INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1328)

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Zhao John Huan *(Chairman)*
(appointed on 28 December 2018)
Lu Yan (appointed on 28 December 2018 and resigned on 23 April 2019)
Lin Tun *(Chief Executive Officer)*
(appointed on 28 December 2018)
Yuan Bing (appointed on 28 December 2018)
Li Yin
Li Kin Shing *(Chairman and Chief Executive Officer)*
(resigned on 28 December 2018)
Wong Kin Wa (resigned on 28 December 2018)
Li Wen (resigned on 28 December 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Xue Dao
Cheung Sai Ming
Liu Chun Bao

AUTHORIZED REPRESENTATIVES

Lin Tun (appointed on 28 December 2018)
Chan Wai Ching (appointed on 28 December 2018)
Li Kin Shing (resigned on 28 December 2018)
Wong Kin Wa (resigned on 28 December 2018)

COMPLIANCE OFFICER

Wong Kin Wa (resigned on 28 December 2018)

COMPANY SECRETARY

Chan Wai Ching

AUDIT COMMITTEE

Cheung Sai Ming *(Chairman)*
Chen Xue Dao
Liu Chun Bao

REMUNERATION COMMITTEE

Yuan Bing *(Chairman)*
(appointed on 28 December 2018)
Chen Xue Dao
Cheung Sai Ming
Wong Kin Wa (resigned on 28 December 2018)

NOMINATION COMMITTEE

Zhao John Huan *(Chairman)*
(appointed on 28 December 2018)
Chen Xue Dao
Cheung Sai Ming
Li Kin Shing (resigned on 28 December 2018)

REGISTERED OFFICE

The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
Grand Cayman KY1-1208
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2701, One Exchange Square
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Gilman Street Branch
136 Des Voeux Road
Central, Hong Kong

Citibank N.A.
21/F Tower 1, The Gateway
Harbour City, Tsimshatsui
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

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

STOCK CODE

1328

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of International Elite Ltd. (the "Company"), I am pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

In 2018, the Group has broadened its customer base and successfully entered into a number of customer relationship management ("CRM") agreements with customers, including but not limited to China United Network Communications Co., Ltd. Meizhou Branch (中國聯合網路通信有限公司梅州市分公司), China United Network Communications Co., Ltd. Shenzhen Branch (中國聯合網路通信有限公司深圳市分公司) and China United Network Communications Co., Ltd. Guangxi Branch (中國聯合網路通信有限公司廣西壯族自治區分公司). 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 ("Director(s)") believe that the Group will continue to benefit from the opportunities arising from the favorable government policies in China including the growth in 4G mobile communications, the 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 2019, 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 Company disposed Global Link Communications Holdings Limited ("GLCH") by way of distribution in specie of shares of GLCH in October 2018. Sunward Telecom Limited and its subsidiaries ("Sunward Group") was disposed in November 2018 as well. The revenues from the two businesses were not as significant as initially expected and did not contribute much to the business and financial performance to the Group.

Upon the purchase of the entire issued share capital of Goldstream Capital Management Limited ("GCML") and Goldstream Securities Limited ("GSL") (collectively, the "Goldstream Companies") in November 2018, the companies become wholly owned subsidiaries of the Company. The Board has been from time to time exploring and identifying new business opportunities with an aim to broaden the Group's income stream and enhance the shareholders' value. The Goldstream Companies have licences to carry out Type 1 (dealing in securities) (subject to certain conditions), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance. The Group, through the acquisition, will have instant access to a readily available financial business platform which enables the Group to tap into the financial services sector.

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 in an enterprising but prudent manners.

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 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 generate returns for our shareholders.

ZHAO JOHN HUAN
Chairman

Hong Kong, 26 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a customer relationship management ("CRM") outsourcing service provider with business focus in Hong Kong, Macau and the People's Republic of China (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, 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 and China Guangfa Bank.

The Sunward Group was acquired in September 2010 and disposed in November 2018, during the period, the Group was 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.

GLCH was acquired in April 2016 and the Company disposed GLCH by way of distribution in specie of shares of GLCH in October 2018, as a result, the Group was also engaged in the provision of passenger information management system ("PIMS") during the period.

Upon the purchase of the entire issued share capital of GCML and GSL in November 2018, the Group is also engaged in investment management ("IM") business.

The principal business of the Group is classified into the following four 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; (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau; and (iii) research and development and technology transfer of CA-SIM application rights to customers.

PIMS Business

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

IM Business

IM business includes (i) the provision of advisory services on securities and asset management; and (ii) securities trading.

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 for CRM services, the risk exposure to the operation of the Group is still at a manageable level. In 2018, China's economic growth rate reached 6.6% 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 2018, 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 year under review coincided with the 40th anniversary of the reforming and opening up of the PRC government. The PRC government has been persevering in its reform and opening up during the last 40 years, which has brought about earth-shaking changes across the industries. In particular, China's economy maintained its sustained and steady growth, and the continuous enhancement of its comprehensive strength has attracted worldwide admiration. While the Sino-US trade friction has intensified the global economic uncertainty, the Chinese government successively introduced a series of policies such as "The Private Economy Shall Grow Stronger, Not Weaker", "Taking Special Actions to Increase Financial Support to the Private Businesses to Ease Their Difficulty in Financing" and "Taking Innovation-Driven Development as a Major Strategy for the Future with Unremitting Determination" under the guidance of its core strategic policy of unremitting reform and opening up.

The investment management industry enjoyed a strong start to 2018 in January. The favourable environment started to evaporate in February 2018 due to a combination of slowing global growth, changing monetary policies and increased concerns on geopolitics, rising interest rates, trade tensions between the U.S. and China, political uncertainties surrounding Brexit negotiation which made the remaining part of 2018 a challenging period for the industry. Most of the major market indices in 2018 ended down in contrast to 2017.

The return of market volatility combined with the factors described above have exerted significant pressure on the fund management industry. Investment funds across the globe were generally down with some, through exceptional navigation in a highly turbulent markets and perhaps market conditions favourable to their investment strategies, managed to generate decent returns for the year. Funds that diversified in markets and strategies weathered the storm better than those which deployed single strategy or invest only in a single market.

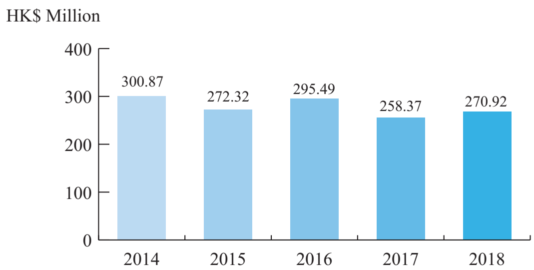
Reducing costs, strengthening of risk management, improving operating model have become a priority to protect assets and improve profit margins. The industry will continue to evolve and develop new operating models to deal with different market environments and volatility.

As we enter a more turbulent phase for investment management, there are many reasons to remain positive. The outlook for Asia and China remains positive for fund managers and investor appetite for the region remains strong, as returns from traditional asset classes become challenging this arguable the time to increase allocation to alternative asset classes which the IM business focuses on.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, with revenue of approximately HK$268,975,000 and HK$1,940,000 contributed by CRMS and IM businesses respectively, the Group's total revenue was approximately HK$270,915,000, representing an increase of approximately 5% as compared with approximately HK$258,371,000 in 2017. The following table illustrates the Group's revenue from 2014 to 2018:



Revenue from 2014 to 2018

Revenue from CRMS and IM businesses accounted for approximately 99% and 1% of the Group's total revenue for the year ended 31 December 2018 respectively. There was an increase of approximately 4% of CRMS business as compared with last year.

Gross Profit

The Group's gross profit for the year ended 31 December 2018 was approximately HK$26,864,000, representing an increase of approximately 66% as compared with last year. The gross profit margin increased by approximately 4% from approximately 6% to approximately 10% as compared with last year.

The gross profit of CRMS business for the year ended 31 December 2018 was approximately HK$25,532,000, which increased by approximately HK$9,331,000, representing an increase of approximately 58% as compared with last year. The gross profit margin of CRMS business increased by approximately 3% from approximately 6% to approximately 9%.

Administrative and Other Operating Expenses

For the year ended 31 December 2018, the total administrative and other operating expenses of the Group were approximately HK$61,432,000 equivalent to approximately 23% of the Group's revenue in 2018. The administrative and other operating expenses to sales ratio was approximately 7% higher as compared with last year.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2018 was approximately HK$76,446,000, while the Group's loss attributable to equity holders of the Company for the year ended 31 December 2017 was approximately HK$49,200,000. The net profit margin was approximately 28%. The significant increase in profit attributable to equity holders of the Company for the year ended 31 December 2018 was mainly attributable to the gains on (i) the distribution in specie of shares in GLCH; and (ii) the disposal of the entire issued share capital of Sunward Telecom Limited and MZone Network Limited.

CRMS BUSINESS

Business Review

Customers in Telecommunications Industry

In 2018, 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 2018 of approximately 5% as compared with last year.

Customers in Non-Telecommunications Industries

In 2018, 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 who have attended at least two structured training programs 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 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 year under review, the Group has entered into service contracts with the following customers for the provision of CRM services.

Customer	Service	Contract date
China United Network Communications Co., Ltd. Meizhou Branch (中國聯合網路通信有限公司梅州市分公司)	Telesales	May 2018
China United Network Communications Co., Ltd. Shenzhen Branch (中國聯合網路通信有限公司深圳市分公司)	Hotline and Telesales	June 2018
China United Network Communications Co., Ltd. Guangxi Branch (中國聯合網路通信有限公司廣西壯族自治區分公司)	Hotline and Telesales	October 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.

In November 2018, China Elite was awarded the Top 100 China's Service Outsourcing Enterprise of 2018 from the China Council for International Investment Promotion.

In November 2018, China Elite was awarded the Service Enterprise cultivated with priority of Guangzhou by the Government of Guangzhou City.

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 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 service will enhance profit margin of the Group. As the market trend changes and the artificial intelligence ("A.I.") industry rises, the Group will be exploring the application of A.I. technology in iChat to optimize its services.

The Group had developed an A.I. system called the "CallVu" and obtained services agreements to provide online service support to the customer over the past years. However, such CallVu related services project is expected to end in 2019, and the Group has realised in the operation that the technology keeps upgrading and replacing. There are uncertain factors in the renewal of the agreement at this point in time therefore the Group is prudent in the value of CallVu.

The government has become more supportive of the development of A.I. industry. The Directors believe that the applications of A.I. will become an irresistible trend, and will further invest the Group's resources in the research and development of CRM-related A.I. applications, and seek further business opportunities.

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, 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

During the period, from January to November 2018, sales volume of RF-SIM products continued to decline. The situation was caused by the following factors:

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

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

The Group had been actively introducing the new NB-IoT module developed by the Company to our cooperative operators, card vendors and system integrators, with a view to creating new income for the Group. Despite the Group's efforts, the new initiative has not been widely applied and has not brought about significant increase of the sales of the products. As a result, both the revenue and operating profits of the Group continued to decline as compared with last year.

The construction of smart cities remained the focus of the Group's continuous investment and development. Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司), a then subsidiary of the Company, continued to promote the launch and operation of the mobile phone CA-SIM people's welfare cards (the "People's Welfare Card") project in Panyu District, under which it was preparing for the launch of its one-card-for-all mobile phone system, and supporting the government's initiatives to promote the application of the mobile phone People's Welfare Cards in the fields of medical care, smart community and public transportation.

Awards and Certification

In 2018, the Group received certificates for two patents:

1. A NFC Bluetooth SIM card supporting multi-channel digital authentication

2. A sensor device and system for smart parking

The Group did not engage in the RF-SIM business after the disposal of the entire issued share capital of Sunward Telecom Limited in November 2018.

PIMS BUSINESS

Business Review

During the period, from January to October 2018, Guangzhou Global Link Communications Inc. (廣州國聯通信有限公司) ("GZ GLC"), a then subsidiary of the Group, remains engaged in providing overall solution for rail transit information systems as its major business, focused on the delivery of the contracts, including Changsha Metro Line 4, Southern Extension of Wuhan Metro Line 2, Northern Extension of Guangzhou Metro Line 8, Guangzhou Metro Line 14 and Guangzhou Metro Line 21. It was under substantial pressure in guaranteeing the launch of new metro lines in multiple cities during the period. Meanwhile, GZ GLC provided maintenance technology training for the operation and maintenance staff of KTM Berhad on the in-vehicle information system of the Diesel Multiple Unit project. The engineering service staff of GZ GLC worked tirelessly, and received high comments from CRRC Zhuzhou Locomotive Co., Ltd. for their professionalism and dedication demonstrated in their after-sales service in 2018.

In response to the new demands of local owners and vehicle manufacturers, GZ GLC continued its research and development of new products, new applications and new features during the year under review, aiming to consolidate and enhance the competitiveness of its in-vehicle information system through innovation, so as to meet the evolving demands of the customers in the industry. Therefore resulted in a substantial increase in the Company's operating income for the year compared with the previous year. 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 prerequisites for product access. In addition, 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. While 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, and the rising cost of human resources and product manufacturing which posed enormous development challenges, the Group decided not to further engage in the PIMS business after the completion of the distribution in specie of shares of GLCH in October 2018.

IM BUSINESS

Business Review

IM business includes Goldstream Capital Management Limited ("GCML") and Goldstream Securities Limited ("GSL").

GCML is incorporated in Hong Kong with limited liability and is a licensed corporation under the Securities and Futures Ordinance ("SFO") to engage in Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO. It is principally engaged in the provision of advisory services on securities and the asset management business.

GSL is incorporated in Hong Kong with limited liability and is a licensed corporation under the SFO to engage, subject to certain conditions, in Type 1 (dealing in securities) regulated activity as defined under the SFO. It is principally engaged in securities trading.

The Group acquired GCML and GSL in November 2018 and at the end of December 2018 GCML managed 7 investment contracts across a diversified set of investment strategies.

Prospects

Asia fund management industry enjoyed a positive start to 2019. It began with strong momentum after a challenging 2018 with majority of investment strategies posting gains. Last year's underperformers were the top gainers as fundamental long short strategies fared the best, especially funds with a sizable allocation to China. Risk appetite made a significant return to global markets in January, following a very challenging second half in 2018. Markets oscillated around the latest US-China trade rhetoric but generally maintained their positive momentum throughout the last couple of months. The change in sentiment was sharp, global markets continued to exhibit signs of exuberance with many of the key risk indicators collapsing.

China equity markets were some of the best performers in February 2019 with substantial increase in turnover in domestic exchanges month over month. China focus funds having the best January and February monthly performance in recent years. The market reacted positively to the fast tracking of weighting increase A shares in MSCI Emerging Markets Index. Fund performance in Asia was stronger than other regions for the second successive month and investor interest has subsequently increased.

There has been continued moves to allow a broader access to China's onshore equity market with recent announcements regarding increasing the flexibility of the QFII and RQFII schemes. These have created positive sentiment and favorable environment for the investment management business to recover from 2018.

The IM business is positioned to benefit from the China markets and will continue to develop steadily through deploying different strategies and expanding our client base.

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 2018, the Group had outstanding non-interest bearing loan due to Mr. Li Kin Shing, a former executive director of the Company, of HK$50,000,000, discounted value of which as at 29 November 2020 was HK$47,445,000. The gearing ratio (being ratio of total borrowings outstanding less cash and deposits to total equity) was inapplicable as sum of the Group's cash and deposits was more than its total borrowings. As at 31 December 2018, the Group's balance of cash and deposits was approximately HK$460,352,000, which was attributable to the proceeds from the IPO and cashflow from operations.

LIQUIDITY AND FINANCIAL POSITION

	2018 HK$'000	2017 HK$'000
Cash at banks and on hand	**116,821**	164,570
Fixed-term bank deposits	**343,531**	219,286
Total cash and deposits	**460,352**	383,856

The Group normally finances its operations with internally generated cash flows. In 2018, the Group obtained a non-interest bearing borrowings of HK$50,000,000 from Mr. Li Kin Shing, a former director of the Company. With the borrowings and internally generated cash flow, cash and deposits increased by approximately HK$76,496,000 in 2018.

As at 31 December 2018, the current ratio was 9.72 (2017: 9.52) and the quick ratio was 9.72 (2017: 9.04).

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 2018 (2017: Nil).

CONTINGENT LIABILITIES

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

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

On 30 July 2018, the Company announced, among others, (i) the disposal of the entire issued share capital of MZone Network Limited and Sunward Telecom Limited to Mr. Li Kin Shing, a former executive director of the Company, at a consideration of HK$135 million (subject to adjustment); and (ii) the acquisition of the entire issued share capital of Goldstream Capital Management Limited and Goldstream Securities Limited from Hony Capital Group, L.P. and Expand Ocean Limited, respectively, at an aggregate consideration of HK$270 million, which shall be settled by the allotment and issuance of consideration shares (being 2,263,012,321 shares) to Hony Gold Holdings, L.P. by the Company. The above-mentioned disposal and acquisition were completed on 29 November 2018. For details, please refer to the joint announcements of the Company and Hony Gold Holdings, L.P. dated 30 July 2018 and 29 November 2018, and the Company's circular dated 31 August 2018. The consideration of the above mentioned disposal was not adjusted pursuant to relevant agreement.

Save for the above, the Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures, and investment during the year under review.

GEARING RATIO AND INTEREST CAPITALIZATION

As at 31 December 2018, the Group had outstanding unsecured, non-interest bearing loan due to Mr. Li Kin Shing, a former executive director of the Company, of HK$47,445,000 and repayable in full amounted to HK$50,000,000 on 29 November 2020. The imputed interest of HK$2,609,000 was recognized initially and finance cost of HK$54,000 was incurred for the year ended 31 December 2018. The gearing ratio (being ratio of total borrowings outstanding less cash and deposits to total equity) was inapplicable as sum of the Group's cash and deposits was more than its total borrowings.

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

CAPITAL COMMITMENTS

As at 31 December 2018, there was approximately HK$1,149,000 capital commitment contracted and not provided for in the financial statements (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. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The Group has identified four reportable segments which are CRMS, RF-SIM, PIMS and IM businesses. Details of the segment reporting are set out in note 6 to the consolidated financial statements of the Group for the year ended 31 December 2018.

STAFF AND REMUNERATION POLICY

As at 31 December 2018, the Group had 2,740 employees (2017: 3,531 employees). Among them, 2,710 employees worked in the PRC, 29 employees worked in Hong Kong and 1 employee worked in Macau.

Breakdown of the Group's staff by function as at 31 December 2018 is as follows:

Function	As at 31 December 2018	As at 31 December 2017
Management	13	14
Operation	2,595	3,126
Financial, administrative and human resources	82	125
Sales and marketing	2	78
Research and development	23	75
Repair and maintenance	25	113
	2,740	3,531

The total staff remuneration including Directors' remuneration paid by the Group in 2018 was approximately HK$238,119,000 (2017 restated: approximately HK$233,958,000). 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 Board recognises our employees are the most valuable assets of the Group and offers various staff welfare, including share option scheme, housing fund, social insurance and medical insurance.

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 2018 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 2018.

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 28 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 13 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 Group operates in an industry which requires rapid deployment of new technologies. 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 and members of the senior management. 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 centres 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.

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 centres 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 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, wholly foreign-owned enterprise 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.

Risks Relating to Investment Management Business

Since the acquisition of the Goldstream Companies in November 2018, the Group started engaging in the investment management business. Goldstream Companies perform the role of an Investment Manager in providing investment management services. The revenues are primarily derived from management fees and performance fees for providing such services to our Collective Investment Schemes (CIS) and managed accounts (generally referred to as Funds). The total revenue is dependent on the Asset Under Management (AUM), fee rates and appreciation of the investments.

Management fees are recognized as services are performed and are primarily based on percentage of the AUM. The demand for alternative investment strategies although has a growing trend in Asia, large investment outflows have been recorded in recent years due to circumstances described in the business environment section of this report. This puts pressure on growing our AUM which will impact our fee incomes directly. Furthermore, there is pressure in this industry to reduce fee rates in order to sustain and attract new investments. Both these factors will have negative impact on delivering stable management fee incomes.

Performance fees are significant sources of income and normally charged as a percentage of the appreciation of the AUM over a defined period of time. The investment performance may be adversely affected by lack of investment opportunities, a reduction in market liquidity, unforeseen events involving, without limitation, such matters as changes in interest rates or the credit status of an issuer, forced redemptions of securities, unexpected changes in relative value or changes in tax treatment.

Other risk factors and uncertainties which could affect the business and revenues include but not limited to the following:–

1) General economic and market conditions

   The investment performance of any Fund may be adversely affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, tax treatment, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a Fund's investments. Volatility or illiquidity could impair any investment profitability or result in losses.

2) Availability of investment strategies

   The investment returns of the our strategies will depend on our ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued involves a high degree of uncertainty. No assurance can be given that we will be able to locate suitable investment opportunities in which to deploy all of the assets attributable to an investment strategies. Market factors including, but not limited to, a reduction in market liquidity or the pricing inefficiency of the markets in which we will seek to invest may reduce the scope for the investment strategy of the relevant Fund.

3) Trading strategies

There can be no assurance that the specific trading strategies utilised for any Fund will produce profitable results. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in limit moves, could also be detrimental to profits. No assurance can be given that the techniques and strategies will be profitable in the future.

4) Cybersecurity risk

The Investment Manager and/or one or more of its service providers may be prone to operational, information security and related risks resulting from failures of or breaches in cybersecurity.

A failure of or breach in cybersecurity ("cyber incidents") refers to events that may cause the relevant party to lose proprietary information, suffer data corruption, or lose operational capacity. Cyber attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, causing denial-of-service or causing operational disruption.

Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, impediments to trading, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs

5) Market disruptions and liquidity

A Fund may incur major losses in the event that disrupted markets and/or other extraordinary events affect markets in a way that is not consistent with historical pricing relationships. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Fund, and such events may result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Investment Manager to liquidate affected positions and thereby expose it to losses. A Fund may be adversely affected by a decrease in market liquidity for the instruments in which such Fund is invested which may impair the ability of the Investment Manager to adjust positions. The size of a Fund's positions may magnify the effect of a decrease in market liquidity for such instruments.

6) Regulatory risks

The regulatory environment for the alternative investment management industry is evolving and changes therein may adversely affect the value of investments held by the Fund and/or the ability of the Fund to obtain the leverage it might otherwise obtain or to continue to implement its investment approach and achieve its investment objective. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and exchanges are authorised to take extraordinary actions in the event of market emergencies. In addition, the regulatory or tax environment may adversely affect the value of the investments held by the Fund. The effect of any future regulatory or tax change on the Fund is impossible to predict.

The effect of any future regulatory change on the Fund could be substantial and adverse including, for example, increased compliance costs, increased disclosure requirements, the prohibition of certain types of trading and/or the inhibition of a Fund's ability to implement its investment approach and achieve its investment objective.

7) Tax considerations

Where the Investment Manager, in respect of any Fund, invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Investment Manager may not be able to recover such withheld tax and so any such change could have an adverse effect on the Net Asset Value of the relevant Fund.

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 and Futures Ordinance (Chapter 571), the Companies Ordinance (Chapter 32), 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. The Company has adopted a Dividend Policy on payment of dividends. Details of the Dividend Policy have been disclosed in the paragraph "Dividends" of this report.

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 124 of this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement, on page 52 of this report.

Major Customers and Suppliers

For the year ended 31 December 2018, the revenue attributable to the largest customer and the five major customers accounted for approximately 40% and approximately 93% of the Group's revenue respectively.

For the year ended 31 December 2018, purchases from the largest supplier accounted for approximately 70% of the Group's total purchases. Purchases from the five largest suppliers accounted for approximately 82% of the Group's total purchases.

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

DIVIDENDS

On 9 August 2018, the Board resolved to declare a special dividend by distribution in specie (the "Distribution in Specie") of 873,683,120 ordinary shares of HK$0.01 each in the share capital of GLCH ("Global Link Shares"), representing approximately 42% of the then total number of issued Global Link Shares to the shareholders whose names appear on the register of members of the Company at the close of business on the record date, 5 October 2018 ("Qualifying Shareholders"), on a pro-rata basis of 961 Global Link Shares for every 10,000 ordinary shares of HK$0.01 each in the share capital of the Company held by the Qualifying Shareholders. On 15 October 2018, relevant share certificates of Global Link Shares were issued and despatched to the Qualifying Shareholders and the Distribution in Specie was completed.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

The Company has adopted a Dividend Policy. Subject to the relevant laws and the articles of association of the Company (the "Articles"), the Company, through a general meeting, may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. The Articles provide that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law of the Cayman Islands.

Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(i) general business and financial conditions;
(ii) earnings;
(iii) cash flow;
(iv) financial condition;
(v) capital requirements; and
(vi) other conditions as deemed relevant at such time by the Board.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 21 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 2018.

Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in notes 22 and 31(a) 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 of the Company 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 2018, the Company had approximately HK$1,709,869,000 (2017: 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 14 to the consolidated financial statements.

Continuing Connected Transactions

Management Agreements

Goldstream Capital Management (Cayman) Limited ("GCMC") is a wholly-owned subsidiary of Hony Capital Group, L.P., ("HCG") and is principally engaged in investment management. HCG is managed by Hony Group Management Limited (as sole general partner), 80% equity interest of which is held by Hony Managing Partners. Hony Managing Partners indirectly holds 80% of interests in Jovial Elite Limited. After the completion of the sale and purchase certain shares of the Company pursuant to the Sale and Purchase Agreement dated 30 July 2018 and the acquisition of the entire issued share capital of GCML in November 2018, the transactions under the Management Agreements (as defined below) constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the following management agreements (collectively, "Management Agreements"), GCMC as the fund manager ("Fund Manager") and GCML has been appointed as the investment manager ("Investment Manager") to manage and invest the portfolio of Fund I and GSD Fund in pursuit of certain investment objectives and subject to certain investment restrictions.

1. Fund I Management Agreement

   Date: 23 November 2015, amended and restated on 30 July 2018
   Parties: (i) Fund I; (ii) GCMC; and (iii) GCML
   Period: From 23 November 2015 to 31 December 2022

2. GSD Fund Management Agreement

   Date: 7 October 2016, amended and restated on 30 July 2018
   Parties: (i) GSD Fund; (ii) GCMC; and (iii) GCML
   Period: From 7 October 2016 to 31 December 2022

Pursuant to the fee letters of Fund I and GSD Fund (collectively, the "Fee Letters"), both with effect from 1 January 2017:

(1) Investment Manager, is remunerated by management fee equivalent to 95% of one twelfth (1/12th) of 2% per month of the respective net asset value of Fund I's portfolio and GSD Fund's portfolio; and

(2) yearly incentive fee is remunerated at an arm's length principle and determined annually between the Fund Manager and Investment Manager, among factors including prevailing market practice, condition and extent of services rendered by Investment manager, which may vary from time to time. The final amount will be between 50% and 100% of the performance incentive fee received by the Fund Manager.

The Management Agreements and the Fee Letters may be terminated by one party giving to the other parties not less than 90 days' written notice. The Management Agreements and the Fee Letters may be terminated immediately by notice in writing by any party (the "notifying party"), if the other party (i) commits any material breach of its obligations and if such breach is capable of being made good, fails to make good such breach within 30 days of receipt of written notice from the notifying party requiring it to do so; or (ii) is liquidated or dissolved or is unable to pay its debts as they fall due or commits any act of bankruptcy or if a receiver is appointed over any of its assets.

The Management Agreements, including the management fee and the yearly incentive fee, were determined after arm's length negotiations between the parties with reference to market rates and the obligations and duties of GCML under the Management Agreements.

HCG intends to continue to increase the revenue of the asset management business to be generated from independent third parties in future and considers that the reliance on connected persons for the asset management business will continue to be reduced going forward. HCG will procure the Company to monitor the actual transaction amounts with connected persons such that revenue generated from the asset management business with connected persons will not exceed 50% of the total revenue of the Group for the respective financial year as a whole up to 31 December 2020.

The management service annual caps for the amount of fees receivable by GCML under the Management Agreements was HK$42,000,000 in 2018 and will be HK$74,000,000, HK$82,000,000, HK$102,000,000 and HK$114,000,000 for each of the four financial years ending 31 December 2022, respectively.

The management service annual caps have been calculated and determined after taking into account the following: (a) the historic rate of growth in the fees received under the Management Agreements; (b) the projected growth in the AUMs subject to the services to be provided under the Management Agreements; (c) the expected aggregated AUM of Fund I and GSD Fund, which was approximately US$209 million in 2018 and are estimated to be US$314 million, US$443 million, US$497 million and US$562 million for the four years ending 31 December 2022, and the expected annual return of 4% in 2018 and 8% for each of the following four years ending 31 December 2022; and (d) historical growth rate of Fund I, GSD Fund and the Hang Seng Index.

Lease Agreement

Hony Capital Limited is a non-wholly-owned subsidiary of HCG and is principally engaged in investment holding. HCG is managed by Hony Group Management Limited (as sole general partner), 80% equity interest of which is held by Hony Managing Partners. Hony Managing Partners indirectly holds 80% of interests in Jovial Elite Limited. After the completion of the sale and purchase certain shares of the Company pursuant to the Sale and Purchase Agreement dated 30 July 2018 and the acquisition of the entire issued share capital of GCML and Goldstream Securities Limited ("GSL") in November 2018, the following lease agreement (the "Lease Agreement") constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Lease Agreement, Hony Capital Limited shall lease certain premises to GCML and GSL. The principal terms of the Lease Agreement are set out as follows:

Parties:	(1) Hony Capital Limited; (2) GCML; and (3) GSL.
Date:	8 January 2018
Premises:	27th Floor, One Exchange Square, 8 Connaught Road Central, Hong Kong
Term:	From 1 May 2017 and ending on 30 April 2020
Rent:	Rent of HK$120,555 per month
Other charges:	Management charges of HK$18,843 per month Hony Capital Limited is a non-wholly-owned subsidiary of HCG and is principally engaged in investment holding. HCG is managed by Hony Group Management Limited (as sole general partner), 80% equity interest of which is held by Hony Managing Partners. Hony Managing Partners indirectly holds 80% of interests in Jovial Elite Limited.

The annual cap for the amount of fees payable to Hony Capital Limited under the Lease Agreement was HK$1,672,776 in 2018 and will be HK$1,672,776 and HK$557,592 respectively for each of the two financial years ending 31 December 2020, which have been calculated and determined after taking into the agreed rate of rent and other charges provided under the Lease Agreement.

Please refer to the joint announcement of the Company and Hony Gold Holdings, L.P. dated 30 July 2018 and the circular of the Company dated 31 August 2018 for further details of the Management Agreements and the Lease Agreement.

The independent non-executive Directors have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has not qualified its report in respect of the continuing connected transactions disclosed above by the Group. A copy of the auditor's letter confirming the matters set out under Rule 14A.56 of the Listing Rules has been provided by the Company to the Stock Exchange.

DIRECTORS

Executive Directors

Directors appointed on 28 December 2018:
- Zhao John Huan (趙令歡) *(Chairman)*
- Lu Yan (呂岩) (resigned on 23 April 2019)
- Lin Tun (林暾) *(Chief Executive Officer)*
- Yuan Bing (袁兵)

Director who held office during the year and up to the date of this report:
- Li Yin (李燕)

Directors resigned on 28 December 2018:
- Li Kin Shing (李健誠) *(Chairman and Chief Executive Officer)*
- 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)

Pursuant to Article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Ms. Li Yin, Mr. Chen Xue Dao and Mr. Cheung Sai Ming, being Directors to retire in rotation in accordance with the Articles, will retire and being eligible, offer themselves for re-election at the forthcoming AGM.

In addition, Mr. Zhao John Huan, Mr. Lu Yan, Dr. Lin Tun and Mr. Yuan Bing have been appointed as executive Director on 28 December 2018 and Mr. Lu Yan has resigned as executive Director on 23 April 2019. Pursuant to Article 83(3) of the Articles, Mr. Zhao John Huan, Dr. Lin Tun and Mr. Yuan Bing shall hold office only until the next general meeting of the Company and shall be eligible for re-election. Accordingly, Mr. Zhao John Huan, Dr. Lin Tun and Mr. Yuan Bing will retire and being eligible, 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 Mr. Zhao John Huan, Mr. Lu Yan, Mr. Lin Tun and Mr. Yuan Bing has entered into a service agreement with the Company for a term of three years. Their directorships will be subject to retirement by rotation and re-election pursuant to the provisions of the Listing Rules and the Articles of Association of the Company. Mr. Lu Yan has subsequently resigned with effect from 23 April 2019.

Ms. Li Yin has entered into a service agreement with the Company with each renewal for an initial term of three years commencing on 16 October 2016 and such service agreement may be terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into a service agreement or appointment letter with the Company. Each of Mr. Chen Xue Bao and Mr. Cheung Sai Ming entered into a service agreement with the Company for an initial term of three years commencing on 16 October 2016. Mr. Liu Chun Bo has signed an appointment letter with the Company and been appointed for a term of three years commencing from 3 June 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.

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 2018.

Contract of Significance

Save for the service contracts of the Directors and the contracts, details of which are set out in the paragraph – "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 45 to 46 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 notes 8 and 32 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 2018 (2017: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: Nil).

During the year ended 31 December 2018, 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 (2017: 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 2.18(a) 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 2018, 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

Name of Directors	Number of shares held	Capacity	Approximate percentage of interests
Mr. Zhao John Huan	7,802,539,321	Corporate interests (Note)	68.76%

Note:

Jovial Elite Limited is a wholly-owned subsidiary of Hony Capital Fund 2008, L.P., which is managed by Hony Capital Fund 2008 GP, L.P. (as general partner). Hony Capital Fund 2008 GP, L.P. is, in turn, managed by Hony Capital Fund 2008 GP Limited (as general partner). Therefore, Hony Capital Fund 2008, L.P., Hony Capital Fund 2008 GP, L.P. and Hony Capital Fund 2008 GP Limited are deemed to be interested in the shares in which Jovial Elite Limited is interested under the SFO.

Hony Gold Holdings, L.P. is managed by Hony Gold GP Limited (as general partner). Therefore, Hony Gold GP Limited is deemed to be interested in the shares in which Hony Gold Holdings, L.P. is interested.

Hony Capital Fund 2008 GP Limited and Hony Gold GP Limited are wholly-owned subsidiaries of Hony Group Management Limited, which is owned as to 80% by Hony Managing Partners. Hony Managing Partners is a wholly-owned subsidiary of Exponential Fortune Group Limited, which is owned by Mr. Zhao John Huan as to 49%.

As such, Mr. Zhao John Huan, Exponential Fortune Group Limited, Hony Managing Partners and Hony Group Management Limited are deemed to be interested in the shares in which Jovial Elite Limited and Hony Gold Holdings, L.P. are interested under the SFO.

Save as disclosed above, as at 31 December 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 31 December 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
Jovial Elite Limited	Beneficial owner	900,000,000 (Note 1)	7.93%
Hony Capital Fund 2008, L.P.	Interest in controlled corporation	900,000,000 (Note 1)	7.93%
Hony Capital Fund 2008 GP, L.P.	Interest in controlled corporation	900,000,000 (Note 1)	7.93%
Hony Capital Fund 2008 GP Limited	Interest in controlled corporation	900,000,000 (Note 1)	7.93%
Hony Gold Holdings, L.P.	Beneficial owner	6,873,012,321 (Note 1)	60.57%
Hony Gold GP Limited	Interest in controlled corporation	6,873,012,321 (Note 1)	60.57%
Hony Group Management Limited	Interest in controlled corporation	7,773,012,321 (Note 1)	68.50%
Hony Managing Partners Limited	Interest in controlled corporation	7,773,012,321 (Note 1)	68.50%
Exponential Fortune Group Limited	Interest in controlled corporation	7,773,012,321 (Note 1)	68.50%
Zhao John Huan	Interest in controlled corporation	7,773,012,321 (Note 1)	68.50%
Glory Moment Investments Ltd.	Beneficial owner	840,000,000 (Note 2)	7.40%
Mr. Fang Shin	Interest in controlled corporation	840,000,000 (Note 2)	7.40%
Ms. Kwok King Wa	Beneficial owner	684,900,000 (Note 3)	6.04%
Mr. Li Kin Shing	Interest of spouse	684,900,000 (Note 3)	6.04%

Notes:

1. Jovial Elite Limited is a wholly-owned subsidiary of Hony Capital Fund 2008, L.P., which is managed by Hony Capital Fund 2008 GP, L.P. (as general partner). Hony Capital Fund 2008 GP, L.P. is, in turn, managed by Hony Capital Fund 2008 GP Limited (as general partner). Therefore, Hony Capital Fund 2008, L.P., Hony Capital Fund 2008 GP, L.P. and Hony Capital Fund 2008 GP Limited are deemed to be interested in the shares in which Jovial Elite Limited is interested under the SFO.

   Hony Gold Holdings, L.P. is managed by Hony Gold GP Limited (as general partner). Therefore, Hony Gold GP Limited is deemed to be interested in the shares in which Hony Gold Holdings, L.P. is interested.

   Hony Capital Fund 2008 GP Limited and Hony Gold GP Limited are wholly-owned subsidiaries of Hony Group Management Limited, which is owned as to 80% by Hony Managing Partners. Hony Managing Partners is a wholly-owned subsidiary of Exponential Fortune Group Limited, which is owned by Mr. Zhao John Huan as to 49%. As such, Mr. Zhao John Huan, Exponential Fortune Group Limited, Hony Managing Partners and Hony Group Management Limited are deemed to be interested in the shares in which Jovial Elite Limited and Hony Gold Holdings, L.P. are interested under the SFO.

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

3. The 684,900,000 Shares are held by Ms. Kwok King Wa in person. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa and therefore deemed to have 684,900,000 Shares held by Ms. Kwok King Wa under the SFO.

Save as disclosed above, as at 31 December 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.

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 2018, 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, 4 June 2019. The register of members will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019, 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 4:30p.m. on Wednesday, 29 May 2019.

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 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 year ended 31 December 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 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 (ceased to be a Director with effect form 28 December 2018), 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 31 December 2018, 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. For further details of such deed of non-competition undertaking, please refer to the paragraph – "Non-competition Undertaking" of this report.

COMPETING INTERESTS

Directel Holdings Limited ("DHL") is a company incorporated in the Cayman Islands and a listed company on the GEM of The Stock Exchange (stock code: 8337) 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.

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, 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.

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 35 to 44 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 2018 have been reviewed by the audit committee of the Company.

On behalf of the Board
International Elite Ltd.

ZHAO JOHN HUAN
Chairman

Hong Kong, 26 March 2019

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.

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 2018.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2018 and the date of this report, the Board comprises the following eight Directors:

Executive Directors

- Zhao John Huan (趙令歡) *(Chairman)*
- Lu Yan (呂岩) (Note)
- Lin Tun (林暾) *(Chief Executive Officer)*
- Yuan Bing (袁兵)
- Li Yin (李燕)

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 the Directors of the Board is set out in pages 45 to 46 of this report.

Note: Mr. Lu Yan has resigned as executive Director with effect from 23 April 2019.

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.

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.

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 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 nine meetings. The following is the attendance record of the Board meetings:

Name of Directors	Number of Meetings Attended (Note 1)
Mr. Zhao John Huan *(Executive Director and Chairman)*	N/A
Mr. Lu Yan *(Executive Director)* (Note 2)	N/A
Dr. Lin Tun *(Executive Director and Chief Executive Officer)*	N/A
Mr. Yuan Bing *(Executive Director)*	N/A
Ms. Li Yin *(Executive Director)*	2/9
Mr. Li Kin Shing (resigned on 28 December 2018)	3/9
Mr. Wong Kin Wa (resigned on 28 December 2018)	9/9
Mr. Li Wen (resigned on 28 December 2018)	8/9
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	8/9
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	8/9
Mr. Liu Chun Bao *(Independent Non-Executive Director)*	8/9

Notes:

1. N/A means not applicable as the director was appointed on 28 December 2018 and no meeting was held from 28 to 31 December 2018.

2. Mr. Lu Yan has resigned as executive Director with effect from 23 April 2019.

Besides the meetings held above, Directors will hold meetings for special issues from time to time.

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 2018 is recorded in the table below.

Name of Directors	Attendance (Note 1)
Mr. Zhao John Huan *(Executive Director and Chairman)*	✓
Mr. Lu Yan *(Executive Director)* (Note 2)	✓
Dr. Lin Tun *(Executive Director and Chief Executive Officer)*	✓
Mr. Yuan Bing *(Executive Director)*	✓
Ms. Li Yin *(Executive Director)*	✓
Mr. Li Kin Shing (resigned on 28 December 2018)	✓
Mr. Wong Kin Wa (resigned on 28 December 2018)	✓
Mr. Li Wen (resigned on 28 December 2018)	✓
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	✓
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	✓
Mr. Liu Chun Bao *(Independent Non-Executive Director)*	✓

Notes:

1. training(s)/seminar(s)/course(s)/conference(s)/forums relevant to the business or directors' duties and responsibilities; and reading newspaper, journals, regulatory updates and relevant materials.

2. Mr. Lu Yan has resigned as executive Director with effect from 23 April 2019.

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 at any time during the relevant period (the "Relevant Period"), 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 during the year under review.

On 29 November 2018, the Covenantors (together with their respective associates) ceased to be interested in 10% or more of the issued share capital of the Company. Pursuant to the Deed of Non-Competition Undertaking by the Covenanters, the Relevant Period expired on 29 November 2018.

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 the 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 *(Independent Non-Executive Director and Chairman of the Audit Committee)*	2/2
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	2/2
Mr. Liu Chun Bao *(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 2018 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 2018 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 ("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. Zhao John Huan and two independent non-executive Directors namely Mr. Chen Xue Dao and Mr. Cheung Sai Ming. Mr. Zhao John Huan 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 Nomination Committee met once during the year under review to review the structure, size and composition of the Board and the independence of the independent non-executive directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting and to consider and recommend to the Board on the appointment of new directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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.

Ms. Li Yin, Mr. Chen Xue Dao and Mr. Cheung Sai Ming, being Directors to retire in rotation in accordance with the Articles, will retire and being eligible, offer themselves for re-election at the forthcoming AGM.

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 and each of their immediate family members (as defined in the Listing Rules) 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, Mr. Zhao John Huan, Mr. Lu Yan, Dr. Lin Tun and Mr. Yuan Bing have been appointed as executive Director on 28 December 2018 and Mr. Lu Yan has resigned as executive Director on 23 April 2019. Pursuant to the Articles, Mr. Zhao John Huan, Dr. Lin Tun and Mr. Yuan Bing shall hold office only until the next general meeting of the Company and shall be eligible for re-election. Accordingly, Mr. Zhao John Huan, Dr. Lin Tun and Mr. Yuan Bing will retire and being eligible, 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 (Note)
Mr. Zhao John Huan *(Executive Director, Chairman of the Board and Nomination Committee)*	N/A
Mr. Li Kin Shing (resigned on 28 December 2018)	1/1
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	1/1
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	1/1

Note: N/A means not applicable as the director was appointed on 28 December 2018 and no meeting was held from 28 to 31 December 2018.

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 ("Remuneration Committee") with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises one executive Director, namely, Mr. Yuan Bing and two independent non-executive Directors, namely Mr. Chen Xue Dao and Mr. Cheung Sai Ming. Mr. Yuan Bing has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

During the year under review, the Remuneration Committee held one meeting and the attendance record of the meeting is as follows:

Name of Directors	Number of Meeting Attended (Note)
Mr. Yuan Bing *(Executive Director and Chairman of the Remuneration Committee)*	N/A
Mr. Wong Kin Wa (resigned on 28 December 2018)	1/1
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	1/1
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	1/1

Note: N/A means not applicable as the director was appointed on 28 December 2018 and no meeting was held from 28 to 31 December 2018.

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 notes 8 and 32(a) 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 2018 is set out below:

Remuneration band	Number of individuals (Note)
HK$Nil to HK$500,000	5
HK$500,001 to HK$1,000,000	3

Note: 3 of the 8 staff ceased to be senior management as at 31 December 2018.

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 47 and 51 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 pages 45 to 46 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 effectiveness and adequacy of the 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 meetings held during the year ended 31 December 2018 is as follows:

Name of Directors	Number of Meeting Attended (Note 1)
Mr. Zhao John Huan *(Executive Director and Chairman)*	N/A
Mr. Lu Yan *(Executive Director)* (Note 2)	N/A
Dr. Lin Tun *(Executive Director and Chief Executive Officer)*	N/A
Mr. Yuan Bing *(Executive Director)*	N/A
Ms. Li Yin *(Executive Director)*	2/2
Mr. Li Kin Shing (resigned on 28 December 2018)	2/2
Mr. Wong Kin Wa (resigned on 28 December 2018)	2/2
Mr. Chen Xue Dao *(Independent Non-Executive Director)*	2/2
Mr. Cheung Sai Ming *(Independent Non-Executive Director)*	2/2
Mr. Liu Chun Bao *(Independent Non-Executive Director)*	2/2

Notes:

1. N/A means not applicable as the director was appointed on 28 December 2018 and no meeting was held from 28 to 31 December 2018.

2. Mr. Lu Yan resigned as executive Director with effect from 23 April 2019.

In addition, interim/annual reports, announcements and press releases are posted on the Company's website at www.iel.hk as well as the website of the Stock Exchange at www.hkexnews.hk which are constantly being updated in a timely manner and contain 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 Suite 2701, One Exchange Square, Central, 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. ZHAO JOHN HUAN (趙令歡), was appointed as an executive Director of the Company and the chairman of the Board on 28 December 2018. He is the founder, chairman and chief executive officer of Hony Capital Limited ("Hony Capital") which is a private equity firm in the PRC. Mr. Zhao has extensive experience in senior management positions at several companies in the United States and the PRC. Mr. Zhao is currently an executive director and an executive vice president of Legend Holdings Corporation (Stock Code: 3396), a company listed on the Main Board of the Stock Exchange carrying out strategic investments and financial investments in different business segments. He is also a non-executive director of Lenovo Group Limited (Stock Code: 0992), the chairman and a non-executive director of Hospital Corporation of China Limited (Stock Code: 3869), the non-executive director of China Glass Holdings Limited (Stock Code: 3300), an executive director, the chairman of the board and the chief executive officer of Best Food Holding Company Limited (Stock Code: 1488) and a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (Stock Code: 1157), which are listed on the Stock Exchange, and a director of Shanghai Jin Jiang International Hotels Development Co., Ltd. (上海錦江國際酒店發展股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600754 (A shares) and 900934 (B shares)). Mr. Zhao holds a MBA degree from the Kellogg School of Management at Northwestern University and dual Master's degrees in Electronic Engineering and Physics from Northern Illinois University.

MR. LU YAN (呂岩), was appointed as an executive Director of the Company on 28 December 2018. He has over 20 years of experience in working as senior management of Lenovo Group Limited (Stock Code: 0992), including working as the head of Think Products Group and senior vice president of Lenovo Mobile Communication Technology Co. Ltd. and he previously also held senior positions in desktop, motherboard, handheld device and information product businesses. He has extensive experience in sales and marketing, customer service, business development and operations. He holds a Master's degree in automatic control from Beijing Institute of Technology and holds an EMBA from China-Europe International Business School. Mr. Lu Yan resigned as executive Director of the Company with effect from 23 April 2019.

DR. LIN TUN (林暾), was appointed as an executive Director and chief executive officer of the Company on 28 December 2018. He is the general manager of GCML, a subsidiary of the Company, and managing director of Hony Capital. He joined Hony Capital in 2013. Prior to that, Dr. Lin worked at China International Capital Corporation as an executive director. Dr. Lin had more than ten years' experience in project investment, market analysis and policy research at different banks and educational institutes, including the Asia Development Bank, the World Bank and the University of Cambridge. He published extensively in areas of environmental economics and development economics. Dr. Lin obtained his doctoral degree in philosophy and master in philosophy in economics with finance degree from the University of Cambridge. He also received a master of science degree from the University of Vermont, and a bachelor degree in International Trade and Economics from Renmin University of China. Dr. Lin was a director of Hospital Corporation of China Limited (Stock Code: 3869) from June 2015 to May 2017.

MR. YUAN BING (袁兵), was appointed as an executive Director of the Company on 28 December 2018. He is a managing director of Hony Capital, and a member of Hony Capital's Executive Committee, responsible for its equity investment operations. Mr. Yuan is currently a non-executive director of Haichang Ocean Park Holdings Ltd. (Stock Code: 2255) and a non-executive director of Hydoo International Holding Limited (Stock Code: 1396). Mr. Yuan joined Hony Capital in April 2009 and has served as a managing director of private equity department since January 2010. Prior to joining Hony Capital, Mr. Yuan served as a managing director of the fixed income division of Morgan Stanley Asia Limited from October 2006 to 2009. Before that, Mr. Yuan worked at Morgan Stanley Asia Limited from April 2004 to June 2006. Mr. Yuan also served as a vice president of the investment banking division of Credit Suisse First Boston (Hong Kong) Limited from September 2001 to March 2004. During his investment banking time, Mr. Yuan has assisted numerous prominent Chinese state-owned enterprises and private sector companies in completing their IPO, corporate finance and M&A transactions. Mr. Yuan was a director of Hospital Corporation of China Limited (Stock Code: 3869) from December 2015 to May 2017. Mr. Yuan received a Bachelor of Arts degree in English from Nanjing University in July 1990. He also obtained a Master's degree in International Relations in June 1993 and a Juris Doctorate's degree in October 1998 from Yale University.

MS. LI YIN (李燕), is an executive Director of the Company and the general manager of China Elite, a subsidiary of the Company. She resigned as the chief operation officer of the Company in December 2018. 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 19 years of experience in the telecommunications industry. She had been the assistant to the general manager of the Company from 2000 to 2018. She is the sister of Mr. Li Kin Shing, a former executive Director and former chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHEN XUE DAO (陳學道), 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. From November 2011 to May 2018, Mr. Chen was an independent director of GCI Science & Technology Co., Ltd. (廣州傑賽科技股份有限公司), a company listed in the Shenzhen Stock Exchange with stock code 002544. Mr. Chen is currently an independent non-executive director of Directel Holdings Limited.

MR. CHEUNG SAI MING (張世明), 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), 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. LAM TSAN FAI FERGUS (林贊輝), has been appointed as the chief financial officer and the chief operating officer of the Company on 28 December 2018. He is responsible for the business operations of GCML and GSL, both SFC licensed corporations and subsidiaries of the Company. Mr. Lam joined Hony Capital in 2015 with over 23 years of experience in the financial sector serving various senior management positions. He is experienced in business and risk management, compliance, back office operations, technology and finance. Before joining Hony Capital, Mr. Lam worked at Keywise Capital Management (HK) Limited for 5 years as managing director, chief compliance officer and chief operating officer. Prior to that, Mr. Lam served as chief operating officer and director of business operations for 6 years at Chi Capital Securities Limited, a SFC licensed corporation. Before that, Mr. Lam worked at Goldman Sachs, Hong Kong and New York from 1994 to 2002 as executive director. He was head of Asia Equities Technology responsible for Goldman Sachs' global institutional sales and trading systems development. Mr. Lam received a First Class Honor Bachelor degree in Computing Science from Imperial College, University of London in 1982 and a Master degree in Computing from Birkbeck College, University of London in 1985.

MS. CHAN WAI CHING (陳惠貞), joined the Group in 2007 and is the Company's qualified accountant and company secretary. Ms. Chan has over 36 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), joined the Group in 1999 and is the finance manager of the 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 21 years of experience in the finance field.

MS. LIN YUAN YI (林原翼), 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 with a Diploma in Pedagogic English in 1994. Ms. Lin has 25 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), 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. And in 2018, she obtained a Diploma in Human Resource Management from South China Normal University. Ms. Peng has 22 years of experience in customer relationship management. Prior to joining the Group, Ms. Peng worked for a Telecommunications service provider for 7 years.

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF INTERNATIONAL ELITE LTD.
(incorporated in the 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 52 to 123, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, 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.

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 period. 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS (CONTINUED)

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

- Impairment assessment of intangible asset – CallVu
- Purchase price allocation for a business combination

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment assessment of intangible asset – CallVu *Refer to Notes 4(a)(i) and 15 to the consolidated financial statements.* An internally developed software used in the Group's customer relationship management service ("CRMS") business – "CallVu" is subject to impairment assessment. In October 2018, the Group was informed by certain customers that certain service contracts with the application of CallVu will not be renewed and therefore will be expired in the near future. In addition, the overall sales and business performance of CRMS business was lower than expectation in the current year, management considered that there is impairment indicator of CallVu. Accordingly, management has performed impairment assessment to assess the recoverable amount of CallVu and concluded that an impairment charge of approximately HK$10.1 million should be recognised in the current year. As at 31 December 2018, the carrying amount of CallVu amounted to approximately HK$0.7 million. The recoverable amount of CallVu is the higher of its value-in-use and fair value less costs of disposal. Management determined the recoverable amount of CallVu based on discounted cash flow forecast. An independent external valuer was engaged by management to perform a valuation of recoverable amount of CallVu as at 31 October 2018. We focused on this area because significant judgment is involved in management's impairment assessment as the determination of the recoverable amount of CallVu is based on various key assumptions and estimates such as revenue, profit margin and discount rate.	We evaluated the independent external valuer's competency, capabilities and objectivity. We read the valuation report prepared by the independent external valuer and involved our in-house valuation expert in discussion with management and the independent external valuer to understand and assess the methodology used and the key assumptions applied in the discounted cash flow forecast of CallVu. Based on our knowledge of the CRMS business and industry, we assessed the reasonableness of the key assumptions applied in the discounted cash flow forecast. For revenue and profit margin, we compared these assumptions to the historical performance of CallVu and approved budget prepared by management. For the discount rate, we compared it to the cost of capital of the CRMS business and other comparable companies. We tested the mathematical accuracy of the calculations of the discounted cash flow forecast. We considered the management's sensitivity analysis with respect to variations of key assumptions adopted, to evaluate the extent to which reasonably possible changes, both individually and in aggregate, would result in material changes to the impairment assessment. Based on the procedures performed above, we considered the key assumptions and estimates made by management in the impairment assessment of CallVu were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Purchase price allocation for a business combination *Refer to Notes 4(f) and 16 to the consolidated financial statements* On 29 November 2018, the Group completed the acquisition (the "Acquisition") of 100% issued share capital in Goldstream Capital Management Limited and Goldstream Securities Limited (collectively, the "Goldstream Companies"), at a consideration of approximately HK$351.0 million. The Acquisition was accounted for using the acquisition method under IFRS 3 (Revised) *Business Combinations*. The accounting of the Acquisition requires the Group to allocate the purchase price to the assets acquired, liabilities assumed and identified intangible assets based on their estimated fair values at the date of the Acquisition. The Group assessed the fair values of the assets acquired, liabilities assumed and identified intangible assets with reference to a valuation report prepared by an independent external valuer. The fair values of assets acquired, liabilities assumed, identified intangible assets and goodwill recognised in the consolidated financial statements as at the date of the Acquisition amounted to approximately HK$60.5 million, HK$23.9 million, HK$116.3 million and HK$197.8 million, respectively. The fair values of the assets acquired, liabilities assumed and identified intangible assets were determined by using the discounted cash flow forecast and various key assumptions and estimates including revenue growth rate, profit margin, discount rate and terminal growth rate. We focused on this area because the fair values of the assets acquired, liabilities assumed, identified intangible assets and goodwill are significant to the consolidated financial statements. Furthermore, the valuation methodology and key assumptions require the use of significant management's judgements and estimates. These estimations are also subject to uncertainties.	We evaluated the independent external valuer's competency, capabilities and objectivity. We read the valuation report issued by the independent external valuer and involved our in-house valuation expert in our discussion with management and the independent external valuer to understand and assess the methodology used and the key assumptions applied in the discounted cash flow forecast. Based on our knowledge of the financial services business and industry, we assessed the reasonableness of the key assumptions applied in the discounted cash flow forecast. For revenue growth rate and profit margin, we compared these assumptions to the historical performance of the Goldstream Companies and the approved budget prepared by management. For the discount rate, we compared it to the cost of capital of the Goldstream Companies and other comparable companies. For terminal growth rate, we compared it to the industry research and market data. We tested the mathematical accuracy of the calculations of the discounted cash flow forecast. Based on the procedures performed above, we considered the key assumptions and estimates applied by management in the valuation of the purchase price allocation were 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 the "Corporate Information", "Report of Directors", "Corporate Governance Report", "Management Discussion and Analysis", "Profile of Directors and Senior Management", "Chairman's Statement", "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 the "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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 period 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, 26 March 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

	Note	2018 HK$'000	(Restated) 2017 HK$'000
Continuing operations			
Revenue	5, 6	**270,915**	258,371
Cost of providing services	10	**(244,051)**	(242,170)
Gross profit		**26,864**	16,201
Other income	7	**6,334**	6,384
Administrative and other operating expenses	10	**(61,432)**	(41,190)
Operating loss		**(28,234)**	(18,605)
Finance income	25	**2,609**	–
Finance cost	25	**(54)**	–
Finance income, net		**2,555**	–
Loss before income tax		**(25,679)**	(18,605)
Income tax (expenses)/credit	11	**(840)**	1,951
Loss from continuing operations		**(26,519)**	(16,654)
Profit/(loss) from discontinued operations	12	**100,908**	(44,168)
Profit/(loss) for the year		**74,389**	(60,822)
(Loss)/profit attributable to:			
Owners of the Company			
Continuing operations		**(26,519)**	(16,654)
Discontinued operations		**102,965**	(32,546)
		76,446	(49,200)
Non-controlling interests			
Continuing operations		**–**	–
Discontinued operations		**(2,057)**	(11,622)
		(2,057)	(11,622)
(Loss)/earning per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic and diluted			
Continuing operations		**(0.29)**	(0.18)
Discontinued operations		**1.11**	(0.36)
Total	13	**0.82**	(0.54)

The accompanying notes on pages 57 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Profit/(loss) for the year		**74,389**	(60,822)
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
Continuing operations:			
– Currency translation differences		**(6,955)**	9,336
Discontinued operations:			
– Currency translation differences	12(a)	**(6,253)**	8,433
– Exchange reserves released upon disposals of businesses	12(a)	**(86,241)**	–
Other comprehensive (loss)/income for the year, net of tax		**(99,449)**	17,769
Total comprehensive loss for the year, net of tax		**(25,060)**	(43,053)
Total comprehensive loss for the year is attributable to			
– Owners of the Company		**(22,291)**	(32,170)
– Non-controlling interests		**(2,769)**	(10,883)
		(25,060)	(43,053)
Total comprehensive (loss)/income for the year is attributable to the owners of the Company arises from:			
Continuing operations		**(33,474)**	(7,318)
Discontinued operations		**11,183**	(24,852)
Total		**(22,291)**	(32,170)

The accompanying notes on pages 57 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**47,379**	55,085
Goodwill	16(b)	**197,833**	41,459
Intangible assets	15	**115,208**	45,205
Deferred tax assets	17	**–**	2,972
Long term deposits	19	**615**	632
		361,035	145,353
Current assets			
Inventories	18	**–**	30,313
Trade and bills receivables	19	**98,294**	178,179
Prepayments, deposits and other receivables	19	**44,017**	–
Cash and cash equivalents	20	**460,352**	383,856
		602,663	592,348
Total assets		**963,698**	737,701
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	21	**113,465**	90,835
Reserves	22	**721,868**	518,839
		835,333	609,674
Non-controlling interests		**–**	63,796
Total equity		**835,333**	673,470
LIABILITIES			
Non-current liabilities			
Borrowings from a former director	25	**47,445**	–
Deferred tax liabilities	17	**18,891**	2,025
		66,336	2,025
Current liabilities			
Trade, bills and other payables	23	**60,935**	37,355
Provision for warranty	24	**–**	15,980
Contract liabilities		**309**	–
Provision for taxation		**785**	8,871
		62,029	62,206
Total liabilities		**128,365**	64,231
Total equity and liabilities		**963,698**	737,701

The consolidated financial statements on pages 52 to 123 were approved by the Board of Directors on 26 March 2019 and were signed on its behalf.

Zhao John Huan
Director

Lin Tun
Director

The accompanying notes on pages 57 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-Controlling interests HK$'000	Total equity HK$'000
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
Balance 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
Change in accounting policy (Note 2.2)	–	–	–	–	–	(2,714)	(2,714)	(3,775)	(6,489)
Restated total equity as at 1 January 2018	90,835	1,481,785	1,504,296	3,016	99,939	(2,572,911)	606,960	60,021	666,981
Comprehensive income/(loss)									
Profit/(loss) for the year	–	–	–	–	–	76,446	76,446	(2,057)	74,389
Other comprehensive loss									
Currency translation differences	–	–	–	–	(12,496)	–	(12,496)	(712)	(13,208)
Exchange reserves released upon disposals of businesses (Note 12)	–	–	–	–	(86,241)	–	(86,241)	–	(86,241)
Total other comprehensive loss, net of tax	–	–	–	–	(98,737)	–	(98,737)	(712)	(99,449)
Total comprehensive (loss)/income	–	–	–	–	(98,737)	76,446	(22,291)	(2,769)	(25,060)
Transactions with owners in their capacity as owners									
Reserves released upon disposals of businesses (Note 22(ii))	–	–	(45,880)	(50)	–	45,880	(50)	–	(50)
Non-controlling interests in relation to discontinued operations (Note 12)	–	–	–	–	–	–	–	(57,252)	(57,252)
Issuance of shares (Note 21)	22,630	328,137	–	–	–	–	350,767	–	350,767
Transaction cost attributable to the issuance of new shares (Note 16(a))	–	(540)	–	–	–	–	(540)	–	(540)
Distribution in specie (Note 9)	–	(99,513)	–	–	–	–	(99,513)	–	(99,513)
Transfer to statutory reserve (Note 22(i))	–	–	–	175	–	(175)	–	–	–
Total transactions with owners in their capacity as owners	22,630	228,084	(45,880)	125	–	45,705	250,664	(57,252)	193,412
Balance at 31 December 2018	113,465	1,709,869	1,458,416	3,141	1,202	(2,450,760)	835,333	–	835,333

The accompanying notes on pages 57 to 123 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	26	31,539	(68,654)
Income tax (paid)/refund		(20)	89
Net cash used in operating activities from discontinued operations	12(c)	(28,670)	(2,919)
Net cash generated from/(used in) operating activities		2,849	(71,484)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	16	15,954	–
Payment for property, plant and equipment		(837)	(1,434)
Interest received		2,649	2,403
Proceeds from sale of property, plant and equipment	26	11	40
Payment for cost of issuance of share capital	16	(540)	–
Net cash generated from investing activities from discontinued operations	12(c)	11,015	547
Net cash generated from investing activities		28,252	1,556
Cash flows from financing activity			
Proceed from borrowings from a former director	26	50,000	–
Net cash generated from financing activity		50,000	–
Net increase/(decrease) in cash and cash equivalents		81,101	(69,928)
Cash and cash equivalents at beginning of year	20	383,856	443,071
Exchange (loss)/gain on cash and cash equivalents		(4,605)	10,713
Cash and cash equivalents at end of year	20	460,352	383,856

The accompanying notes on pages 57 to 123 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 (collectively, 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 was 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. Following the acquisition of Global Link Communications Holdings Limited ("GLCH") in April 2016, the Group was also engaged in the provision of passenger information management system ("PIMS"). The Group has no longer engaged in PIMS business and RF-SIM business following the completion of disposal of interest in GLCH through distribution in specie in October 2018 and the disposal of interest in Sunward Telecom Limited in November 2018. Following the acquisition of Goldstream Capital Management Limited ("GCML") and Goldstream Securities Limited ("GSL") ("Goldstream Companies") in November 2018, the Group is also engaged in the provision of investment management ("IM") services.

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 has been 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 AND CHANGES IN 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 ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis.

On 30 July 2018, the Company entered into a sale and purchase agreement with Mr. Li Kin Shing to dispose of the Group's 100% equity interest in MZone Network Limited and Sunward Telecom Limited (the "Disposal Group") to Mr. Li Kin Shing at a consideration of HK$135,000,000. The transaction was completed during the year ended 31 December 2018. Accordingly, the financial results of the Disposal Group are presented in the consolidated income statement and consolidated statement of cash flows as "Discontinued Operations" in accordance with IFRS 5 "Non-current Assets Held for Sales and Discontinued Operations". Comparative figures for 2017 have also been restated.

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 AND CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(i) *New, amended standards and interpretation adopted by the Group*

The following new, amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

Annual improvements project	Annual Improvements to IFRSs 2014 – 2016 cycle
IAS 40 (Amendments)	Transfer of Investment Property
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15. Except for IFRS 9 and IFRS 15, other new, amended standards and interpretation listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) *New and amended standards and new interpretation 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 improvements project	Annual Improvements to IFRSs 2015 – 2017 Cycle	1 January 2019
IAS 19 (Amendment)	Employee Benefits	1 January 2019
IAS 28 (Amendment)	Investments in Associate and Joint Ventures	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	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 3 (Revised)	Business Combinations	1 January 2020
IFRS 16	Lease	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for financial report 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group has commenced an assessment of the impact of these new standards, amendments to existing standards and interpretation. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

IFRS 16 Leases

IFRS 16 was issued in January 2016, it addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all leases will be recognised in the consolidated statement of financial position by lessees as the distinction between operating and finance lease is removed.

The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is to record the rental expenses in profit or loss when such expenses were incurred, with the related operating lease commitments being separately disclosed.

The Group will adopt IFRS 16 from its mandatory adoption date of 1 January 2019 using the simplified transition approach as prescribed by IFRS 16 and will recognise the cumulative effect of initial application to opening accumulated losses as at 1 January 2019 and the comparatives will not be restated. Upon adoption of IFRS 16, the Group will recognise a liability reflecting these future lease payments and right-of-use assets, except for the short-term leases of less than twelve months or leases of low-value assets that are exempted from applying this accounting model as a practical expedient. As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$3,110,000 which accounts for approximately 0.3% and 2.4% of the Group's total assets and liabilities respectively as at 31 December 2018. The Group expects that the adoption of IFRS 16 as compared with the current accounting policy would not result in significant impact on the Group's assets, liabilities, financial performance and cash flow classification.

2.2 Changes in accounting policies

This note explains the impact of adoptions of IFRS 9 and IFRS 15 on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

	31 December 2017 as originally presented HK$'000	Effects of the adoption of IFRS 9 HK$'000 (Note 2,2(a)(ii))	Effects of the adoption of IFRS 15 HK$'000 (Note 2,2(b))	1 January 2018 Restated HK$'000
Current assets				
Trade and bills receivables	178,179	(6,489)	(18,982)	152,708
Contract assets	–	–	18,982	18,982
Current liabilities				
Contract liabilities	–	–	(309)	(309)
Trade and other payables	(37,355)	–	309	(37,046)
Equity				
Accumulated losses	2,570,197	2,714	–	2,572,911
Non-controlling interests	(63,796)	3,775	–	(60,021)

(a) *IFRS 9 Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(a) *IFRS 9 Financial Instruments* (continued)

(i) ***Classification and measurement***

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The measurement categories of each material class of financial assets and liabilities were as follows:

	Measurement Category under IAS 39	Measurement Category under IFRS 9
Financial assets		
Trade receivables	Amortised cost	Amortised cost
Contract assets	N/A	Amortised cost
Bill and other receivables	Amortised cost	Amortised cost
Short-term bank deposits	Amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Amortised cost
Financial liabilities		
Trade and bills payables	Amortised cost	Amortised cost
Accruals and other payables	Amortised cost	Amortised cost

(ii) ***Impairment of financial assets***

The Group's financial assets that are subject to IFRS 9's new expected credit loss model include trade and bill receivables, contract assets and other receivables. The Group was required to revise its impairment methodology under IFRS 9 for these classes of financial assets as disclosed in Notes 3.1.3(c) and 19.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

This resulted in an increase of the loss allowance for the discontinued operations on 1 January 2018 by HK$6,489,000 for trade receivables while the impact from the continuing operations is considered immaterial. Note 3.1.3(c) provides for details about the calculation of the loss allowances.

The loss allowance for the discontinued operations increased by a further HK$3,654,000 for trade receivables during the current reporting period. While the impact to the continuing operations is considered immaterial. Note 3.1.3(c) provides for details about the calculation of the loss allowance.

(b) *IFRS 15 Revenue from Contracts with Customers – Impact of adoption*

The Group has adopted IFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in IFRS 15, comparative figures have not been restated.

The Group receives payments from certain customers in advance of the performance under the contracts. Under IFRS 15, these receipt in advance previously recognised in trade and other payables were now recognised as contract liabilities. HK$309,000 revenue was recognised in the current reporting period relates to carried forward contract liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.3 Consolidation

2.3.1 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 2.3.2).

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.

2.3.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

2.3.2 *Business combination* (continued)

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.

2.3.3 *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.

2.3.4 *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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.4 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.

2.5 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.

(b) *Transactions and balance*

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.

(c) *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 AND CHANGES IN ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 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 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "administrative and other operating expenses" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.7 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

(b) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to ten years. Cost associated with maintaining computer software programmes are recognised as an expense as incurred.

(c) *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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

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

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

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

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

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 met the recognition criteria listed above. The development of CallVu was completed in January 2016 and was amortised over 5 years until there was change in the estimated useful life to 10 months in the current year, see Note 4(b) for further details.

(d) *Licenses*

The Licenses acquired in a business combination are recognised at fair value at the acquisition date. Subsidiaries of the Company, GSL and GCML are licensed corporation under the Securities and Futures Ordinance ("SFO") to engage Type 1 (dealing in securities) and Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO respectively. The licenses have an indefinite useful life and therefore they will not be amortised until their useful life is determined to be finite.

(e) *Customer contracts*

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Those customer contracts have a finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected lives of 4 years.

(f) *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.

(g) *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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.8 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.

2.9 Financial assets

(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 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.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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 the risks and rewards of ownership.

(iii) *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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(iii) *Measurement* (continued)

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:

- 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 administrative and other operating expenses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- 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 income 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. 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 administrative and other operating expenses and impairment expenses are presented as separate line item in the consolidated income statement.

- 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 in the period in which it arises.

(iv) *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. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Notes 3.1.3(c) and 19 for further details.

(v) *Accounting policies applied until 31 December 2017*

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(v) *Accounting policies applied until 31 December 2017* (continued)

Classification

Until 31 December 2017, 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 2.12 and 2.13).

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.

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".

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(v) *Accounting policies applied until 31 December 2017* (continued)

Measurement (continued)

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.

Impairment

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(v) *Accounting policies applied until 31 December 2017* (continued)

Impairment (continued)

Assets carried at amortised cost (continued)

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 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at 31 December 2018 and 2017, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

2.11 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.

2.12 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 the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.13 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.

2.14 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.

2.15 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.

2.16 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.

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.16 Current and deferred income tax (continued)

(b) *Deferred income tax* (continued)

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.

2.17 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.

2.18 Employee benefits

(a) *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.

(b) *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 AND CHANGES IN ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(c) 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.

2.19 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.

2.20 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.20 Borrowings and borrowing costs (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 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.

(a) *CRM services*

CRM services comprise inbound services which include customer hotline services and built-in secretarial services, a personalised message taking services, and outbound services which include telesales services and market research services under fixed-price and variable price contracts.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised over time because the customer receives and uses the benefits simultaneously. For variable-price contracts, which charges based on actual volume of transactions provided is recognised at point in time when the transaction is delivered, the service has rendered.

(b) *Sales of goods*

The Group manufactures and sells RF-SIM and PIMS products. Sales are recognised when control of the products has transferred, being when the products are delivered to customers. There is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provision have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue is only recognised to the extent that is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with normal credit term, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty term is recognised as a provision, see note 24.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(c) *Licensing income*

Licensing income is recognised on an accrual basis in accordance with the underlying terms of the relevant agreements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

(d) IM services

Revenue comprises (1) management income; and (2) performance fee income. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Management income is recognised when services are performed over time. Performance fees income is recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period and it is determined that they are no longer highly probable of significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

(e) Interest income

Interest income is recognised as it accrues using the effective interest method. Imputed interest income recognised in respect of borrowings from a former director is presented as finance income, see note 25 below. Any other interest income is included in "other income" in the consolidated income statement.

2.22 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 consolidated income statement on a straight-line basis over the period of the lease.

2.23 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.

2.24 Discontinued operation

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operation are presented separately in the consolidated income statement.

3 FINANCIAL RISK MANAGEMENT

3.1 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), 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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.1 *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 2018, if HK$ had strengthened/weakened by 5% (2017: 2%) against RMB with all other variables held constant, the Group's post-tax loss for the year would have been HK$193,000 (2017: HK$50,000) higher/lower mainly as a result of foreign exchange losses/gains on translation of RMB denominated recognised assets and liabilities.

3.1.2 *Interest rate risk*

The Group's interest rate risk arises from cash balances placed with reputable banks.

As at 31 December 2018, 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$1,111,000 (2017: HK$925,000) lower/higher.

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

3.1.3 *Credit risk*

The credit risk of the Group mainly arises from cash and cash equivalents and trade and other receivables.

(a) Risk management

Credit risk is managed on a group basis. 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 2018, the Group had a concentration of credit risk as 84% (2017: 80%) of the total trade receivables were due from the Group's five largest customers and 37% (2017: 38%) of the total trade receivables were due from the Group's largest customer.

(b) Security

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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) Impairment of financial assets

Trade receivables and contract assets, deposits and other receivables and cash and cash equivalents are subject the expected credit loss model.

While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets related to unbilled receivables and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusted the historical loss rate based on expected changes in these factors.

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 to 365 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) ***Impairment of financial assets*** (continued)

The Group uses two categories for those trade receivables and contract assets which reflect their credit risk and how the loss allowance is determined for each of those categories.

Individual basis

The following tables presents the balances of gross carrying amounts and loss allowance in respect of the individually assessed trade receivables and contract assets as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9):

Continuing operations

31 December 2018	Not yet due	Past due: Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	40,643	14,963	4,619	1,226	549	13,295	181	75,476
– Contract assets	14,757	–	–	5,544	–	–	–	20,301
Loss allowance (HK$'000)	–	–	–	–	–	–	181	181

1 January 2018	Not yet due	Past due: Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	23,747	16,363	14,174	10,313	13,042	–	181	77,820
– Contract assets	18,982	–	–	–	–	–	–	18,982
Loss allowance (HK$'000)	–	–	–	–	–	–	181	181

No additional loss allowances for continuing operations for trade receivables and contract assets resulted from the adoption of IFRS 9.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) *Impairment of financial assets* (continued)

Individual basis (continued)

Discontinued operations

9 October 2018	Not yet due	Past due Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.07%	0.09%	0.14%	1.99%	8.42%	66.68%	66.74%	
Gross carrying amount (HK$'000)								
– Trade receivables	27,004	4,643	6,374	6,177	974	1,981	31	47,184
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	19	4	9	123	82	1,321	21	1,579

29 November 2018	Not yet due	Past due Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	958	749	177	58	286	58	–	2,286
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	–	–	–	–	–	–	–	–

1 January 2018	Not yet due	Past due Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.06%	0.00%	0.00%	1.59%	4.98%	0.00%	93.05%	
Gross carrying amount (HK$'000)								
– Trade receivables	28,123	727	2,136	1,511	3,012	–	187	35,696
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	17	–	–	24	150	–	174	365

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) Impairment of financial assets (continued)

Collective basis

The following tables presents the balances of gross carrying amounts and loss allowance in respect of the collectively assessed trade receivables and contract assets as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9):

Continuing operations

		Past due						
31 December 2018	Not yet due	Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	1,539	421	12	4	8	–	–	1,984
– Contract assets	714	–	–	–	–	–	–	714
Loss allowance (HK$'000)	–	–	–	–	–	–	–	–

		Past due						
1 January 2018	Not yet due	Within 30 days	31-60 days	61-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	2,990	366	333	2	–	–	240	3,931
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	–	–	–	–	–	–	240	240

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) ***Impairment of financial assets*** (continued)

Collective basis (continued)

Discontinued operations

9 October 2018	Not yet due	Past due Within 30 days	Past due 31-60 days	Past due 61-180 days	Past due 181-365 days	Past due 366-730 days	Past due Over 730 days	Total
Expected loss rate	7.33%	56.00%	0.00%	74.13%	100%	100%	100%	
Gross carrying amount (HK$'000)								
– Trade receivables	3,630	25	–	777	1,162	3,863	5,351	14,808
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	266	14	–	576	1,162	3,863	5,351	11,232

29 November 2018	Not yet due	Past due Within 30 days	Past due 31-60 days	Past due 61-180 days	Past due 181-365 days	Past due 366-730 days	Past due Over 730 days	Total
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount (HK$'000)								
– Trade receivables	575	–	–	–	–	–	–	575
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	–	–	–	–	–	–	–	–

1 January 2018	Not yet due	Past due Within 30 days	Past due 31-60 days	Past due 61-180 days	Past due 181-365 days	Past due 366-730 days	Past due Over 730 days	Total
Expected loss rate	8.16%	0.25%	1.36%	58.46%	80.51%	80.49%	98.56%	
Gross carrying amount (HK$'000)								
– Trade receivables	1,385	798	442	3,341	2,052	2,962	3,190	14,170
– Contract assets	–	–	–	–	–	–	–	–
Loss allowance (HK$'000)	113	2	6	1,953	1,652	2,384	3,143	9,253

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 *Credit risk* (continued)

(c) *Impairment of financial assets* (continued)

No additional loss allowances for continuing operations for trade receivables and contract assets resulted from adoption of IFRS9.

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowance on 1 January 2018 and 31 December 2018 as follows:

	Trade receivables and contract assets		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
At 31 December 2017 – calculated under IAS 39	(421)	(3,129)	(3,550)
Amounts additional provided through opening retained earnings on the adoption of IFRS 9	–	(6,489)	(6,489)
Opening loss allowance on 1 January 2018 – IFRS 9	(421)	(9,618)	(10,039)
Increase in loss allowance recognised in profit or loss during the year	–	(3,654)	(3,654)
Reversal of loss allowances	240	172	412
Exchange differences	–	289	289
Disposals of businesses	–	12,811	12,811
At 31 December 2018	(181)	–	(181)

Net impairment losses on trade receivables and contract assets amounted HK$3,482,000 (Note 12) is included in the consolidated income statement of discontinued operations.

Bill and other receivables

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which was immaterial.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.4 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.

	Within 1 year HK$'000	Over 1 year and within 2 years HK$'000	Over 2 years HK$'000	Total HK$'000
At 31 December 2018				
Trade and other payables and contract liabilities	**51,792**	**–**	**–**	**51,792**
Borrowings from a former director	**–**	**47,445**	**–**	**47,445**
At 31 December 2017				
Trade, bills and other payables	30,797	–	–	30,797

3.2 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 2017.

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 as 31 December 2018 and 31 December 2017, the gearing ratios were as follows:

	2018 HK$'000	2017 HK$'000
Net cash (HK$'000)	**412,907**	383,856
Total capital (HK$'000)	**835,333**	673,470
Gearing ratio	**N/A**	N/A

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

As at 31 December 2018 and 2017, 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 and contract liabilities approximate to their fair values due to their short maturities. The fair value of non-current borrowings from a former director is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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 non-financial 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 2.8.

As at 31 December 2018, the carrying amount of CallVu, an internally generated software is approximately HK$720,000 (2017: HK$15,200,000) (Note 15). During the year ended 31 December 2018, management had written down the carrying amount by HK$10,078,000 (Note 15).

Changing the discount rates and other assumptions selected by management in assessing impairment, including the expected revenue amount assumption in the cash flow projections, could materially affect the net present value used in the impairment test. If expected revenue amount for the projection period had been 1% lower than management's estimates with all other variables held constant, the value-in-use of CallVu would have been decreased by approximately HK$651,000. If the discount rate had been 1% higher than management's estimate with all other variables held constant, value-in-use of CallVu would have been HK$118,000 lower.

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. Significant judgement is required in assessing the recoverable amount on which the goodwill is allocated to the specific CGUs.

(iii) Trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.3.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Depreciation of property, plant and equipment and amortisation of intangible assets

The Group depreciates the property, plant and equipment and intangible assets on a straight-line basis over their respective estimated useful lives. Management will revise the depreciation charge and amortisation 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. During the year, the Group has reassessed the useful life of CallVu from 5 years to 10 months since the Group was informed by certain customers that certain service contracts with the application of CallVu will not be renewed and therefore will be expired in the near future.

(c) 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.

(d) 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.

(e) 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 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% on 2 December 2016. 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.

(f) Fair value of identifiable assets and liabilities acquired through business combinations and fair value of consideration at the date of acquisition

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgments and estimates are used to determine fair values of the assets acquired and liabilities assumed. The valuation involves estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

5 REVENUE

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

	2018 HK$'000	2017 HK$'000
Continuing operations		
CRM services income	268,975	258,371
IM services	1,940	–
	270,915	258,371

The Group has three customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2018 (2017: three customers). The amounts of revenue from the customers are as follows:

	2018 HK$'000	2017 HK$'000
Customer 1	108,998	85,487
Customer 2	78,837	87,285
Customer 3	54,000	54,238

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.

(iv) IM service ("IMS") business: this segment includes (a) advisory services on securities and asset management; and (b) securities trading.

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 and services).

Revenue and expenses are allocated to the reportable segments with reference to revenue 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/(loss) and certain assets and expenditure information for the Group's business segments for the years ended 31 December 2018 and 2017:

	Continuing operations			Discontinued operations				
	IMS business HK$'000	CRMS business HK$'000	Total HK$'000	RF-SIM business HK$'000	PIMS business HK$'000	CRMS business HK$'000	Total HK$'000	Group HK$'000
For the year ended 31 December 2018								
Revenue from external customers	1,940	268,975	270,915	6,195	96,926	29	103,150	374,065
Reportable segment profit/(loss)	1,332	25,532	26,864	(22,247)	23,890	29	1,672	28,536
Depreciation and amortisation	1,796	8,910	10,706	2,527	2,952	–	5,479	16,185
(Provision of loss allowance)/reversal of impairment of financial assets, net	–	240	240	–	(3,482)	–	(3,482)	(3,242)
Reportable segment assets	353,568	149,778	503,346	–	–	–	–	503,346
Additions to non-current segment assets during the year	116,328	769	117,097	85	725	–	810	117,907

	Continuing operations			Discontinued operations				
	IMS business HK$'000	CRMS business HK$'000	Total HK$'000	RF-SIM business HK$'000	PIMS business HK$'000	CRMS business HK$'000	Total HK$'000	Group HK$'000
For the year ended 31 December 2017								
Revenue from external customers	–	258,371	258,371	8,798	61,175	326	70,299	328,670
Reportable segment profit/(loss)	–	16,201	16,201	(8,620)	8,266	326	(28)	16,173
Depreciation and amortisation	–	9,553	9,553	6,875	326	–	7,201	16,754
Provision of impairment of financial assets, net	–	–	–	–	(2,513)	–	(2,513)	(2,513)
Reportable segment assets	–	186,007	186,007	108,429	56,233	202	164,864	350,871
Additions to non-current segment assets during the year	–	1,515	1,515	1,279	12	–	1,291	2,806

6 SEGMENT INFORMATION (continued)

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

Continuing operations	2018 HK$'000	2017 HK$'000
Revenue		
Reportable segment revenue	270,915	258,371
Consolidated revenue	270,915	258,371
Profit/(loss)		
Reportable segment profit	26,864	16,201
Other income	6,334	6,384
Finance income, net	2,555	–
Unallocated head office and administrative and other operating expenses	(61,432)	(41,190)
Consolidated loss before income tax	(25,679)	(18,605)
Assets		
Reportable segment assets	503,346	350,871
Deferred tax assets	–	2,972
Cash and cash equivalents	460,352	383,856
Unallocated head office and other assets	–	2
Consolidated total assets	963,698	737,701

Discontinued operations	2018 HK$'000	2017 HK$'000
Revenue		
Reportable segment revenue	103,150	70,299
Consolidated revenue	103,150	70,299
Profit/(loss)		
Reportable segment profit/(loss)	1,672	(28)
Other income	3,602	9,334
Unallocated depreciation and amortisation	–	(81)
Unallocated research and development expenses	(8,494)	(11,986)
Unallocated head office and administrative and other operating expenses	(37,953)	(44,638)
Income tax (expense)/credit	(763)	3,231
Gain on disposals of businesses	142,844	–
Consolidated profit/(loss) from discontinued operations	100,908	(44,168)

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.

	Continuing operations				Discontinued operations				
	Hong Kong HK$'000	The People's Republic of China ("PRC") HK$'000	Macao and others HK$'000	Total HK$'000	Hong Kong HK$'000	The People's Republic of China ("PRC") HK$'000	Macao and others HK$'000	Total HK$'000	Group HK$'000
Year ended 31 December 2018									
Revenue from external customers	**145,437**	**115,747**	**9,731**	**270,915**	**482**	**102,639**	**29**	**103,150**	**374,065**
Specified non-current assets	**315,822**	**44,492**	**721**	**361,035**	**–**	**–**	**–**	**–**	**361,035**
Year ended 31 December 2017									
Revenue from external customers	158,453	93,450	6,468	258,371	432	69,541	326	70,299	328,670
Specified non-current assets	3,738	49,345	15,202	68,285	25	74,071	–	74,096	142,381

(d) Disaggregation of revenue from contracts with customers

The Group derives revenue from provision of services over-time and at point in time for the following services types.

	Continuing operations			Discontinued operations				
	IMS business HK$'000	CRMS business HK$'000	Total HK$'000	RF-SIM business HK$'000	PIMS business HK$'000	CRMS business HK$'000	Total HK$'000	Group HK$'000
For the year ended 31 December 2018								
At point in time	**–**	**103,776**	**103,776**	**6,195**	**96,926**	**–**	**103,121**	**206,897**
Over-time	**1,940**	**165,199**	**167,139**	**–**	**–**	**29**	**29**	**167,168**
	1,940	**268,975**	**270,915**	**6,195**	**96,926**	**29**	**103,150**	**374,065**
For the year ended 31 December 2017								
At point in time	–	81,295	81,295	8,798	61,175	–	69,973	151,268
Over-time	–	177,076	177,076	–	–	326	326	177,402
	–	258,371	258,371	8,798	61,175	326	70,299	328,670

7 OTHER INCOME

	2018 HK$'000	2017 HK$'000
Continuing operations		
Interest income	2,649	2,357
Government grants (Note a)	2,564	3,064
Rental income (Note b)	700	697
Others	421	266
	6,334	6,384

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$Nil (2017: HK$8,000) was received from a related party, please refer to Note 30(b) for details.

8 EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Wages, salaries and other benefits	221,053	217,331
Contribution to retirement benefit schemes	17,066	16,627
Total employee benefits expenses	238,119	233,958

Employee benefits expenses of HK$215,591,000 (2017: HK$213,414,000) and HK$22,528,000 (2017: HK$20,544,000) have been charged to cost of providing services and administrative and other operating expenses respectively.

(a) Five highest paid individuals

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

	Number of individual	
	2018	2017
Director of the Company	4	4
Senior management	1	1

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

(a) Five highest paid individuals (continued)

Out of the five individuals with the highest emoluments, four (2017: four) are directors whose emoluments are disclosed in Note 32(a). The aggregate emoluments in respect of the remaining one (2017: one) highest paid individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other emoluments	833	1,081
Retirement scheme contribution	14	18
	847	1,099

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

	Number of individual	
	2018	2017
HK$Nil–HK$1,000,000	1	–
HK$1,000,001–HK$1,500,000	–	1

9 DIVIDENDS

On 9 August 2018, the Board declared a special dividend by distribution in specie of 873,683,120 GLCH shares being held by the Company (the "Distribution in Specie"). On 9 October 2018, pursuant to the Distribution in Specie, the Group ceased to be shareholder of 872,920,496 shares in GLCH. The fair value of these shares was at HK$0.114 per share totalling HK$99,513,000.

The board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

10 EXPENSES BY NATURE

	2018 HK$'000	2017 HK$'000
Continuing operations		
Employee benefits expenses, including directors' emoluments (Note 8)	238,119	233,958
Auditors' remuneration		
– Audit services	2,269	1,437
– Non-audit services	784	968
Depreciation of property, plant and equipment (Note 14)	4,533	4,486
Amortisation of intangible assets (Note 15)	6,173	5,067
Reversal of loss allowances	(240)	–
Operating lease charges in respect of		
– Rental of building and offices	4,940	5,275
– Hire of transmission lines	6,255	6,581
Impairment of intangible assets (Note 15)	10,078	–
Legal and professional fee	8,263	4,893
Exchange differences, net	372	(1,568)
Loss on disposal of property, plant and equipment	130	282
Other expenses	23,807	21,981
Total cost of providing services and administrative and other operating expenses	305,483	283,360

11 INCOME TAX EXPENSE/(CREDIT)

	2018 HK$'000	2017 HK$'000
Current income tax:		
Hong Kong corporate income tax	128	162
PRC corporate income tax	804	–
Over provision in the prior years	(55)	(5,106)
Total current tax expense/(credit)	877	(4,944)
Deferred tax (Note 17)	726	(238)
Income tax expense/(credit)	1,603	(5,182)
Income tax expense/(credit) is attributable to:		
Profit/(loss) from continuing operations	840	(1,951)
Profit/(loss) from discontinued operations	763	(3,231)
	1,603	(5,182)

(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 year.

(ii) PRC corporate income tax

Xiamen Elite Electric Co. Ltd ("Xiamen Elite") and China Elite Info. Co. Ltd. ("China Elite") are eligible for a preferential income tax rate of 15% from 2018-2020 and 2017-2019 respectively as a High and New Technology Enterprise ("HNTE").

Guangzhou Global Limited Communications Inc. was qualified as a HNTE in 2018 and is entitled to a preferential income tax rate of PRC Corporate Income tax at 15% for 3 years commencing 2018.

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.

11 INCOME TAX EXPENSE/(CREDIT) (continued)

(iii) Macao complementary tax

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, the Group is exempted from Macao Complementary Tax. As a result, no provision for Macao Complementary Tax has been made by the Group for the year.

The tax on the Group's 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:

	2018 HK$'000	2017 HK$'000
Loss from continuing operations before income tax expenses	**(25,679)**	(18,605)
Profit/(loss) from discontinued operations before income tax expenses	**101,671**	(47,399)
	75,992	(66,004)
Tax calculated at domestic tax of 16.5% (2017: 16.5%)	**12,539**	(10,891)
Effect of different tax rate of operations on other jurisdictions	**(1,669)**	(106)
Tax effects of:		
Income not subject to tax	**(24,627)**	(360)
Expenses not deductible for tax purposes	**15,643**	9,938
Over provision in the prior years	**(55)**	(1,513)
Tax benefits in respect of prior years	**–**	(3,593)
Tax losses for which no deferred tax asset was recognised	**2,183**	2,492
Write off deferred tax assets of discontinued operations previously recognised	**947**	–
Utilisation of tax loss for which no deferred tax assets was previously recognised	**(3,358)**	(1,149)
Income tax expense/(credit)	**1,603**	(5,182)

12 DISCONTINUED OPERATIONS

On 9 October 2018, pursuant to the Distribution in Specie, the Group ceased to be the shareholder of 872,920,496 shares in GLCH through distribution in specie, representing approximately 42% of the then total issued shares of GLCH. Distribution of nearly all of its interest in GLCH led to loss of control in GLCH on the same date.

On 30 July 2018, the Company has entered into an agreement with Mr. Li Kin Shing, a former executive director of the Company ("Mr. Li"), pursuant to which the Company conditionally agreed to sell and Mr. Li conditionally agreed to purchase the entire issued share capital of Sunward Telecom Limited and MZone Network Limited. The Group completed such disposal on 29 November 2018.

The Group completed the Distribution in Specie, and the disposals of Sunward Telecom Limited and MZone Network Limited ("the Disposed Businesses") during the year ended 31 December 2018. Accordingly, the financial results of the Disposed Businesses are presented in the consolidated income statement and consolidated statement of cash flows as "Discontinued Operations" in accordance with IFRS 5 "Non-current Assets Held for Sales and Discontinued Operations" issued by the IASB. Comparative figures have been restated accordingly.

12 DISCONTINUED OPERATIONS (continued)

Details of the profit/(loss) from discontinued operations are as follows:

	2018 HK$'000	2017 HK$'000
Loss after tax from discontinued operations	**(41,936)**	(44,168)
Gains on disposals	**142,844**	–
	100,908	(44,168)

(a) An analysis of the results of operations of the Discontinued Operations are set out below:

	For the period from 1 January 2018 to 9 October 2018 HK$'000	For the period from 1 January 2018 to 29 November 2018 HK$'000	Total 2018 HK$'000	2017 HK$'000
Revenue	97,216	5,934	**103,150**	70,299
Cost of sales	(73,649)	(27,829)	**(101,478)**	(70,327)
Gross profit/(loss)	23,567	(21,895)	**1,672**	(28)
Other income	1,783	1,819	**3,602**	9,334
Research and development expenses	(3,963)	(4,628)	**(8,591)**	(12,138)
Net impairment losses of financial assets (Note 3.1.3(c))	(3,482)	–	**(3,482)**	(2,513)
Administrative and other operating expenses	(21,440)	(12,934)	**(34,374)**	(42,054)
Loss before income tax for the year for discontinued operations	(3,535)	(37,638)	**(41,173)**	(47,399)
Income tax (expense)/credit	–	(763)	**(763)**	3,231
Loss after tax for the year for discontinued operations	(3,535)	(38,401)	**(41,936)**	(44,168)
Other comprehensive income/(loss) from discontinued operations				
– Currency translation differences	(1,253)	(5,000)	**(6,253)**	8,433
– Exchange reserves released upon disposals of businesses	1,008	(87,249)	**(86,241)**	–
	(245)	(92,249)	**(92,494)**	8,433

12 DISCONTINUED OPERATIONS (continued)

(b) An analysis of gain on the disposals is as follows:

	GLCH 9 October 2018 HK$'000	Sunward Telecom Limited and MZone Network Limited 29 November 2018 HK$'000	Total HK$'000
Consideration			
– Cash consideration	–	135,000	135,000
– Dividend consideration	99,513	–	99,513
Less: direct expenses	–	(10,318)	(10,318)
Less: net assets disposed of:			
– Property, plant and equipment (Note 14)	(1,208)	(1,131)	(2,339)
– Goodwill (Note 16)	(41,459)	–	(41,459)
– Intangible assets (Note 15)	(20,243)	(1,855)	(22,098)
– Deferred tax assets (Note 17)	–	(319)	(319)
– Inventories	(1,987)	(1,383)	(3,370)
– Trade, bills and other receivables	(76,798)	(4,138)	(80,936)
– Amounts due from inter-companies	–	(60,133)	(60,133)
– Cash and cash equivalents	(65,280)	(57,896)	(123,176)
– Deferred tax liabilities (Note 17)	–	319	319
– Trade, bills and other payables	42,484	4,056	46,540
– Amounts due to inter-companies	–	35,989	35,989
– Provision for warranty (Note 24)	17,563	–	17,563
– Non-controlling interests	57,252	–	57,252
– Provision for taxation	7,048	1,527	8,575
	(82,628)	(84,964)	(167,592)
Less: exchange reserve released upon disposals of businesses	(1,008)	87,249	86,241
Gain on disposals	15,877	126,967	142,844

(c) An analysis of the cash outflows of the discontinued operations is as follows:

	For the period from 1 January 2018 to 29 November 2018 HK$'000	For the year ended 31 December 2017 HK$'000
Net cash used in operating activities	(28,670)	(2,919)
Net cash generated from investing activities	11,015	547
Total cash outflows	(17,655)	(2,372)

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2018	2017
Profit/(losses) attributable to owners of the Company (HK$'000)		
– arising from continuing operations	**(26,519)**	(16,654)
– arising from discontinued operations	**102,965**	(32,546)
Weighted average number of ordinary shares in issue (thousand)	**9,281,861**	9,083,460
Basic (loss)/earnings per share (HK cents)		
– from continuing operations	**(0.29)**	(0.18)
– from discontinued operations	**1.11**	(0.36)
Total	**0.82**	(0.54)

(b) Diluted (loss)/earnings per share

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

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the year ended 31 December 2018 as there were no potential dilutive ordinary shares outstanding during the year (2017: same).

14 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 2017							
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
Year ended 31 December 2018							
Opening net book amount	**39,859**	**3,137**	**3,324**	**5,406**	**3,314**	**45**	**55,085**
Additions	**–**	**436**	**549**	**321**	**342**	**–**	**1,648**
Transfer from construction in progress	**–**	**45**	**–**	**–**	**–**	**(45)**	**–**
Business combination (Note 16)	**–**	**624**	**210**	**62**	**–**	**–**	**896**
Disposals of businesses (Note 12)	**–**	**(245)**	**(690)**	**(715)**	**(689)**	**–**	**(2,339)**
Depreciation	**(1,266)**	**(723)**	**(1,091)**	**(1,414)**	**(849)**	**–**	**(5,343)**
Disposals	**–**	**–**	**(99)**	**(209)**	**–**	**–**	**(308)**
Exchange differences	**(1,790)**	**(70)**	**(136)**	**(196)**	**(68)**	**–**	**(2,260)**
Closing net book amount	**36,803**	**3,204**	**2,067**	**3,255**	**2,050**	**–**	**47,379**
At 31 December 2018							
Cost	**47,713**	**32,701**	**28,161**	**15,005**	**9,983**	**–**	**133,563**
Accumulated depreciation	**(10,910)**	**(29,497)**	**(26,094)**	**(11,750)**	**(7,933)**	**–**	**(86,184)**
Net book amount	**36,803**	**3,204**	**2,067**	**3,255**	**2,050**	**–**	**47,379**

Depreciation is included in the consolidated income statement as follows:

	2018 HK$'000	2017 HK$'000
Continuing operations		
Cost of providing services	**1,131**	1,697
Administrative expenses	**3,402**	2,789
	4,533	4,486

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	2018 HK$'000	2017 HK$'000
Discontinued operations		
Cost of sales	184	209
Administrative expenses	572	1,446
Research and development expenses	54	112
	810	1,767

15 INTANGIBLE ASSETS

	Patent HK$'000	Development expenditures HK$'000	Computer software HK$'000	Application right HK$'000	Customer contracts HK$'000	Licenses HK$'000	Total HK$'000
At 1 January 2017							
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

	Patent HK$'000	Development expenditures HK$'000	Computer software HK$'000	Application right HK$'000	Customer contracts HK$'000	Licenses HK$'000	Total HK$'000
Year ended 31 December 2018							
Opening net book amount	6,945	15,200	310	22,750	–	–	45,205
Business combination (Note 16)	–	–	–	–	106,281	9,978	116,259
Amortisation for the year (Note i)	(2,117)	(4,402)	(45)	(2,507)	(1,771)	–	(10,842)
Disposals of businesses (Note 12)	(1,605)	–	(250)	(20,243)	–	–	(22,098)
Provision for impairment (Note ii)	(2,941)	(10,078)	–	–	–	–	(13,019)
Exchange differences	(282)	–	(15)	–	–	–	(297)
Closing net book amount	–	720	–	–	104,510	9,978	115,208
At 31 December 2018							
Cost	–	900	–	–	106,281	9,978	117,159
Accumulated amortisation	–	(180)	–	–	(1,771)	–	(1,951)
Net book amount	–	720	–	–	104,510	9,978	115,208

15 INTANGIBLE ASSETS (continued)

(i) Amortisation charged for the year

Amortisation is included in the consolidated income statement as follows:

	2018 HK$'000	2017 HK$'000
Continuing operations		
Cost of providing services	**4,402**	5,067
Administrative expenses	**1,771**	–
	6,173	5,067

	2018 HK$'000	2017 HK$'000
Discontinued operations		
Administrative expenses	**4,624**	5,475
Research and development expenses	**45**	40
	4,669	5,515

(ii) Impairment charges on intangible assets

In accordance with the Group's accounting policy on asset impairment (Note 2.8), the carrying value of intangible assets were tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(a) *Impairment of CallVu*

In October 2018, the Group assessed that certain service contracts with the application of CallVu will expire in August 2019 without renewal. An impairment assessment of CallVu was conducted and an impairment charge of approximately HK$10,078,000 was recognised in the consolidated income statement.

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

Estimated revenue from Nov 2018 to Dec 2018	HK$12,238,000
Estimated revenue from Jan 2019 to Aug 2019	HK$60,734,000
Discount rate	18%
Estimated profit margin from Nov 2018 to Dec 2018	2.72%
Estimated profit margin from Jan 2019 to Aug 2019	5.75%

(b) *Impairment of Patent*

During the year ended 31 December 2018, an impairment charge of HK$2,941,000 (2017: Nil) was recorded in the consolidated income statement of discontinued businesses.

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

Estimated revenue from Nov 2018 to Dec 2018	HK$117,000
Estimated annual revenue from Jan 2019 to Dec 2022	HK$6,164,000 to HK$9,783,000
Discount rate	21%
Estimated profit relief from royalty from Nov 2018 to Dec 2018	HK$Nil
Estimated annual profit relief from royalty from Jan 2019 to Dec 2022	HK$Nil to HK$293,000

16 BUSINESS COMBINATION AND GOODWILL

(a) Business combination

On 29 November 2018, the Company completed the acquisition (the "Acquisition") of the entire issued share capital of Goldstream Capital Management Limited and Goldstream Securities Limited ("Goldstream Companies"), companies principally engaged in financial services business, for a total consideration of HK$351 million, which was settled by the allotment and issuance of consideration shares (being 2,263,012,321 shares of the Company) to the sellers. Upon the completion of the Acquisition, the Group obtained control of Goldstream Companies. The intangible assets acquired through acquisition of Goldstream Companies include customer contracts and licenses.

Management expects the Group could expand its business scope to financial services business through the acquisition of Goldstream Companies. After the acquisition, the Group has obtained instant access to a readily available asset management, securities advisory and trading platform which enables the Group to tap into the financial services sector with an aim to broader the Group's income stream and enhance the shareholders' value.

The following table summarises the consideration paid for the Acquisition, and the fair values of the assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Purchase consideration	
Issue of ordinary shares	350,767

The fair value of the 2,263,012,321 shares issued as the purchase consideration was based on the published share price of HK$0.155 per share. Issued cost of HK$540,000 which was directly attributable to the issue has been netted against the deemed proceeds.

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	15,954
Property, plant and equipment	896
Intangibles assets	116,259
Trade and other receivables	16,548
Amount due from ultimate holding company	27,000
Amount due from a fellow subsidiary	139
Payables and other accruals	(4,679)
Deferred tax liabilities	(19,183)
Total identifiable net assets	152,934
Add: Goodwill (Note b)	197,833
Net assets acquired	350,767

Acquisition related costs of HK$6,255,000 that were not directly attributable to the issue of the shares had been charged to administrative expenses in the consolidated income statement and in operating cashflow in the consolidated statement of cashflow for the year ended 31 December 2018.

	HK$'000
Inflow of cash to acquire business, net of cash	
– Cash and cash equivalents acquired	15,954

The acquired business contributed HK$1,940,000 to the Group's total revenue and HK$1,296,000 loss to the Group's loss before income tax for the period between the date of acquisition and end of the reporting period.

16 BUSINESS COMBINATION AND GOODWILL (continued)

(a) Business combination (continued)

Had the acquisition occurred on 1 January 2018, consolidated revenue and consolidated loss after income tax for the year ended 31 December 2018 would have been HK$290,397,000 and HK$30,815,000 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 2018, nor is intended to be a projection of future results.

(b) Goodwill

	2018 HK$'000	2017 HK$'000
At 1 January	**41,459**	41,459
Business combination (Note a)	**197,833**	–
Disposals of businesses (Note 12)	**(41,459)**	–
At 31 December	**197,833**	41,459

The goodwill of HK$197,833,000 arising from the Acquisition is attributable to the synergies expected to arise from the business combination and future growth of Goldstream Companies. None of the goodwill recognised was expected to be deductible for income tax purposes.

Management reviews the business performance of the Group based on the services the respective businesses provide. Goodwill is monitored by management at the operating segment level.

The recoverable amount of goodwill was determined based on fair value less cost of disposal. No impairment charge is noted as at 31 December 2018.

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

Estimated sales growth rate from Nov 2018 to Dec 2018	-26%
Estimated sales growth rate from 2018 to 2019	241%
Estimated sales growth rate from 2019 to 2020	62%
Estimated sales growth rate from 2020 to 2021	17%
Estimated sales growth rate from 2021 to 2022	17%
Discount rate	18%

If expected discount rate for the projection period had been 0.5% lower/higher than management's estimates with all other variables held constant, the carrying amount of goodwill would have been approximately HK$8,555,000 higher/lower. If the revenue growth rate had been 0.5% higher/lower than management's estimate at 31 December 2018 with all other variables held constant, the carrying amount of goodwill would have been approximately HK$17,621,000 higher/lower.

17 DEFERRED TAX ASSETS AND LIABILITIES

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

	2018 HK$'000	2017 HK$'000
Deferred tax asset		
Deferred tax asset to be recovered after more than 12 months	**(212)**	(2,972)
At 31 December	**(212)**	(2,972)
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**14,719**	1,446
Deferred tax liability to be recovered within 12 months	**4,384**	579
At 31 December	**19,103**	2,025
Deferred tax liabilities/(asset), net	**18,891**	(947)

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

	2018 HK$'000	2017 HK$'000
At 1 January	**(947)**	(803)
Business combination (Note 16)	**19,183**	–
Credited to consolidated income statement (Note 11)		
–Continuing operations	**91**	(124)
–Discontinued operations	**635**	(114)
Exchange differences	**(71)**	94
At 31 December	**18,891**	(947)

17 DEFERRED TAX ASSETS AND LIABILITIES (continued)

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$'000	Intangible assets valuation gain HK$'000	Total HK$'000
At 1 January 2018	289	1,736	2,025
Business combination (Note 16)	–	19,183	19,183
Credited to the consolidated income statement	(77)	(610)	(687)
Over provision in prior year due to change of tax rate	–	(212)	(212)
Provision of impairment	–	(815)	(815)
Disposals of businesses (Note 12)	–	(319)	(319)
Exchange differences	–	(72)	(72)
At 31 December 2018	**212**	**18,891**	**19,103**
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

Deferred tax assets	Unrealised profit and others HK$'000	Total HK$'000
At 1 January 2018	2,972	2,972
Charged to the consolidated income statement	(2,440)	(2,440)
Disposals of businesses (Note 12)	(319)	(319)
Exchange differences	(1)	(1)
At 31 December 2018	**212**	**212**
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

17 DEFERRED TAX ASSETS AND LIABILITIES (continued)

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. The Group has unrecognised tax losses of approximately HK$21,690,000 (2017: HK$44,087,000) to carry forward against future taxable income. The respective tax losses for which no deferred tax asset was recognised amounted to HK$3,579,000 (2017: HK$6,858,000). The tax losses are subject to approval by Hong Kong Inland Revenue Department (2017: Hong Kong Inland Revenue Department and the PRC tax authority respectively). Approximately HK$21,690,000 (2017: HK$14,385,000) of unrecognised tax losses have no expiry date. None of the tax losses (2017: remaining of HK$11,789,000) will expire in 5 years and none of the tax losses (2017: 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$54,229,000 (2017: HK$267,632,000) 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 and it has the discretion to do so.

18 INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	–	20,837
Work in progress	–	30,751
Finished goods	–	3,662
	–	55,250
Less: Provision for impairment of inventories	–	(24,937)
	–	30,313

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$53,509,000 (2017: HK$37,813,000) in consolidated income statement of discontinued businesses.

During the year, an additional HK$23,538,000 (2017: HK$12,304,000) of provision for impairment of inventories was recorded and recognised in "cost of sales" in the consolidated income statement of discontinued businesses.

19 TRADE, BILL AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Note	2018 HK$'000	2017 HK$'000
Trade receivables			
– related parties	30(c)	10,492	23
– third parties		66,968	150,576
		77,460	150,599
Loss allowances (see Note 3.1.3)		(181)	(3,550)
Trade receivables, net		77,279	147,049
Bill receivables		–	8,477
Trade and bills receivables, net		77,279	155,526
Contract assets			
– related parties	30(c)	30	–
– third parties		20,985	–
		21,015	–
Other financial assets at amortised cost			
– Deposits and other receivables			
– related parties	30(c)	27,427	–
– third parties		14,793	20,553
Prepayments		2,412	2,732
Less: Non-current deposits		(615)	(632)
		44,017	22,653
		142,311	178,179

(a) Ageing analysis

Included in trade receivables and contract assets are trade debtors (net of loss allowance) with the following ageing analysis based on the dates on which the relevant revenue were recognised:

	2018 HK$'000	2017 HK$'000
Aged within 1 month	52,445	51,961
Aged between 1 to 3 months	22,443	40,221
Aged between 3 to 6 months	9,483	23,889
Aged between 6 months to 1 year	622	24,577
Aged over 1 year	13,301	6,401
	98,294	147,049

19 TRADE, BILL AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

(b) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 1 January 2018 by HK$6,489,000 for trade receivables. Note 3.1.3(c) provides for details about the calculation of the allowance.

The total loss allowance for trade receivables of the discontinued operations amounted HK$3,482,000 (Note 12) for the current reporting period. While the impact to the continuing operations is considered immaterial.

Information about the impairment of trade receivables and the group's exposure to credit risk is disclosed in Note 3.1.3.

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

	2018 HK$'000	2017 HK$'000
HK$	75,753	78,128
US$	10,590	115
RMB	54,171	97,836
	140,514	176,079

20 CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at banks and on hand	116,821	164,570
Short-term bank deposits	343,531	219,286
	460,352	383,856
Maximum exposure to credit risk	459,390	383,204

The interest rates on short-term bank deposits ranged from 1.1%–2.5% (2017: 0.10%–1.70%) per annum. These deposits have an average maturity of 31–33 days (2017: 31–92 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:

	2018 HK$'000	2017 HK$'000
HK$	359,769	209,840
US$	64,011	57,364
RMB	36,519	116,580
Other currencies	53	72
	460,352	383,856

20 CASH AND CASH EQUIVALENTS (continued)

As at 31 December 2018, cash and cash equivalents of approximately HK$32,765,000 (2017: HK$126,591,000) 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 2018, cash and cash equivalents of approximately HK$32,765,000 (2017: HK$115,218,000) 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.

21 SHARE CAPITAL AND SHARE PREMIUM

(a) Authorised and issued share capital, share premium

(i) Share capital

	2018		2017	
	Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'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	9,083,460	90,835	9,083,460	90,835
Issuance of shares (Note a)	2,263,012	22,630	–	–
End of the year	11,346,472	113,465	9,083,460	90,835

(ii) Share premium

	2018 HK$'000	2017 HK$'000
At 1 January	1,481,785	1,481,785
Issuance of shares (Note a)	328,137	–
Transaction cost attributable to the issuance of new shares	(540)	–
Distribution in specie	(99,513)	–
End of the year	1,709,869	1,481,785

Note:

(a) On 30 July 2018, the Company entered into the sales and purchase agreement with Hony Capital Group, L.P. and Expand Ocean Limited to acquire Goldstream Companies. On 29 November 2018, all the conditions precedent set out in the sale and purchase agreement had been fulfilled. Consequently, Goldstream Companies have become subsidiaries of the Group with effect from 29 November 2018. The consideration amounted to approximately HK$350,767,000 was settled by issuance of 2,263,012,321 consideration shares of the Company to the sellers. The consideration shares price was HK$0.155 per share. Detail of the transaction is disclosed in Note 16.

(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.

21 SHARE CAPITAL AND SHARE PREMIUM (continued)

(b) Share based payments (continued)

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 2018, no option has been granted or outstanding under the Share Option Scheme (2017: same).

22 RESERVES

(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$175,000 was transferred to the statutory reserve during the year (2017: HK$404,000).

(ii) Other reserve

In 2016, the Group distributed to shareholders 12.17% equity interest in GLCH as distribution in specie. The carrying amount of the non-controlling interests in GLCH on the date of disposal 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 the distribution. The increase in equity of HK$45,880,000 was recognised in other reserves, which was then released and transferred to accumulated losses upon the Distribution in Specie as mentioned in Note 12 above.

23 TRADE, BILLS AND OTHER PAYABLES

	Note	2018 HK$'000	2017 HK$'000
Trade payables			
– Amounts due to related parties	30(c)	**548**	11
– Amounts due to third parties		**2,957**	17,682
	(a)	**3,505**	17,693
Bills payables		**–**	2,392
Other payables and accruals			
– Amounts due to related parties	30(c)	**24,030**	14
– Amounts due to third parties		**33,400**	17,256
		60,935	37,355

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

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

	2018 HK$'000	2017 HK$'000
US$	**835**	6
RMB	**15,777**	33,417
HK$	**44,323**	3,932
	60,935	37,355

(a) Trade payables

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

	2018 HK$'000	2017 HK$'000
0–30 days	**2,429**	3,482
31–90 days	**848**	6,624
91–180 days	**5**	4,516
181 days–1 year	**175**	2,063
Over 1 year	**48**	1,008
	3,505	17,693

24 PROVISION FOR WARRANTY

	2018 HK$'000	2017 HK$'000
At 1 January	**15,980**	14,396
Provision for the year	**3,167**	4,158
Utilisation during the year	**(1,507)**	(3,572)
Disposals of businesses (Note 12)	**(17,563)**	–
Exchange difference	**(77)**	998
At 31 December	**–**	15,980

25 BORROWINGS FROM A FORMER DIRECTOR

	2018 HK$'000	2017 HK$'000
Borrowing from a former director	**47,445**	–

The amount due represents balance with a former director, Mr. Li Kin Shing. He was a director of the Company during the year and resigned on 28 December 2018. The amount is unsecured, non-interest bearing and repayable in full amounted to HK$50,000,000 on 29 November 2020. The imputed interest of HK$2,609,000 was recognised initially and finance cost of HK$54,000 was incurred for the year ended 31 December 2018.

26 CASH FLOW INFORMATION

(a) Cash generated from/(used in) operations

	2018 HK$'000	2017 HK$'000
Continuing operations		
Loss before income tax	**(25,679)**	(18,605)
Adjustments for:		
– Depreciation of property, plant and equipment	**4,533**	4,487
– Amortisation of intangible assets	**6,173**	5,067
– Loss on sale of property, plant and equipment	**130**	282
– Impairment loss on intangible assets	**10,078**	–
– Interest expense	**54**	–
– Interest income	**(5,258)**	(2,357)
– Exchange difference	**118**	(2,103)
Changes in working capital		
– Trade, bills and other receivables	**14,699**	(29,659)
– Trade, bills, other payables and contract liabilities	**13,976**	621
– Balances with subsidiaries of disposal group	**12,715**	(26,387)
Cash generated from/(used in) operations	**31,539**	(68,654)

26 CASH FLOW INFORMATION (continued)

(a) Cash generated from/(used in) operations (continued)

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

	2018 HK$'000	2017 HK$'000
Continuing operations		
Net book amount	**141**	364
Loss on sales of property, plant and equipment	**(130)**	(324)
Proceeds from sales of property, plant and equipment	**11**	40

(b) Non-cash transaction

During the year ended 31 December 2018, the Company declared a special dividend of HK$99,513,000, satisfied by distribution in specie of the GLCH shares, which was completed on 9 October 2018. Further details are set out in Note 9 to the consolidated financial statements.

(c) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the periods presented.

Net cash	**2018 HK$'000**	2017 HK$'000
Cash and cash equivalents	**460,352**	383,856
Borrowings from a former director – at gross amount and interest free	**(47,445)**	–
Net cash	**412,907**	383,856

	Other assets	**Liabilities from financing activity**		
	Cash HK$'000	**Borrowing due within 1 year** HK$'000	**Borrowing due after 1 year** HK$'000	**Total** HK$'000
Net cash as at 1 January 2017	443,071	–	–	443,071
Cash flows	(69,928)	–	–	(69,928)
Foreign exchange adjustment	10,713	–	–	10,713
Net cash as at 31 December 2017 and 1 January 2018	383,856	–	–	383,856
Cash flows	**81,101**	**–**	**(50,000)**	**31,101**
Foreign exchange adjustment	**(4,605)**	**–**	**–**	**(4,605)**
Other charges	**–**	**–**	**2,555**	**2,555**
Net cash as at 31 December 2018	**460,352**	**–**	**(47,445)**	**412,907**

27 COMMITMENTS

(a) Capital commitments

The Group has capital expenditure contracted for but not yet incurred of approximately HK$1,149,000 as at 31 December 2018 (2017: Nil).

(b) Operating lease commitments

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

	2018		2017	
	Properties HK$'000	**Transmission lines HK$'000**	Properties HK$'000	Transmission lines HK$'000
Within 1 year	**1,045**	**1,639**	2,434	1,938
Over 1 year but within 5 years	**–**	**426**	19	177
	1,045	**2,065**	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.

28 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2018:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest directly held by the Company	Interest indirectly held by the Company	Interest held by non-control interest
China Elite Info Co., Ltd.[(1)]	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%	–
Honor Crest Holdings Limited	British Virgin Islands, limited liability company	Investment holding	Authorised US$50,000 and paid-up capital of US$1	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%	–	–
Winet Engineering Limited	Hong Kong, limited liability company	Marketing and technical support services for telecommunications companies in Hong Kong	Paid-up capital of HK$2	–	100%	–
Goldstream Capital Management Limited	Hong Kong, limited liability company	Advising on securities and asset management	Paid-up capital of HK$33,354,824	100%	–	–
Goldstream Secruities Limited	Hong Kong, limited liability company	Dormant	Paid-up capital of HK$8,000,001	100%	–	–

Notes:

(1) This entity was established as a wholly foreign owned enterprises in the PRC. The English name of this entity incorporated in Mainland China is direct translation of the Chinese name.

29 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:

	HK$'000
Assets as per consolidated statement of financial position	
31 December 2018	
Financial assets at amortised costs	
Trade, bills and other receivables, excluding prepayments	**140,514**
Cash and cash equivalents	**460,352**
Total	**600,866**
31 December 2017	
Loans and receivables	
Trade, bills and other receivables, excluding prepayments	176,079
Cash and cash equivalents	383,856
Total	559,935

	Other financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
31 December 2018	
Trade and other payables and contract liabilities	**51,792**
Borrowings from a former director	**47,445**
31 December 2017	
Trade, bills and other payables	23,141

30 RELATED PARTY TRANSACTIONS

(a) Relationship between the Group and related parties

(i) *Ultimate shareholders of the Group*

Li Kin Shing(1)
Kwok King Wa(1)
Li Yan(1)
Zhao John Huan(2)

(ii) *Ultimate parent entities*

Ever Prosper International Limited(1)
Hony Capital Group, L. P.(2)

(iii) *Subject to common control of ultimate shareholders*

China-Hong Kong Telecom Ltd.(1)
Directel Communications Limited(1)
Directel Holdings Limited(1)
Directel Limited(1)
Elitel Limited(1)
Fastary Limited(1)
Jandah Management Limited(1)
Talent Information Engineering Co., Ltd.(1)
Guangzhou Directel Telecommunications Limited(1)
Exponential Fortune Group Limited(2)
Hony Capital Limited(2)
Hony Capital Management (Cayman) Limited(2)
Hony Group Management Limited(2)
Hony Gold Holdings, L.P.(2)
Hony Gold GP Limited(2)
Hony Managing Partners Limited(2)

Notes:

(1) Ceased from 29 November 2018 onwards

(2) Started from 29 November 2018 onwards

30 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	Note	2018 HK$'000	2017 HK$'000
Sales	(i)	**2,259**	361
Licensing income	(ii)	**60**	65
Rental expenses for properties	(iii)	**1,063**	964
Sundry expense	(iv)	**88**	20
Rental income for properties	(v)	**–**	8

Notes:

(i) Sales to related parties mainly represent the rendering service of CRM and provision of IM services. 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 related parties, Talent Information Engineering Co., Ltd. and Hony Capital Limited, 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:

	2018 HK$'000	2017 HK$'000
Amounts due from related parties		
– Trade receivables	**10,492**	23
– Contract assets	**30**	–
– Deposits and other receivables	**27,427**	–
Amounts due to related parties		
– Trade payables	**548**	11
– Other payables	**24,030**	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:

	2018 HK$'000	2017 HK$'000
Wages, salaries and other benefits	**8,247**	7,820
Contribution to retirement benefit schemes	**373**	356
	8,620	8,176

31 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	879	1,440
Investments in subsidiaries	350,767	154,712
	351,646	156,152
Current assets		
Trade and other receivables	1,016	806
Amounts due from subsidiaries	4,661	138,649
Cash and cash equivalents	375,478	148,740
	381,155	288,195
Total assets	732,801	444,347
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	113,465	90,835
Reserves (Note a)	555,113	351,239
Total equity	668,578	442,074
LIABILITIES		
Non-current liabilities		
Borrowings from a former director	47,445	–
Deferred tax liabilities	–	64
	47,445	64
Current liabilities		
Trade and other payables	16,471	2,172
Amounts due to subsidiaries	270	–
Current income tax liabilities	37	37
	16,778	2,209
Total liabilities	64,223	2,273
Total equity and liabilities	732,801	444,347

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2019 and was signed on its behalf.

Zhao John Huan
Director

Lin Tun
Director

31 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(a) Reserves of the Company

	Share premium HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	**1,481,785**	**1,451,503**	**(2,582,049)**	**351,239**
Issuance of shares	**328,137**	**–**	**–**	**328,137**
Transaction cost attributable to the issue of new shares	**(540)**	**–**	**–**	**(540)**
Distribution in specie	**(99,513)**	**–**	**–**	**(99,513)**
Loss for the year	**–**	**–**	**(24,210)**	**(24,210)**
At 31 December 2018	**1,709,869**	**1,451,503**	**(2,606,259)**	**555,113**
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) *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.

32 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 2018:

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$'000	Employers contribution to a retirement benefit scheme HK$'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$'000	Benefit scheme HK$'000
Executive directors								
Li Kin Shing (Note (i))	140	1,353	147	-	-	74	-	1,714
Li Yin	80	1,335	110	-	-	72	-	1,597
Wong Kin Wa (Note (ii))	140	752	73	-	-	41	-	1,006
Li Wen (Note (ii))	80	758	-	-	-	30	-	868
Mr. Zhao John Huan (Note (iii))	-	-	-	-	-	-	-	-
Mr. Lu Yan (Note (iv))	-	-	-	-	-	-	-	-
Dr. Lin Tun (Note (v))	-	-	-	-	-	-	-	-
Mr. Yuan Bing (Note (iv))	-	-	-	-	-	-	-	-
Independent and non-executive directors								
Chen Xue Dao	80	-	-	-	-	-	-	80
Cheung Sai Ming	140	-	-	-	-	-	-	140
Liu Chun Bao	140	-	-	-	-	-	-	140

32 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)

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$'000	Employers contribution to a retirement benefit scheme HK$'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$'000	Benefit scheme HK$'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 (Note (ii))	160	796	88	–	–	44	–	1,088
Li Wen (Note (ii))	80	771	–	–	–	31	–	882
Independent and non-executive directors								
Chen Xue Dao	80	–	–	–	–	–	–	80
Cheung Sai Ming	160	–	–	–	–	–	–	160
Liu Chun Bao	160	–	–	–	–	–	–	160

Note:

(i) Mr. Li Kin Shing was the executive director and the chief executive officer of the Company and had resigned as director and chief executive officer with effect from 28 December 2018.

(ii) Mr. Wong Kin Wa and Lin Wen were resigned as executive director with effect from 28 December 2018.

(iii) Mr. Zhao John Huan had been appointed as executive director of the Company and Chairman of the Board of Directors with effect from 28 December 2018.

(iv) Mr. Lu Yan and Mr. Yuan Bing had been appointed as executive directors of the Company with effect from 28 December 2018.

(v) Dr. Lin Tun had been appointed as executive director and chief executive officer of the Company with effect from 28 December 2018.

There was no arrangement during the year ended 31 December 2018 and 2017 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.

32 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)

(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 2018 (2017: Nil).

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

During the year ended 31 December 2018, the Company does not pay consideration to any third parties for making available directors' services (2017: 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 2018, 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 (2017: Nil).

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

Except as disclosed in Note 30 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 (2017: Same).

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
Results					
Revenue	**270,915**	258,371	295,489	272,320	300,874
(Loss)/profit from operations	**(28,234)**	(18,605)	(37,812)	27,617	48,903
Finance income	**2,555**	–	–	–	–
(Loss)/profit before taxation	**(25,679)**	(18,605)	(37,812)	27,617	48,903
Income tax (expense)/credit	**(840)**	1,951	938	677	(4,390)
(Loss)/profit from continuing operations	**(26,519)**	(16,654)	(36,874)	28,294	44,513
Profit/(loss) from discontinued operations	**100,908**	(44,168)	–	–	–
Profit/(loss) for the year	**74,389**	(60,822)	(36,874)	28,294	44,513
Allocated as:					
(Loss)/profit for the year attributable to non-controlling interest	**(2,057)**	(11,622)	(3,708)	–	–
Profit/(loss) for the year attributable to owners of the Company	**76,446**	(49,200)	(33,166)	28,294	44,513

	At 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Property, plant and equipment	**47,379**	55,085	56,071	58,459	62,351
Goodwill	**197,833**	41,459	41,459	–	–
Intangible assets	**115,208**	45,205	55,141	36,679	15,184
Available-for-sale financial asset	**–**	–	–	24,960	31,744
Long term deposits	**615**	632	–	–	–
Deferred tax assets	**–**	2,972	3,273	2,278	1,095
Net current assets	**540,634**	530,142	563,105	583,253	595,567
Total assets less current liabilities	**901,669**	675,495	719,049	705,629	705,941
Deferred tax liabilities	**18,891**	2,025	2,470	3,131	3,725
Provision for long services payment	**–**	–	56	–	–
Borrowings from a former director	**47,445**	–	–	–	–
Net assets	**835,333**	673,470	716,523	702,498	702,216
Capital and reserves					
Share capital	**113,465**	90,835	90,835	90,835	30,278
Reserves	**721,868**	518,839	551,009	611,663	671,938
Non-controlling interests	**–**	63,796	74,679	–	–
Total equity	**853,333**	673,470	716,523	702,498	702,216