INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1328)

Interim Report 2017

HIGHLIGHTS

- Revenue for the six months ended 30 June 2017 was approximately HK$133,271,000, representing an increase of approximately 1% as compared to that for the six months ended 30 June 2016.

- Loss attributable to equity holders of the Company for the six months ended 30 June 2017 was approximately HK$40,322,000, representing an increase of approximately 196% as compared to that for the six months ended 30 June 2016. The significant increase in loss attributable to equity holders of the Company for the six months ended 30 June 2017 was mainly attributable to (i) the increase in costs as compared to that for the six months ended 30 June 2016; (ii) the provisions for slow moving inventories of the RF-SIM business; and (iii) the loss of the PIMS business, resulting from the consolidation of the results of GLCH to the results of the Group.

UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of International Elite Ltd. (the "Company") is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "Relevant Period") together with the unaudited comparative figures for the corresponding period in 2016 (the "Last Corresponding Period") as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	For the six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Revenue	6	**133,271**	132,607
Cost of sales	7(a)	**(145,022)**	(120,196)
Gross (loss)/profit		**(11,751)**	12,411
Other revenue		**7,743**	3,848
Other gain		**–**	4,736
Research and development expenses	7(a)	**(3,391)**	(4,128)
Administrative and other operating expenses	7(a)	**(46,900)**	(33,242)
Loss before income tax		**(54,299)**	(16,375)
Income tax credit	8	**471**	995
Loss for the period		**(53,828)**	(15,380)
Loss for the period attributable to:			
– Equity holders of the Company		**(40,322)**	(13,600)
– Non-controlling interests		**(13,506)**	(1,780)
		(53,828)	(15,380)
Loss per share attributable to equity holders of the Company:			
– Basic (HK cents)	10	**(0.44)**	(0.15)
– Diluted (HK cents)	10	**(0.44)**	(0.15)

The notes on pages 7 to 26 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(53,828)**	(15,380)
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
– Fair value gain on an available-for-sale financial asset	**–**	10,880
– Currency translation differences	**7,925**	(6,051)
Total comprehensive loss for the period, net of tax	**(45,903)**	(10,551)
Total comprehensive loss for the period attributable to:		
– Equity holders of the Company	**(32,783)**	(8,427)
– Non-controlling interests	**(13,120)**	(2,124)
	(45,903)	(10,551)

The notes on pages 7 to 26 form an integral part of these condensed consolidated interim financial information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**55,479**	56,071
Goodwill	12	**41,459**	41,459
Intangible assets		**50,122**	55,141
Deferred tax assets		**3,654**	3,273
		150,714	155,944
Current assets			
Inventories	13	**38,037**	45,315
Trade and other receivables	14	**170,936**	134,241
Cash and cash equivalents	15	**375,119**	443,071
		584,092	622,627
Total assets		**734,806**	778,571
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**90,835**	90,835
Reserves		**518,226**	551,009
		609,061	641,844
Non-controlling interests		**61,559**	74,679
Total equity		**670,620**	716,523
LIABILITIES			
Non-current liabilities			
Provision for long services payment		**–**	56
Deferred tax liabilities		**2,024**	2,470
		2,024	2,526
Current liabilities			
Trade and other payables	17	**34,585**	32,130
Provision for warranty		**13,863**	14,396
Provision for taxation		**13,714**	12,996
		62,162	59,522
Total liabilities		**64,186**	62,048
Total equity and liabilities		**734,806**	778,571

The notes on pages 7 to 26 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Investment reserve (Unaudited) HK$'000	Other reserves (Unaudited) HK$'000	Statutory reserve (Unaudited) HK$'000	Exchange reserve (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-Controlling Interests (Unaudited) HK$'000	Total Equity (Unaudited) HK$'000
As at 1 January 2016	90,835	1,481,785	(6,144)	1,458,416	1,924	100,617	(2,424,935)	702,498	–	702,498
Transfer from profit to statutory reserve	–	–	–	–	688	–	(688)	–	–	–
Comprehensive income										
Loss for the period	–	–	–	–	–	–	(13,600)	(13,600)	(1,780)	(15,380)
Reversal of investment reserve upon step acquisition	–	–	(4,736)	–	–	–	–	(4,736)	–	(4,736)
Other comprehensive income/(loss)										
Fair value gain on an available-for-sale financial asset	–	–	10,880	–	–	–	–	10,880	–	10,880
Currency translation differences	–	–	–	–	–	(5,707)	–	(5,707)	(344)	(6,051)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	63,363	63,363
As at 30 June 2016	90,835	1,481,785	–	1,458,416	2,612	94,910	(2,439,223)	689,335	61,239	750,574
As at 1 January 2017	**90,835**	**1,481,785**	**–**	**1,504,296**	**2,612**	**82,909**	**(2,520,593)**	**641,844**	**74,679**	**716,523**
Transfer from profit to statutory reserve	**–**	**–**	**–**	**–**	**404**	**–**	**(404)**	**–**	**–**	**–**
Comprehensive income										
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(40,322)**	**(40,322)**	**(13,506)**	**(53,828)**
Other comprehensive income										
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**7,539**	**–**	**7,539**	**386**	**7,925**
As at 30 June 2017	**90,835**	**1,481,785**	**–**	**1,504,296**	**3,016**	**90,448**	**(2,561,319)**	**609,061**	**61,559**	**670,620**

The notes on pages 7 to 26 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	For the six months ended 30 June 2017 (Unaudited) HK$'000	(Restated) 2016 (Unaudited) HK$'000
Cash flows from operating activities			
Cash used in from operations		**(73,825)**	(9,743)
Income tax paid		**–**	(1,080)
Net cash used in operating activities		**(73,825)**	(10,823)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**–**	12,482
Purchases of property, plant and equipment		**(1,360)**	(4,544)
Proceeds on disposal of property, plant and equipment		**11**	10
Purchases of intangible assets		**–**	(516)
Interest received		**2,285**	2,165
Decrease in bank deposits with maturity over three months		**–**	8,004
Net cash generated from investing activities		**936**	17,601
Net (decrease)/increase in cash and cash equivalents		**(72,889)**	6,778
Cash and cash equivalents at 1 January		**443,071**	439,697
Effect of foreign exchange rate changes		**4,937**	(3,154)
Cash and cash equivalents at 30 June	15	**375,119**	443,321

The notes on pages 7 to 26 form an integral part of these condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

International Elite Ltd. (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the provision of customer relationship management ("CRM") services, which include inbound and outbound services, to companies in various service-oriented industries. Following the acquisition of Sunward Telecom Limited and its subsidiaries (collectively, the "Sunward Group") in September 2010, the Group is also engaged in research and development, production and sales of radio-frequency subscriber identity module ("RF-SIM") products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau as well as the research and development and technology transfer of certificate authority-SIM ("CA-SIM") application right to customers. After the completion of the subscription of 1,000,000,000 shares of Global Link Communications Holdings Limited ("GLCH") in April 2016, GLCH became a subsidiary of the Group, thereafter, the Group has engaged in the provision of passenger information management system ("PIMS").

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

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

The condensed consolidated interim financial information was approved for issue by the Board on 30 August 2017.

2. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. Accounting Policies (Continued)

(a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Group:

Amendment to IFRS 1, "First time adoption of IFRS"	1 January 2018
Amendments to IFRS 2, "Classification and measurement of Share-based Payment Transactions"	1 January 2018
Amendments to IFRS4, Insurance Contracts "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	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
IAS 28, "Investments in associate and joint ventures	1 January 2018
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined
IFRIC 22, "Foreign Currency Transactions and Advance Consideration"	1 January 2018

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 30 June 2017. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

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.

3. Accounting Policies (Continued)

(b) (Continued)

IFRS 9, "Financial instruments" (Continued)

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 effective 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 information. 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. The Group does not intend to adopt the standard before its effective date.

4. Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. Financial Risk Management

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

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

6. Segment Information

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

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

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

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

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

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

No operating segment has been aggregated to form the reportable segments.

(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 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 (loss)/profit and certain assets, and expenditure information for the Group's business segments for the six months ended 30 June 2017 and 2016, and as at 30 June 2017 and 31 December 2016.

	For the six months ended 30 June 2017				For the six months ended 30 June 2016			
	CRMS business (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	PIMS business (Unaudited) HK$'000	Total (Unaudited) HK$'000	CRMS business (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	PIMS business (Unaudited) HK$'000	Total (Unaudited) HK$'000
Revenue from external customers	**121,599**	**4,766**	**6,906**	**133,271**	117,965	2,215	12,427	132,607
Reportable segment (loss)/profit	**4,277**	**(9,987)**	**(6,041)**	**(11,751)**	16,102	(4,183)	492	12,411
Depreciation and amortisation	**4,779**	**3,108**	**175**	**8,062**	5,421	2,133	104	7,658

	As at 30 June 2017				As at 31 December 2016			
	CRMS business (unaudited) HK$'000	RF-SIM business (unaudited) HK$'000	PIMS business (unaudited) HK$'000	Total (unaudited) HK$'000	CRMS business (audited) HK$'000	RF-SIM business (audited) HK$'000	PIMS business (audited) HK$'000	Total (audited) HK$'000
Reportable segment assets	**207,456**	**111,897**	**36,641**	**355,994**	157,422	124,662	50,077	332,161
Addition to non-current segment assets during the period	**389**	**87**	**1,021**	**1,497**	5,552	41,864	126	47,542

6. Segment Information (Continued)

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

	For the six months ended 30 June 2017 (Unaudited) HK$'000	For the six months ended 30 June 2016 (Unaudited) HK$'000
Revenue		
Reportable segment revenue	**133,271**	132,607
Consolidated revenue	**133,271**	132,607
(Loss)/profit		
Reportable segment (loss)/profit	**(11,751)**	12,411
Other revenue	**7,743**	3,848
Other gain	**–**	4,736
Unallocated depreciation and amortisation	**(52)**	(36)
Research and development expenses	**(3,391)**	(4,128)
Unallocated head office and administrative and other operating expenses	**(46,848)**	(33,206)
Consolidated loss before income tax	**(54,299)**	(16,375)

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Assets		
Reportable segment assets	**355,994**	332,161
Deferred tax assets	**3,654**	3,273
Cash and cash equivalents	**375,119**	443,071
Unallocated head office and other assets	**39**	66
Consolidated total assets	**734,806**	778,571

6. Segment Information (Continued)

(c) Geographic information

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

	PRC (Unaudited) HK$'000	Hong Kong (Unaudited) HK$'000	Macau and others (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2017				
Revenue from external customers	**49,554**	**80,154**	**3,563**	**133,271**
As at 30 June 2017				
Specified non-current assets	**125,210**	**4,117**	**17,733**	**147,060**

	PRC (Unaudited) HK$'000	Hong Kong (Unaudited) HK$'000	Macau and others (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2016				
Revenue from external customers	28,629	100,333	3,645	132,607

	PRC (Audited) HK$'000	Hong Kong (Audited) HK$'000	Macau and others (Audited) HK$'000	Total (Audited) HK$'000
As at 31 December 2016				
Specified non-current assets	127,709	4,695	20,267	152,671

7. Expenses by Nature

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Employee benefits expenses, including directors' emoluments	**132,535**	109,925
Depreciation of property, plant and equipment	**2,847**	3,225
Amortisation of intangible assets	**5,267**	4,469
Cost of inventories sold	**6,872**	13,124
Provision for impairment of inventories	**12,304**	2,724
Provision for impairment of trade receivables	**4,673**	–
Operating lease charges in respect of		
– rental of building and offices	**5,183**	5,575
– hire of transmission lines	**3,465**	3,468
Other expenses	**22,167**	15,056
Total cost of sales, research and development expenses and administrative and other operating expenses	**195,313**	157,566

(b) Employee benefits expenses, including directors' emoluments

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, wages and other benefits	**123,136**	101,791
Contribution to retirement benefit schemes	**9,399**	8,134
Total employee benefits expenses	**132,535**	109,925

8. Income Tax Expense/(Credit)

	For the six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Current income tax		
– Hong Kong profits tax	**18**	112
– PRC corporate income tax	**1,714**	899
Over-provision in prior year	**(1,328)**	(1,454)
Deferred income tax	**(875)**	(552)
Income tax credit	**(471)**	(995)

(i) Hong Kong profits tax

The provision for Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 June 2017 and 2016.

(ii) PRC corporate income tax

China Elite Info. Co., Ltd. ("China Elite") was approved as a Technology Advanced Service Enterprise ("TASE") in December 2009, and the status was renewed in August 2014. According to the tax circular Caishui [2014] No. 59, China Elite is eligible for a preferential PRC corporate income tax rate of 15% during the 4-year period from 2014-2018 as a TASE, subject to the in-charge tax authority's acceptance of the annual record filing for the entitlement of this reduced corporate income tax rate.

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

Guangzhou Global Link Communications Inc. ("GZ GLC") 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% (2016: 25%) on its assessable profits.

(iii) Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, the Group is exempted from Macao Complementary Tax. As a result, no provision for Macao Complementary Tax has been made by the Group for the six months ended 30 June 2017 and 2016.

9. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

10. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2017 is based on the loss attributable to equity holders of the Company of approximately HK$40,322,000 (2016: loss of approximately HK$13,600,000) and on the weighted average number of 9,083,460,000 ordinary shares in issue during the period (2016: 9,083,460,000).

(b) Diluted loss per share

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

Diluted loss per share is equal to the basic loss per share for the six months ended 30 June 2017 as there were no potential dilutive ordinary shares outstanding during the period (2016: same).

11. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$1,497,000 (2016: approximately HK$4,041,000). Property, plant and equipment with the net book values of approximately HK$219,000 were disposed of during the six months ended 30 June 2017 (2016: zero).

12. Goodwill and Available-for-sale Financial Asset

(a) Goodwill

On 21 April 2016, Honor Crest Holdings Limited, a direct and wholly-owned subsidiary of the Company, completed the acquisition of GLCH. The acquisition is expected to push forward and execute business plans and strategies to improve and develop the existing business, in particular the development of the "Smart City" by using the CA-SIM technology assigned by the Group.

The goodwill of HK$41,459,000 arising from the acquisition is attributable to the synergies expected to arise from the business combination and future growth of 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. There is no impairment charged to the condensed consolidated interim income statement for the six months ended 30 June 2017 (2016: nil).

(b) Available-for-sale financial asset

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
At beginning of the period/year	**–**	24,960
Fair value gain	**–**	10,880
Reclassification to investment in a subsidiary	**–**	(35,840)
At end of the period/year	**–**	–

13. Inventories

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Raw materials	**31,466**	27,201
Work in progress	**28,153**	27,584
Finished goods	**3,071**	2,706
	62,690	57,491
Less: provision for impairment of inventories	**(24,653)**	(12,176)
	38,037	45,315

During the period, an additional HK$12,304,000 of provision for inventories was recorded and recognised on cost of sales. Management considered that there is no active market for these inventories.

14. Trade and Other Receivables

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Trade receivables		
– amounts due from related parties	**26**	49
– amounts due from third parties	**128,900**	102,142
	128,926	102,191
Provision for doubtful debts	**(5,948)**	(1,156)
Trade receivables, net	**122,978**	101,035
Bill receivables	**4,414**	8,944
Deposits, prepayments and other receivables	**43,544**	24,262
	170,936	134,241

14. Trade and Other Receivables (Continued)

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

Included in trade receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis based on invoice date:

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
1 month	**32,615**	39,116
2 – 3 months	**47,957**	32,189
4 – 6 months	**28,891**	20,409
7 months – 1 year	**13,515**	9,321
	122,978	101,035

At 30 June 2017, the Group had a concentration of credit risk as 76% (31 December 2016: 69%) of the total trade receivables were due from the Group's five largest customers and 36% (31 December 2016: 29%) of the total trade receivables was due from the Group's largest customer.

15. Cash and Cash Equivalents

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Cash at banks and in hand	**194,587**	205,828
Short-term bank deposits	**180,532**	237,243
Cash and cash equivalents	**375,119**	443,071

16. Share Capital

	As at 30 June 2017		As at 31 December 2016	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK$'000	Number of shares (Audited) '000	Nominal value (Audited) HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the period/year	**20,000,000**	**200,000**	20,000,000	200,000
Issued and fully paid:				
At beginning and end of the period/year	**9,083,460**	**90,835**	9,083,460	90,835

17. Trade and Other Payables

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Trade payables	**13,639**	15,954
Other payables and accruals	**20,946**	16,176
	34,585	32,130

The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
0 – 30 days	**3,852**	1,341
31 – 90 days	**4,696**	4,843
91 – 180 days	**2,183**	5,803
181 days – 1 year	**2,300**	3,442
Over 1 year	**608**	525
	13,639	15,954

18. Commitments

(a) Capital commitments

The Group did not have any capital expenditure contracted but not yet incurred as at 30 June 2017 and 31 December 2016.

(b) Operating lease commitments

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

	As at 30 June 2017 (Unaudited) HK$'000		As at 31 December 2016 (Audited) HK$'000	
	Properties	**Transmission lines**	Properties	Transmission lines
Within 1 year	**2,725**	**1,018**	3,733	1,299
Over 1 year but within 5 years	**40**	**251**	97	74
	2,765	**1,269**	3,830	1,373

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

19. Related Party Transactions

(a) Relationship between the Group and related parties

(i) Ultimate shareholders of the Group

Li Kin Shing
Kwok King Wa
Li Yin

(ii) Ultimate parent

Ever Prosper International Limited

(iii) Subject to common control of ultimate shareholders

China-Hong Kong Telecom Ltd.
Directel Communications Ltd.
Directel Holdings Limited
Directel Limited
Elitel Limited
Fastary Limited.
Jandah Management Limited
Talent Information Engineering Co., Ltd.

19. Related Party Transactions (Continued)

(b) Transactions with related parties

The Group entered into the following related party transactions:

		For the six months ended 30 June	
		2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Sales	(i)	**204**	296
Licensing income	(ii)	**33**	33
Rental expenses of properties	(iii)	**482**	482

Notes:

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

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

(iii) The Group rented properties from a related party, Talent Information Engineering Co., Ltd., at a price set on a mutually agreed basis.

(c) Balances with related parties

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

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Amounts due from related parties		
– trade receivables	**26**	49

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

19. Related Party Transactions (Continued)

(d) Key management compensation

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Wages, salaries and other benefits	**3,799**	2,985
Contribution to retirement benefit schemes	**185**	180
	3,984	3,165

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

20. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2017 and 31 December 2016.

21. Comparative figures

The comparative figures represent figures for the period ended 30 June 2016. Certain items in these comparative figures have been reclassified to conform with the current period's presentation to facilitate comparison.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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

Upon the acquisition of the Sunward Group in September 2010, the Group is also engaged in the research and development, production and sales of radio-frequency subscriber identity module ("RF-SIM") products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau as well as the research and development and technology transfer of certificate authority-SIM ("CA-SIM") application right to customers.

In April 2016, the Group completed the subscription of 1,000,000,000 shares of Global Link Communications Holdings Limited ("GLCH") (stock code: 8060), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM. 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, thereafter, the Group has engaged in the provision of passenger information management system ("PIMS").

Financial Review

Revenue of the Group for the six months ended 30 June 2017 amounted to approximately HK$133,271,000, representing an increase of approximately 1% as compared to that of the Last Corresponding Period. Revenue from CRMS, RF-SIM and PIMS businesses accounted for approximately 91%, 4% and 5% of the Group's total revenue for the six months ended 30 June 2017 respectively.

The gross loss of the Group for the six months ended 30 June 2017 was approximately HK$11,751,000, representing a decrease of approximately 195% as compared to the gross profit of the Last Corresponding Period. The gross profit margin decreased from approximately 9% to gross loss margin of approximately 9% for the six months ended 30 June 2017. The gross profit margin of the CRMS business for the six months ended 30 June 2017 was approximately 4%. The gross loss margins of the RF-SIM and PIMS businesses for the six months ended 30 June 2017 were approximately 210% and 87% respectively.

The Group's loss attributable to equity holders of the Company for the six months ended 30 June 2017 was approximately HK$40,322,000, representing an increase of approximately 196% as compared to that of the Last Corresponding Period. The significant increase in loss attributable to equity holders of the Company for the six months ended 30 June 2017 was mainly attributable to (i) the increase in costs as compared to that of the Last Corresponding Period; (ii) the provisions for slow moving inventories of the RF-SIM business; and (iii) the loss of the PIMS business, resulting from the consolidation of the results of GLCH to the results of the Group.

CRM Services Business

Business Review

Customers in Telecommunications Industry

During the period under review, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. There was an increase in revenue of the Group from telecommunications service providers for the six months ended 30 June 2017 of approximately 13% as compared to that of the Last Corresponding Period.

Customers In Non-Telecommunications Industries

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

The Group continued to cooperate with and provide CRM services to well-established customers and customers with business established outside Guangdong Province, China. These customers have stronger demand for our services in line with their development and expansion. With the new and established customers, the Group has built up a consolidated customer base and they have witnessed the achievement of the Group's development in non-telecommunication industries.

Multi-Skill Training

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

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

CRM Service Centers

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

New Customers

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

Customer	Service	Contract date
Shenzhen Pepper Technology Co., Ltd	Telesales	January 2017
China United Network Communications Co., Ltd. Guangdong Province Branch	Online CRM	April 2017

Awards And Certification

In March 2017, China Elite was certified the ISO 14001:2015 (the registration No. USA17E31181R0S).

In March 2017, China Elite was certified the BS OHSAS 18001:2007 (the registration No. USA17S21182R0S).

Internet CRM

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

Furthermore, the Group has integrated internet and mobile phone APPs to develop an artificial intelligence "CallVu" system 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 in the near future.

Prospects

China strives its main efforts to cultivate services outsourcing industry and the CRM services provided by the Group is one of the essential expressions of that. According to the domestic commerce operation situation announcement issued by China's Ministry of Commerce for the six months ended 30 June 2017, the executive contract amount of services outsourcing industry has reached RMB345.07 billion, increased by 13.8% compared to RMB305.65 billion of the Last Corresponding Period. The structure of the services outsourcing industry in China continue to optimize throughout the first half of the year, the proportion of high value-added business is increasing. The executive contract amount of business process outsourcing in China has reached RMB33.38 billion, increased by 5.1% compared to the Last Corresponding Period.

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

Under China's scientific and technological innovative environment, including, but not limited to, mature 4G mobile communications, the penetration of mobile internet application into everyday life, the emerging application for "Smart City" as well as the "Internet Plus" strategy and "The Belt and Road Initiative", the Directors anticipate that there will be more opportunities emerged in the market of China and for the business development of the Group. The Group will continue to seek further business opportunities with the government and companies having establishments in provinces other than Guangdong, China.

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

RF-SIM Business

Business Review

For the six months ended 30 June 2017, sales of RF-SIM products continued to decline. The situation is caused by several factors:

1. despite the Group has broadened the RF-SIM and CA-SIM product lines by introducing different models for different market segments, they are SIM card products and the deployment is limited by the choice of Mobile Network Operators ("MNOs");

2. the RF-SIM products are facing strong competition from alternative or newer technologies and solutions, the RF-SIM products are not yet to be achieve mass market adoption; and

3. QR code technology is becoming more widely adopted by the payment industry over the past few years, it is difficult to reverse the trend.

During the past few months, the Group attempted to promote RF-SIM products to non-payment markets including application like e-ID certification, aiming to create new market segment to the Group. In particular, the Group is collaborating with Guangzhou Global Link Intelligent Information Technology Co., Ltd (廣州國聯智慧信息技術有限公司) ("GZ GLI") to promote CA-SIM as a mobile card solution of Panyu People's Welfare Card, and to facilitate "Smart City" applications in Panyu. The project is a strategic cooperation between GZ GLI, the Government of Panyu District and Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司), and the 3 parties signed the framework agreement on 6 January 2017.

Despite of the Group's effort, the new initiative is yet to achieve adoption by mass and is yet to bring substantial improvement to the sales of the products. As a result, the Group encountered significant decline in revenue and operating profit as compared with last year.

Marketing Strategy

In May this year, the Standardization Administration of PRC approved 2.45G as the national standard for mobile payment and creates positive impact to the market. In response to this opportunity, the Group had taken the following proactive actions in order to increase sales, lower the inventory level as well as to introduce new products to the market:

1. to allocate more sales resources to MNOs by actively participating in relevant sales and marketing activities by MNOs and system integrators, and at the same time to actively promote the Group's products to card vendor and system integrators;

2. to increase the publicity of the Group's new products and technology through a variety of media channels;

3. to take a more proactive sales approach by actively contact and visit potential customers for opportunities to deploy the Group's product in their upcoming project; and

4. to take proactive action to lower the inventory level by allocating more sales resources to market the stock in the inventory.

Product Development

The Group is developing new RF-SIM products including CA-SIM card and CA-SIM reader module. In addition, the Group considers that NB-IoT (Narrow Band Internet of Things) technology will be the next big thing for the IoT market and is allocating R&D resources to develop a new product line on NB-IoT Technology.

Manufacturing and Production

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

The Group had tried various 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

During the period under review, the Group received the following award and certificates:

Award:

– "Near-field RF-SIM Card" project enrolled successfully in the Science and Technology Program by Xiamen Municipal Government.

Patent:

– A mobile phone SIM card device and the corresponding authentication method supporting multiple security domain

– A non-standard RF-SIM card supporting multi-channel digital authentication

– A mobile phone SIM card supporting 2.4G, Bluetooth RF communications and digital authentication

– A RF-SIM card supporting SWP and multi-channel digital authentication

Prospects

The Group will continue to extend its product portfolio with new product line 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.

In particular, the Group will actively leverage the opportunities of 2.45G being approved as the mobile payment national standard and will focus on the following markets and areas:

1. e-ID and CA certificate applications for new media;

2. e-ID application for mass market; and

3. user account security management and authentication application for open platforms.

Regarding the collaboration with GZ GLI on Panyu People's Welfare Card project, the Group will allocate sufficient resources to implement features required in the project aiming to achieve successful rollout. The Group is expecting sales to begin when the "Smart City" projects is launched.

In addition, the Group will allocate more resources to speed up the R&D on NB-IoT products and technology to create new revenues and at the same time to achieve diversification on the Group's technology reserve, product portfolio as well as business risks.

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 period under review, Guangzhou Global Link Communications Inc. ("GZ GLC"), the subsidiary of the Group, remains engaged in providing overall solution for passenger information system as its major business. The operation and marketing of the company mainly including:

1. the provision of operation and maintenance as well as engineering service for a number of projects in operation for over ten cities and dozens routes. On 15 May, the first train of Pakistan Lahore Rail Transit Orange Line Project, for which the enterprise provided passenger information system, was moved off the assembly line of CRRC Zhuzhou Electric Locomotive Co., Ltd., representing the service of GZ GLC has tapped in another country under the national strategy of "The Belt and Road Initiative";

2. continuing investments on innovative research and development to satisfy the new requests of CRRC Zhuzhou Electric Locomotive Co., Ltd. and relevant owners. During the period, the relevant application of Wuhan Metro Line 2 Extension project was completely developed, and accepted and passed the verification of the first application conducted through metro operation and by professional technicians of CRRC Changchun Railway Vehicles Co., Ltd.; and

3. under the close cooperation of the marketing and technical team, the company has secured new order contracts in provincial capital cities and Southeast Asian countries which participating in the "The Belt and Road Initiative", thereby creating certain competitive advantages to further expand its footholds in the market.

For the six months ended 30 June 2017, the PIMS products for projects in Wuhan, Guangzhou and Turkey, which the Group has secured in last period, are still in the production and preparation stage and yet to commence the supply. Revenue for the period recorded substantial decrease as there was supply of spare parts only, recorded little bulk delivery of PIMS products.

Prospects

We will attach great importance on the tremendous opportunities arising from "The Belt and Road Initiative". In addition to actively participate in bidding offered by the enterprises under CRRC, we will also study thoroughly the industrial policies and relevant laws and regulations in different countries and overseas jurisdictions. We will make efforts in exploring resources and identifying business partners, so as to continuously enhance our capabilities under "The Belt and Road Initiative" and further expand our product coverage.

Capital Structure

The Group adopts a sound financial policy, and the surplus cash is deposited at banks to facilitate extra operation expenditure or investment. Management makes financial forecast on a regular basis. As at 30 June 2017, the Group had no outstanding loan or borrowing, and the gearing ratio (being ratio of total borrowings outstanding less cash and deposits to the sum of total equity and total borrowings) was therefore not applicable. As at 30 June 2017, the Group's balance of cash and deposits was approximately HK$375,119,000, which was attributable to the proceeds from the IPO and cashflow from operations.

Liquidity And Financial Position

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Cash at banks and in hand	**194,587**	205,828
Bank deposits	**180,532**	237,243
Total cash and deposits	**375,119**	443,071

The Group normally finances its operations with internally generated cash flows. Cash position decreased by approximately HK$67,952,000 during the six months ended 30 June 2017.

The current ratio was 9.4 as at 30 June 2017, which is lower than 10.46 as at 31 December 2016. The quick ratio was 8.78 as at 30 June 2017, which is lower than 9.70 as at 31 December 2016.

Foreign Exchange Risk

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

Asset Mortgage

The Group has no outstanding asset mortgage as at 30 June 2017 (31 December 2016: nil).

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2017 (31 December 2016: nil).

Significant Acquisition, Disposal Or Investment

As at 30 June 2017, the Group has no specific acquisition target. The Group did not have any material acquisition and disposal of subsidiaries and affiliated companies, and investment during the period under review.

Capital Commitments

There was no capital commitment contracted for but not yet incurred as at 30 June 2017 (31 December 2016: nil).

Segment Reporting

In accordance with IFRS 8, Operating Segments, operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

Upon the completion of subscription of 1,000,000,000 shares of GLCH, 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 condensed consolidated financial information.

Staff And Remuneration Policy

As at 30 June 2017, the Group had 3,574 employees (31 December 2016: 3,659 employees). Among them, 3,554 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 30 June 2017 is as follows:

Function	As at 30 June 2017	As at 31 December 2016
Management	**14**	17
Operation	**3,134**	3,195
Financial, administration, and human resources	**131**	129
Sales and marketing	**78**	51
Research and development	**98**	142
Repairs and maintenance	**119**	125
Total	**3,574**	3,659

The total staff remuneration including Directors' remuneration paid by the Group for the six months ended 30 June 2017 was approximately HK$132,535,000 (Last Corresponding Period: approximately HK$109,925,000). The remuneration paid to the staff, including the Directors, is based on their qualification, experience, performance, and market rates, so as to maintain a competitive remuneration level. The Group also offers various staff welfare, including housing fund, social insurance and medical insurance. We believe that at International Elite Ltd., our employees are our most valuable asset.

OTHER INFORMATION

Disclosure Under Chapter 13 of the Rules Governing the Listing of Securities on the Stock Exchange (The "Listing Rules")

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules during the period under review.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016:nil).

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

As at 30 June 2017, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporation within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Interests in ordinary shares of the Company – long position

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

NOTES:

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

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

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

Save as disclosed above, as at 30 June 2017, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and, Underlying Shares of the Company

As at 30 June 2017, so far as known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Interests in ordinary shares of the Company – long position

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

NOTES:

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

2. According to the notice filed by Jovial Elite Limited, Jovial Elite Limited is a wholly owned subsidiary of Hony Capital Fund 2008, L.P.. Hony Capital Fund 2008, L.P. is 100% controlled by Hony Capital Fund 2008 GP, L.P.. Hony Capital Fund 2008 GP, L.P. is 100% controlled by Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is 100% controlled by Hony Capital Management Limited. Hony Capital Management Limited is 80% controlled by Hony Managing Partners Limited. Hony Managing Partners Limited is 100% controlled by Exponential Fortune Group Limited. Exponential Fortune Group Limited is 49% controlled by Mr. Zhao John Huan.

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

Save as disclosed above, as at 30 June 2017, so far as known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

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

Share 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 calibre employees. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 4 May 2010.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 283,860,000 shares, representing 10% of the shares of the Company in issue as at 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 30 June 2017, no option has been granted under the Share Option Scheme.

Model Code for Directors' Securities Transactions

The Company has adopted its own code of conduct which is not lenient than Appendix 10 of the Listing Rules. Specific enquiry to all Directors has been made and the Company has confirmed that the Directors have complied with the required standard set out in the code of conduct during the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any share of the Company.

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any redeemable securities of the Company.

Directors' Interests in Competing Business

Save as disclosed in this report and below, during the six months ended 30 June 2017 and up to the date of this report, none of the Directors nor their respective associates is considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group.

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

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

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

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

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

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

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

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

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

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

Competing Interests

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

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

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

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

Compliance with Code on Corporate Governance Practices

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2017 except for the deviation as described below:

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

Audit Committee

The Company has established an audit committee ("Audit Committee") with written terms of reference in accordance with the requirements of the CG Code ("Terms of Reference"). The Terms of Reference were revised and adopted by the Board on 30 March 2016. The primary duties of the Audit Committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group, and to provide advice and comments to the Board accordingly. The Audit Committee (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 six months ended 30 June 2017. 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 Audit Committee is of the view that the risk management and internal control systems implemented by the Group during the period under review had been valid and adequate. The Audit Committee consists of the three independent non-executive Directors of the Company, namely, Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. Liu Chun Bao. Mr. Cheung Sai Ming is the chairman of the Audit Committee.

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial information as at and for the six months ended 30 June 2017 and is of the opinion that the unaudited condensed consolidated interim financial information complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 30 August 2017

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