INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1328)

ANNUAL REPORT 2017

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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

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Oleander Way, 802 West Bay Road
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Gilman Street Branch
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Central, Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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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 2017.

In 2017, 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 Shenzhen Pepper Technology Co., Ltd. (深圳小辣椒科技有限公司), China United Network Communications Co., Ltd. Guangdong Province Branch (中國聯合網絡通信有限公司廣東省分公司), China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司) and Beijing Antutianxia Auto Service Ltd. (北京安途天下汽車服務有限公司). 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.

The directors of the Company ("Directors") believe that the Group will continue to benefit from the opportunities arising from the favorable government policies in China including the growth in 4G mobile communications, the rapid development of 5G mobile communications technology, 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 2018 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, 27 March 2018

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. 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.

Following the acquisition of Global Link Communications Holdings Limited ("GLCH") in April 2016, the Group is also 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 covers (i) the research and development, production and sales of RF-SIM products; and (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau (iii) research and development and technology transfer of CA-SIM application rights to customers.

PIMS Business

PIMS business includes supply, development and integration of passenger information management system.

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 2017, China's economic growth rate reached 6.9%, which is higher than the economic growth target of 6.5% 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 rapid development of 5G mobile communications technology, 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 applications ("APP") and the government's "Internet Plus" strategy are getting increasingly popular and these new elements have been integrated into traditional CRM services. In 2017, 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 phone to enable features including secure data access, trusted computing and identity authentication.

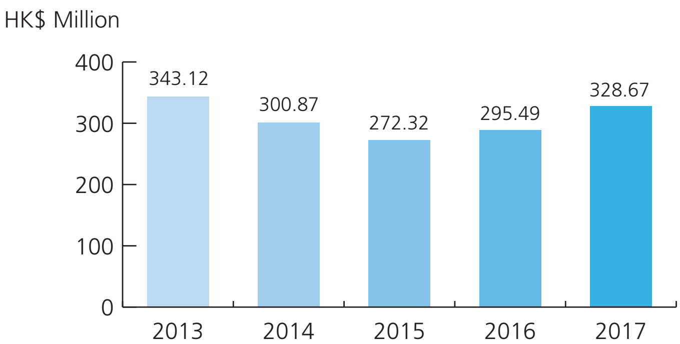
The rapid development of Internet and information technology fosters various digital applications such as e-commerce, network resource access, e-government, e-mail system and electronic bulletin board, etc., data security and access control become the key problems and the market demands solutions for 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

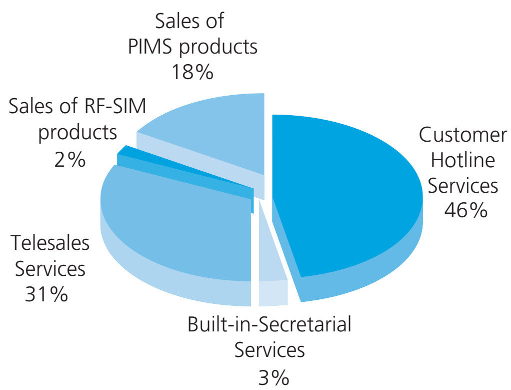
Revenue

For the year ended 31 December 2017, with revenue of approximately HK$258,697,000, HK$8,798,000 and HK$61,175,000 contributed by CRMS, RF-SIM and PIMS businesses respectively, the Group's total revenue was approximately HK$328,670,000, representing an increase of approximately 11% as compared with approximately HK$295,489,000 in 2016. There was an approximately 7% increase in revenue contributed by CRMS business, an approximately 1% increase in revenue contributed by RF-SIM business and an approximately 3% increase in revenue contributed by PIMS business. The following table illustrates the Group's revenue from 2013 to 2017:

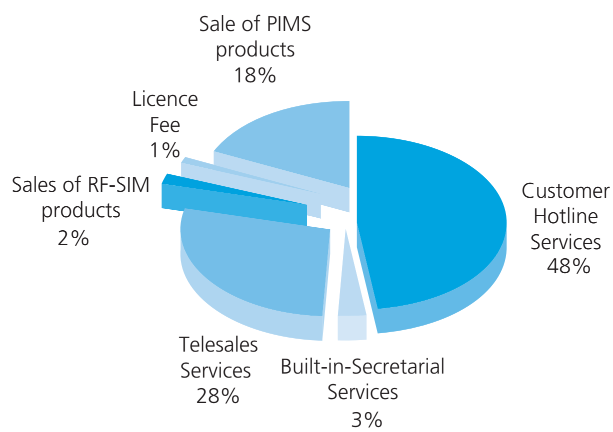


Revenue from 2013 to 2017

Revenue from CRMS, RF-SIM and PIMS businesses accounted for approximately 79%, 3% and 18% of the Group's total revenue for the year ended 31 December 2017 respectively. There were an increase of approximately 9%, 44% and 18% of CRMS, RF-SIM and PIMS businesses respectively as compared with last year. Below are the charts illustrating the Group's revenue generated from different sections in 2016 and 2017.



Revenue by services in 2016



Revenue by services in 2017

Gross Profit

The Group's gross profit for the year ended 31 December 2017 was approximately HK$16,173,000, representing a decrease of approximately 41% as compared with last year. The gross profit margin decreased by approximately 4% from approximately 9% to approximately 5% as compared with last year.

The gross profit of CRMS business for the year ended 31 December 2017 was approximately HK$16,527,000, which decreased by approximately HK$5,612,000 as compared with last year and accounted for approximately 21% of the decrease in gross profit of the Group. The gross profit margin of CRMS business decreased by approximately 3% from approximately 9% to approximately 6%. The gross loss of RF-SIM business for the year ended 31 December 2017 was approximately HK$8,620,000, which increased by approximately HK$6,029,000 as compared with last year and accounted for approximately 22% of the decrease in gross profit of the Group. The gross loss margin of RF-SIM business increased by approximately 56% from approximately 42% to approximately 98% as compared with last year. The gross profit of PIMS business for the year ended 31 December 2017 was approximately HK$8,266,000, which increased by approximately HK$493,000 as compared with last year and offset approximately 2% of the decrease in gross profit of the Group. The gross profit margin of PIMS business decreased by approximately 1% from approximately 15% to approximately 14%.

Administrative and Other Operating Expenses

For the year ended 31 December 2017, the total administrative and other operating expenses of the Group were approximately HK$85,757,000 equivalent to approximately 26% of the Group's revenue in 2017. The administrative and other operating expenses to sales ratio was approximately 1% higher as compared with last year.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company for the year ended 31 December 2017 was approximately HK$49,200,000, while the Group's loss attributable to equity holders of the Company for the year ended 31 December 2016 was approximately HK$33,166,000, representing an increase of approximately 48%. The net loss margin also increased from approximately 11% to approximately 15%. The significant increase in loss attributable to equity holders of the Company for the year ended 31 December 2017 was mainly attributable to (i) the increase in costs as compared with last year; (ii) the provisions for slow moving inventories of the RF-SIM business; and (iii) the loss of GLCH being consolidated to the results of the Group.

CRMS BUSINESS

Business Review

Customers in Telecommunications Industry

In 2017, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. There was an increase in revenue of the Group from telecommunications service providers for the year ended 31 December 2017 of approximately 15% as compared with last year.

Customers in Non-Telecommunications Industries

In 2017, 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.

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 which is 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 and to provide both traditional voice and Internet CRM services. 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
Shenzhen Pepper Technology Co., Ltd. (深圳小辣椒科技有限公司)	Telesales	January 2017
China United Network Communications Co., Ltd. Guangdong Province Branch (中國聯合網絡通信有限公司廣東省分公司)	Online CRM	April 2017
China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司)	Hotline	August 2017
Beijing Antutianxia Auto Service Ltd. (北京安途天下汽車服務有限公司)	Telesales	September 2017

Awards and Certification

In March 2017, China Elite Info. Co., Ltd. ("China Elite") was certified with the ISO 14001:2015 (the registration No. USA17E31181R0S).

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

In September 2017, China Elite was awarded the Top 100 China's Growing Service Provider of 2017 from the China Council for International Investment Promotion.

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. The users' usage pattern nowadays is shifting from traditional voice services to value-added online services, therefore Internet CRM service will be the focus of the Group. 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 rapid development of 5G mobile communications technology, 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 2018, 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 communications services, including but not limited to Net surfing, Cloud game, Cloud media and 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 2017, sales volume increment of RF-SIM products was far below our expectation. 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 RFSIM products are yet to achieve mass market adoption;

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; and

4. the mobile-pay business of some mobile network operators in the PRC was stagnant while the others turn to use alternative technical solutions.

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 only encountered a slight increase in revenue as compared with last year.

Marketing Strategy

The Group had taken the following proactive actions in order to increase sales, lower the inventory level as well as 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 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;

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

4. to encourage our partners to actively step up investment to several provinces with better business development in the existing campus card and corporate card markets so as to raise our market share; and

5. to refine the aftersales service system by means of extending the warranty period in order to provide better support to our partners.

Product Development

The Group continued to develop new RF-SIM products including CA-SIM card and CA-SIM reader module. In addition, the Group is trying to tap into the field of NB-IoT and foster cooperation with international professional companies to develop communication products and applications on NB-IoT with a view to providing comprehensive solutions for specific industries.

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 together with another one with a bigger capacity in order to increase production 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 2017, the Group received 2 certificates for utility patent:

1. A mobile phone SIM card supporting 2.4G, Bluetooth RF communications and digital authentication; and

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

Prospects

The Group will continue to extend its product lines by introducing new product line which can continue to meet the requirements from both the market as well as the customers, and to arouse demand for the Group's products.

In addition, 2018 will be the outset for NB-IoT to commence commercialization. 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 of the Group's technology reserve, product portfolio as well as business risks.

Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司) ("GZ GLI"), the Group's subsidiary in charge of the Smart City project development, has been continuously promoting the project with the government of Panyu District and administration office, and has launched the implementation together with the Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司). As to the Panyu mobile phone CA-SIM people's welfare cards (the "People's Welfare Card") project, upon the completion of the linkage with telecommunications operators, the two parties have signed the agreement of issuing 500,000 cards, aiming at issuing no less than 55,000 cards in 2018. The CA-SIM+ face detection technology of the GZ GLI is expected to install on a trial basis as an important implementation for "Smart Panyu" in the operation and management of the area. With the promotion of Smart City project and the popularization of the new-generation technology, the smart community project will enjoy a new wave of rapid development.

These initiatives to enhance 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, Guangzhou Global Link Communications Inc. (廣州國聯通信有限公司) ("GZ GLC"), the subsidiary of the Group, remains engaged in providing overall solution for rail transit information systems as its major business. The main operation and marketing of the company include 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 2017, the first train of Pakistan Lahore Rail Transit Orange Line Project, for which the enterprise provided rail transit information systems, 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". The projects with large quantity of deliveries included the Northern Extension of Guangzhou Metro Line 8, Guangzhou Line 14/21, Phase 3 of Harbin Metro Line 1, Wuhan Metro Line 21, the Southern Extension of Wuhan Metro Line 2 and Pakistan Lahore Rail Transit Orange Line etc. The major projects of "the Belt and Road Initiative" such as that in Ankara of Turkey, the Pakistan Lahore Rail Transit Orange Line Project, and the first demo-train of the new high-speed motor train unit. The Company has shaped its competitive advantages in the future market by means of proactive innovation and constant investment in research and development, thereby obtaining new supply contracts of Changsha Metro Line 4 and various in-vehicle system on two routes of Malaysia ETS-2 motor train unit and HMU hybrid power motor train unit. During the year, the relevant application of Wuhan Metro Line 2 Extension project was completely developed, accepted and passed the verification of the first application conducted through metro operation and by professional technicians of CRRC Changchun Railway Vehicles Co., Ltd. (中車長客軌道車輛有限公司). Under the close cooperation of the marketing and technical team, GZ GLC has secured new order contracts in provincial capital cities and Southeast Asian countries that participate in the "The Belt and Road Initiative", thereby creating certain competitive advantages to further expand its footholds in the market.

Prospect

The overall Chinese economy has shown a sign of recovery for the first time since 2011. More guiding policies to be provided to real economy has become a consensus among Chinese governments at all levels in order to further advance the reform. The growth of disposable income of household is higher than that of the GDP, laying down a solid foundation for the high quality development of Chinese economy. The general public's demand for quality life has been providing driving forces to the economic development, which in turns requests desirable and diversified services with higher quality and efficiency, thereby creating more business opportunities for companies with specialties and well established services.

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 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 inapplicable. As at 31 December 2017, the Group's balance of cash and deposits was approximately HK$383,856,000, which was attributable to the proceeds from the IPO and cashflow from operations.

LIQUIDITY AND FINANCIAL POSITION

	2017 HK$'000	2016 HK$'000
Cash at banks and on hand	164,570	205,828
Bank deposits	219,286	237,243
Total cash and deposits	383,856	443,071

The Group normally finances its operations with internally generated cash flows. Cash position decreased by approximately HK$59,215,000 in 2017.

As at 31 December 2017, the current ratio was 9.52 (2016: 10.46) and the quick ratio was 9.04 (2016: 9.70).

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 2017.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2017.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

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 2017. During the year under review, no interest was capitalized by the Group.

CAPITAL COMMITMENTS

As at 31 December 2017, there was no capital commitment contracted and not provided for in the financial statements (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. 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 CRM services, 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 2017, the Group had 3,531 employees (2016: 3,659 employees). Among them, 3,511 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 2017 is as follows:

Function	As at 31 December 2017	As at 31 December 2016
Management	**14**	14
Operation	**3,126**	3,195
Financial, administrative and human resources	**125**	129
Sales and marketing	**78**	54
Research and development	**75**	142
Repair and maintenance	**113**	125
	3,531	3,659

The total staff remuneration including Directors' remuneration paid by the Group in 2017 was approximately HK$271,598,000 (2016: approximately HK$236,348,000). 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 2017 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 of Hong Kong Limited (the "Stock Exchange") during the year under review.

REPORT OF DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 of this report, 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 remains as one of the few operation systems owners who applied for 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 2017 are set out in the consolidated income statement, on page 45 of this report.

Major Customers and Suppliers

For the year ended 31 December 2017, the revenue attributable to the largest customer and the five major customers accounted for approximately 27% and approximately 84% of the Group's revenue respectively.

For the year ended 31 December 2017, purchases from the largest supplier accounted for approximately 42% of the Group's total purchases. Purchases from the five largest suppliers accounted for approximately 56% of the Group's total purchases.

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

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

On 16 November 2016, the Board resolved to declare a special dividend by distribution in specie of 254,336,880 ordinary share(s) of HK$0.01 each in the share capital of GLCH ("Global Link Share"), representing approximately 12.18% of the total number of issued Global Link 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 Global Link 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. On 19 December 2016, share certificates of the relevant shares were issued and despatched to Qualifying Shareholders and the distribution was completed.

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 2017.

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 2017, the Company had approximately HK$1,481,785,000 (2016: 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 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"), Mr. Li Kin Shing, Mr. Wong Kin Wa and Mr. Liu Chun Bao 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 Dao 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 2017. 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 2017.

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 38 to 39 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 2017 (2016: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2017 (2016: Nil).

During the year ended 31 December 2017, 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 (2016: 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 2017, 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 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 31 December 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 Mr. Zhao John Huan.

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

Save as disclosed above, as at 31 December 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.

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 2017, 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, 5 June 2018. The register of members will be closed from Thursday, 31 May 2018 to Tuesday, 5 June 2018, 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, 30 May 2018.

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 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 year ended 31 December 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 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 37 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 ended 31 December 2017 have been reviewed by the audit committee of the Company.

On behalf of the Board
International Elite Ltd.

LI KIN SHING
Chairman

Hong Kong, 27 March 2018

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 2017.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2017 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 38 to 39 of this report.

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

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

Relationship Between Board Members

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

Function and duties of the Board

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

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

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

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of 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 four 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)*	4/4
Ms. Li Yin (李燕) *(Executive Director)*	4/4
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	4/4
Mr. Li Wen (李文) *(Executive Director)*	4/4
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	4/4
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director)*	4/4
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	4/4

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 2017 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 2017 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 auditing services and non-auditing services provided by the external auditors for the year ended 31 December 2017 are set out in note 10 to the consolidated financial statements. Auditors' remuneration for non-auditing services includes remuneration paid/payable to auditors for providing certain tax advisory service and others.

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.

In addition, resolutions were passed pursuant to the Articles, and subject to the proposed arrangement being passed at the forthcoming AGM, that Mr. Li Kin Shing, Mr. Wong Kin Wa and Mr. Liu Chun Bao 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 two meetings and the attendance record of the meetings is as follows:

Name of Directors	Number of Meeting Attended
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	2/2
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	2/2
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director and Chairman)*	2/2

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 2017 is set out below:

Remuneration band	Number of individuals
HK$Nil to HK$500,000	4
HK$500,001 to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	1

CORPORATE GOVERNANCE FUNCTIONS

The Board has delegated the corporate governance functions to the Audit Committee with the following duties:

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

FINANCIAL REPORTING

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

The external auditor's statement about reporting responsibility is set out on pages 40 and 44 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 39 of this report.

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

BUSINESS STRATEGIES AND OBJECTIVES

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

INTERNAL CONTROL

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

INVESTOR RELATIONS

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

The attendance of members of the Board to the general meeting held during the year ended 31 December 2017 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 60, 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 30 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 2009. He is also an executive director and chairman of GLCH since 2016.

MS. LI YIN (李燕), aged 43, 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 18 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 50, 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 21 years of finance and marketing experience, in particular in the telecommunications industry in Hong Kong and Macau. Before joining the Group, he was the manager of China-Hong Kong Telelink Company Limited from 1997 to 1999. Mr. Wong joined Denway Motors Limited (駿威汽車有限公司) (previously known as Denway Investment Limited), a company whose shares were formerly listed on the Main Board of the Stock Exchange, as the vice general manager in 1993. Mr. Wong is also an authorized representative of the Company. Mr. Wong has been a non-executive director of Directel Holdings Limited since 2009. He is also an executive director of GLCH since 2016.

MR. LI WEN (李文), aged 55, 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 (西安電子科技大學) and an Executive Master of Business Administration from Sun Yat Sen University (中山大學). 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 31 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 75, 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). 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 43, 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 2016.

Mr. Liu Chun Bao (劉春保), aged 72, 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 2016.

SENIOR MANAGEMENT

MR. MA YUANGUANG (馬遠光), aged 63, 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 of 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 45, 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 22 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 56, joined the Group in 2007 and is the Company's qualified accountant and company secretary. Ms. Chan has over 35 years of experience in accounting, finance, taxation and corporate governance and is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan obtained a master's degree of professional accounting from The Hong Kong Polytechnic University in 2008. Ms. Chan has been the company secretary of Directel Holdings Limited from August 2009 to June 2016. She is also the company secretary of GLCH since 2016.

MS. XUAN JING SHAN (禤靜珊), aged 49, joined the Group in 1999 and is the finance manager of China Elite. 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. 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. She has over 20 years of experience in the finance field.

MS. LIN YUAN YI (林原翼), aged 43, joined the Group in 2005 and is the assistant general manager and manager of customer service department of China Elite. Ms. Lin graduated from the Tai Shan Panshi TV University (臺山磐石電視大學) with a Diploma in Pedagogic English in 1994. Ms. Lin has 24 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. PENG JIAN TAO (彭健濤), aged 42, joined the Group in 2005 and is the assistant general manager and manager of mobile relationship management centre of China Elite. Ms. Peng obtained a Certificate in Administrative Management from the University of Macau (澳門大學) in 2000. Ms. Peng has 21 years of experience in customer relationship management. Prior to joining the Group, Ms. Peng worked for a Telecommunications service provider for 7 years.

MR. CHOW SIU KONG, FRANCO (周少剛), aged 45, 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 22 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.

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 45 to 103, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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:

- Impairment assessment of intangible assets
- Provision for obsolete or slow-moving inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment assessment of intangible assets *Refer to Notes 4(a)(i) and 14 to the consolidated financial statements* The Group has approximately HK$45 million intangible assets including a patent, an internally generated software and an application right of certain technology as at 31 December 2017 (2016: HK$55 million). 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 2017 and concluded that no impairment was required. Management determined the value-in-use or fair value less costs of disposal 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 or fair value less costs of disposal calculations, and the key assumptions used in the impairment assessment of the intangible assets. • For value-in-use or fair value less costs of disposal calculations, 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
2. Provision for obsolete or slow-moving inventories *Refer to Notes 4(c) and 17 to the consolidated financial statements* At 31 December 2017, the Group held inventories of HK$30.3 million (2016: HK$45.3 million). Inventories are carried at the lower of cost and net realisable value. At 31 December 2017, the Group's inventories of HK$24.9 million (2016: HK$12.2 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 2017 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 the audit committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 IFRSs 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.

The audit committee is 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 the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 Lam Hiu Yam, Winnie.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5, 6	**328,670**	295,489
Cost of sales	10	**(312,497)**	(268,168)
Gross profit		**16,173**	27,321
Other income	7	**15,718**	16,045
Other gain	15	**–**	4,736
Research and development expenses	10	**(12,138)**	(12,020)
Administrative and other operating expenses	10	**(85,757)**	(73,894)
Loss before income tax		**(66,004)**	(37,812)
Income tax credit	11	**5,182**	938
Loss for the year		**(60,822)**	(36,874)
Loss attributable to:			
– Owners of the Company		**(49,200)**	(33,166)
– Non-controlling interests		**(11,622)**	(3,708)
		(60,822)	(36,874)
Loss per share attributable to owners of the Company:			
– Basic (HK cents)	12	**(0.54)**	(0.37)
– Diluted (HK cents)	12	**(0.54)**	(0.37)

The accompanying notes on pages 50 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(60,822)**	(36,874)
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	**17,769**	(18,608)
– Reclassification of revaluation of previously held interest in Global Link Communications Holdings Limited ("GLCH")	**–**	(4,736)
Total comprehensive loss for the year, net of tax	**(43,053)**	(49,338)
Total comprehensive loss for the year is attributable to:		
– Owners of the Company	**(32,170)**	(44,730)
– Non-controlling interests	**(10,883)**	(4,608)
	(43,053)	(49,338)

The accompanying notes on pages 50 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**55,085**	56,071
Goodwill	15	**41,459**	41,459
Intangible assets	14	**45,205**	55,141
Deferred tax assets	16	**2,972**	3,273
Long term deposits	18	**632**	–
		145,353	155,944
Current assets			
Inventories	17	**30,313**	45,315
Trade, bills and other receivables	18	**178,179**	134,241
Cash and cash equivalents	19	**383,856**	443,071
		592,348	622,627
Total assets		**737,701**	778,571
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	20	**90,835**	90,835
Reserves	21	**518,839**	551,009
		609,674	641,844
Non-controlling interests	24	**63,796**	74,679
Total equity		**673,470**	716,523
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	16	**2,025**	2,470
Provision for long services payment		**–**	56
		2,025	2,526
Current liabilities			
Trade, bills and other payables	22	**37,355**	32,130
Provision for warranty	23	**15,980**	14,396
Provision for taxation		**8,871**	12,996
		62,206	59,522
Total liabilities		**64,231**	62,048
Total equity and liabilities		**737,701**	778,571

The consolidated financial statements on pages 45 to 103 were approved by the Board of Directors on 27 March 2018 and were signed on its behalf.

Li Kin Shing
Director

Wong Kin Wa
Director

The accompanying notes on pages 50 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Attributable to owners 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 2016	90,835	1,481,785	(6,144)	1,458,416	1,924	100,617	(2,424,935)	702,498	–	702,498
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(33,166)	(33,166)	(3,708)	(36,874)
Other comprehensive income/(loss)										
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
Balance 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**
Comprehensive loss										
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(49,200)**	**(49,200)**	**(11,622)**	**(60,822)**
Other comprehensive income										
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**17,030**	**–**	**17,030**	**739**	**17,769**
Total other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**–**	**17,030**	**–**	**17,030**	**739**	**17,769**
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**17,030**	**(49,200)**	**(32,170)**	**(10,883)**	**(43,053)**
Transactions with owners in their capacity as owners										
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**404**	**–**	**(404)**	**–**	**–**	**–**
Total transactions with owners in their capacity as owners	**–**	**–**	**–**	**–**	**404**	**–**	**(404)**	**–**	**–**	**–**
Balance at 31 December 2017	**90,835**	**1,481,785**	**–**	**1,504,296**	**3,016**	**99,939**	**(2,570,197)**	**609,674**	**63,796**	**673,470**

The accompanying notes on pages 50 to 103 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash used in operations	25	(71,568)	(1,764)
Income tax refund		84	49
Net cash used in operating activities		(71,484)	(1,715)
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		–	12,482
Payment for property, plant and equipment	13	(2,614)	(5,928)
Expenditure on development of software	14	(111)	(516)
Interest received		4,241	4,226
Proceeds from sale of property, plant and equipment	25	40	10
Decrease in bank deposits with maturity over three months		–	8,004
Net cash generated from investing activities		1,556	18,278
Net (decrease)/increase in cash and cash equivalents		(69,928)	16,563
Cash and cash equivalents at beginning of year	19	443,071	439,697
Exchange gain/(loss) on cash and cash equivalents		10,713	(13,189)
Cash and cash equivalents at end of year	19	383,856	443,071

The accompanying notes on pages 50 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. Following the acquisition of GLCH in April 2016, the Group is also engaged in the provision of passenger information management system ("PIMS").

The Company was incorporated in the Cayman Islands on 18 September 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman KY1-1208, Cayman Islands. The Company is listed on the Main Board of the Hong Kong Stock Exchange 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 the disclosure 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 IFRSs 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 2017:

IAS 7 (Amendments)	Statement of Cash Flows: Disclosure Initiative
IAS 12 (Amendments)	Income Taxes
Annual improvement project (IFRS 12 (Amendments)	Disclosure of Interest in other entities

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

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

		Effective for accounting periods beginning on or after
Annual improvement project (IAS 28 (Amendments))	Investments in Associates and Joint Ventures	1 January 2018
Annual improvement project (IFRS 1 (Amendments))	First Time Adoption of IFRS	1 January 2018
IAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Lease	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019

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 2017. 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. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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 consolidated 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.

The Group is assessing the impact of this standard by analysing the above criteria regarding the revenue recognition and currently has not identified any material impact to the Group. IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standards using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognised in retained earnings/(accumulated losses) as at 1 January 2018 and that comparatives will not be restated.

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 16, "Lease"

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$4,568,000 as stated in Note 26.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (see Note 2.2.2).

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

2.2.2 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

2.2.3 Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(b) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the reporting 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

Construction in progress represented leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

2.6 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (Continued)

(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 controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

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

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

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

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

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

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

The Group will amortise the intangible asset from the point at which the asset is ready for use on a straight-line basis over its estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (Continued)

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

During 2016 and 2017, 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.

(e) *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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows are largely independent of the cash inflows from other assets or group of assets cash-generating units. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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 financial assets. The classification depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise "trade, bill 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).

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.2 Recognition and derecognition

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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "gains and losses from investment securities".

2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for "financial assets at fair value through profit or loss" – in the consolidated income statement within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in the consolidated income statement and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the consolidated income statement as part of revenue from continuing operations.

2.8.4 Offsetting financial instruments

As at 31 December 2017 and 2016, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

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.

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 consolidated income statement.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Trade and other receivables

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

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions 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

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. 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

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(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 period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(c) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 subsidiaries in Hong Kong participate 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 subsidiaries in the PRC participate 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 where 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition

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

(i) *CRM services*

CRM services comprise (1) inbound services which include customer hotline services and built-in secretarial 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 foreign 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 2017, if HK$ had weakened/strengthened by 2% (2016: 4%) against RMB with all other variables held constant, the Group's post-tax loss for the year would have been HK$50,000 (2016: HK$2,649,000) lower/higher 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 2017, 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 loss for the year would have been approximately HK$925,000 (2016: HK$1,078,000) lower/higher.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

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

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

At 31 December 2017, the Group had a concentration of credit risk as 80% (2016: 69%) of the total trade receivables were due from the Group's five largest customers and 38% (2016: 29%) 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.

(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 2017					
Trade, bills and other payables	**30,797**	**–**	**–**	**–**	**30,797**
At 31 December 2016					
Trade and other payables	23,141	–	–	–	23,141

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Price risk

The Group is not exposed to securities price risk because financial assets held by the Group are neither classified as available-for-sale financial asset nor at fair value through profit or loss.

(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 and maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 2016.

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 2017 and 2016, the Group did not have any borrowings.

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

(c) Fair value estimation

As at 31 December 2017 and 2016, the Group did not have any financial assets or financial liabilities in the consolidated statement of financial position that is measured at fair value.

The carrying amounts of the Group's financial assets, including cash and cash equivalents, and trade, bills and other receivables and financial liabilities including trade, bills and other payables are assumed to approximate their fair values due to their short maturities.

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 may have a financial impact on the entity and 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 2017, the carrying amount of patent, CallVu, an internally generated software and application right of certain technology are approximately HK$6,945,000, HK$15,200,000 and HK$22,750,000 respectively (2016: HK$8,653,000, HK$20,267,000 and HK$26,000,000 respectively for Patent, CallVu and application right) (Note 14). During the year ended 31 December 2017, 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 2017, if sales growth rates for each of the years for patent and application right had been 6% and 2% lower than management's estimates respectively with all other variables held constant, the fair value less costs of disposal of patent and application right would have been equal to its carrying amount. If the discount rate had been 1% higher than management's estimate at 31 December 2017 with all other variables held constant, fair value less costs of disposal of patent and application right would have been HK$120,000 and HK$911,000 lower respectively. Accordingly, the surplus compared with the carrying amount of patent and application right would have been HK$200,000 and, HK$6,559,000 respectively.

At 31 December 2017, if sales growth rate for the year had been 3.9% lower than management's estimates with all other variables held constant, the value-in-use of CallVu would have been equal to its carrying amount. If the discount rate had been 1% higher than management's estimate at 31 December 2017 with all other variables held constant, value-in-use of CallVu would have been HK$260,000 lower. Accordingly, the surplus compared with the carrying amount of CallVu would have been HK$652,000.

(ii) Impairment of goodwill

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.

(iii) Trade and other receivables

Significant judgement is exercised in the assessment of the collectability 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 date of statement of financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 determine 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.

(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 GLCH 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) Provision for warranty

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.

5 REVENUE

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

	2017 HK$'000	2016 HK$'000
Inbound services	167,169	145,515
Outbound services	91,528	91,940
Sales of goods – RF-SIM	6,660	5,280
Sales of goods – PIMS	61,175	51,931
Licensing income	2,138	823
	328,670	295,489

The Group has three customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2017 (2016: four customers). The amounts of revenue from the customers are as follows:

	2017 HK$'000	2016 HK$'000
Customer 1	87,285	97,859
Customer 2	85,487	36,378
Customer 3	54,238	61,841
Customer 4	N/A	29,721

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 Group. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

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

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

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

(ii) RF-SIM business: this segment includes (a) research and development, production and sales of RF-SIM products; (b) licensing of the RF-SIM operation rights; 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 other operating segments have been aggregated to form the reportable segments.

6 SEGMENT INFORMATION (continued)

(a) Segment results and assets

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

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

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

Information relating to segment liabilities is not disclosed as such information is not regular reported to the CODM.

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 2017 and 2016:

	For the year ended 31 December 2017			
	CRMS business HK$'000	**RF-SIM business HK$'000**	**PIMS business HK$'000**	**Total HK$'000**
Revenue from external customers	**258,697**	**8,798**	**61,175**	**328,670**
Reportable segment profit/(loss)	**16,527**	**(8,620)**	**8,266**	**16,173**
Depreciation and amortisation	**9,553**	**6,875**	**326**	**16,754**
Reportable segment assets	**186,209**	**108,429**	**56,233**	**350,871**
Additions to non-current segment assets during the year	**1,515**	**1,279**	**12**	**2,806**

	For the year ended 31 December 2016			
	CRMS business HK$'000	RF-SIM business HK$'000	PIMS business 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

6 SEGMENT INFORMATION (continued)

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

	2017 HK$'000	2016 HK$'000
Revenue		
Reportable segment revenue	**328,670**	295,489
Consolidated revenue	**328,670**	295,489
Loss		
Reportable segment profit	**16,173**	27,321
Other income	**15,718**	16,045
Unallocated depreciation and amortisation	**(81)**	(51)
Unallocated research and development expenses	**(11,986)**	(12,020)
Unallocated head office and administrative, other gains and other operating expenses	**(85,828)**	(69,107)
Consolidated loss before income tax	**(66,004)**	(37,812)
Assets		
Reportable segment assets	**350,871**	332,161
Deferred tax assets	**2,972**	3,273
Cash and cash equivalents	**383,856**	443,071
Unallocated head office and other assets	**2**	66
Consolidated total assets	**737,701**	778,571

6 SEGMENT INFORMATION (continued)

(c) Geographical information

The following tables set out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and long term deposits ("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 2017

	Hong Kong HK$'000	The People's Republic of China ("PRC") HK$'000	Macao and others HK$'000	Total HK$'000
Revenue from external customers	**158,885**	**162,992**	**6,793**	**328,670**
Specified non-current assets	**3,763**	**123,416**	**15,202**	**142,381**

Year ended 31 December 2016

	Hong Kong HK$'000	PRC HK$'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

7 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest income	**4,195**	3,979
Government grants (Note a)	**4,179**	7,957
Recovery of bad debts	**5,951**	2,870
Rental income (Note b)	**697**	718
Others	**696**	521
	15,718	16,045

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.

(b) Rental income of HK$8,000 (2016: Nil) was received from a related party, please refer to Note 29(b) for details.

8 EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2017 HK$'000	2016 HK$'000
Wages, salaries and other benefits	252,489	218,840
Contribution to retirement benefit schemes	19,109	17,508
Total employee benefits expenses	271,598	236,348

Employee benefits expenses of HK$225,100,000 (2016: HK$195,458,000), HK$11,091,000 (2016: HK$10,984,000) and HK$35,407,000 (2016: HK$29,906,000) 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:

	2017 Number of individual	2016 Number of individual
Director of the Company	4	4
Senior management	1	1

Out of the five individuals with the highest emoluments, four (2016: four) are directors whose emoluments are disclosed in Note 31(a). The aggregate emoluments in respect of the remaining one (2016: one) highest paid individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	1,081	746
Retirement scheme contribution	18	13
	1,099	759

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

	2017 Number of individual	2016 Number of individual
HK$Nil–HK$1,000,000	–	1
HK$1,000,001–HK$1,500,000	1	–

No directors waived any emoluments during the year (2016: nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

9 DIVIDENDS

The board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2017.

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.

10 EXPENSES BY NATURE

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

	2017 HK$'000	2016 HK$'000
Employee benefits expenses, including directors' emoluments (Note 8)	271,598	236,348
Auditors' remuneration		
– Audit services	2,228	2,233
– Non-audit services	968	602
Depreciation of property, plant and equipment (Note 13)	6,253	6,335
Amortisation of intangible assets (Note 14)	10,582	9,670
Loss/(gain) on disposal of property, plant and equipment	324	(8)
Write-off of property, plant and equipment (Note 13)	536	–
Provision for impairment of other receivable	395	–
Cost of inventories sold (Note 17)	37,813	38,957
Provision for impairment of inventories (Note 17)	12,304	2,643
Operating lease charges in respect of		
– Rental of building and offices	9,592	10,160
– Hire of transmission lines	6,581	6,867
Provision for doubtful debts, net (Note 18b)	2,210	476
Provision for warranty (Note 23)	4,158	3,636
Other expenses	44,850	36,163
Total cost of sales, administrative and other operating expenses and research and development expenses	410,392	354,082

11 INCOME TAX CREDIT

	2017 HK$'000	2016 HK$'000
Current income tax:		
Hong Kong profits tax	162	12
PRC corporate income tax	–	1,764
Over provision in the prior years	(5,106)	(1,214)
Total current tax (credit)/expense	(4,944)	562
Deferred tax (Note 16)	(238)	(1,500)
Income tax credit	(5,182)	(938)

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% from 2015-2018 as a High and New Technology Enterprise ("HNTE"), subject to the approval of Science and Technology Bureau, Ministry of Finance and tax authorities and fulfilment of all the criteria as a HNTE.

11 INCOME TAX CREDIT (continued)

(ii) PRC corporate income tax (continued)

Guangzhou Global Link Communications Inc. was qualified as a HNTE in 2014 and is entitled to a concessionary rate of PRC Corporate income tax at 15% for 3 years. It further extended its qualification as a HNTE in 2017 for another 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) 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 loss 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:

	2017 **HK$'000**	2016 HK$'000
Loss before income tax	**(66,004)**	(37,812)
Tax calculated at domestic tax of 16.5% (2016: 16.5%)	**(10,891)**	(6,239)
Effect of different tax rate of operations on other jurisdictions	**(106)**	729
Tax effects of:		
Income not subject to tax	**(360)**	(89)
Expenses not deductible for tax purposes	**9,938**	1,258
Over provision in the prior years	**(1,513)**	(1,214)
Tax benefits in respect of prior years	**(3,593)**	–
Tax losses for which no deferred tax asset was recognised	**2,492**	4,617
Utilisation of tax loss for which no deferred tax assets was recognised	**(1,149)**	–
Income tax credit	**(5,182)**	(938)

12 LOSS PER SHARE

(a) Basic loss per share

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

	2017	2016
Loss attributable to owners of the Company (HK$'000)	**(49,200)**	(33,166)
Weighted average number of ordinary shares in issue (thousand)	**9,083,460**	9,083,460
Basic loss per share (HK cents)	**(0.54)**	(0.37)

(b) Diluted loss per share

For diluted loss per share, the weighted average number 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 year ended 31 December 2017 as there were no potential dilutive ordinary shares outstanding during the year (2016: 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 2016							
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
Year ended 31 December 2017							
Opening net book amount	**38,436**	**3,653**	**3,689**	**6,287**	**4,006**	**–**	**56,071**
Additions	**–**	**1,544**	**382**	**677**	**48**	**44**	**2,695**
Written off	**–**	**(163)**	**(263)**	**(110)**	**–**	**–**	**(536)**
Depreciation	**(1,228)**	**(2,022)**	**(617)**	**(1,548)**	**(838)**	**–**	**(6,253)**
Disposals	**–**	**–**	**(35)**	**(315)**	**–**	**–**	**(350)**
Exchange differences	**2,651**	**125**	**168**	**415**	**98**	**1**	**3,458**
Closing net book amount	**39,859**	**3,137**	**3,324**	**5,406**	**3,314**	**45**	**55,085**
At 31 December 2017							
Cost	**50,013**	**35,036**	**33,815**	**18,463**	**12,182**	**45**	**149,554**
Accumulated depreciation	**(10,154)**	**(31,899)**	**(30,491)**	**(13,057)**	**(8,868)**	**–**	**(94,469)**
Net book amount	**39,859**	**3,137**	**3,324**	**5,406**	**3,314**	**45**	**55,085**

Depreciation is included in the consolidated income statement as follows:

	2017 HK$'000	2016 HK$'000
Cost of sales	**1,907**	2,436
Administrative expenses	**4,234**	3,747
Research and development expenses	**112**	152
	6,253	6,335

14 INTANGIBLE ASSETS

	Patent HK$'000	Development expenditures HK$'000	Computer software HK$'000	Application right HK$'000	Total HK$'000
At 1 January 2016					
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
Year ended 31 December 2017					
Opening net book amount	**8,653**	**20,267**	**221**	**26,000**	**55,141**
Additions	**–**	**–**	**111**	**–**	**111**
Amortisation for the year	**(2,225)**	**(5,067)**	**(40)**	**(3,250)**	**(10,582)**
Exchange differences	**517**	**–**	**18**	**–**	**535**
Closing net book amount	**6,945**	**15,200**	**310**	**22,750**	**45,205**
At 31 December 2017					
Cost	**30,652**	**25,334**	**934**	**28,257**	**85,177**
Accumulated amortisation	**(23,707)**	**(10,134)**	**(624)**	**(5,507)**	**(39,972)**
Net book amount	**6,945**	**15,200**	**310**	**22,750**	**45,205**

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.

14 INTANGIBLE ASSETS (Continued)

Amortisation is included in the consolidated income statement as follows:

	2017 HK$'000	2016 HK$'000
Cost of sales	5,067	2,762
Administrative expenses	5,475	6,832
Research and development expenses	40	76
	10,582	9,670

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 2018 to 2019	42% – 71%
Estimated sales decline rate of the existing product line from 2020 to 2022	11% – 33%
Discount rate	22%

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

Estimated sales growth rate from 2018 to 2020	9% – 60%
Discount rate	20%

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

Estimated sales growth rate from 2018 to 2022	11% – 447%
Discount rate	22%

The sensitivity analyses of patent, development expenditures, and application right have been disclosed in Note 4(a)(i).

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, has 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 holds 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 had 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 acquired	(92,482)
	12,482

The fair value of trade and other receivables was 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 was HK$54,475,000, of which HK$11,863,000 was 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 was for illustrative purposes only and was 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 had 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 was 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 was expected to be deductible for income tax purposes.

The recoverable amount of goodwill was determined based on fair value less cost of disposal. No impairment charge is noted as at 31 December 2017 and 31 December 2016.

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

(c) Available-for-sale financial asset

	2017 HK$'000	2016 HK$'000
At beginning of the year	–	24,960
Fair value gain	–	10,880
Reclassification to investment in a subsidiary	–	(35,840)
At end of the year	–	–

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

For the year ended 31 December 2016, 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 had 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 had been recognised in the other comprehensive income. The remaining cumulative fair value gain recognised in the investment reserve of HK$4,736,000 had 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 distribution. The net effect of changes in the ownership interests of GLCH on the equity attributable to owners of the Company during the year is summarised as follows:

	2017 HK$'000	2016 HK$'000
Consideration – Dividend	–	61,804
Less: Carrying amount of non-controlling interest disposed of	–	15,924
Gain on disposal within equity	–	45,880

	2017 HK$'000	2016 HK$'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:

	2017 HK$'000	2016 HK$'000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**(2,972)**	(3,273)
At 31 December	**(2,972)**	(3,273)
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**1,446**	1,929
Deferred tax liability to be recovered within 12 months	**579**	541
At 31 December	**2,025**	2,470
Deferred tax asset, net	**(947)**	(803)

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

	2017 HK$'000	2016 HK$'000
At 1 January	**(803)**	853
Credited to consolidated income statement (Note 11)	**(238)**	(1,500)
Exchange differences	**94**	(156)
At 31 December	**(947)**	(803)

The gross movement in deferred income tax assets and liabilities during the financial years without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation HK$'000	Patent valuation gain HK$'000	Total HK$'000
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
At 1 January 2017	**308**	**2,162**	**2,470**
Credited to the consolidated income statement	**(19)**	**(334)**	**(353)**
Over provision in prior year due to change of tax rate	**–**	**(222)**	**(222)**
Exchange differences	**–**	**130**	**130**
At 31 December 2017	**289**	**1,736**	**2,025**

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 2016	(60)	2,338	2,278
Credited to the consolidated income statement	60	935	995
At 31 December 2016	–	3,273	3,273
At 1 January 2017	**–**	**3,273**	**3,273**
Charged to the consolidated income statement	**–**	**(337)**	**(337)**
Exchange differences	**–**	**36**	**36**
At 31 December 2017	**–**	**2,972**	**2,972**

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 2017, The Group has unrecognised tax losses of approximately HK$44,087,000 (FY2016: HK$30,368,000) to carry forward against future taxable income. The respective tax losses for which no deferred tax asset was recognised amounted to HK$6,858,000 (FY2016: 4,617,000). The tax losses are subject to approval by Hong Kong Inland Revenue Department and the PRC tax authority respectively. Approximately HK$14,385,000 (2016: HK$4,085,000) of unrecognised tax losses have no expiry date and the remaining tax losses of HK$11,789,000 (2016: HK$26,283,000) will expire in 5 years and HK$17,913,000 will expire in 4 years.

Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to HK$267,632,000 (2016: HK$269,450,000) 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

	2017 HK$'000	2016 HK$'000
Raw materials	**20,837**	27,201
Work in progress	**30,751**	27,584
Finished goods	**3,662**	2,706
	55,250	57,491
Less: Provision for impairment of inventories	**(24,937)**	(12,176)
	30,313	45,315

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$37,813,000 (2016: HK$38,957,000).

During the year, an additional HK$12,304,000 (2016: HK$2,643,000) of provision for impairment of inventories was recorded and recognised in "cost of sales".

18 TRADE, BILL AND OTHER RECEIVABLES

	Note	2017 HK$'000	2016 HK$'000
Trade receivables			
– Amounts due from related parties	29(c)	23	49
– Amounts due from third parties		150,576	102,142
		150,599	102,191
Provision for doubtful debts	(b)	(3,550)	(1,156)
Trade receivables, net	(a)	147,049	101,035
Bill receivables		8,477	8,944
Deposits and other receivables		20,553	19,323
Prepayments		2,732	4,939
Less: Non current deposits		(632)	–
		178,179	134,241

The amounts due from related parties were unsecured, interest free and repayable on demand (2016: same).

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

	2017 HK$'000	2016 HK$'000
US$	115	7
RMB	97,836	78,371
HK$	78,128	50,924
	176,079	129,302

(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:

	2017 HK$'000	2016 HK$'000
Aged within 1 month	51,961	39,116
Aged over 1 to 3 months	40,221	32,189
Aged over 3 to 6 months	23,889	20,409
Aged over 6 months to 1 year	24,577	9,321
Aged over 1 year	6,401	–
	147,049	101,035

18 TRADE, BILL AND OTHER RECEIVABLES (continued)

(b) Impairment of trade receivables

Trade receivables of HK$84,087,000 (2016: HK$51,753,000) 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 by overdue days is as follows:

	2017 HK$'000	2016 HK$'000
Overdue by 0 to 3 months	49,789	43,352
Overdue by 3 to 6 months	14,941	2,086
Overdue by 6 months to 1 year	19,381	5,437
Overdue over 1 year	–	878
	84,111	51,753

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:

	2017 HK$'000	2016 HK$'000
At 1 January	1,156	680
Provision for impairment	2,210	735
Reversal of provision for impairment	–	(259)
Exchange differences	184	–
At 31 December	3,550	1,156

At 31 December 2017, the Group's trade receivables of HK$3,550,000 (2016: HK$1,156,000) 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 2017.

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

	2017 HK$'000	2016 HK$'000
Cash at banks and on hand	164,570	205,828
Short-term bank deposits	219,286	237,243
	383,856	443,071

	2017 HK$'000	2016 HK$'000
Maximum exposure to credit risk	383,204	442,353

The interest rates on short-term bank deposits ranged from 0.10%-1.70% (2016: 0.04%-4%) per annum. These deposits have an average maturity of 31-92 days (2016: 28-92 days).

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

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

	2017 HK$'000	2016 HK$'000
HK$	209,840	189,882
US$	57,364	53,870
RMB	116,580	199,273
Other currencies	72	46
	383,856	443,071

As at 31 December 2017, cash and cash equivalents of approximately HK$126,591,000 (2016: HK$131,529,000) of the Group were deposited with banks in the PRC. The remittance of these bank balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by The State Administration for Exchange Control.

As at 31 December 2017, cash and cash equivalents of approximately HK$115,218,000 (2016: HK$120,620,000) of the Group were deposited with banks in the PRC and denominated in RMB. The conversion of these bank balances into foreign currencies 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	2017 Number of shares '000	2017 Nominal value HK$'000	2016 Number of shares '000	2016 Nominal value HK$'000
Ordinary shares of HK$0.01 each					
Authorised:					
At 1 January and end of the year		**20,000,000**	**200,000**	20,000,000	200,000
Issued and fully paid:					
At 1 January and end of the year		**9,083,460**	**90,835**	9,083,460	90,835

(b) Share based payments

The Company has adopted a share option scheme (the "Share Option Scheme") in 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 2017, no option has been granted or outstanding under the Share Option Scheme (2016: 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 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
At 1 January 2017	2,612	82,909	1,481,785	–	1,504,296	(2,520,593)	551,009
Loss for the year	–	–	–	–	–	(49,200)	(49,200)
Transfer to statutory reserve	404	–	–	–	–	(404)	–
Currency translation differences	–	17,030	–	–	–	–	17,030
At 31 December 2017	**3,016**	**99,939**	**1,481,785**	**–**	**1,504,296**	**(2,570,197)**	**518,839**

(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 until 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$404,000 was transferred to the statutory reserve during the year (2016: HK$688,000). 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, BILLS AND OTHER PAYABLES

	Note	2017 HK$'000	2016 HK$'000
Trade payables			
– Amounts due to related parties	29(c)	11	–
– Amounts due to third parties		17,682	15,954
	(a)	17,693	15,954
Bills payables		2,392	–
Other payables and accruals			
– Amounts due to related parties	29(c)	14	–
– Amounts due to third parties		17,256	16,176
		37,355	32,130

The carrying amounts of trade, bills and other payables are considered to be approximate their fair value, due to their short-term nature.

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

	2017 HK$'000	2016 HK$'000
USD	6	–
RMB	33,417	29,320
HK$	3,932	2,810
	37,355	32,130

(a) Trade payables

The ageing analysis of trade payables based on invoice date were are follows:

	2017 HK$'000	2016 HK$'000
0-30 days	3,482	1,341
31-90 days	6,624	4,843
91-180 days	4,516	5,803
181 days-1 year	2,063	3,442
Over 1 year	1,008	525
	17,693	15,954

23 PROVISION FOR WARRANTY

	2017 HK$'000	2016 HK$'000
At 1 January	14,396	–
Step-acquisition of subsidiaries	–	12,721
Provision for the year	4,158	3,636
Utilisation during the year	(3,572)	(1,058)
Exchange difference	998	(903)
At 31 December	15,980	14,396

24 MATERIAL NON-CONTROLLING INTERESTS

	2017 HK$'000	2016 HK$'000
Non-controlling interests attributed to GLCH Group	63,796	74,679

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information as at and for the year ended 31 December 2017 of GLCH, a subsidiary of the Group that has non-controlling interests, which in the opinion of the directors, is material to the Group.

	GLCH Group	
	2017 HK$'000	2016 HK$'000
Summarised consolidated balance sheet		
Non-current assets	23,818	27,549
Current assets	133,272	143,984
Non-current liabilities	–	(56)
Current liabilities	(47,142)	(42,361)
Summarised consolidated income statement		
Revenue	62,272	72,157
Loss for the year	(19,979)	(20,647)
Other comprehensive income/(loss)	1,296	(1,189)
Total comprehensive loss for the year	(18,683)	(21,836)
Summarised consolidated statement of cash flows		
Net cash used in operating activities	(17,157)	(3,679)
Net cash (used in)/generated from investing and financing activities	(1,089)	79,953

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

25 CASH (USED IN)/GENERATED FROM OPERATIONS

	2017 HK$'000	2016 HK$'000
Loss before income tax	(66,004)	(37,812)
Adjustments for:		
– Depreciation of property, plant and equipment	6,253	6,335
– Amortisation of intangible assets	10,582	9,670
– Loss/ (gain) on sale of property, plant and equipment	324	(8)
– Write-off of property, plant and equipment	536	–
– Provision for impairment of inventories	12,304	2,643
– Gain on disposal of available-for-sale	–	(4,736)
– Provision for impairment of trade receivables	2,210	476
– Provision for impairment of other receivable	395	–
– Interest income	(4,195)	(3,979)
– Exchange difference	(2,352)	(1,412)
Changes in working capital		
– Pledged bank deposits	–	1,220
– Inventories	4,463	5,173
– Trade, bills and other receivables	(40,362)	21,912
– Trade, bills, other payables and provision for warranty	4,278	(1,246)
Cash used in operations	(71,568)	(1,764)

25 CASH (USED IN)/GENERATED FROM OPERATIONS (continued)

Non-cash transaction

During the year ended 31 December 2016, the Company declared a special dividend of HK$61,804,000, satisfied by distribution in specie of the GLCH shares, which was completed on 2 December 2016. Further details are set out in Note 9 to the consolidated financial statements.

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

	2017 HK$'000	2016 HK$'000
Net book amount	364	2
(Loss)/gain on sales of property, plant and equipment	(324)	8
Proceeds from sales of property, plant and equipment	40	10

26 COMMITMENTS

(a) Capital commitments

These were no capital expenditure contracted for but not yet incurred as at 31 December 2017 and 31 December 2016.

(b) Operating lease commitments

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

	2017		2016	
	Properties HK$'000	Transmission lines HK$'000	Properties HK$'000	Transmission lines HK$'000
Within 1 year	2,434	1,938	3,733	1,299
Over 1 year but within 5 years	19	177	97	74
	2,453	2,115	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.

27 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017:

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%
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	Registered 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%

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
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%	60.26%
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%
廣州國聯智慧信息技術有限公司	PRC, limited liability company	Development of various community mobile internet applications and related services	Registered and paid-up capital of HK$8,000,000	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 consolidated statement of financial position are as follows:

	Loans and receivables HK$'000
Assets as per consolidated statement of financial position	
31 December 2017	
Loans and receivables	
Trade, bills and other receivables, excluding prepayments	**176,079**
Cash and cash equivalents	**383,856**
Total	**559,935**
31 December 2016	
Loans and receivables	
Trade, bill and other receivables, excluding prepayments	129,302
Cash and cash equivalents	443,071
Total	572,373

28 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Other financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
31 December 2017	
Trade, bills and other payables	**30,797**
31 December 2016	
Trade and other payables	23,141

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.
Guangzhou Directel Telecommunications Limited

29 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	Note	2017 HK$'000	2016 HK$'000
Sales	(i)	**361**	591
Licensing income	(ii)	**65**	65
Rental expenses for properties	(iii)	**964**	964
Sundry expense	(iv)	**20**	–
Rental income for properties	(v)	**8**	–

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) The Group paid transmission expenses to a related party, Guangzhou Directel Telecommunications Limited at a price mutually agreed.

(v) The Group received rental income from a related party, Guangzhou Directel Telecommunications Limited at a price mutually agreed.

(c) Balances with related parties

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

	Note	2017 HK$'000	2016 HK$'000
Amounts due from related parties			
– Trade receivables	18	**23**	49

	Note	2017 HK$'000	2016 HK$'000
Amounts due to related parties			
– Trade payables	22	**11**	–
– Other payables	22	**14**	–

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:

	2017 HK$'000	2016 HK$'000
Wages, salaries and other benefits	**7,820**	7,189
Contribution to retirement benefit schemes	**356**	403
	8,176	7,592

30 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,440	1,988
Investments in subsidiaries	135,000	218,374
Available-for-sale financial asset	19,712	31,104
	156,152	251,466
Current assets		
Trade and other receivables	806	1,058
Amounts due from subsidiaries	138,649	188,353
Cash and cash equivalents	148,740	29,925
	288,195	219,336
Total assets	444,347	470,802
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	90,835	90,835
Reserves (Note a)	351,239	378,030
Total equity	442,074	468,865
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	64	55
Current liabilities		
Trade and other payables	2,172	1,845
Current income tax liabilities	37	37
	2,209	1,882
Total liabilities	2,273	1,937
Total equity and liabilities	444,347	470,802

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2018 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 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
At 1 January 2017	**1,481,785**	**–**	**1,451,503**	**(2,555,258)**	**378,030**
Loss for the year	**–**	**–**	**–**	**(26,791)**	**(26,791)**
At 31 December 2017	**1,481,785**	**–**	**1,451,503**	**(2,582,049)**	**351,239**

(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 (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS), REGULATION (CAP. 622G) AND HK LISTING RULES)

(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 2017:

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	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or it subsidiary undertaking HK$'000	Total HK$'000
Executive directors								
Li Kin Shing (Note (i))	160	1,395	162	–	–	77	–	1,794
Li Yin	80	673	55	–	–	36	–	844
Wong Kin Wa	160	796	88	–	–	44	–	1,088
Li Wen	80	771	–	–	–	31	–	882
Independent and non-executive directors								
Chen Xue Dao	80	–	–	–	–	–	–	80
Cheung Sai Ming	160	–	–	–	–	–	–	160
Liu Chun Bao	160	–	–	–	–	–	–	160

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	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or it 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

31 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS), REGULATION (CAP. 622G) AND HK LISTING RULES) (continued)

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

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 2017 and 2016 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.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 December 2017 (2016: Nil).

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

During the year ended 31 December 2017, the Company does not pay consideration to any third parties for making available directors' services (2016: 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 2017, 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 (2016: Nil).

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

Except as mentioned in Note 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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**328,670**	295,489	272,320	300,874	343,124
(Loss)/profit from operations	**(66,004)**	(37,812)	27,617	48,903	41,143
Finance costs	**–**	–	–	–	–
(Loss)/profit before taxation	**(66,004)**	(37,812)	27,617	48,903	41,143
Income tax credit/(expense)	**5,182**	938	677	(4,390)	(2,838)
(Loss)/profit for the year attributable to owners of the Company	**(49,200)**	(33,166)	28,294	44,513	38,305

	At 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Property, plant and equipment	**55,085**	56,071	58,459	62,351	64,172
Goodwill	**41,459**	41,459	–	–	–
Intangible assets	**45,205**	55,141	36,679	15,184	17,689
Available-for-sale financial asset	**–**	–	24,960	31,744	–
Long term deposit	**632**	–	–	–	–
Deferred tax assets	**2,972**	3,273	2,278	1,095	604
Net current assets	**530,142**	563,105	583,253	595,567	579,841
Total assets less current liabilities	**675,495**	719,049	705,629	705,941	662,306
Deferred tax liabilities	**2,025**	2,470	3,131	3,725	4,157
Provision for long services payment	**–**	56	–	–	–
Net assets	**673,470**	716,523	702,498	702,216	658,149
Capital and reserves					
Share capital	**90,835**	90,835	90,835	30,278	30,278
Reserves	**518,839**	551,009	611,663	671,938	627,871
Non-controlling interest	**63,796**	74,679	–	–	–
Total equity	**673,470**	716,523	702,498	702,216	658,149