INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1328)

INTERIM REPORT 2018

CONTENTS

HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 was approximately HK$197,501,000, representing an increase of approximately 48% as compared to that for the six months ended 30 June 2017.

- Loss attributable to owners of the Company for the six months ended 30 June 2018 was approximately HK$12,775,000, representing a decrease of approximately 68% as compared to that for the six months ended 30 June 2017. The decrease in loss attributable to owners of the Company for the six months ended 30 June 2018 was mainly attributable to (i) the increase in revenue of PIMS business as compared to that for the six months ended 30 June 2017; and (ii) provisions for slow moving inventories of the RF-SIM business was made for the six months ended 30 June 2017.

UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of International Elite Ltd. (the "Company") is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Relevant Period") together with the unaudited comparative figures for the corresponding period in 2017 (the "Last Corresponding Period") as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue	6	**197,501**	133,271
Cost of sales	7(a)	**(168,054)**	(145,022)
Gross profit/(loss)		**29,447**	(11,751)
Other income		**7,274**	7,743
Research and development expenses	7(a)	**(5,226)**	(3,391)
Administrative and other operating expenses	7(a)	**(46,021)**	(46,900)
Loss before income tax		**(14,526)**	(54,299)
Income tax credit	8	**440**	471
Loss for the period		**(14,086)**	(53,828)
Loss for the period attributable to:			
– Owners of the Company		**(12,775)**	(40,322)
– Non-controlling interests		**(1,311)**	(13,506)
		(14,086)	(53,828)
Loss per share attributable to owners of the Company:			
– Basic (HK cents)	10	**(0.14)**	(0.44)
– Diluted (HK cents)	10	**(0.14)**	(0.44)

The notes on pages 8 to 28 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(14,086)**	(53,828)
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
– Currency translation differences	**(2,233)**	7,925
Total comprehensive loss for the period, net of tax	**(16,319)**	(45,903)
Total comprehensive loss for the period attributable to:		
– Owners of the Company	**(14,929)**	(32,783)
– Non-controlling interests	**(1,390)**	(13,120)
	(16,319)	(45,903)

The notes on pages 8 to 28 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**53,377**	55,085
Goodwill	12	**41,459**	41,459
Intangible assets		**39,811**	45,205
Deferred tax assets		**3,051**	2,972
Long term deposits		**530**	632
		138,228	145,353
Current assets			
Inventories	13	**34,506**	30,313
Trade, bills and other receivables	14	**191,928**	178,179
Cash and cash equivalents	15	**372,933**	383,856
Pledged bank deposits	15	**2,372**	–
		601,739	592,348
Total assets		**739,967**	737,701
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	**90,835**	90,835
Reserves		**503,910**	518,839
		594,745	609,674
Non-controlling interests		**62,406**	63,796
Total equity		**657,151**	673,470
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**1,682**	2,025
		1,682	2,025
Current liabilities			
Trade, bills and other payables	17	**55,726**	37,355
Provision for warranty		**16,650**	15,980
Provision for taxation		**8,758**	8,871
		81,134	62,206
Total liabilities		**82,816**	64,231
Total equity and liabilities		**739,967**	737,701

The notes on pages 8 to 28 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Other reserves (Unaudited) HK$'000	Statutory reserve (Unaudited) HK$'000	Exchange reserve (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-Controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
As at 1 January 2017	90,835	1,481,785	1,504,296	2,612	82,909	(2,520,593)	641,844	74,679	716,523
Transfer from profit to statutory reserve	–	–	–	404	–	(404)	–	–	–
Comprehensive income									
Loss for the period	–	–	–	–	–	(40,322)	(40,322)	(13,506)	(53,828)
Other comprehensive income									
Currency translation differences	–	–	–	–	7,539	–	7,539	386	7,925
As at 30 June 2017	90,835	1,481,785	1,504,296	3,016	90,448	(2,561,319)	609,061	61,559	670,620
As at 1 January 2018	**90,835**	**1,481,785**	**1,504,296**	**3,016**	**99,939**	**(2,570,197)**	**609,674**	**63,796**	**673,470**
Transfer from profit to statutory reserve	**–**	**–**	**–**	**175**	**–**	**(175)**	**–**	**–**	**–**
Comprehensive loss									
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(12,775)**	**(12,775)**	**(1,311)**	**(14,086)**
Other comprehensive loss									
Currency translation differences	**–**	**–**	**–**	**–**	**(2,154)**	**–**	**(2,154)**	**(79)**	**(2,233)**
As at 30 June 2018	**90,835**	**1,481,785**	**1,504,296**	**3,191**	**97,785**	**(2,583,147)**	**594,745**	**62,406**	**657,151**

The notes on pages 8 to 28 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Cash flows from operating activities			
Cash used in operations		**(11,130)**	(73,825)
Income tax paid		**(30)**	–
Net cash used in operating activities		**(11,160)**	(73,825)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,178)**	(1,360)
Proceeds on disposal of property, plant and equipment		**17**	11
Interest received		**1,996**	2,285
Net cash generated from investing activities		**835**	936
Net decrease in cash and cash equivalents		**(10,325)**	(72,889)
Cash and cash equivalents at 1 January		**383,856**	443,071
Effect of foreign exchange rate changes		**(598)**	4,937
Cash and cash equivalents at 30 June	15	**372,933**	375,119

The notes on pages 8 to 28 form an integral part of these condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

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

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

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

The condensed consolidated interim financial information was approved for issue by the Board on 31 August 2018.

2. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of new and amended standards effective for the reporting period beginning on or after 1 January 2018. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New, amended standards and interpretations adopted by the Group

New and amended standards and interpretations, which are mandatory for the first time for the financial period beginning 1 January 2018 but have no material impact to the Group, are as follows:

Annual improvement Project	Annual Improvements 2014-2016 Cycle
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions (Amendments)
IFRS 4 (Amendments)	Apply IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IAS 40 (Amendments)	Transfers of Investment Property
IFRIC – Int 22	Foreign Currency Transaction and Advance Consideration

IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3. Accounting Policies (Continued)

(a) New, amended standards and interpretations adopted by the Group (Continued)

IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(ii) 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 ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

1. Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

2. FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

3. FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3. Accounting Policies (Continued)

(a) New, amended standards and interpretations adopted by the Group (Continued)

IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(ii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The standard is mandatory for financial years commencing on or after 1 January 2018. The Group has adopted IFRS 9 from 1 January 2018. The impact of this new standard on the Group's condensed consolidated interim financial information is not significant.

IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018

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. The Group adopts 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.

3. Accounting Policies (Continued)

(a) New, amended standards and interpretations adopted by the Group (Continued)

IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018 (Continued)

The Group has considered the following areas regarding IFRS 15:

- 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 statement of financial position of the right to recover the goods from the customer and the refund obligation.

The standard is mandatory for financial years commencing on or after 1 January 2018. The Group has adopted IFRS 15 from 1 January 2018. The impact of this new standard on the Group's condensed consolidated interim financial information is not significant.

(b) Impact of new, amended standards and interpretations not yet applied by the Group

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual improvements project	Annual Improvements to IFRSs	1 January 2019
IAS 19 (Amendments)	Employee Benefits	1 January 2019
IAS 28 (Amendments)	Investments in Associates and Joint Ventures	1 January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019

3. Accounting Policies (Continued)

(b) Impact of new, amended standards and interpretations not yet applied by the Group (Continued)

The Group has commenced an assessment of the impact of these new standards, amendments to standards and interpretations. 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 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated 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$3,250,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an assets and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as lease under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4. Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5. Financial Risk Management

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

The 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.

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.

6. Segment Information (Continued)

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

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

(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.

6. Segment Information (Continued)

(a) Segment results and assets (Continued)

The following tables present revenue, reportable segment (loss)/profit and certain assets, and expenditure information for the Group's business segments for the six months ended 30 June 2018 and 2017, and as at 30 June 2018 and 31 December 2017.

	For the six months ended 30 June 2018				For the six months ended 30 June 2017			
	CRMS business (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	PIMS business (Unaudited) HK$'000	Total (Unaudited) HK$'000	CRMS business (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	PIMS business (Unaudited) HK$'000	Total (Unaudited) HK$'000
Revenue from external customers	**134,769**	**2,353**	**60,379**	**197,501**	121,599	4,766	6,906	133,271
Reportable segment (loss)/profit	**11,100**	**896**	**17,451**	**29,447**	4,277	(9,987)	(6,041)	(11,751)
Depreciation and amortisation	**4,848**	**2,636**	**158**	**7,642**	4,779	3,108	175	8,062

	As at 30 June 2018				As at 31 December 2017			
	CRMS business (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	PIMS business (Unaudited) HK$'000	Total (Unaudited) HK$'000	CRMS business (Audited) HK$'000	RF-SIM business (Audited) HK$'000	PIMS business (Audited) HK$'000	Total (Audited) HK$'000
Reportable segment assets	**179,415**	**102,699**	**79,489**	**361,603**	186,209	108,429	56,233	350,871
Addition to non-current segment assets during the period/year	**325**	**187**	**596**	**1,108**	1,515	1,279	12	2,806

6. Segment Information (Continued)

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

	For the six months ended 30 June 2018 (Unaudited) HK$'000	For the six months ended 30 June 2017 (Unaudited) HK$'000
Revenue		
Reportable segment revenue	**197,501**	133,271
Consolidated revenue	**197,501**	133,271
Loss before tax		
Reportable segment profit/(loss)	**29,447**	(11,751)
Other income	**7,274**	7,743
Unallocated depreciation and amortisation	**–**	(52)
Unallocated research and development expenses	**(5,169)**	(3,391)
Unallocated head office and administrative and other operating expenses	**(46,078)**	(46,848)
Consolidated loss before income tax	**(14,526)**	(54,299)

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Assets		
Reportable segment assets	**361,603**	350,871
Deferred tax assets	**3,051**	2,972
Cash and cash equivalents	**372,933**	383,856
Pledged bank deposits	**2,372**	–
Unallocated head office and other assets	**8**	2
Consolidated total assets	**739,967**	737,701

6. Segment Information (Continued)

(c) Geographic information

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

	PRC (Unaudited) HK$'000	Hong Kong (Unaudited) HK$'000	Macau and others (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2018				
Revenue from external customers	**117,871**	**76,240**	**3,390**	**197,501**
As at 30 June 2018				
Specified non-current assets	**119,377**	**3,132**	**12,668**	**135,177**

	PRC (Unaudited) HK$'000	Hong Kong (Unaudited) HK$'000	Macau and others (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2017				
Revenue from external customers	49,554	80,154	3,563	133,271

	PRC (Audited) HK$'000	Hong Kong (Audited) HK$'000	Macau and others (Audited) HK$'000	Total (Audited) HK$'000
As at 31 December 2017				
Specified non-current assets	123,416	3,763	15,202	142,381

7. Expenses by Nature

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Employee benefits expenses, including directors' emoluments	**138,519**	132,535
Depreciation of property, plant and equipment	**2,270**	2,847
Amortisation of intangible assets	**5,372**	5,267
Cost of inventories sold	**33,179**	6,872
Provision for impairment of inventories	**–**	12,304
Provision for impairment of trade receivables	**4,174**	4,673
Operating lease charges in respect of		
– rental of building and offices	**4,546**	5,183
– hire of transmission lines	**3,139**	3,465
Other expenses	**28,102**	22,167
Total cost of sales, research and development expenses and administrative and other operating expenses	**219,301**	195,313

(b) Employee benefits expenses, including directors' emoluments

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, wages and other benefits	**127,260**	123,136
Contribution to retirement benefit schemes	**11,259**	9,399
Total employee benefits expenses	**138,519**	132,535

8. Income Tax Credit

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**–**	18
– PRC corporate income tax	**–**	1,714
Over under-provision in prior year	**(20)**	(1,328)
Deferred income tax	**(420)**	(875)
Income tax credit	**(440)**	(471)

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the six months ended 30 June 2018 and 2017.

(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.

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% (2017: 25%) on its assessable profits.

(iii) Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, the Group is exempted from Macao Complementary Tax. As a result, no provision for Macao Complementary Tax has been made by the Group for the six months ended 30 June 2018 and 2017.

9. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: nil).

10. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2018 is based on the loss attributable to equity holders of the Company of approximately HK$12,775,000 (2017: loss of approximately HK$40,322,000) and on the weighted average number of 9,083,460,000 ordinary shares (2017: 9,083,460,000).

(b) Diluted loss per share

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

Diluted loss per share are equal to the basic loss per share for the six months ended 30 June 2018 as there were no potential dilutive ordinary shares outstanding during the period (2017: same).

11. Property, Plant and Equipment

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$1,108,000 (2017: approximately HK$1,497,000). Property, plant and equipment with the net book values of approximately HK$146,000 were disposed of during the six months ended 30 June 2018 (2017: HK$219,000).

12. Goodwill

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

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

The recoverable amount of goodwill is determined based on fair value less cost of disposal. There is no impairment charged to the condensed consolidated interim income statement for the six months ended 30 June 2018 (2017: nil).

13. Inventories

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Raw materials	**24,219**	20,837
Work in progress	**31,450**	30,751
Finished goods	**3,774**	3,662
	59,443	55,250
Less: Provision for impairment of inventories	**(24,937)**	(24,937)
	34,506	30,313

During the period, no additional provision for inventories was recorded and recognised in cost of sales (2017: HK$12,304,000).

14. Trade, Bills and Other Receivables

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Trade receivables		
– Amounts due from related parties	**–**	23
– Amounts due from third parties	**162,360**	150,576
	162,360	150,599
Provision for doubtful debts	**(8,525)**	(3,550)
Trade receivables, net	**153,835**	147,049
Bill receivables	**10,298**	8,477
Deposits, prepayments and other receivables	**28,325**	23,285
Less: Non-current deposits	**(530)**	(632)
	191,928	178,179

14. Trade, Bills and Other Receivables (Continued)

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

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

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
1 month	**74,264**	51,961
2 – 3 months	**43,043**	40,221
4 – 6 months	**22,299**	23,889
7 months –1 year	**7,503**	24,577
Aged over 1 year	**6,726**	6,401
	153,835	147,049

At 30 June 2018, the Group had a concentration of credit risk as 81% (31 December 2017: 80%) of the total trade receivables were due from the Group's five largest customers and 21% (31 December 2017: 38%) of the total trade receivables was due from the Group's largest customer.

15. Cash and Cash Equivalents

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Cash at banks and on hand	**169,363**	164,570
Short-term bank deposits	**203,570**	219,286
Cash and cash equivalents	**372,933**	383,856
Pledged bank deposits	**2,372**	–
Total	**375,305**	383,856

16. Share capital

	As at 30 June 2018		As at 31 December 2017	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK$'000	Number of shares (Audited) '000	Nominal value (Audited) HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the period/year	**20,000,000**	**200,000**	20,000,000	200,000
Issued and fully paid:				
At beginning and end of the period/year	**9,083,460**	**90,835**	9,083,460	90,835

17. Trade, Bills and Other Payables

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Trade payables		
– Amounts due to related parties	**27**	11
– Amounts due to third parties	**30,885**	17,682
	30,912	17,693
Bills payables	**6,879**	2,392
Other payables and accruals		
– Amounts due to related parties	**1**	14
– Amounts due to third parties	**17,934**	17,256
	55,726	37,355

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

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
0 – 30 days	**7,272**	3,482
31 – 90 days	**11,011**	6,624
91 – 180 days	**9,168**	4,516
181 days – 1 year	**2,347**	2,063
Over 1 year	**1,114**	1,008
	30,912	17,693

18. Commitments

(a) Capital commitments

The Group did not have any capital expenditure contracted but not yet incurred as at 30 June 2018 and 31 December 2017.

(b) Operating lease commitments

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

	As at 30 June 2018 (Unaudited) HK$'000		As at 31 December 2017 (Audited) HK$'000	
	Properties	**Transmission lines**	Properties	Transmission lines
Within 1 year	**1,990**	**1,226**	2,434	1,938
Over 1 year but within 5 years	**–**	**34**	19	177
	1,990	**1,260**	2,453	2,115

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

19. Related Party Transactions

(a) Relationship between the Group and related parties

(i) Ultimate shareholders of the Group

Li Kin Shing
Kwok King Wa
Li Yin

(ii) Ultimate parent

Ever Prosper International Limited

(iii) Subject to common control of ultimate shareholders

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

19. Related Party Transactions (Continued)

(b) Transactions with related parties

The Group entered into the following related party transactions:

		For the six months ended 30 June	
		2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Sales	(i)	**203**	204
Licensing income	(ii)	**33**	33
Rental expenses of properties	(iii)	**482**	482
Sundry expense	(iv)	**51**	–

Notes:

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

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

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

(iv) The Group paid transmission expenses to 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 end of the reporting period are as follows:

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Amounts due from related parties		
– Trade receivables	**–**	23
Amounts due to related parties		
– Trade payables	**27**	11
– Other payables	**1**	14

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

19. Related Party Transactions (Continued)

(d) Key management compensation

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

	For the six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Wages, salaries and other benefits	**4,287**	3,799
Contribution to retirement benefit schemes	**177**	185
	4,464	3,984

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

20. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2018 and 31 December 2017.

21. Events After Balance Sheet Date

On 30 July 2018, Mr. Li Kin Shing and Ms. Kwok King Wa, ultimate shareholders of the Company and Ever Prosper International Limited, the ultimate parent of the Company (collectively known as the "Sellers") had entered into an agreement with Hony Gold Holdings L.P. (the "Offeror"), pursuant to which the Sellers have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 4,610,000,000 Shares (the "Sale Shares"), representing approximately 50.75% of the issued share capital of the Company. The aggregate consideration payable by the Offeror to the Sellers in respect of the Sale Shares shall be HK$550,000,000, equivalent to approximately HK$0.11931 per Sale Share.

On 30 July 2018, the Company entered into an agreement to dispose of the 100% of the issued share capital of MZone Network Limited and Sunward Telecom Limited for an aggregate cash consideration of HK$135,000,000 (subject to adjustment with reference to their respective net asset value). On the same date, the Company entered into an agreement to acquire 100% of the issued share capital of Goldstream Capital Management Limited and Goldstream Securities Limited at a consideration of HK$270,000,000 which shall be settled by the allotment and issuance of shares of the Company.

On 9 August 2018, the Board resolved to declare a special dividend by way of distribution in specie of 873,683,120 ordinary share(s) of HK$0.01 each in the share capital of GLCH ("GLCH Share") to the shareholder(s) whose name(s) appear on the registers of members of the Company at the close of business on the proposed record date ("Qualifying Shareholders") on a pro-rata basis of 961 GLCH Shares for every 10,000 ordinary share(s) of HK$0.01 each in the share capital of the Company held by the Qualifying Shareholders. The proposed special dividend is subject to approval by the shareholders of the Company at the forthcoming extraordinary general meeting.

Business Overview

The Group is a CRM outsourcing service provider with business focus in Hong Kong, Macau and the PRC markets. CRM is a process of providing services to customers with the use of communication and computer networks. Services provided by the Group are classified into inbound and outbound services. During the period under review, the Group continued to provide services to established telecommunications service providers, including Hutchison Telecommunications, HGC Global Communications, 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, Hong Kong Watsons, Guangzhou Park'N Shop, Pizza Hut, Panasonic (Guangzhou) and China Guangfa Bank.

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").

Financial Review

Revenue of the Group for the six months ended 30 June 2018 amounted to approximately HK$197,501,000, representing an increase of approximately 48% as compared to that of the Last Corresponding Period. Revenue from CRMS, RF-SIM and PIMS businesses accounted for approximately 68%, 1% and 31% of the Group's total revenue for the six months ended 30 June 2018, respectively.

The gross profit of the Group for the six months ended 30 June 2018 was approximately HK$29,447,000, while the gross loss of the Group for the six months ended 30 June 2017 was approximately HK$11,751,000. The gross profit margin increased from approximately 9% gross loss margin to approximately 15% for the six months ended 30 June 2018. The gross profit margin of the CRMS, RF-SIM and PIMS businesses for the six months ended 30 June 2018 was approximately 8%, 38% and 29%, respectively.

The Group's loss attributable to owners of the Company for the six months ended 30 June 2018 was approximately HK$12,775,000, representing a decrease of approximately 68% as compared to that of the Last Corresponding Period. The decrease in loss attributable to owners of the Company for the six months ended 30 June 2018 was mainly attributable to (i) the increase in revenue of PIMS business as compared to that of the Last Corresponding Period; and (ii) provisions for slow moving inventories of the RF-SIM business was made for the six months ended 30 June 2017.

CRMS Business

Business Review

Customers In Telecommunications Industry

During the period under review, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. There was an increase in revenue of the Group from telecommunications service providers for the six months ended 30 June 2018 of approximately 11% as compared to that of the Last Corresponding Period.

Customers in Non-Telecommunications Industries

During the period under review, the Group continued to develop its non-telecommunications customer base through active negotiation with potential customers in various industries such as finance, broadcast communication, social welfare, food and beverage, slimming and beauty shops, education, information technology, banking, exposition and property development and has successfully acquired service contracts from new customers under the paragraph – "New Customers" of this report. There was an increase in revenue of the Group from non-telecommunications customers for the six months ended 30 June 2018 of approximately 9% as compared to that of the Last Corresponding Period.

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

Multi-Skill Training

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

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

CRM Service Centres

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

New Customers

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

Customer	Service	Contract date
China United Network Communications Co., Ltd. Meizhou Branch	Telesales	May 2018
China United Network Communications Co., Ltd. Shenzhen Branch	Hotline and Telesales	June 2018

Awards And Certification

In June 2018, China Elite Info. Co., Ltd. ("China Elite") was certified with ISO/IEC 27001:2013 (the registration No. AN18IS059R2M).

In June 2018, China Elite was awarded the Guangdong Province's Best Customer Service Outsourcing Enterprise of 2017 from Guangdong Service Outsourcing Industry Association.

Internet CRM

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

Furthermore, the Group has integrated internet and mobile phone APPs to develop an artificial intelligence, called the "CallVu" system, to redirect customers by using intelligent robots. CallVu is a visual customer service system, an extension of the Group's call centre system and CRM system. Taking the advantage of the call centre 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 centres. The Directors believe that such new online customer service model of "Internet + CRM" will become an inevitable trend in the near future.

Prospects

China strives to cultivate services outsourcing industry and the CRM services provided by the Group is one of the essential expressions of that. According to the domestic services outsourcing industry situation announcement issued by Guangdong Service Outsourcing Industry Association for the six months ended 30 June 2018, the executive contract amount of services outsourcing industry has reached RMB378.13 billion, increased by 9.58% as compared to RMB345.07 billion of the Last Corresponding Period. The structure of the services outsourcing industry in China continue to optimize throughout the first half of the year, the proportion of high value-added business is increasing.

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

Under China's scientific and technological innovative environment, including, but not limited to, mature 4G mobile communications, the rapid development of 5G mobile communication 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. The Group will continue to seek further business opportunities with the government and companies having establishments in provinces other than Guangdong, China.

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

RF-SIM Business

Business Review

For the six months ended 30 June 2018, sales of RF-SIM products continued to decline. The situation is caused by several factors:

1. The RF-SIM products are facing strong competition from alternatives or newer technologies and solutions, and the RF-SIM products are yet to achieve mass market adoption;

2. 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

3. The three major operators are focusing on the application development of NB-IoT, which affected the business development of RF-SIM card.

During the past few months, the Group had been actively introducing the new NB-IoT module developed by the Company to operators, card vendors and system integrator partners, with a view to creating new income for the Group.

Despite of the Group's effort, the new initiative has yet to achieve adoption by mass and has yet to bring substantial improvement to the sales of the products. As a result, the Group encountered continuous decline in revenue and operating profit 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 to introduce new products to the market:

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

2. To take a more proactive sales approach by actively contacting and visiting potential customers for opportunities to deploy the Group's product in their upcoming project; and

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

Product Development

The Group continued to develop new RF-SIM products including CA-SIM card and CA-SIM reader module. In addition, the Group will continue to allocate resources to the field of NB-IoT and develop communication products and applications on NB-IoT with a view to provide comprehensive solutions for specific industries.

Manufacturing and Production

The Group experienced 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 among which, one is on pilot manufacturing; while volume production was being carried out with another one with a bigger capacity in order to increase production capacity. The readiness for supplying a larger scale 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 weak demand for existing products and the volatile demand for new products.

The Group had tried various measures to improve the quality of production and products, including submitting the products for third party certification and authority organizations quality examination when applicable.

Awards and Certification

During the period under review, the Group received certificates for two patents:

– A NFC Bluetooth SIM card supporting multi-channel digital authentication
– A sensor device and system for smart parking

Prospects

The Group will continue to extend its product lines through new product series 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.

The Group will continue to actively leverage the opportunities of 2.45G being approved as the mobile payment national standard and will focus on the following markets and areas:

- e-ID and CA certificate applications for new media;
- e-ID application for mass market; and
- user account security management and authentication application procedures for open platforms.

The Group will continue to allocate resources to the NB-IoT product line and focus on the development of the following products:

1. General NB-IoT module
   In respect of certain sizable industry applications, the Group will strive to supply general module in compliance with relevant standards stipulated by the three major domestic operators and foreign operators, aiming at substantial collective procurement.

2. NB-IoT module and device for industry application
   The Group will allocate resources to develop special industry applications involved in Smart City.

2018 is the outset for NB-IoT to commence commercialization. The Group will continue to allocate resources to speed up the research and development on NB-IoT products and technology to create new revenues and at the same time to achieve diversification on the Group's technology reserve, product portfolio as well as business risks.

These initiatives to strengthen the Group's product portfolio and to explore international markets will be a challenge for the Group but the Group will continue to pursue a proper risk assessment and management philosophy in place.

PIMS Business

Business Review

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

1. Products delivered included operating lines, such as Pakistan Lahore Rail Transit Orange Line, Ankara of Turkey Project and Malaysia ETS2 and DMU etc.;

2. As the urban rail transit construction develops, the requirements of operators and vehicle manufacturing enterprises for rail transit information are also increasing. Network bandwidth, system processing speed, storage capacity and security measures are all prerequisite conditions for product access; and

3. Project products under the "Belt and Road" must satisfy climate, cultural traditions, technical standards and service requirements, etc. of all relevant countries, which differed a lot from system products in the past. Coping with fierce price-performance competition, GZ GLC must invest large amount of product innovation resources to achieve the research and development of new projects. In view of the lack of industry professionals in recent years, the rising cost of human resources and product manufacturing is the biggest challenge faced by the Group in its development.

For the six months ended 30 June 2018, the PIMS products for projects include the maintenance, repair and other guarantee services of dozens of operating projects in more than 10 cities at home and abroad. The service team has overcome the unfavourable conditions, such as regional differences, remoteness and difficulty in recruiting technical service personnel, and consistently worked with the concept of "customer first", as the result of which the Group gained recognition from the rail transit operators and created conditions for market expansion of the Group.

Prospects

The year of 2018 marks the 40th anniversary of the reforming and opening up of the PRC government. The implementation of the "Belt and Road" international strategy, the "Greater Bay Development Plan", the "Hainan Pilot Free Trade Zone" and other major policies fully exhibit the commencement of a new round of the journey of reform and opening-up. Maintaining its innovation dynamism and keeping a close eye on the industry as usual, the Group will keep abreast of the industry development and strive to achieve application of its own patented technology in more areas and industries during the "Internet+" informationization construction. With the re-innovation of rail transit products, the market position of the Group has been further consolidated.

Capital Structure

The Group adopts a sound financial policy, and the surplus cash is deposited at banks to facilitate extra operation expenditure or investment. Management makes financial forecast on a regular basis. As at 30 June 2018, the Group had no outstanding loan or borrowing, and the gearing ratio (being ratio of total borrowings outstanding less cash and deposits to the sum of total equity and total borrowings) was therefore not applicable. As at 30 June 2018, the Group's balance of cash and deposits excluding pledge bank deposits was approximately HK$372,933,000, which was attributable to the proceeds from the IPO and cashflow from operations.

Liquidity and Financial Position

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Cash at banks and in hand	**169,363**	164,570
Fixed-term bank deposits	**203,570**	219,286
Total cash and deposits excluding pledge bank deposits	**372,933**	383,856

The Group normally finances its operations with internally generated cash flows. Cash and cash equivalents decreased by approximately HK$10,923,000 during the six months ended 30 June 2018.

The current ratio was 7.42 as at 30 June 2018, which is lower than 9.52 as at 31 December 2017. The quick ratio was 6.99 as at 30 June 2018, which is lower than 9.04 as at 31 December 2017.

Foreign Exchange Risk

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

Asset Mortgage

The Group has no outstanding asset mortgage as at 30 June 2018 (31 December 2017: nil).

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2018 (31 December 2017: nil).

Significant Acquisition, Disposal or Investment

As at 30 June 2018, the Group has no specific acquisition target. The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures, and investment during the period under review.

Capital Commitments

There was no capital commitment contracted for but not yet incurred as at 30 June 2018 (31 December 2017: nil).

Segment Reporting

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

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

Staff and Remuneration Policy

As at 30 June 2018, the Group had 3,082 employees (31 December 2017: 3,531 employees). Among them, 3,062 employees worked in the PRC, 18 employees worked in Hong Kong and 2 employees worked in Macau.

Breakdown of the Group's staff by function as at 30 June 2018 is as follows:

Function	As at 30 June 2018	As at 31 December 2017
Management	**14**	14
Operation	**2,674**	3,126
Financial, administration, and human resources	**129**	125
Sales and marketing	**77**	78
Research and development	**74**	75
Repairs and maintenance	**114**	113
Total	**3,082**	3,531

The total staff remuneration including Directors' remuneration paid by the Group for the six months ended 30 June 2018 was approximately HK$138,519,000 (Last Corresponding Period: approximately HK$132,535,000). The remuneration paid to the staff, including the Directors, is based on their qualification, experience, performance, and market rates, so as to maintain a competitive remuneration level. The Group also offers various staff welfare, including housing fund, social insurance and medical insurance. We believe that in International Elite Ltd., our employees are our most valuable asset.

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

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

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: nil).

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

As at 30 June 2018, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporation within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Interests in ordinary shares of the Company – long position

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

NOTES:

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

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2018, so far as known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Interests in ordinary shares of the Company – long position

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

NOTES:

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

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

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

Save as disclosed above, as at 30 June 2018, so far as known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

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

Share Option Scheme

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

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 283,860,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme as adjusted following the completion of the bonus issue of shares of the Company as disclosed in the announcement of the Company dated 30 March 2015. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

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

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

As at 30 June 2018, no option has been granted under the Share Option Scheme.

Model Code for Directors' Securities Transactions

The Company has adopted its own code of conduct which is not lenient than Appendix 10 of the Listing Rules. Specific enquiry to all Directors has been made and the Company has confirmed that the Directors have complied with the required standard set out in the code of conduct during the six months ended 30 June 2018.

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

During the six months ended 30 June 2018, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any share of the Company.

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any redeemable securities of the Company.

Directors' Interests in Competing Business

Save as disclosed in this report and below, during the six months ended 30 June 2018 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 centres, CRM and telemarketing services, and IT outsourcing services including software programming and development services. In April 2008, PacificNet consummated the sale of its subsidiary, PacificNet Epro Holdings Limited, which is primarily engaged in the business of providing call centre telecom and CRM services as well as other business outsourcing services in China. However, the Directors consider that it is uncertain as to whether or not PacificNet will continue to develop and/or operate CRM outsourcing services. Accordingly, the Directors are of the view that there is a potential risk that services provided by PacificNet may compete with the services provided by the Group.

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

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

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

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

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

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

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

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

Competing Interests

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

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

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

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

Events after Balance Sheet Date

On 30 July 2018, Mr. Li Kin Shing and Ms. Kwok King Wa, ultimate shareholders of the Company and Ever Prosper International Limited, the ultimate parent of the Company (collectively known as the "Sellers") had entered into an agreement with Hony Gold Holdings L.P. (the "Offeror"), pursuant to which the Sellers have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 4,610,000,000 Shares (the "Sale Shares"), representing approximately 50.75% of the issued share capital of the Company. The aggregate consideration payable by the Offeror to the Sellers in respect of the Sale Shares shall be HK$550,000,000, equivalent to approximately HK$0.11931 per Sale Share.

On 30 July 2018, the Company entered into an agreement to dispose of the 100% of the issued share capital of MZone Network Limited and Sunward Telecom Limited for an aggregate cash consideration of HK$135,000,000 (subject to adjustment with reference to their respective net asset value). On the same date, the Company entered into an agreement to acquire 100% of the issued share capital of Goldstream Capital Management Limited and Goldstream Securities Limited at a consideration of HK$270,000,000 which shall be settled by the allotment and issuance of shares of the Company.

On 9 August 2018, the Board resolved to declare a special dividend by way of distribution in specie of 873,683,120 ordinary share(s) of HK$0.01 each in the share capital of GLCH ("GLCH Share") to the shareholder(s) whose name(s) appear on the registers of members of the Company at the close of business on the proposed record date ("Qualifying Shareholders") on a pro-rata basis of 961 GLCH Shares for every 10,000 ordinary share(s) of HK$0.01 each in the share capital of the Company held by the Qualifying Shareholders. The proposed special dividend is subject to approval by the shareholders of the Company at the forthcoming extraordinary general meeting.

Please refer to the joint announcement of the Company dated 30 July 2018, the announcement of the Company dated 9 August 2018 and the circular of the Company dated 30 August 2018 for details.

Compliance with Code on Corporate Governance Practices

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2018 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 should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Li Kin Shing. The Board will meet regularly to consider, discuss and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that sufficient measures have been taken and the vesting of the roles of chairman and the chief executive officer of the Company in Mr. Li Kin Shing will not impair the balance of power and authority between the Board and the management. The Board considers that the structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Audit Committee

The Company has established an audit committee ("Audit Committee") with written terms of reference in accordance with the requirements of the CG Code ("Terms of Reference"). The Terms of Reference were revised and adopted by the Board on 30 March 2016. The primary duties of the Audit Committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group, and to provide advice and comments to the Board accordingly. The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the six months ended 30 June 2018. The Company has also conducted review of its risk management and internal control systems periodically and has convened meeting periodically to discuss the financial, operational and risk management control. The Audit Committee is of the view that the risk management and internal control systems implemented by the Group during the period under review had been valid and adequate. The Audit Committee consists of the three independent non-executive Directors of the Company, namely, Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. Liu Chun Bao. Mr. Cheung Sai Ming is the chairman of the Audit Committee.

The audit committee of the Company has reviewed the Group's unaudited consolidated interim financial information for the six months ended 30 June 2018 and is of the opinion that the unaudited consolidated interim financial information complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 31 August 2018

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