MANAGEMENT DISCUSSION AND ANALYSIS OF THE TRADING RECORD

Investors should read the following discussion and analysis in conjunction with the audited financial statements of the Group, including notes thereto, as set forth in Appendix I "Accountants' report" to this prospectus. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Overview of the Group's operations

The Group is one of the largest CRM outsourcing service providers in the PRC in terms of seating capacity. The Group has more than 7 years of experience in providing CRM outsourcing services in the PRC. Major customers of the Group are sizable companies, including established telecommunications service providers in Hong Kong, Macau and the PRC.

As at the Latest Practicable Date, the Group had three CRM service centres located in Guangdong Province, the PRC, with a total seating capacity of approximately 4,100 seats. As one of the leaders in the CRM outsourcing service industry in the PRC, the Directors believe that the Group will benefit from the anticipated growth in the demand of CRM outsourcing services from companies in the telecommunications industry, as well as other service-oriented industries. The Directors expect to leverage the Group's leading position in the PRC market to increase its market share in the PRC and capture new market opportunities if identified.

BASIS OF PRESENTATION

The financial information set out in the Accountants' Report, a copy of which is set out in Appendix I to this prospectus, including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the Track Record Period and the consolidated balance sheets of the Group as at 31 December 2005 and 2006 and 31 May 2007, have been prepared on a consolidated basis based on the audited financial statements and, where appropriate, unaudited management accounts of the Group, after making such adjustments as appropriate to comply with IFRS.

Critical Accounting Policies

The methods, estimates and judgements the Directors use in applying the Group's accounting policies have a significant impact on the Group's operating results. Some of the accounting policies require the Group to make difficult and subjective judgements, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies that the Directors believe are both important to the presentation of the Group's financial results and involve a need to make estimates about the effect of matters that are inherently uncertain. The Group also has other policies that the Directors consider to be key accounting policies. However, since these policies do not generally require the Directors to make estimates or judgements that are difficult or subjective, they are not discussed below.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) CRM services

CRM services comprise inbound service which includes customer hotline services and BIS service, a personalised message taking service, and outbound service which includes telesales service and market research.

Revenue is recognised when the services have been provided and the Group has obtained the right to demand payment of the consideration. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or when the amount of revenue and the costs incurred or to be incurred in respect of the services cannot be measured reliably.

(ii) Interest income

Interest income is recognised as it accures using the effective interest method.

Property plant and equipment

(i) Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises direct cost at construction including the capitalisation of staff cost on the application development and equipment assembly on respective property, plant and equipment. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. These costs, which are not eligible for capitalisation under accounting standards, are recognised as expenses under staff costs in the period in which they are incurred.

(ii) Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Facilities equipment	5 years
– Office equipment	3-5 years
– Vehicles and other equipment	3-5 years
– Leasehold improvements	the shorter of the unexpired term of lease and their estimated useful lives

(iii) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(iv) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses.

Construction in progress is transferred to property, plant equipment when it is substantially ready for its intended use. No depreciation is provided against construction in progress.

Impairment of trade and other receivables

Trade and other receivables that are stated at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occuring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists may have decreased.

- property, plant and equipment
- investment in subsidiaries

  If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit.)

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Trade receivable and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

No provision has been made for Hong Kong profits tax as the Group had no assessable profit arising in or derived from Hong Kong during the Track Record Period.

The Company is incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands, namely Keithick and PacificNet Management, are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from payment of the British Virgin Islands income tax.

The Company's subsidiaries established in Macau, namely International Elite (Macau) and PacificNet Communications, are incorporated under the Commercial Code and regulations on offshore activities of Macau and, accordingly, are exempted from payment of the Macau income tax.

The applicable tax rate of China Elite was 33% throughout the Track Record Period. China Elite had no assessable profit for the two years ended 31 December 2006 and its accumulated tax losses brought forward from 31 December 2006 were sufficient to offset its assessable profit for the five months ended 31 May 2007.

TRADING RECORD

The table below summarises the audited results of the Group for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 and the unaudited results for the five months ended 31 May 2006. The financial information should be read in conjunction with the accountants' report, the text of which is set out in Appendix I to this prospectus.

Income Statements

	For the year ended 31 December		For the five months ended 31 May	
	2005	**2006**	**2006**	**2007**
	HK$'000	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Turnover	83,434	149,864	57,307	74,923
Cost of sales	(65,668)	(97,664)	(39,511)	(43,606)
Gross profit	17,766	52,200	17,796	31,317
Other revenue	99	284	148	159
Administrative expenses	(16,121)	(22,106)	(9,076)	(12,516)
Operating profit and profit before taxation	1,744	30,378	8,868	18,960
Taxation	—	6,290	—	(2,140)
Profit for the year attributable to shareholders of the Company	1,744	36,668	8,868	16,820
Earnings per share				
—Basic and diluted earnings per share *(Note)* (HK$)	0.10	2.04	0.49	0.94

Note: The basic earnings per share for each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2006 and 2007 is calculated based on the profit attributable to the shareholders of the Company during the respective periods and 17,950,000 ordinary Shares.

There were no dilutive potential ordinary shares during the two years ended 31 December 2006 and the five months ended 31 May 2006 and 31 May 2007 and, therefore, diluted earnings per share are the same as basic earnings per share for each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2006 and 31 May 2007.

Factors affecting the Group's results of operations and financial condition

The Group's results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

I. Ability of the Group to maintain competitiveness in the market

The competition in the industry is keen and the substantiality of the financial results of the Group is highly dependent on its ability to maintain its competitiveness in the market and to produce high quality services.

II. Reliance on major customers

The top five customers of the Group on group basis accounted for approximately 95.20%, approximately 99.33% and approximately 95.36% of the Group's total turnover for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively. The Group expects that a significant portion of its turnover will still be derived from its top five customers. The Group's business, results of operations and financial position may be adversely affected should such existing key customers cease its business relationships with the Group.

III. Service mix

Services provided by the Group are divided into inbound services and outbound services. Inbound services can be further classified into two categories (i) customer hotline service; and (ii) BIS services. Outbound services mainly fall under two categories (i) telesales; and (ii) market research. Inbound services represented approximately 71.89%, approximately 68.94% and approximately 56.90% of the Group's turnover for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively. Outbound services accounted for approximately 28.11%, approximately 31.06% and approximately 43.10% of the Group's turnover for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively.

IV. Geographical mix

The Group's turnover by geographical regions is based on the geographical location of customers:

	For the year ended 31 December				For the five months ended 31 May			
	2005		2006		2006		2007	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
					(unaudited)			
PRC	4,921	5.90	14,874	9.92	4,724	8.24	7,339	9.80
Hong Kong	77,068	92.38	131,538	87.78	51,067	89.11	65,461	87.37
Macau	1,445	1.72	3,452	2.30	1,516	2.65	2,123	2.83
	83,434	100	149,864	100	57,307	100	74,923	100

The Group's major business activities are located in the PRC, Hong Kong and Macau respectively. Hong Kong is the major market for the Group's business. PRC and Macau have contributed more to the Group's turnover mainly due to higher business volume with China Unicom Guangdong and China Unicom Macau Limited in 2006.

V. Cost of Sales

The Group's costs of sales principally comprise line rental expenses and staff costs.

The tables below sets out the breakdown of its costs of sales during the two years ended 31 December 2006 and the five months ended 31 May 2006 and 31 May 2007:

	For the year ended 31 December				For the five months ended 31 May			
	2005		2006		2006		2007	
Cost of Sales Breakdown	HK$'000	%	HK$'000	%	HK$'000 (Unaudited)	%	HK$'000	%
Line rental expenses	5,080	7.74	6,085	6.23	2,287	5.79	2,999	6.88
Staff costs	53,054	80.79	86,191	88.25	35,725	90.42	39,263	90.04
Depreciation and amortization	2,651	4.04	2,625	2.69	669	1.69	802	1.84
Others	4,883	7.43	2,763	2.83	830	2.10	542	1.24
	65,668	100	97,664	100	39,511	100	43,606	100

(i) Line rental expenses

For each of the two years ended 31 December 2006 and the five months ended 31 May 2007, line rental expenses represented approximately 7.74%, approximately 6.23% and approximately 6.88% of the Group's costs of sales respectively. However, as a percentage of turnover, such line rental expenses represented approximately 6.09%, approximately 4.06% and approximately 4.00% of the Group's turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively. The line rental expenses were considered as fixed cost in nature. Comparing with 2005, the telephone lines were more effectively utilised in 2006 and the five months ended 31 May 2007 due to the increase in business volume. In other words, the excess line capacity decreased as utilisation increases. As a result, each dollar spent on line rental has contributed higher turnover, which led to a lower percentage of line rental expenses to turnover of the Group in 2006 and the five months ended 31 May 2007.

(ii) Staff costs

For each of the two years ended 31 December 2006 and the five months ended 31 May 2007, staff costs represented approximately 80.79%, approximately 88.25% and approximately 90.04% of the Group's costs of sales respectively. The Group's business with large scale customers such as Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong started around mid-2005 and therefore the Group has gradually recruited more operators for business expansion since mid-2005. As a result, the basic salary costs of operators incurred by the Group in 2006 and the five months ended 31 May 2007 was much higher than the previous corresponding year/period. Besides, with the increase in the turnover from telesales services as a result of i) the improvement in selling skills of its operators, and ii) the entering into of more telesales contracts with its customers, higher commission to operators was incurred in 2006 and the five months ended 31 May 2007 than the previous corresponding year/period.

VI. Revenue recognition

The Group is subject to clawback provisions pursuant to certain telesales projects under the dealership agreement entered into with Hutchison Macau in March 2007. A portion of the Group's monthly commission for a particular telesales project under that agreement will be recognised as revenue. The Group recognised revenue which is probable to be received by reference to subscriber termination rate provided by Hutchison Macau as the Group currently has no sufficient historical data.

Taking into consideration that the Group's operators may not be experienced enough with a particular project, the Group will apply the highest historical monthly subscriber termination rate initially. During the month, the receivable from Hutchison Macau which exceeds the recognised revenue will be recorded as advance income. The recognised revenue is subject to monthly review and any revenue previously considered as not probable to be received which becomes probable to be received will be recognised as revenue of the Group from advance income in the current period.

VII. Transfer Pricing

China Elite is responsible for the operation of the Group's CRM service centres. Besides providing CRM outsourcing services to its direct customers (i.e. customers who are directly sourced by and entered into service agreements with China Elite itself), China Elite also provides CRM outsourcing services to other Group's companies, which therefore constitute intra-group related party transactions within the Group.

For typical intra-group related party transactions within the Group, PacificNet Communications, International Elite (Macau) or Winet first enter into service contracts with customers and then outsource their responsibilities for the provision of CRM services to the Company. The Company then subsequently further subcontracts the CRM services to China Elite. In other words, either PacificNet Communications, International Elite (Macau) or Winet is the contracting company in each intra-group related party transaction within the Group and China Elite is the ultimate service provider. This ensures optimal benefits for the Group's business operations as each subsidiary of the Group has its own responsibilities and roles to fulfill and the Group can efficiently and effectively put its resources to the best uses. The followings illustrate the principal responsibilities of each subsidiary of the Group:

PacificNet Management and Keithick

PacificNet Management and Keithick are investment holding companies.

PacificNet Communications, International Elite (Macau) and Winet

PacificNet Communications commenced operation in February 2003 and its place of operation is Macau. International Elite (Macau) commenced operation in January 2003 and its place of operation is Macau. Winet commenced operation in January 2000 and its place of operation is Hong Kong.

PacificNet Communications, International Elite (Macau) and Winet are primarily responsible for business development, marketing, customers negotiation, contracts signing, maintenance of relationship with customers, provision of equipment and maintenance of service network. Therefore, they are exposed to certain level of market and credit risk.

The Company

The Company commenced operation in October 2000 and it does not have a fixed place of operation. The Company is a management company and is mainly responsible for monitoring the service quality, assessing the feasibility of the business module, setting up quality testing standards and evaluating the results, discussing and solving problems on how to improve the quality of customer services and monitoring progress and implementation of projects. Therefore, the Company is exposed to risk associated with quality control.

China Elite

China Elite commenced operation in July 2000 and its place of operation is the PRC. China Elite is the operator of the Group's CRM service centres and is therefore mainly responsible for recruitment, training, provision of work premises; maintaining operating system and service equipment, software design, provision of customer services including retention of existing customers, marketing of value-added services, issuing payment reminders, customer upgrading, termination of service, customer account reactivation, and cooperation with customers to launch new marketing activities; providing ideas to customers to cope with increasing changes in technology, human resources management, safety and security measures, project management, quality monitoring and improving service quality. In intra-group related party transactions, China Elite has limited exposure to market and operating risks.

The Directors have confirmed that there was no explicit transfer pricing policy for the intra-group related party transactions during the two years ended 31 December 2006. The Group allocated the revenue among the subsidiaries according to respective responsibilities and risks bore.

Since 1 January 2007, the management has adopted the cost plus method in calculating the service charge payable by Company to China Elite. Under the cost plus method, the revenue of China Elite is computed by its relevant cost base plus an arm's length mark-up. As the transaction prices are often set and agreed upfront, under the cost plus method in setting the transfer prices, China Elite can only use budgeted expenses as the cost base including:

- standard labour cost;
- budgeted general and administrative expenses; and
- budgeted seat costs/expenses.

The full cost mark up ratio adopted by the Group was derived with reference to a transfer pricing benchmarking study and the Directors are thus of the view that the full cost mark-up ratio adopted by the Group is within the comparable profit range.

Besides, Winet and the Company have purchased service equipments for the CRM service centres of China Elite. Winet has also leased certain telephone lines from telecommunications operators for China Elite. The abovementioned equipments and telephone lines have been provided to China Elite free of charge.

Any changes in the transfer pricing arrangement will have a potential effect on the tax position of the Group.

Margin Analysis

The following table summarises a breakdown of the Group's gross profit margins for the two years ended 31 December 2006 and the five months ended 31 May 2006 and 31 May 2007:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	%	%	% (unaudited)	%
Gross profit margin	21.29	34.83	31.05	41.80

The increase in the gross profit margin was mainly attributable to the followings:

- The staff costs in 2005 accounted for approximately 63.59% of the turnover and fell to equal approximately 57.51% of the turnover in 2006 and approximately 52.40% of the turnover in the five months ended 31 May 2007. In order to ensure the quality of services, the Group recruited more staff as buffer to ensure a sufficient supply of operators taking into account that the staff turnover rate in 2005 was high in its first year of expansion to provide CRM outsourcing services to large scale customers. Since 2006, due to improvement in staff turnover rate (total number of resigned permanent staff and trainees during a period divided by the total number of staff as at the period end) and staff efficiency, the Group has gradually been able to reduce its number of buffer staff and increase the turnover contribution of each operator. As a result, the percentage of staff costs to turnover lowered, which contributed to an approximately 6.08% widening of gross profit margin in 2006 and a further approximately 5.11% widening of gross profit margin in the five months ended 31 May 2007;
- As discussed in the paragraph head "Cost of Sales" in this section, the line rental cost lowered from approximately 6.09% in 2005 to approximately 4.06% in 2006 and approximately 4.00% in the five months ended 31 May 2007 of the turnover, resulting in an approximately 2.03% widening of the gross profit margin in 2006 and a further approximately 0.06% widening in gross profit margin in the five months ended 31 May 2007; and
- Other expense included in cost of sales was also at the accented level of approximately 9.03% of the turnover in 2005 due to the Group's expansion in the same year. Better internal control in 2006 combined with a large sales base caused major decrease in the item to approximately 3.59% of the turnover in 2006 and approximately 1.79% of the turnover in the five months ended 31 May 2007, accounting for an approximately 5.44% widening of gross profit margin in 2006 and a further approximately 1.80% widening in gross profit margin in the five months ended 31 May 2007.

The following table summarises the Group's net profit margin before tax and net profit margin after tax for the two years ended 31 December 2006 and the five months ended 31 May 2006 and 31 May 2007:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	%	%	% (unaudited)	%
Net profit margin before tax	2.09	20.27	15.47	25.31
Net profit margin after tax	2.09	24.47	15.47	22.45

The Group's net profit margin before tax has increased due to the improvement in the gross profit margin as discussed before and a better cost control. The improvement in net profit margin after tax in 2006 was also attributable to the improvement in net profit margin before tax as discussed above and the recognition of deferred tax assets of approximately HK$ 6.29 million in 2006.

DISCUSSION OF PERFORMANCE ON A PERIOD AGAINST PERIOD BASIS

Year ended 31 December 2006 compared to year ended 31 December 2005

Turnover

The Group's turnover for the year ended 31 December 2006 was approximately HK$149.86 million, representing approximately 1.8 times of that in 2005 of approximately HK$83.43 million.

Inbound services accounted for approximately 71.89% and approximately 68.94% of the Group's turnover for the two years ended 31 December 2006, with amount increased from approximately HK$59.98 million in 2005 to approximately HK$103.31 million in 2006, representing an increase of approximately 72.24%. Regarding outbound services, it accounted for approximately 28.11% and approximately 31.06% of the Group's turnover for the two years ended 31 December 2006, with amount increased from approximately HK$23.45 million in 2005 to approximately HK$46.55 million in 2006, representing an increase of approximately 98.51%. The Group signed CRM outsourcing contracts with Hutchison Telecommunications and Hutchison Global in March 2005 and China Unicom Guangdong in August 2005, all the three of them are large customers to the Group's business. As the turnover from them accounted for the whole year in 2006 as compared to part of the year in 2005, together with the growth in business volume with them and the expansion of the Group's business with other customers in both the telecommunications and non-telecommunications industries, the Group experienced a high turnover growth of approximately 79.62% in 2006. Comparing with inbound services, outbound services experienced a higher turnover growth, which was mainly due to i) the improvement in selling skills of its operators; and ii) the entering into of more telesales contracts with customers in both telecommunications and non-telecommunications industries as compared to inbound services.

Hong Kong was the Group's major market for its business. Approximately 92.38% and approximately 87.78% of the Group's turnover for the year ended 31 December 2005 and 2006 respectively were from Hong Kong. However, more business has shifted to the PRC and Macau. Contribution of the Group's turnover from the PRC has increased from approximately 5.90% in 2005 to approximately 9.92% in 2006 mainly due to more business with China Unicom Guangdong in 2006. Approximately 1.72% and approximately 2.30% of the Group's turnover in 2005 and 2006, were from Macau respectively and the increase in the contribution to the Group's turnover by Macau was mainly due to a higher business volume with the China Unicom Macau Limited in 2006.

Cost of sales

The Group's cost of sales for the year ended 31 December 2006 was approximately HK$97.66 million, representing approximately 1.5 times of that in 2005 of approximately HK$ 65.67 million. The increase in cost of sales was mainly attributable to the increase in staff costs as a result of more operators have been employed for the Group's business expansion since mid-2005. However, the growth rate was lower than that of the increase in the Group's turnover as a result of the improvement in operational efficiency and staff turnover rate and the adoption of a tighter cost control measures by the Group.

Gross profit

The Group's gross profit for the year ended 31 December 2006 was approximately HK$ 52.20 million, representing approximately 2.9 times of that in 2005 of approximately HK$17.77 million. This was primarily attributable to the increase in the turnover and gross profit margin as discussed before.

Administrative expenses

The Group's administrative expenses principally comprise staff costs, general administration, depreciation, taxes other than income tax and operating lease charges.

The tables below sets out the breakdown of its administrative expenses during the two years ended 31 December 2006:

	For the year ended 31 December			
	2005		2006	
Administrative Expenses Breakdown	HK$'000	%	HK$'000	%
Staff costs	5,234	32.47	6,379	28.86
General administration	4,622	28.67	6,626	29.97
Depreciation	3,747	23.24	4,746	21.47
Taxes other than income tax	1,398	8.67	3,090	13.98
Operating lease charges	1,120	6.95	1,265	5.72
	16,121	100	22,106	100

(i) Staff costs

For the two years ended 31 December 2006, staff costs represented approximately 32.47% and approximately 28.86% of the Group's administrative expenses respectively. The increase in staff costs from approximately HK$5.23 million in 2005 to approximately HK$6.38 million in 2006 was mainly due to the increase in the number of headcount for administrative staff to support the expansion of the Group.

(ii) General administration expenses

General administration expenses mainly represent utilities expenses, recruitment expenses, entertainment expenses, postal expenses, printing expenses, audit fees, consultancy fees, professional fees and other office administrative expenses. For the two years ended 31 December 2006, general administration expenses represented approximately 28.67% and approximately 29.97% of the Group's administrative expenses respectively. The increase in general administration expenses from approximately HK$4.62 million in 2005 to approximately HK$6.63 million in 2006 was mainly due to the increase in business size of the Group and therefore more administrative expenses were incurred to support the growth. However, as a result of the tight control measures implemented by the Group, the percentage of general administration expenses to turnover decreased from approximately 5.53% in 2005 to approximately 4.42% in 2006.

(iii) Depreciation expenses

Depreciation expenses represented approximately 23.24% and approximately 21.47% respectively of the Group's administrative expenses for the two years ended 31 December 2006. Depreciation expenses increased from approximately HK$3.75 million in 2005 to approximately HK$4.75 million in 2006, which was mainly due to the addition of more property, plant and equipment during the year to accommodate the expansion plan of the Group, especially for the set up of the Group's third CRM service centre at Qiaoli Premises.

(iv) Taxes other than income tax

The balance mainly comprised business tax which was calculated based on the turnover of the Group's PRC subsidiary. Taxes other than income tax accounted for approximately 8.67% and approximately 13.98% respectively of the Group's administrative expenses for the two years ended 31 December 2006. The increase in taxes other than income tax was in line with the growth in the Group's business operation in the PRC.

(v) Operating lease charges

Operating lease charges represented approximately 6.95% and approximately 5.72% respectively of the Group's administrative expenses for the two years ended 31 December 2006. The increase in operating lease charges in 2006 was mainly due to the rental charges for the Group's third CRM service centre at Qiaoli Premises.

Profit before taxation

The Group's profit before taxation for the year ended 31 December 2006 was approximately HK$ 30.38 million, representing approximately 17 times of that in 2005 of approximately HK$1.74 million. This was primarily attributable to the increase in the gross profit as discussed above and the improvement in operational and administrative efficiency.

Taxation

The Group had an income tax credit of approximately HK$ 6.29 million in the year ended 31 December 2006, as a result of the recognition of deferred tax asset for tax loss brought forwards from the PRC operation of the Group not recognised in previous years.

China Elite suffered loss during 2005 and 2006 and had no assessable profit due to the substantial start-up and inefficient cost, details of which are set out as follows:

In 2005, the Group entered into contracts with Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong and commenced large scale projects, namely "Hutchison Project" and "Unicom Project" respectively, for the provision of CRM services to the subscribers of Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong respectively. In order to cope with the increased business operations and customers' requirements, at the beginning of the abovementioned projects, China Elite had to provide a considerable amount of equipment and facilities, and spent substantial costs on recruitment, training and retaining of operators as well as improving work efficiency. Details of such costs are as follows:

Recruitment

To attract suitable operators, China Elite incurred substantial costs in recruitment.

Training

China Elite is responsible for the training of its operators. The training system of China Elite includes pre-job qualification training, comprehensive and intensive on-the-job training as well as continuous improvement training.

Costs for high staff turnover

Human resources cost for China Elite is incurred throughout the recruitment, training and work process. The staff turnover rate before training was around 33%, while the staff turnover rate during training was around 31% in 2005 and 2006.

China Elite also had an average monthly staff turnover rate of approximately 5.68% and 5.2% respectively for each of the two years ended 31 December 2006.

The Directors are of the view that extra cost due to staff turnover should be borne by China Elite.

Efficiency

The Hutchison Project was initially for the provision of customer service hotlines and extended to BIS services and telesales subsequently. China Elite therefore had to employ approximately 1.9 to 2.5 times of budgeted operators to ensure the quality of its services before the operators became familiar with the services. China Elite had employed similar strategy for the Unicom Project which commenced in 2005.

Being the principal service provider in the Group and under the arm's length transaction principle, China Elite bore additional operator staff costs in order to meet customers' requirements in respect of service quality and establish the foundation for long-term development.

Fixed costs

As a company engaged in the provision of CRM services, China Elite's costs and expenses are mainly personnel-related costs which accounted for over 80% of the total costs for the two years ended 31 December 2006. Staff turnover and fluctuation of labour price in the market have critical impact to the costs of China Elite.

In addition, China Elite's depreciation costs of fixed assets are relatively high since it needs to provide services by utilising a large number of computers and communication equipments. Therefore, the repair and maintenance and upgrade of fixed assets also have significant impacts on its costs. China Elite's fixed costs (e.g. administrative cost including the salaries of management staff and depreciation cost etc.) accounted for approximately 23% to 25% of its total costs during the two years ended 31 December 2006.

Summary

At the initial operating period, China Elite devoted a great amount of human resources and capital to maintain service quality and the confidence of its customers. The start-up costs (e.g recruitment and training costs, etc.) have greatly impacted on China Elite's profitability. Furthermore, as China Elite is the principal service provider of the Group, the management is of the view that the start-up costs incurred during this period should be borne by China Elite rather than transferred to related parties according to the arm's length principle. For the two years ended 31 December 2006, the total staff cost of China Elite was approximately RMB59.6 million and RMB90.9 million respectively based on the PRC audited accounts of China Elite. The Directors are of the view that special negative commercial and operational factors as discussed above would justify the unsatisfactory financial performance of China Elite during the two years ended 31 December 2006, which was the start up periods of the Group's large scale business expansion, and defend the transfer pricing arrangement between China Elite and other members of the Group against the possible tax authority's challenge.

As at 1 January 2005 and 1 January 2006, the reported tax loss brought forwards by China Elite was approximately RMB28.51 million and RMB56.17 million respectively. If the reported tax losses brought forward of China Elite is challenged by the relevant tax bureau, the amount being challenged might not be used to cover the possible adjusted taxable profit (if any) as a result of the transfer pricing arrangement and the future taxable profit of China Elite and China Elite may be required to pay the tax involved. However, taking into account that each of the Initial Management

Shareholders will provide indemnities in favour of the Group for any losses which may arise from the Group's transfer pricing arrangements, the Sponsor concurs with the Directors' view that the potential challenge by relevant tax bureau will not have a material adverse impact on the operation and financial position of the Group.

In case the Group's transfer pricing position is challenged by relevant tax authority, as advised by the Group's legal advisers to the PRC laws, China Elite may be required to pay 0.2% of the outstanding tax per day as a fine for late payment, calculated from the date when the payment has become overdue, in case the Group's transfer pricing position is challenged by relevant tax authority. Furthermore, if 1) the relevant tax authority considers China Elite as avoiding tax intentionally through fact hiding or fraud; or 2) China Elite fails to pay the tax after the relevant tax authority has chased for the overdue payment, the relevant tax bureau has the right to impose a penalty of not more than 5 times of the original tax payable and filed criminal litigation against the authorised representative and direct responsible person of China Elite.

The Directors have advised that in preparing the financial information, the Directors have reviewed and assessed the Group's transfer pricing arrangements in relation to intra-group services and considered that, although the Group is exposed to transfer pricing risk for the fact that it is possible that the PRC tax authority may challenge the Group's transfer pricing position, the Group has grounds to defend against the possible challenge. Based on the Directors' estimation and judgment, no income tax provision is considered necessary by the Group for the two years ended 31 December 2006. As advised by KPMG, the Group's reporting accountants, it has assessed the significant estimates and judgments made by the Directors as well as the legal and tax advice, including inter alia, the transfer pricing benchmarking study and analysis, obtained by the Directors in connection with the Group's transfer pricing position. KPMG is not aware of any material misstatement on the financial information based on the audit procedures performed.

No provision has been made for Hong Kong profit tax and PRC income tax as there is no assessable profit during the two years ended 31 December 2006.

Besides, since the Macau subsidiaries are incorporated under the Commercial Code and regulations on offshore activities of Macau and are only engaged in Offshore Activities, profit arising from such activities is exempted from income complementary tax (may also be known as profit tax) according to the relevant law of Macau. The Group's subsidiaries in the Cayman Islands and BVI are also exempted from income tax under applicable laws and regulations. The major components of income tax credit for the Track Record Period are as follows:

	For the year ended 31 December	
	2005	**2006**
	HK$'000	**HK$'000**
Current income tax charge	—	—
Deferred income tax	—	(6,290)
Income tax credit reported in the income statement	—	(6,290)

The effective tax rates (taxation/profit before taxation) of the Group for the year ended 31 December 2005 and 2006 were nil and (20.71)% respectively.

Profit for the year attributable to shareholders of the Company

The Group's net profit attributable to shareholders of the Company increased by approximately 2,007.47% from approximately HK$1.74 million in the year ended 31 December 2005 to approximately HK$36.67 million in the year ended 31 December 2006. The increase in profit for the year attributable to shareholders of the Company was mainly due to the increase in profit before taxation as discussed above and the recognition of income tax credit.

Dividends

The Group did not declare any dividend for the year ended 31 December 2005 and 2006.

Five months ended 31 May 2007 compared to five months ended 31 May 2006 (unaudited)

Turnover

The Group's turnover increased by approximately 30.73% from approximately HK$57.31 million for the five months ended 31 May 2006 (unaudited) to approximately HK$74.92 million for the five months ended 31 May 2007. Inbound services represented approximately 70.52% and approximately 56.90% of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively, with amount increased to approximately HK$42.63 million for the five months ended 31 May 2007, representing a growth rate of approximately 5.49% in comparison with the corresponding period of last year. Regarding outbound services, it accounted for approximately 29.48% and approximately 43.10% of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 2007 respectively, with amount increased to approximately HK$32.29 million for the five months ended 31 May 2007, representing an increase of approximately 91.18%. The total turnover for the five months ended 31 May 2007 has increased compared to that for the five months ended 31 May 2006, mainly attributable to the growth in business volume with the existing customers such as Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong and the continuous expansion of the Group's clientele. The outbound services grew at a faster pace compared to that of the inbound services, mainly attributable to i) more outbound services contracts have been entered into with customers in both telecommunications industries and non-telecommunications industries as compared to inbound services; and ii) the improvement in selling skills of the Group's operators.

The Group's turnover from Hong Kong accounted for approximately 89.11% and approximately 87.37% of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. During the five months ended 31 May 2007, more business has shifted to the PRC and Macau. The PRC contributed to approximately 8.24% and approximately 9.80% of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. The increase in the contribution of the Group's turnover from the PRC was mainly attributed to the higher business volume with China Unicom Guangdong for the five months ended 31 May 2007. Approximately 2.65% and approximately 2.83% respectively of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 31 May 2007 were from Macau.

Cost of sales

The Group's cost of sales for the five months ended 31 May 2006 (unaudited) and 31 May 2007 were approximately HK$39.51 million and approximately HK$43.61 million respectively, representing an increase of approximately 10.38%.

Gross profit

The Group's gross profit increased by 75.96% from HK$17.80 million for the five months ended 31 May 2006 (unaudited) to HK$31.32 million for the five months ended 31 May 2007. This was primarily as a result of the increase in the turnover and gross profit margin as discussed before.

Administrative expenses

The table below sets out the breakdown of its administrative expenses for the 5 months ended 31 May 2006 (unaudited) and 31 May 2007:

	For the five months ended 31 May			
	2006		2007	
	HK$'000 (unaudited)	%	HK$'000	%
Administrative Expenses Breakdown				
Staff costs	2,202	24.26	2,395	19.14
General administration	2,819	31.06	3,255	26.00
Depreciation	2,177	23.99	3,142	25.10
Taxes other than income tax	1,121	12.35	1,855	14.82
Operating lease charges	757	8.34	1,869	14.94
	9,076	100%	12,516	100%

(i) Staff costs

Staff costs accounted for approximately 24.26% and approximately 19.14% of the Group's administrative expenses for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. The staff costs for the five months ended 31 May 2007 increased mainly due to the increase in the administrative staff for the recruitment of operators to cope with the business expansion.

(ii) General administration expenses

The general administration expenses increased from approximately HK$2.82 million for the five months ended 31 May 2006 (unaudited) to approximately HK$3.26 million for the five months ended 31 May 2007. It accounted for approximately 31.06% and approximately 26.00% of the Group's administrative expenses for the five months ended 31 May 2006 (unaudited) and 2007 respectively. The increase in the general administration expenses was mainly due to the continual expansion in the operation of the Group and more administrative expenses were incurred to support the business growth.

(iii) Depreciation expenses

Depreciation expenses represented approximately 23.99% and approximately 25.10% respectively of the Group's administrative expenses for the five months ended 31 May 2006 (unaudited) and 2007. The increase in depreciation expenses from approximately HK$2.18 million for the five months ended 31 May 2006 (unaudited) to approximately HK$3.14 million for the five months ended 31 May 2007 was mainly due to the setup of the Group's third CRM service centre at Qiaoli Premises in 2006.

(iv) Taxes other than income tax

Taxes other than income tax represented approximately 12.35% and approximately 14.82% of the Group's administrative expenses for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. The increase in taxes other than income tax was mainly due to the growth in the Group's business operation in the PRC.

(v) Operating lease charges

Operating lease charges accounted for approximately 8.34% and approximately 14.94% of the Group's administrative expenses for the five month ended 31 May 2006 (unaudited) and 31 May

2007 respectively. The increase in operating lease charges in 2007 was mainly due to the lease for the Group's third CRM Centre at the Qiaoli Premises in the second half of 2006. Moreover, since 1 January 2007, instead of using the properties at nil consideration, the Group has started to pay rent at market value for the Hong Kong Premises and PRC Premises, both properties are leased from Connected Persons. For details, please refer to the section headed "Relationship with the controlling shareholders and non-competition undertakings" of this prospectus.

Profit before taxation

The Group's profit before taxation was approximately HK$8.87 million and approximately HK$18.96 million for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. This was primarily due to the increase in the gross profit as discussed above and the improvement in operational and administrative efficiency.

Taxation

The Group had an income tax expenses of approximately HK$2.14 million for the five months ended 31 May 2007. During the five months ended 31 May 2007, China Elite recorded assessable profit of approximately RMB3.26 million ("2007 Assessable Profit"). As China Elite recorded deferred tax assets of approximately HK$6.29 million in 2006 based on the then reported tax loss available and the forecasted profit of China Elite for the two years ending 31 December 2008, the tax on the 2007 Assessable Profit (approximately HK$1.12 million) has been recognised as income tax expenses in the consolidated income statement and deducted against the deferred tax assets in the consolidated balance sheet. Besides, as a result of the reduction in income tax rate of the Group's PRC subsidiary from 33% to 25% effective from 1 January 2008 pursuant to the united enterprise income tax law passed on 16 March 2007, approximately HK$1.02 million of the deferred tax assets recognised in 2006 has been derecognised and expensed during the five months ended 31 May 2007. Based on the above, a total of approximately HK$2.14 million (the sum of HK$1.12 million and HK$1.02 million) of income tax expense was recorded during the five months ended 31 May 2007. As at 1 January 2007, the reported tax loss brought forward by China Elite was approximately RMB 72.39 million. No provision has been made for PRC profit tax for the five months ended 31 May 2006 (unaudited) as there was no assessable profit. No provision has been made for Hong Kong profit tax for the five months ended 31 May 2006 (unaudited) and the five months ended 31 May 2007 respectively as there was no assessable profit. Besides, since the Macau subsidiaries are incorporated under the commercial code and regulations on offshore activities of Macau and are only engaged in Offshore Activities, profit arising from such activities is exempted from income complementary tax (may also be known as profit tax) according to the relevant law of Macau. The Group's subsidiaries in the Cayman Islands and BVI are also exempted from income tax under applicable laws and regulations. The major components of income tax expense for the five months ended 31 May 2006 (unaudited) and 31 May 2007 are as follows:

	For the five months ended 31 May	
	2006	2007
	HK$'000 (unaudited)	HK$'000
Deferred tax		
Change in tax rate	—	1,016
Origination and reversal of temporary differences	—	1,124
Income tax expenses reported in the income statement	—	2,140

The effective tax rate (taxation/profit before taxation) of the Group for the five months ended 31 May 2006 (unaudited) and 31 May 2007 were nil and approximately 11.29% respectively.

Profit for the year attributable to shareholders of the Company

The Group's net profit attributable to shareholders of the Company increased by approximately 89.63% from approximately HK$8.87 million for the five months ended 31 May 2006 (unaudited) to approximately HK$16.82 million for the five months ended 31 May 2007. The increase in profit for the year attributable to shareholders of the Company was mainly due to the increase in profit before taxation as discussed above.

Dividends

The Group did not declare any dividend for the five months ended 31 May 2006 (unaudited) and 2007.

Analysis of Financial Position

The following table illustrates major balance sheet items and key financial ratios of the Group during the two years ended 31 December 2006 and the five months ended 31 May 2007.

Balance Sheet

	As at 31 December		As at 31 May
	2005	2006	2007
	HK$'000	HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	24,431	29,545	27,370
Deferred tax assets	—	6,290	4,150
Total non-current assets	24,431	35,835	31,520
Current assets			
Trade and other receivables	30,175	50,097	48,900
Cash and cash equivalents	33,990	34,064	41,167
Total current assets	64,165	84,161	90,067
Current liabilities			
Trade and other payables	66,321	59,318	43,202
Total current liabilities	66,321	59,318	43,202
Net current (liabilities)/assets	(2,156)	24,843	46,865
Total assets less current liabilities	22,275	60,678	78,385
Net assets	22,275	60,678	78,385
Equity			
Share capital	14	14	14
Reserves	22,261	60,664	78,371
Total equity	22,275	60,678	78,385

Key Financial Ratios

	As at 31 December		As at 31 May
	2005	2006	2007
Current Ratio[(1)]	96.75%	141.88%	208.48%
Debtor turnover days[(2)]	72.28 days	72.51 days	78.88 days
Creditor turnover days[(3)]	45.84 days	49.08 days	38.02 days

(1) Current asset/Current liabilities x 100%
(2) Average trade receivables/Turnover x 365 days
(3) Average trade payables/Cost of sales x 365 days

ANALYSIS OF MAJOR BALANCE SHEET ITEMS AND FINANCIAL RATIOS

Capital Expenditures and Investment

Property, Plant and Equipment

The Group's property, plant and equipment was slightly decreased by approximately HK$2.18 million from approximately HK$29.55 million as at 31 December 2006 to approximately HK$27.37 million as at 31 May 2007, mainly due to the depreciation for the five months ended 31 May 2007. The Group's property, plant and equipment has substantially increased by approximately HK$5.12 million from approximately HK$24.43 million in 2005 to approximately HK$29.55 million in 2006, mainly as a result of the additions of approximately HK$11.43 million worth of leasehold improvement and facilities and office equipment, offset by the depreciation charge of approximately HK$7.10 million in 2006. The addition of fixed assets was attributable to the set up of the Group's third CRM service centre at Qiaoli Premises in November 2006.

Working Capital

The Directors are of the opinion that, taking into account the net proceeds of the Placing (further details are set out in the section headed "Business Objectives and Strategies" for more information) and other financing sources, the Group has sufficient working capital currently and for the period ending 12 months from the date of this prospectus.

Current Ratios

The Group was undergoing large scale expansion in 2005 and 2006, especially in 2005 when the Group started to provide services to Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong. As a result, the Group purchased more facilities and equipments and incurred leasehold improvement costs for rearranging existing and setting up new CRM service centres. Besides, in 2005, one of the Group's major customers in group basis made an one off advance payment of approximately HK$8.00 million to the Group to support its expansion in the first year of the outsourcing contract. The Group first recorded the payment as "Trade and other payables" and used the amount to set off against the accounts receivables incurred afterwards. Therefore, the Group recorded a relatively large payables balance at the year end of 2005, causing the Group to have a low current ratio of approximately 96.75%. In 2006, due to the increase in business size, the Group had generated more working capital. Together with the set off of the advance payment against the accounts receivables recognised in 2006, the Group had an improvement in current ratio to approximately 141.88% as at 31 December 2006. Current ratio further increased to approximately 208.48% as at 31 May 2007 as more working capital was available to the Group due to the decrease in capital expenditure and continuous improvement in business performance.

Trade and Other Receivables

Turnover of Trade Receivables

The following table sets forth a summary of average trade receivables turnover for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May
	2005	2006	2007
Turnover of trade receivable (days)[1]	72.28 days	72.51 days	78.88days

Note 1: Average trade receivables equal trade receivables at the beginning of the year plus trade receivables at the end of the year and divided by 2. Turnover of trade receivables (in days) equal average trade receivables divided by turnover and multiplied by 365 days.

The Group's debtors' turnover days for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 were higher than the credit terms as stated in the contracts. Since the major customers of the Group are large scale telecommunications operators in Hong Kong and the PRC, the top five customers on group basis accounted for approximately 95%, 99% and 95% of the Group's turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007. The internal procedures for settling the Group's bills are relatively more complicated and therefore take a relatively longer time for settlement. Instead of settling the bills before the due date, it is common for these large sized telecommunications operators to settle the bills around 1.5 to 2 months after the invoice dates. Therefore, the majority of the Group's trade receivables balance was aged within 3 months.

In consideration of the creditability of the Group's customers, the Group has elected to extend the credit terms accordingly. The practice of settlement within 3 months is considered acceptable under this condition. As most of the Group's customers are sizable telecommunications operators, the credit risk of the Group is relatively low.

A small minority of customers has historically settled beyond the 3 month period. Due to the good relationship between the Group and these customers, and to the relatively insignificant amounts involved, the Group has tolerated the behavior to promote a mutually supportive business relationship.

Aging analysis of Trade Receivables

The following table sets forth a summary of average age of the Group's trade receivables for the periods indicated:

	31 December		31 May
	2005	2006	2007
	HK$'000	HK$'000	HK$'000
Age of Trade Receivable			
0 – 1 month	14,981	18,670	18,444
1 – 3 months	5,814	12,588	19,950
3 – 6 months	1,717	2,283	1,382
6 – 12 months	725	2,763	102
12 – 24 months	—	—	1,542
Total	23,237	36,304	41,420

Trade receivables as at 31 December 2005, 31 December 2006 and 31 May 2007 were approximately HK$23.24 million, approximately HK$36.30 million and approximately HK$41.42 million respectively. The increase in the trade receivables was mainly attributable to the increase in turnover. Included in the balance of trade receivables as at 31 December 2005, 31 December 2006 and 31 May 2007, there were approximately HK$ 2.80 million, approximately HK$ 4.04 million and approximately HK$2.44 million respectively relating to the trade receivables from related companies, primarily attributable to Guangzhou Zhitong. Up to the Latest Practicable Date, all the outstanding receivables due from Guangzhou Zhitong as at 31 May 2007 had been settled. Guangzhou Zhitong was initially indirectly owned as to 50% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Although Guangzhou Zhitong is currently not engaged in the provision of CRM outsourcing services, its business licence states that its business scope includes provision of CRM services. In order to prevent any potential competing interest, Mr. Li Kin Shing and Ms. Kwok King Wa disposed their respective entire indirect interests in Guangzhou Zhitong to Ms. Zheng Hui, an Independent Third Party, in April 2007 at a total consideration of HK$9.5 million. The consideration was determined with reference to the net assets value of Guangzhou Zhitong. Based on the audited accounts of Guangzhou Zhitong for the year ended 31 December 2006, the net assets value of Guangzhou Zhitong as at 31 December 2006 was approximately RMB8.9 million. Pursuant to the disposal agreement, the consideration will be settled in five equal instalments. The first instalment should be made within 120 days from the date of the disposal agreement (i.e. 1 April 2007) while the remaining four instalments should be made in two months interval afterward. The first instalment of HK$1.9 million has been fully settled by Ms. Zheng by cash in July 2007. Due to the abovementioned disposal of interest in April 2007 and the resignation as the only two directors in June 2007 by Mr. Li Kin Shing and Ms. Kwok King Wa, Guangzhou Zhitong was regarded as a related party of the Company in the Accountants' Report set forth in Appendix I to this prospectus during the Track Record Period but ceased to be a connected person (as defined under the GEM Listing Rules) of the Company.

As at 31 May 2007, approximately HK$1.64 million of the total trade receivables was aged between 6 months and 2 years, which was mainly due to the slow moving receivables with Guangzhou Zhitong.

As at 31 August 2007, approximately 85.15% of the trade receivable i.e. HK$35.27 million as at 31 May 2007 had been settled.

The Group has not provided any provision for bad and doubtful debts as at 31 December 2005, 31 December 2006 and 31 May 2007.

Prepayments, deposits and other receivables

The Group's balance of total prepayments, deposits and other receivables increased by approximately HK$ 6.85 million, from approximately HK$6.94 million in 2005 to approximately HK$13.79 million in 2006, primarily attributed to the increase in amount due from related companies and shareholders from approximately HK$6.35 million in 2005 to approximately HK$11.74 million in 2006.

Total prepayment, deposits and other receivables decreased by approximately HK$6.31 million, from approximately HK$13.79 million as at 31 December 2006 to approximately HK$7.48 million as at 31 May 2007, mainly due to the full settlement of amount due from shareholder and related companies of approximately HK$11.74 million during the five months ended 31 May 2007. However, for the deposits, prepayments and other receivables due from third parties, the balance increased from approximately HK$2.05 million as at 31 December 2006 to approximately HK$7.48 million as at 31 May 2007, mainly due to the prepayments paid to professional parties for the preparation of Listing.

As at the Latest Practicable Date, there is no outstanding non-trade receivables balance due from related companies and shareholders.

Trade and Other Payables

Trade Payables

The following table sets forth the Group's turnover of trade payables for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May
	2005	2006	2007
Turnover of trade payables (days)[1]	45.84 days	49.08 days	38.02 days

Note 1: Average trade payables equal trade payables at the beginning of the year plus trade payables at the end of the year and divided by 2. Turnover of trade payables (in days) equal average trade payables divided by cost of sales and multiplied by 365.

The trade payables turnover days remained stable as at each of 31 December 2005 and 31 December 2006. The trade payable turnover days decreased for the five months ended 31 May 2007, mainly attributable to a faster repayment to suppliers during the period.

Average Age of Trade Payables

The following table sets forth the average age of trade payables for the periods indicated:

	As at 31 December		As at 31 May
	2005	2006	2007
	HK$'000	HK$'000	HK$'000
Age of Trade Payables			
Due within 3 months or on demand	14,016	12,250	9,553

The Group's trade payables were mainly related to amounts due to suppliers for the rentals of telephone lines, the purchase of facilities equipment and advances from customers. The decrease in trade payables balance in 2006 was mainly attributable to the transfer of advances received from customers to turnover upon the provision of services by the Group in 2006. The Group has received a total of approximately HK$8 million one off advance from customers in 2005. The trade payables balance further decreased to approximately HK$9.55 million as at 31 May 2007, mainly due to 1) the decrease in the capital expenditure; and 2) the prompt repayment to suppliers during the period. Included in the balance of trade payables as at 31 December 2005, 31 December 2006 and 31 May 2007, approximately HK$ 50,000, HK$ 0.1 million and HK$ 0.45 million were due to shareholders and related companies respectively.

Other payables

The other payables balances were approximately HK$ 52.31 million, approximately HK$47.07 million and approximately HK$ 33.65 million as at 31 December 2005, 31 December 2006 and 31 May 2007 respectively. Those balances were mainly related to the cash advances from shareholders and related companies. The decrease in the other payables balance was mainly attributable to the payment of balance due to the shareholders and related companies by the Group in 2006 and the five months ended 31 May 2007.

The outstanding non-trade balances due to related parties of the Company of approximately HK$30.8 million as at the Latest Practicable Date will be fully settled by the proceeds from the Placing immediately before the Listing.

Contingent liabilities and capital commitments

The Group had no significant contingent liabilities as at 31 May 2007. The capital commitments of the Group as at 31 May 2007 was nil.

Liquidity and Capital Resources

The Group has historically met its working capital and other capital requirements mainly from cash inflow from operating and financing activities.

Net Current Assets/Liabilities

The Group had net current liabilities of approximately HK$2.16 million as at 31 December 2005 and the current ratio, which is the ratio of current assets to current liabilities, was approximately 96.75%. As at 31 May 2007 and 31 December 2006, the Group had net current assets of approximately HK$46.87 million and approximately HK$24.84 million respectively and a current ratio of approximately 208.48% and approximately 141.88%. The following table summarizes the details of the Group's current assets and liabilities as at 31 December 2006 and 31 May 2007:

	As at 31 December 2006	As at 31 May 2007
	HK$'000	HK$'000
Current assets		
Trade and other receivables	50,097	48,900
Cash and cash equivalents	34,064	41,167
	84,161	90,067
Current liabilities		
Trade and other payables	59,318	43,202
	59,318	43,202
Net current assets	24,843	46,865

Cash Flows

The following discussion is based on the cash flow statements of the Group for the two years ended 31 December 2006 and the five months ended 31 May 2006 (unaudited) and 31 May 2007. The following table summarizes the Group's cash flows for each of the two years ended 31 December 2006 and the five months ended 31 May 2006 (unaudited) and 31 May 2007 :

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
			(unaudited)	
	HK$'000	HK$'000	HK$'000	HK$'000
Net cash inflow/(outflow) from operating activities	2,988	20,831	(1,607)	10,662
Net cash (outflow)/inflow from investing activities	(14,800)	(15,526)	(1,871)	9,646
Net cash inflow/(outflow) from financing activities	9,092	(5,785)	1,727	(12,001)
Cash and cash equivalent at end of year/period	13,597	13,032	11,801	21,167
Fixed deposits held as security for letters of credit	20,393	21,032	20,642	20,000

As at 31 May 2007, the Group had cash and cash equivalent of approximately HK$21.17 million and reported a net cash inflow from operating activities of approximately HK$10.66 million for the five months ended 31 May 2007.

Operating Activities

Net cash outflow from operating activities for the five months ended 31 May 2006 (unaudited) of approximately HK$1.61 million has changed to net cash inflow from operating activities of approximately HK$10.66 million for the five months ended 31 May 2007, mainly attributable to the growth in profit before taxation which was approximately HK$8.87 million and HK$18.96 million for the five months ended 31 May 2006 (unaudited) and 2007 respectively. Net cash inflow from operating activities increased by approximately HK$17.84 million from approximately HK$2.99 million for the year ended 31 December 2005 to approximately HK$20.83 million for the year ended 31 December 2006. This was evidenced by the growth in profit before taxation which was approximately HK$1.74 million and approximately HK$30.38 million for the two financial years ended 31 December 2006 respectively.

Investing Activities

Net cash outflow from investing activities of approximately HK$1.87 million for the five months ended 31 May 2006 (unaudited) has turned to net cash inflow of approximately HK$9.65 million for the five months ended 31 May 2007. This is evidenced by the repayments received from related parties of approximately HK$11.82 million for the five months ended 31 May 2007. Net cash outflow from investing activities increased by approximately HK$0.73 million from approximately HK$14.80 million for the year ended 31 December 2005 to approximately HK$15.53 million for the year ended 31 December 2006. The increase in net cash outflow of approximately HK$0.73 million was primarily attributed to the increase in the advance made to related parties in 2006.

Financing Activities

Net cash inflow of financing activities of approximately HK$1.73 million for the five months ended 31 May 2006 (unaudited) changed into a net cash outflow of approximately HK$12.00 million for the five months ended 31 May 2007. This was resulted from the repayments made to related parties of approximately HK$13.42 million for the five months ended 31 May 2007. Net cash inflow from financing activities decreased by approximately HK$14.88 million from a net cash inflow of approximately HK$9.09 million for the year ended 31 December 2005 to a net cash outflow of approximately HK$5.79 million for the year ended 31 December 2006. The decrease in cash inflow of approximately HK$14.88 million was primarily attributable to the net repayment made to related parties.

Market Risks

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. 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. Normally, the Group does not obtain collateral from customers.

As at 31 May 2007, the Group has a certain concentration of credit risk as 37% (2006: 30%; 2005: 28%) and 88% (2006: 88%; 2005: 85%) of the total trade receivables was due from the largest customer group and five largest customer groups respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the consolidated balance sheet. The Group does not provide any guarantees which would expose the Group to credit risk.

Foreign Currency Risk

The Group's reporting currency is Hong Kong dollar.

The Group has certain foreign currency sales, which expose the Group to foreign currency risk. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arises.

Profit forecast for the year ending 31 December 2007

Forecast profit attributable to shareholders of the Company(1)	not less than HK$54.8 million
Forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK$4.2 million)(1)	not less than HK$59.0 million
Forecast earnings per Share based on forecast profit attributable to the shareholders of the Company	
(a) weighted average(2)	not less than HK7.7 cents
(b) fully diluted(3)	not less than HK5.6 cents
Forecast earnings per Share based on forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK$4.2 million)	
(a) weighted average(4)	not less than HK8.3 cents
(b) fully diluted(5)	not less than HK6.1 cents

Notes:

(1) *The profit forecast for the year ending 31 December 2007 is based on the Group's audited consolidated results for the five month ended 31 May 2007, the unaudited consolidated results of the Group shown in the management accounts of the Group for the three months ended 31 August 2007 and a forecast of the consolidated results for the four months ending 31 December 2007. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix II.*

(2) *The calculation of weighted average forecast earnings per Share is based on the forecast profit attributable to the Shareholders of approximately HK$54.8 million for the year ending 31 December 2007 on the basis of the issued share capital of 708,673,973 Shares, being the weighted average number of Shares in issue during the year. The Shares to be issued under the Placing are assumed to be issued on 16 October 2007. This calculation assumes no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.*

(3) *The calculation of pro forma forecast earnings per Share is based on the forecast profit attributable to the Shareholders of approximately HK$54.8 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.*

(4) *The calculation of weighted average forecast earnings per Share is based on the forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK$4.2 million) of approximately HK$59.0 million for the year ending 31 December 2007 on the basis of the issued share capital of 708,673,973 Shares, being the weighted average number of Shares in issue during the year. The Shares to be issued under the Placing are assumed to be issued on 16 October 2007. This calculation assumes no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.*

(5) *The calculation of pro forma forecast earnings per Share is based on the forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK$4.2 million) of approximately HK$59.0 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.*

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

PROPERTY INTERESTS

Particulars of the Group's property interests are set out in Appendix IV to this prospectus. Sallmanns (Far East) Limited has valued the property interests of the Group as at 31 July 2007. The text of its letter, summary of valuations and the valuation certificates are set out in Appendix IV to this prospectus.

According to the valuation by Sallmanns (Far East) Limited, the Group has interests in 7 lease agreements, with 1 lease agreement in Hong Kong, 4 lease agreements in PRC and 2 lease agreements in Macau. All of these lease agreements of the Group have no commercial value.

DIVIDEND POLICY

The Group did not declare any dividend for the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2007 respectively.

The Directors expect that in future, interim and final dividends (if any) will be paid in or about September and April of each year respectively. However, any decision to pay such dividends will be made at the discretion of the Board and will be based on the general business and financial conditions, the Group's earnings, cash flow, financial condition, capital requirements and any other conditions that the Board deems relevant. Should dividends be declared, the holders of the shares will share proportionately, on a per Share basis, all dividends and other distributions declared by the board of Directors after the listing of the Shares on GEM. For holders of the Shares, cash dividend payments, if any, shall be declared by the Board and paid in Hong Kong dollars. The declaration, payment, and amount of dividends will be subject to the discretion of the Directors and will be dependent on the provisions of relevant laws and all other relevant factors. Future dividend payments will also depend upon the availability of dividends received from the Company's subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Company's subsidiary may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Group may enter into in the future. There can be no assurance that the Group will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Group in the future.

DIRECTORS' REMUNERATION

During the Track Record Period, Mr. Li Kin Shing and Ms. Kwok King Wa were the only directors of the Group. As no service contracts were entered into between each of Mr. Li Kin Shing and Ms. Kwok King Wa and the Group, no remuneration was paid to Mr. Li Kin Shing and Ms. Kwok King Wa during the Track Record Period.

For the three years ending 31 December 2009, the total directors' remuneration payable determined with reference to service contracts signed with the Directors and the required statutory contribution to relevant retirement schemes if necessary, is expected to amount to approximately HK$1,357,450, HK$3,209,125 and HK$3,209,125 respectively, excluding management bonuses which are payable at the Company's discretion. For the three years ending 31 December 2009, all the Directors (including independent non-executive Directors) will be remunerated with Directors' fees. In addition to Directors' fees, all the executive Directors will also be remunerated with salaries except for the year ending 31 December 2007. For the year ending 31 December 2007, only Ms. Li Yin and Mr. Wong Kin Wa will be remunerated with salaries as the other executive Directors have voluntarily forgone their salaries. As a result, there is a significant increase in the amount payable for directors' remuneration for the year ending 31 December 2008 as compared to the amount payable for the year ending 31 December 2007. For more details, please refer to the paragraph headed "Further Information about the Directors, Senior Management and Staff" in Appendix VI to this Prospectus.

Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 May 2007 comprises the historical audited consolidated net tangible assets of the Group as at 31 May 2007, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and the adjustments described below.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the audited consolidated net tangible assets of the Group as at 31 May 2007 as if the Placing had occurred on 31 May 2007.

The unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group.

Audited consolidated net tangible assets as at 31 May 2007(1)	Estimated net proceeds from the Placing(2)	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)
HK$'000	HK$'000	HK$'000	HK$
78,385	285,080	363,465	0.40

Notes:

(1) The audited consolidated net tangible assets attributable to the Shareholders of the Company as of 31 May 2007 are extracted from the Accountants' Report set forth in Appendix I to this prospectus.

(2) The estimated net proceeds from the Placing are based on the Placing Price, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to item 2 above and on the basis that 912,000,000 Shares are in issue.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that they have performed sufficient due diligence on the Group to ensure that, up to the date of this prospectus, there has been no material adverse change in the financial position or prospects of the Group since 31 May 2007 (being the date to which the latest audited financial statements of the Group have been made up) and there is no event since 31 May 2007 which would materially and adversely affect the information shown in Appendix I "Accountants' Report" to this prospectus.

INDEBTEDNESS

As at 31 August 2007, the Group had capital commitments amounted to approximately HK$0.36 million which were contracted for construction in progress and lease commitments amounted to approximately HK$0.18 million. The Group did not have any significant contingent liabilities as at 31 August 2007. The Directors have confirmed that apart from intra-group liabilities, as at the close of business on 31 August 2007, the Group did not have outstanding loan capital issues and outstanding or agreed to be issues, bank overdrafts, loans or similar indebtedness and liabilities under acceptances, debentures, mortgages, charges, acceptance credits, finance leases or hire purchase, commitments, guarantees or other material contingent liabilities.

DISTRIBUTABLE RESERVE

As at 31 May 2007, the total reserve of the Company available for distribution to the Shareholders was approximately HK$41 million.