000) and HK$29,906,000 (2015: HK$18,735,000) have been charged to cost of sales, research and development expenses, and administrative and other operating expenses respectively.

(a) Five highest paid individuals

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

	2016 Number of individual	2015 Number of individual
Director of the Company	**4**	4
Senior management	**1**	1

Out of the five individuals with the highest emoluments, four (2015: four) are directors whose emoluments are disclosed in Note 31(a). The aggregate emoluments in respect of the remaining one (2015: one) highest paid individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other emoluments	**746**	685
Retirement scheme contribution	**13**	33
	759	718

8 EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (continued)

(a) Five highest paid individuals (continued)

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

	2016 Number of individual	2015 Number of individual
HK$Nil–HK$1,000,000	**1**	1

No directors waived any emoluments during the year (2015: 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

On 16 November 2016, the Board declared a special dividend by distribution in specie of 254,336,880 GLCH shares being held by the Company. The fair value of these shares was at HK$0.243 per share totalling HK$61,804,000 (2015: Nil).

10 EXPENSES BY NATURE

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

	2016 HK$'000	2015 HK$'000
Employee benefits expenses, including directors' emoluments (Note 8)	**236,348**	190,927
Auditors' remuneration		
– Audit services	**2,233**	1,657
– Non-audit services	**602**	–
Depreciation of property, plant and equipment (Note 13)	**6,335**	5,991
Amortisation of intangible assets (Note 14)	**9,670**	2,549
(Gain)/loss on disposal of property, plant and equipment	**(8)**	734
Cost of inventories sold (Note 17)	**38,957**	11,740
Provision for impairment of inventories (Note 17)	**2,643**	3,000
Operating lease charges in respect of		
– Rental of building and offices	**10,160**	9,859
– Hire of transmission lines	**6,867**	7,466
Provision for doubtful debts, net	**476**	259
Provision for warranty (Note 23)	**3,636**	–
Other expenses	**36,163**	25,842
Total cost of sales, administrative and other operating expenses and research and development expenses	**354,082**	260,024

11 INCOME TAX CREDIT

	2016 HK$'000	2015 HK$'000
Current income tax:		
Hong Kong profits tax	**12**	146
PRC corporate income tax	**1,764**	1,502
Over provision in the prior year	**(1,214)**	(746)
Deferred tax (Note 16)	**(1,500)**	(1,579)
Income tax credit	**(938)**	(677)

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

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.

11 INCOME TAX CREDIT (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:

	2016 **HK$'000**	2015 HK$'000
(Loss)/profit before income tax	**(37,812)**	27,617
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(5,510)**	273
Tax effects of:		
Income not subject to tax	**(89)**	(89)
Expenses not deductible for tax purposes	**1,258**	207
Additional deduction on research and development expenses	**–**	(663)
Over provision in the prior year	**(1,214)**	(746)
Tax losses for which no deferred income tax asset was recognised	**4,617**	341
Income tax credit	**(938)**	(677)

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2016	2015
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(33,166)**	28,294
Weighted average number of ordinary shares in issue (thousand)	**9,083,460**	9,083,460
Basic (loss)/earnings per share (HK cents)	**(0.37)**	0.31

(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 2016 as there were no potential dilutive ordinary shares outstanding during the year (2015: 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 2015							
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
Year ended 31 December 2016							
Opening net book amount	**42,296**	**4,196**	**3,271**	**6,515**	**2,173**	**8**	**58,459**
Additions	**–**	**319**	**954**	**1,639**	**2,655**	**–**	**5,567**
Reclassification	**–**	**8**	**–**	**–**	**–**	**(8)**	**–**
Business combination (Note 15)	**–**	**1,071**	**411**	**231**	**191**	**–**	**1,904**
Depreciation	**(1,230)**	**(1,784)**	**(723)**	**(1,696)**	**(902)**	**–**	**(6,335)**
Disposals	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Exchange differences	**(2,630)**	**(157)**	**(224)**	**(401)**	**(111)**	**–**	**(3,523)**
Closing net book amount	**38,436**	**3,653**	**3,689**	**6,287**	**4,006**	**–**	**56,071**
At 31 December 2016							
Cost	**46,737**	**32,556**	**33,117**	**20,322**	**11,670**	**–**	**144,402**
Accumulated depreciation	**(8,301)**	**(28,903)**	**(29,428)**	**(14,035)**	**(7,664)**	**–**	**(88,331)**
Net book amount	**38,436**	**3,653**	**3,689**	**6,287**	**4,006**	**–**	**56,071**

Depreciation is included in the consolidated income statement as follows:

	2016 HK$'000	2015 HK$'000
Cost of sales	**2,436**	3,007
Administrative expenses	**3,747**	2,687
Research and development expenses	**152**	297
	6,335	5,991

14 INTANGIBLE ASSETS

	Patent HK$'000	Development expenditures HK$'000	Other software HK$'000	Application right HK$'000	Total HK$'000
At 1 January 2015					
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
Year ended 31 December 2016					
Opening net book amount	**11,548**	**24,818**	**313**	**–**	**36,679**
Additions	**–**	**516**	**–**	**–**	**516**
Business combination (Note 15)	**–**	**–**	**–**	**28,257**	**28,257**
Amortisation for the year	**(2,270)**	**(5,067)**	**(76)**	**(2,257)**	**(9,670)**
Exchange differences	**(625)**	**–**	**(16)**	**–**	**(641)**
Closing net book amount	**8,653**	**20,267**	**221**	**26,000**	**55,141**
At 31 December 2016					
Cost	**28,644**	**25,334**	**765**	**28,257**	**83,000**
Accumulated amortisation	**(19,991)**	**(5,067)**	**(544)**	**(2,257)**	**(27,859)**
Net book amount	**8,653**	**20,267**	**221**	**26,000**	**55,141**

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.

Amortisation is included in the consolidated income statement as follows:

	2016 HK$'000	2015 HK$'000
Cost of sales	**2,762**	5
Administrative expenses	**6,832**	2,404
Research and development expenses	**76**	140
	9,670	2,549

Given the overall sales and business performance of the Group was lower than expectation in the current year, management considered there is impairment indicator of these intangible assets.

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

Estimated sales growth rate of the existing product line from 2017 to 2018	20% – 64%
Estimated sales decline rate of the existing product line from 2019 to 2020	16%
Discount rate	21%

The launch of 2 new product lines in 2017 would generate sales from 2017 to 2020.

14 INTANGIBLE ASSETS (continued)

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

Estimated sales growth rate from 2017 to 2021	15% – 84%
Discount rate	21%

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

Estimated sales (decline)/growth rate from 2017 to 2020	-5% to 169%
Estimated gross profit margin (decline)/growth rate from 2016 to 2020	-7% to 28%
Discount rate	21%

15 BUSINESS COMBINATION, GOODWILL AND AVAILABLE-FOR-SALE FINANCIAL ASSET

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 (the "Acquisition"). Prior to the Acquisition the Group already held 11.76% equity interest in GLCH and GLCH was classified as an available-for-sale financial asset. As a result of the Acquisition, the Group held approximately 54% equity interest in GLCH.

a) Step acquisition of GLCH from available-for-sale financial asset to a subsidiary of the Group

The following table summarises the consideration paid for the Acquisition, and the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	21 April 2016 HK$'000
Purchase consideration	
– Cash paid	80,000
– Fair value of previously held interest in GLCH (Note c)	35,840
	115,840
Recognised amounts of identifiable assets acquired and liabilities assumed	
Pledged bank deposit	1,220
Cash and cash equivalents	92,482
Property, plant and equipment	1,904
Intangibles assets	28,257
Inventories	7,451
Trade and other receivables	44,579
Deposits and prepayments	2,584
Payables and other accruals	(20,483)
Provision for warranty	(12,721)
Provision for long services payment	(56)
Provision for taxation	(7,473)
Total identifiable net assets	137,744
Non-controlling interest	(63,363)
Goodwill (Note b)	41,459
	115,840

Acquisition related costs of HK$4,315,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2016.

15 BUSINESS COMBINATION, GOODWILL AND AVAILABLE-FOR-SALE FINANCIAL ASSET (continued)

a) Step acquisition of GLCH 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)
	12,482

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$51,931,000 to the Group's total revenue and HK$7,442,000 loss to the Group's loss before income tax for the period between the date of acquisition and end of the reporting period.

Had the acquisition occurred on 1 January 2016, consolidated revenue and consolidated loss after income tax for the year ended 31 December 2016 would have been HK$315,715,000 and HK$50,609,000 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 GLCH's total identifiable net assets for this acquisition.

b) Goodwill

The acquisition is expected to push forward and execute 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 GLCH. None of the goodwill recognised is expected to be deductible for income tax purposes.

The recoverable amount of goodwill is determined based on fair value less cost of disposal. No impairment charge is noted as at 31 December 2016.

15 BUSINESS COMBINATION, GOODWILL AND AVAILABLE-FOR-SALE FINANCIAL ASSET (continued)

c) Available-for-sale financial asset

	2016 HK$'000	2015 HK$'000
At beginning of the 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 year	**–**	24,960

Available-for-sale financial asset includes the following:

	2016 HK$'000	2015 HK$'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 the consolidated income statement.

d) Changes in ownership interests in a subsidiary without change of control

On 16 November 2016, the Group decided to distribute to shareholders 12.17% equity interest in a subsidiary, GLCH, as dividend-in-specie. The carrying amount of the non-controlling interests in GLCH on the date of disposal 2 December 2016, was HK$60,215,000. The Group recognised an increase in non-controlling interests of HK$15,924,000 and an increase in equity attributable to owners of HK$45,880,000 due to revaluation of the non-controlling interest to its fair value prior to distributor. The net effect of changes in the ownership interests of GLCH on the equity attributable to owners of the Group during the year is summarised as follows:

	2016 HK$'000
Consideration – Dividend	**61,804**
Less: Carrying amount of non-controlling interest disposed of	**15,924**
Gain on disposal within equity	**45,880**

	2016 HK$'000
Attributable to:	
Equity holders of the Group	**29,956**
Non-controlling interest	**15,924**
	45,880

16 DEFERRED TAX ASSETS AND LIABILITIES

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

	2016 HK$'000	2015 HK$'000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	(3,273)	(2,278)
At 31 December	(3,273)	(2,278)
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	1,929	2,323
Deferred tax liability to be recovered within 12 months	541	808
At 31 December	2,470	3,131
Deferred tax (asset)/liabilities (net)	(803)	853

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

	2016 HK$'000	2015 HK$'000
At 1 January	853	2,630
Credited to consolidated income statement (Note 11)	(1,500)	(1,579)
Exchange differences	(156)	(198)
At 31 December	(803)	853

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 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
At 1 January 2016	14	3,117	3,131
Charged/(credited) to the consolidated income statement	294	(341)	(47)
Over provision in prior year due to change of tax rate	–	(458)	(458)
Exchange differences	–	(156)	(156)
At 31 December 2016	**308**	**2,162**	**2,470**

16 DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets	Decelerated tax depreciation HK$'000	Unrealised profits and others HK$'000	Total HK$'000
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
At 1 January 2016	**(60)**	**2,338**	**2,278**
Credited to the consolidated income statement	**60**	**935**	**995**
At 31 December 2016	**–**	**3,273**	**3,273**

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 2016, the Group did not recognise deferred income tax assets of HK$4,617,000 (2015: HK$341,000) 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$269,450,000 (2015: HK$276,904,000) 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.

17 INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**27,201**	27,338
Work in progress	**27,584**	25,446
Finished goods	**2,706**	2,952
	57,491	55,736
Less: Provision for impairment of inventories	**(12,176)**	(10,056)
	45,315	45,680

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$38,957,000 (2015: HK$11,740,000).

During the year, an additional HK$2,643,000 (2015: HK$3,000,000) of provision for inventories was recorded and recognised in "cost of sales".

18 TRADE, BILL AND OTHER RECEIVABLES

	Note	2016 HK$'000	2015 HK$'000
Trade receivables			
– Amounts due from related parties	29(c)	49	4,229
– Amounts due from third parties		102,142	85,134
		102,191	89,363
Provision for doubtful debts	(b)	(1,156)	(680)
Trade receivables, net	(a)	101,035	88,683
Bill receivables		8,944	–
Deposits and other receivables		19,323	16,843
Prepayments		4,939	4,187
		134,241	109,713

The amounts due from related parties were unsecured, interest free and repayable on demand (2015: same).

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

	2016 HK$'000	2015 HK$'000
US$	7	2
RMB	78,371	43,950
HK$	50,924	61,574
	129,302	105,526

(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:

	2016 HK$'000	2015 HK$'000
Aged within 1 month	39,116	31,883
Aged over 1 to 3 months	32,189	32,196
Aged over 3 to 6 months	20,409	17,377
Aged over 6 months to 1 year	9,321	7,227
	101,035	88,683

18 TRADE, BILL AND OTHER RECEIVABLES (continued)

(b) Impairment of trade receivables

Trade receivables of HK$51,753,000 (2015: HK$41,410,000) 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:

	2016 HK$'000	2015 HK$'000
Overdue by 0 to 3 months	**43,352**	33,294
Overdue by 3 to 6 months	**2,086**	7,861
Overdue by 6 months to 1 year	**5,437**	255
Overdue over 1 year	**878**	–
	51,753	41,410

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:

	2016 HK$'000	2015 HK$'000
At 1 January	**680**	421
Provision for impairment	**735**	259
Reversal of provision for impairment	**(259)**	–
At 31 December	**1,156**	680

At 31 December 2016, the Group's trade receivables of HK$1,156,000 (2015: HK$680,000) 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 2016.

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 to 90 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 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

	2016 HK$'000	2015 HK$'000
Cash at banks and in hand	205,828	156,313
Short-term bank deposits	237,243	291,388
	443,071	447,701
Less: Time deposits with maturity over three months	–	(8,004)
Cash and cash equivalents	443,071	439,697

The interest rates on short-term bank deposits ranged from 0.04%-4% (2015: 0.2%-4.9%) per annum. These deposits have an average maturity of 28-92 days (2015: 31-94 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:

	2016 HK$'000	2015 HK$'000
HK$	189,882	194,915
US$	53,870	53,146
RMB	199,273	199,604
Other currencies	46	36
	443,071	447,701

As at 31 December 2016, cash and cash equivalents of approximately HK$85,289,000 (2015: HK$110,713,000) of the Group were deposited with banks in the 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	2016 Number of shares '000	2016 Nominal value HK$'000	2015 Number of shares '000	2015 Nominal value HK$'000
Ordinary shares of HK$0.01 each					
Authorised:					
At 1 January		**20,000,000**	**200,000**	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**	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 year		**9,083,460**	**90,835**	9,083,460	90,835

Notes:

(i) Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 3 June 2015, the authorized 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.

20 SHARE CAPITAL (continued)

(b) Share based payments

The Company has adopted a share option scheme (the "Share Option Scheme") in the written on 4 May 2010, for the purpose of providing incentives or rewards to eligible participants (including employees and directors of the Company and its subsidiaries). 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 the date of adoption of the Share Option Scheme as adjusted following the completion of the bonus issue of shares of the Company as disclosed in the announcement of the Company dated 30 March 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.

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 2016, no option has been granted or outstanding under the Share Option Scheme (2015: same).

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 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)	–
Currency translation differences	–	(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
At 1 January 2016	1,924	100,617	1,481,785	(6,144)	1,458,416	(2,424,935)	611,663
Loss for the year	–	–	–	–	–	(33,166)	(33,166)
Fair value gain on available-for-sale financial asset	–	–	–	10,880	–	–	10,880
Transfer to statutory reserve	688	–	–	–	–	(688)	–
Reclassification of reduction of previously held interest in GLCH	–	–	–	(4,736)	–	–	(4,736)
Dividend-in-specie (Note 9) and changes in ownership interests in a subsidiary without change of control (Note 15d)	–	–	–	–	45,880	(61,804)	(15,924)
Currency translation differences	–	(17,708)	–	–	–	–	(17,708)
At 31 December 2016	2,612	82,909	1,481,785	–	1,504,296	(2,520,593)	551,009

(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$688,000 was transferred to the statutory reserve during the year (2015: HK$914,000). 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	2016 HK$'000	2015 HK$'000
Trade payables	(a)	15,954	4,747
Other payables and accruals		16,176	8,440
		32,130	13,187

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:

	2016 HK$'000	2015 HK$'000
US$	–	812
RMB	29,320	9,999
HK$	2,810	2,376
	32,130	13,187

(a) Trade payables

The ageing analysis of trade payables is as follows:

	2016 HK$'000	2015 HK$'000
0-30 days	1,341	4,632
30-90 days	4,843	14
91-180 days	5,803	53
181 days-1 year	3,442	–
Over 1 year	525	48
	15,954	4,747

23 PROVISION FOR WARRANTY

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Step-acquisition of subsidiaries	12,721	–
Provision for the year	3,636	–
Utilisation during the year	(1,058)	–
Exchange difference	(903)	–
At 31 December	14,396	–

24 MATERIAL NON-CONTROLLING INTERESTS

	2016 HK$'000	2015 HK$'000
Non-controlling interests attributed to GLCH Group	74,679	–

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information of GLCH that has non-controlling interests, which in the opinion of the directors, is material to the Group.

	GLCH Group 2016 HK$'000	 2015 HK$'000
Summarised consolidated balance sheet		
Non-current assets	27,549	31,103
Current assets	143,984	69,057
Non-current liabilities	(56)	(56)
Current liabilities	(42,361)	(28,314)
Summarised consolidated income statement		
Revenue	72,157	31,531
Loss for the year	(20,647)	(40,726)
Total comprehensive loss for the year	(21,836)	(41,760)
Summarised consolidated statement of cash flows		
Net cash (used in) operating activities	(3,679)	(7,602)
Net cash generated from/(used in) investing and financing activities	79,953	(83)

The information above is the amount before elimination of transactions within the Group.

25 CASH (USED IN)/GENERATED FROM OPERATIONS

	2016 HK$'000	2015 HK$'000
(Loss)/profit before income tax	(37,812)	27,617
Adjustments for:		
– Depreciation of property, plant and equipment	6,335	5,991
– Amortisation of intangible assets	9,670	2,549
– (Gain)/loss on disposal of property, plant and equipment	(8)	734
– Provision for impairment of inventories	2,643	3,000
– Gain on disposal of available-for-sale	(4,736)	–
– Provision for impairment of trade receivables	476	–
– Interest income	(3,979)	(10,196)
– Foreign exchange gain	(1,412)	(2,009)
Changes in working capital		
– Pledged bank deposits	1,220	–
– Inventories	5,173	(8,911)
– Trade and other receivables	21,912	9,944
– Trade and other payables	(1,246)	725
Cash (used in)/generated from operations	(1,764)	29,444

Non-cash transaction

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

	2016 HK$'000	2015 HK$'000
Net book amount	2	874
Exchange difference	–	17
Gain/(loss) on disposal of property, plant and equipment	8	(734)
Proceeds from disposal of property, plant and equipment	10	157

26 COMMITMENTS

(a) Capital commitments

These were no capital expenditure contracted for but not yet incurred as at 31 December 2016 and 31 December 2015.

(b) Operating lease commitments

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

	2016		2015	
	Properties HK$'000	Transmission lines HK$'000	Properties HK$'000	Transmission lines HK$'000
Within 1 year	3,733	1,299	5,906	663
Over 1 year but within 5 years	97	74	704	128
	3,830	1,373	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.

27 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held by the Company	Interest held by non-control interest
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 ("Macao") 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%	–
Honor Crest Holdings Limited	British Virgin Islands, limited liability company	Investment holding	Authorised US$50,000 and paid-up capital of US$1	100%	–
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	Authorised capital and 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	Macao, 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%	–

27 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held by the Company	Interest held by non-control interest
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%	–
GL Limited	British Virgin Islands, limited liability company	Investment holding	Authorised capital of US$50,000 and paid-up capital of US$21,052	41.83%	58.17%
Global Link Communications Holding Limited	Cayman Islands, limited liability company	Investment holding	Authorised capital of HK$50,000,000 and paid-up capital of HK$20,888,075	41.83%	58.17%
Hilltop Holdings Group Limited	British Virgin Islands, limited liability company	Investment holding and holding of software rights	Authorised capital of US$50,000 and paid-up capital of US$10,000	41.83%	58.17%
Tonnex Holdings Limited	British Virgin Islands, limited liability company	Investment holding	Authorised and paid-up capital of US$50,000	41.83%	58.17%

27 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held by the Company	Interest held by non-control interest
廣州勝億信息科技有限公司	PRC, limited liability company	Development of various community mobile Internet applications and related services	Registesed and paid-up capital of RMB5,000,000	41.83%	58.17%
Guangzhou Global Link Communications Inc. (廣州國聯通信有限公司)	PRC, limited liability company	Provision of passenger information management systems	Registered and paid-up capital of HK$20,000,000	41.83%	58.17%
Global Link Communications (HK) Limited	Hong Kong, limited liability company	Provision of passenger information management systems	Authorised and paid-up capital of HK$100	41.83%	58.17%
北京國聯偉業通信技術有限公司	PRC, limited liability company	Provision of value-added telecommunications solutions, telecommunications application software and networking solutions	Registered and paid-up capital of RMB1,000,000	39.74%	50.26%
First Asset Securitization Holding Limited	British Virgin Islands, limited liability company	Investment holding	Authorised capital of US$50,000 and paid-up capital of US$1	41.83%	58.17%
First Asset Securitization Limited	Hong Kong, limited liability company	Dormant	Authorised and paid-up capital of US$1	41.83%	58.17%

Notes:

(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.

28 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 2016	
Loan and receivable	
Trade, bill and other receivables, excluding prepayments	**87,181**
Cash and cash equivalents	**443,071**
Total	**530,252**
31 December 2015	
Available-for-sale financial asset	24,960
Loan and receivable	
Trade, bill and other receivables, excluding prepayments	104,530
Cash and cash equivalents	439,697
Time deposits with maturity over three months	8,004
	552,231
Total	577,191

	Other financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
31 December 2016	
Trade and other payables	**23,141**
31 December 2015	
Trade and other payables	7,407

29 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
Directel 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	**2016 HK$'000**	2015 HK$'000
Sales	(i)	**591**	673
Licensing income	(ii)	**65**	65
Rental expenses for properties	(iii)	**964**	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 is determined on a mutually agreed basis. Details of technology transfer income have been disclosed in Note 5.

29 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	**2016** **HK$'000**	2015 HK$'000
Amounts due from related parties – Trade receivables	18	**49**	4,229

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:

	2016 **HK$'000**	2015 HK$'000
Wages, salaries and other benefits	**7,189**	5,628
Contribution to retirement benefit schemes	**403**	360
	7,592	5,988

30 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2016 HK$'000	2015 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,988	2,522
Investments in subsidiaries	218,374	218,374
Deferred tax assets	–	154
Available-for-sale financial asset	31,104	24,960
	251,466	246,010
Current assets		
Trade and other receivables	1,058	1,500
Amounts due from subsidiaries	188,353	114,548
Cash and cash equivalents	29,925	129,151
	219,336	245,199
Total assets	470,802	491,209
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	90,835	90,835
Reserves (Note a)	378,030	399,119
Total equity	468,865	489,954
LIABILITIES		
Non-current liabilities		
Referred tax liabilities	55	–
Current liabilities		
Trade and other payables	1,845	1,218
Current income tax liabilities	37	37
	1,882	1,255
Total liabilities	1,937	1,255
Total equity and liabilities	470,802	491,209

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2017 and was signed on its behalf.

Li Kin Shing
Director

Wong Kin Wa
Director

30 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

(a) Reserve of the Company

	Share premium HK$'000	Investment reserves HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
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
At 1 January 2016	**1,481,785**	**(6,144)**	**1,451,503**	**(2,528,025)**	**399,119**
Fair value gain on available-for-sale financial asset	**–**	**6,144**	**–**	**–**	**6,144**
Dividend in specie	**–**	**–**	**–**	**(61,804)**	**(61,804)**
Gain for the year	**–**	**–**	**–**	**34,571**	**34,571**
At 31 December 2016	**1,481,785**	**–**	**1,451,503**	**(2,555,258)**	**378,030**

(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.

31 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 2016:

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))	128	1,338	147	–	–	73	–	–	1,686
Li Yin	80	613	50	–	–	33	–	–	776
Wong Kin Wa	128	736	67	–	–	39	–	–	970
Li Wen	80	790	–	–	–	32	–	–	902
Independent and non-executive directors									
Chen Xue Dao	80	–	–	–	–	–	–	–	80
Cheung Sai Ming	128	–	–	–	–	–	–	–	128
Liu Chun Bao	128	–	–	–	–	–	–	–	128

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

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 2016 and 2015 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.

31 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 (2015: Nil).

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

During the year ended 31 December 2016, the Company does not pay consideration to any third parties for making available directors' services (2015: 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 2016, 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 (2015: Nil).

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

Except as mentioned in Notes 5 and 29 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				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**295,489**	272,320	300,874	343,124	389,118
(Loss)/profit from operations	**(37,812)**	27,617	48,903	41,143	33,418
Finance costs	**–**	–	–	–	–
(Loss)/profit before taxation	**(37,812)**	27,617	48,903	41,143	33,418
Income tax credit/(expense)	**938**	677	(4,390)	(2,838)	(2,029)
(Loss)/profit for the year attributable to equity shareholders of the Company	**(33,166)**	28,294	44,513	38,305	31,389

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Property, plant and equipment	**56,071**	58,459	62,351	64,172	66,264
Goodwill	**41,459**	–	–	–	–
Intangible assets	**55,141**	36,679	15,184	17,689	19,822
Available-for-sale financial asset	**–**	24,960	31,744	–	–
Deferred tax assets	**3,273**	2,278	1,095	604	724
Net current assets	**563,105**	583,253	595,567	579,841	528,028
Total assets less current liabilities	**719,049**	705,629	705,941	662,306	614,838
Deferred tax liabilities	**2,470**	3,131	3,725	4,157	4,914
Provision for long services payment	**56**	–	–	–	–
Net assets	**716,523**	702,498	702,216	658,149	609,924
Capital and reserves					
Share capital	**90,835**	90,835	30,278	30,278	30,278
Reserves	**551,009**	611,663	671,938	627,871	579,646
Non-controlling interest	**74,679**	–	–	–	–
Total equity	**716,523**	702,498	702,216	658,149	609,924