The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

11 October 2007

The Board of Directors
International Elite Ltd.
Daiwa Securities SMBC Hong Kong Limited

Dear Sirs

We set out below our report on the Financial Information relating to International Elite Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2007 (the "Relevant Period") and the consolidated balance sheets of the Group as at 31 December 2005 and 2006 and 31 May 2007, and the balance sheets of the Company as at 31 December 2005 and 2006 and 31 May 2007, together with a summary of significant accounting policies and other explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 11 October 2007 (the "Prospectus").

The Company, formerly known as China Elite Cyber Information Limited, 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.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private limited liability companies or, if incorporated /established outside Hong Kong Special Administrative Region ("Hong Kong") of the People's Public of China ("the PRC"), have substantially the same characteristics as a private company incorporated in Hong Kong. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation / establishment	Authorised / registered / paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Keithick Profits Limited ("Keithick")	British Virgin Islands 25 March 1993	Authorised capital of US$50,000 and paid-in capital of US$1	100%	—	Investment holding
Winet Engineering Limited ("Winet")	Hong Kong, PRC 8 December 1999	Authorised capital of HK$10,000 and paid-in capital of HK$2	—	100%	Marketing and technical support services for telecommunications companies
PacificNet Management Limited ("PacificNet Management")	British Virgin Islands 11 April 2000	Authorised capital of US$50,000 and paid-in capital of US$50	100%	—	Investment holding
China Elite Information Co., Ltd. ("China Elite")	PRC 18 July 2000	Registered and paid-in capital of HK$94,000,000	—	100%	Service relating to information and telecommunications system network technology; data communications technology services
International Elite Limited —Macao Commercial Offshore ("International Elite Macau")	Macau Special Administrative Region ("Macau") of PRC 7 December 2002	Authorised and paid-in capital of Macau Patacus ("MOP")100,000	100%	—	Call centre for customer support and back offices
PacificNet Communications Limited — Macao Commercial Offshore ("PacificNet Communications")	Macau, PRC 17 February 2003	Authorised and paid-in capital of MOP100,000	—	100%	Call centre for customer support and back offices

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, the unaudited management accounts of the Company and its subsidiaries, on the basis set out in Section A below after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate the Financial Information to conform with the accounting policies as referred to in Section C, which are in accordance with International Financial Reporting Standards (the "IFRSs"), promulgated by the International Accounting Standards Board ("IASB").

No audited financial statements have been prepared for the Company and PacificNet Management, as these companies are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all significant transactions undertaken by these companies during the Relevant Period for the purpose of this report.

The statutory financial statements of the following subsidiaries were prepared in accordance with the relevant accounting rules and regulations applicable to their respective jurisdictions and were audited during the Relevant Period by the respective certified public accountants as indicated below:

Name of subsidiary	Relevant accounting rules and regulations	Financial period	Auditors
Keithick	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKFRSs")	Years ended 31 December 2005 and 2006	Nicholas Fung & Co. Certified Public Accountants registered in Hong Kong
Winet	HKFRSs	Years ended 31 December 2005 and 2006	Nicholas Fung & Co. Certified Public Accountants registered in Hong Kong
China Elite	Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the PRC Ministry of Finance	Years ended 31 December 2005 and 2006	Guangdong Qimingxing Certified Public Accountants Co., Ltd. registered in the PRC
International Elite Macau	Accounting principles generally accepted in Macau ("Macau GAAPs")	Years ended 31 December 2005 and 2006	Leong Kam Chun & Co. Certified Public Accountants Co., Ltd. registered in Macau
PacificNet Communications	Macau GAAPs	Years ended 31 December 2005 and 2006	Leong Kam Chun & Co. Certified Public Accountants Co., Ltd. registered in Macau

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation of the Financial Information together with the notes thereto as set out in Sections C to E below which give a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the audited financial statements or, where appropriate, unaudited management accounts of the Company and its subsidiaries for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 May 2007.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information together with the notes thereto gives a true and fair view of the consolidated results and consolidated cash flows of the Group for the Relevant Period, and of the state of affairs of the Group and the Company as at 31 December 2005 and 2006 and 31 May 2007.

Comparative financial information

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the five months ended 31 May 2006, together with the notes thereon (the "31 May 2006 Corresponding Information"), for which the directors are responsible, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the 31 May 2006 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 May 2006 Corresponding Information.

On the basis of our review of the 31 May 2006 Corresponding Information which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the five months ended 31 May 2006.

A. BASIS OF PRESENTATION

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group as set out in Sections B(1), B(4) and B(5) respectively include the consolidated results of operations and consolidated cash flows of the Group for the Relevant Period. The consolidated balance sheets of the Group and the balance sheets of the Company as at 31 December 2005 and 2006 and 31 May 2007 as set out in Sections B(2) and B(3) respectively have been prepared to present the state of affairs of the Group and the Company as at the respective dates.

The above financial information has been prepared to conform with the significant accounting policies as referred to in Section C, which are in accordance with the IFRSs, promulgated by the IASB.

No restructuring or reorganisation has been occurred during the Relevant Period.

B. FINANCIAL INFORMATION

1. Consolidated Income Statements

for the years ended 31 December 2005 and 2006 and the five months ended 31 May 2007

(In thousands of Hong Kong dollars, except for per share information)

	Note	For the year ended 31 December		For the five months ended 31 May	
		2005	2006	2006	2007
				(unaudited)	
Turnover	2	83,434	149,864	57,307	74,923
Cost of Sales		(65,668)	(97,664)	(39,511)	(43,606)
		17,766	52,200	17,796	31,317
Other revenue	3	99	284	148	159
Administrative expenses		(16,121)	(22,106)	(9,076)	(12,516)
Operating profit and profit before taxation	4	1,744	30,378	8,868	18,960
Taxation	5	—	6,290	—	(2,140)
Profit for the year / period attributable to shareholders of the Company		1,744	36,668	8,868	16,820
Earnings per share					
Basic and diluted earnings per share	8	HK$ 0.10	HK$ 2.04	HK$ 0.49	HK$ 0.94

The accompanying notes form part of the Financial Information.

2. Consolidated Balance Sheets as at 31 December 2005 and 2006 and 31 May 2007

(In thousands of Hong Kong dollars)

	Note	At 31 December 2005	At 31 December 2006	At 31 May 2007
Non-current assets				
Property, plant and equipment	9	24,431	29,545	27,370
Deferred tax assets	11	—	6,290	4,150
Total non-current assets		24,431	35,835	31,520
Current assets				
Trade and other receivables	12	30,175	50,097	48,900
Cash at bank and in hand	13	33,990	34,064	41,167
Total current assets		64,165	84,161	90,067
Current liabilities				
Trade and other payables	14	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	15	14	14	14
Reserves	16	22,261	60,664	78,371
Total equity		22,275	60,678	78,385

The accompanying notes form part of the Financial Information.

3. Balance Sheets of the Company as at 31 December 2005 and 2006 and 31 May 2007

(In thousands of Hong Kong dollars)

	Note	At 31 December 2005	At 31 December 2006	At 31 May 2007
Non-current assets				
Property, plant and equipment	9	2,971	1,951	1,527
Investment in subsidiaries	10	97	97	97
Total non-current assets		3,068	2,048	1,624
Current assets				
Amounts due from subsidiaries		74,437	102,167	97,139
Trade and other receivables	12	1,756	2,609	6,064
Cash at bank and in hand	13	22,280	22,843	24,183
Total current assets		98,473	127,619	127,386
Current liabilities				
Amounts due to subsidiaries		24,215	42,158	53,951
Trade and other payables	14	51,991	47,118	34,143
Total current liabilities		76,206	89,276	88,094
Net current assets		22,267	38,343	39,292
Total assets less current liabilities		25,335	40,391	40,916
Net assets		25,335	40,391	40,916
Equity				
Share capital	15	14	14	14
Reserves	16	25,321	40,377	40,902
Total equity		25,335	40,391	40,916

4. Consolidated Statements of Changes in Equity for the years ended 31 December 2005 and 2006 and the five months ended 31 May 2007

(In thousands of Hong Kong dollars)

	Share capital	Reserves	Total equity
	Note 15	*Note 16*	
As at 1 January 2005	14	19,484	19,498
Net profit for the year	—	1,744	1,744
Capital contribution reserve	—	998	998
Translation reserve	—	35	35
As at 31 December 2005 and 1 January 2006	14	22,261	22,275
Net profit for the year	—	36,668	36,668
Capital contribution reserve	—	1,032	1,032
Translation reserve	—	703	703
As at 31 December 2006 and 1 January 2007	14	60,664	60,678
Net profit for the period	—	16,820	16,820
Translation reserve	—	887	887
As at 31 May 2007	14	78,371	78,385
Unaudited			
As at 1 January 2006	14	22,261	22,275
Net profit for the period	—	8,868	8,868
Capital contribution reserve	—	430	430
Translation reserve	—	19	19
As at 31 May 2006	14	31,578	31,592

The accompanying notes form part of the Financial Information.

5. Consolidated Cash Flow Statements for the years ended 31 December 2005 and 2006 and the five months ended 31 May 2007

(In thousands of Hong Kong dollars)

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
			(unaudited)	
Operating activities				
Profit before taxation	1,744	30,378	8,868	18,960
Adjustments for:				
— depreciation	5,686	7,104	2,727	3,713
— expenses recognised on fair value of free rental	998	1,032	430	—
Operating profit before changes in working capital	8,428	38,514	12,025	22,673
Increase in trade and other receivables	(12,888)	(16,422)	(7,067)	(9,561)
Increase / (decrease) in trade and other payables	7,448	(1,261)	(6,565)	(2,450)
Net cash generated from / (used in) operating activities	2,988	20,831	(1,607)	10,662

The accompanying notes form part of the Financial Information.

5. Consolidated Cash Flow Statements for the years ended 31 December 2005 and 2006 and the five months ended 31 May 2007 (continued)

(In thousands of Hong Kong dollars)

	Note	For the year ended 31 December		For the five months ended 31 May	
		2005	2006	2006	2007
				(unaudited)	
Investing activities					
Payment for the purchase of property, plant and equipment		(17,053)	(12,026)	(1,201)	(1,702)
Advances made to related parties		(2,666)	(3,950)	(760)	(472)
Repayments received from related parties		4,919	450	90	11,820
Net cash (used in) / generated from investing activities		(14,800)	(15,526)	(1,871)	9,646
Financing activities					
Pledged deposits		(20,393)	(639)	(249)	1,032
Advances received from related parties		31,528	4,958	2,664	390
Repayments made to related parties		(2,043)	(10,104)	(688)	(13,423)
Net cash generated from / (used in) financing activities		9,092	(5,785)	1,727	(12,001)
Net (decrease) / increase in cash and cash equivalents		(2,720)	(480)	(1,751)	8,307
Cash and cash equivalents at 1 January	13	16,596	13,597	13,597	13,032
Effect of foreign exchange rate changes		(279)	(85)	(45)	(172)
Cash and cash equivalents at 31 December / 31 May	13	13,597	13,032	11,801	21,167

The accompanying notes form part of the Financial Information.

C. NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1. Significant accounting policies

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), promulgated by the International Accounting Standards Board ("IASB"). IFRSs include International Accounting Standards ("IAS") and interpretations.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the Relevant Period, the IASB issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs in the Relevant Period, except for any new standards or interpretations that are not yet effective for the Relevant Period. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Period are set out in note 26.

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of the Financial Information is set out below.

(b) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is the historical cost basis, except for certain financial instruments that have been initially measured at fair value.

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment are discussed in note 20.

1. Significant accounting policies (continued)

(c) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)).

(d) Property, plant and equipment

(i) Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)).

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.

1. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iv) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses (see note 1(h)).

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

(e) Operating lease charges

Leases of assets under which the lessor has not transferred substantially all the risks and rewards of ownership are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(f) Trade 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 (see note 1(h)), 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 (see note 1(h)).

(g) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(h) Impairment of assets

(i) 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.

1. Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) Impairment of trade and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring 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.

(ii) 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

— investments 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 assessments of time value of money and the risks 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 favourable 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.

1. Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(j) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(k) 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

1. Significant accounting policies (continued)

(k) Income tax (continued)

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 realisation 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.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. Significant accounting policies (continued)

(m)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) Customer relationship management ("CRM") services

CRM services comprise inbound services which include customer hotline services and built-in secretary services, a personalised message taking services, and outbound services which include telesales services and market research services.

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

(ii) Interest income

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

(n)Repairs and maintenance expenditure

Repairs and maintenance expenditure, including cost of overhaul, is expensed as incurred.

(o)Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The Financial Information is presented in Hong Kong dollars ("presentation currency").

(ii) Transactions and balances

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations for entities with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average exchange rates for the financial period. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

1. **Significant accounting policies (continued)**

p)Related parties

For the purposes of this Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a subsidiary, an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

q)Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group has two segments: inbound services and outbound services.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of this Financial Information.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, borrowings, tax balances, corporate and financing expenses.

2. Turnover

The principal activity of the Group is the provision of CRM services, which included inbound services and outbound services, to companies in various service-oriented industries.

The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	$'000	$'000	$'000 (unaudited)	$'000
Inbound services	59,980	103,313	40,413	42,631
Outbound services	23,454	46,551	16,894	32,292
	83,434	149,864	57,307	74,923

3. Other revenue

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	$'000	$'000	$'000 (unaudited)	$'000
Interest income from bank deposits	99	257	122	157
Others	—	27	26	2
	99	284	148	159

4. Profit before taxation

Profit before taxation is arrived at after charging:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	$'000	$'000	$'000 (unaudited)	$'000
(a) Staff costs:				
Contributions to defined contribution retirement plan	3,998	6,306	2,722	2,729
Salaries, wages and other benefits	54,289	86,264	35,572	38,930
	58,287	92,570	38,294	41,659
(b) Other items:				
Depreciation	5,686	7,104	2,727	3,713
Taxes other than income tax	1,398	3,090	1,121	1,857
Auditors' remuneration	80	83	—	—
Utilities	2,936	3,628	1,211	1,770
Repair and maintenance	663	743	293	265
Operating lease charges in respect of				
— rental of building, offices and dormitories	2,090	2,305	758	1,869
— hire of transmission lines	5,080	6,085	2,287	2,999

5. Taxation

(a) Taxation in the income statement represents:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	$'000	$'000	$'000 (unaudited)	$'000
Deferred tax				
Origination and reversal of temporary differences	—	6,290	—	(1,124)
Change in tax rate *(note (ii))*	—	—	—	(1,016)
Total income tax credit/(expense)	—	6,290	—	(2,140)

(i) Hong Kong profits tax

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 Relevant Period. The applicable tax rate of the subsidiary in Hong Kong was 17.5% throughout the Relevant Period.

(ii) Income taxes outside Hong Kong

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 Relevant 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.

On 16 March 2007, the Fifth Session of the Tenth National People's Congress passed the united enterprise income tax law. Pursuant to the united income tax law, the income tax rate that is applicable to the subsidiary of the Group in the PRC will be reduced from 33% to 25% effective from 1 January 2008. The Group's deferred tax assets have been reduced as a result of the change in tax rate and the expected financial effect of the new income tax law has been reflected in the Group's Financial Information for the five months ended 31 May 2007.

5. Taxation (continued)

b)Reconciliation between tax expense and accounting profit at applicable tax rates:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	$'000	$'000	$'000 (unaudited)	$'000
Accounting (loss)/profit before taxation for entities				
— with tax rate of 33%	(26,441)	(16,642)	(7,657)	3,407
— with tax rate of 17.5%	(247)	(1,058)	(334)	707
— with nil tax rate	28,432	48,078	16,859	14,846
Total	1,744	30,378	8,868	18,960
Tax on accounting (loss)/profit before taxation using applicable tax rates for entities				
— with tax rate of 33%	(8,726)	(5,492)	(2,527)	1,124
— with tax rate of 17.5%	(43)	(185)	(58)	124
— with nil tax rate	—	—	—	—
Tax effect of non-deductible expenses	(135)	—	—	—
Tax effect of unused tax losses not recognised	8,936	5,677	2,585	37
Effect of change in tax rate	—	—	—	1,016
Recognition of tax losses not recognised previously	—	(6,290)	—	—
Others	(32)	—	—	(161)
Income tax (credit) / expense	—	(6,290)	—	2,140

6. Directors' remuneration

Directors' remuneration is as follows:

For the year ended 31 December 2005

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
Executive director					
Li Kin Shing	—	—	—	—	—
Kwok King Wa	—	—	—	—	—
Total	—	—	—	—	—

For the year ended 31 December 2006

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
Executive director					
Li Kin Shing	—	—	—	—	—
Kwok King Wa	—	—	—	—	—
Total	—	—	—	—	—

For the five months ended 31 May 2006 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
Executive director					
Li Kin Shing	—	—	—	—	—
Kwok King Wa	—	—	—	—	—
Total	—	—	—	—	—

6. Directors' remuneration (continued)

For the five months ended 31 May 2007

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
Executive director					
Li Kin Shing	—	—	—	—	—
Kwok King Wa	—	—	—	—	—
Total	—	—	—	—	—

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 Relevant Period. No directors waived or agreed to waive any emoluments during the Relevant Period.

7. Individuals with highest emolument

An analysis of the five individuals with the highest emolument in the Group during the Relevant Period is as follows:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Employees	5	5	5	5

The aggregate emoluments in respect of the five highest paid individuals are as follows:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	$'000	$'000	$'000 (unaudited)	$'000
Salaries and other emoluments	1,142	1,341	466	1,554
Employees discretionary bonuses	40	53	31	22
Retirement scheme contributions	26	50	14	23

The emoluments of the individuals with the highest emoluments are within the following bands:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
HK$Nil — HK$1,000,000	5	5	5	4
HK$1,000,000 — HK$1,500,000	—	—	—	1

During the Relevant Period, 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.

8. Earnings per share

The basic earnings per share for the Relevant Period are calculated based on the profit attributable to the equity shareholders of the Company during the Relevant Period and the 17,950,000 ordinary shares in issue.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share are the same as basic earnings per share for the Relevant Period.

9. Property, plant and equipment

The Group

	Facilities equipment	Leasehold improvements	Office equipment	Vehicles and other equipment	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
At 1 January 2005	8,296	8,711	2,846	1,471	—	21,324
Additions	9,062	1,902	5,064	2,305	1,055	19,388
Transfer from construction in progress ("CIP")	—	735	—	—	(735)	—
Translation adjustments	196	110	83	39	6	434
At 31 December 2005 and 1 January 2006	17,554	11,458	7,993	3,815	326	41,146
Additions	3,237	223	328	19	7,623	11,430
Transfer from CIP	2,368	3,920	1,423	—	(7,711)	—
Translation adjustments	453	380	287	83	7	1,210
At 31 December 2006 and 1 January 2007	23,612	15,981	10,031	3,917	245	53,786
Additions	283	—	158	2	626	1,069
Transfer from CIP	—	339	524	4	(867)	—
Translation adjustments	370	297	307	40	5	1,019
At 31 May 2007	24,265	16,617	11,020	3,963	9	55,874
Accumulated depreciation:						
At 1 January 2005	(5,304)	(3,902)	(1,405)	(298)	—	(10,909)
Charge for the year	(2,173)	(1,993)	(981)	(539)	—	(5,686)
Translation adjustments	(55)	(46)	(14)	(5)	—	(120)
At 31 December 2005 and 1 January 2006	(7,532)	(5,941)	(2,400)	(842)	—	(16,715)
Charge for the year	(2,897)	(2,128)	(1,369)	(710)	—	(7,104)
Translation adjustments	(167)	(156)	(80)	(19)	—	(422)
At 31 December 2006 and 1 January 2007	(10,596)	(8,225)	(3,849)	(1,571)	—	(24,241)
Charge for the period	(1,414)	(1,316)	(679)	(304)	—	(3,713)
Translation adjustments	(204)	(180)	(142)	(24)	—	(550)
At 31 May 2007	(12,214)	(9,721)	(4,670)	(1,899)	—	(28,504)
Net book value:						
At 31 December 2005	10,022	5,517	5,593	2,973	326	24,431
At 31 December 2006	13,016	7,756	6,182	2,346	245	29,545
At 31 May 2007	12,051	6,896	6,350	2,064	9	27,370

9. Property, plant and equipment (continued)

The Company

	Facilities equipment	Leasehold improvements	Other equipment	Total
	$'000	$'000	$'000	$'000
Cost:				
At 1 January 2005	—	4,643	14	4,657
Additions	271	178	—	449
At 31 December 2005 and 1 January 2006	271	4,821	14	5,106
At 31 December 2006 and 1 January 2007	271	4,821	14	5,106
At 31 May 2007	271	4,821	14	5,106
Accumulated depreciation:				
At 1 January 2005	—	(1,161)	(10)	(1,171)
Charge for the year	—	(961)	(3)	(964)
At 31 December 2005 and 1 January 2006	—	(2,122)	(13)	(2,135)
Charge for the year	(54)	(965)	(1)	(1,020)
At 31 December 2006 and 1 January 2007	(54)	(3,087)	(14)	(3,155)
Charge for the period	(23)	(401)	—	(424)
At 31 May 2007	(77)	(3,488)	(14)	(3,579)
Net book value:				
At 31 December 2005	271	2,699	1	2,971
At 31 December 2006	217	1,734	—	1,951
At 31 May 2007	194	1,333	—	1,527

10. Investment in subsidiaries

	The Company		
	At 31 December		At 31 May
	2005	2006	2007
	$'000	$'000	$'000
Unlisted shares, at cost	97	97	97

The class of shares held is ordinary.

11. Deferred tax assets

The component of deferred tax assets recognised in the consolidated balance sheets and the movements during the Relevant Period are as follows:

Deferred tax arising from:

	Unutilised tax loss
	$'000
As at 1 January 2005	—
Credited to income statement	—
As at 31 December 2005 and 1 January 2006	—
Credited to income statement	6,290
As at 31 December 2006 and 1 January 2007	6,290
Charged to income statement	(2,140)
As at 31 May 2007	4,150

11. Deferred tax assets (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profit is probable. As at 31 December 2005 and 2006 and 31 May 2007, the Group did not recognise deferred tax assets in respect of cumulative reported tax losses amounting to approximately HK$56 million, HK$53 million and HK$53 million, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses accumulated by the subsidiary in the PRC expire within five years under current tax legislation.

12. Trade and other receivables

	Note	At 31 December 2005 $'000	At 31 December 2006 $'000	At 31 May 2007 $'000
The Group				
Trade receivables				
— amounts due from related companies	23(b)	2,800	4,041	2,444
— amounts due from third parties		20,437	32,263	38,976
Deposits, prepayments and other receivables				
— amounts due from shareholder and related companies	23(b)	6,349	11,743	—
— amounts due from third parties		589	2,050	7,480
		30,175	50,097	48,900
The Company				
Trade receivables				
— amounts due from related companies		—	31	28
— amounts due from third parties		—	—	69
Deposits, prepayments and other receivables				
— amounts due from shareholder and related companies		1,670	2,379	—
— amounts due from third parties		86	199	5,967
		1,756	2,609	6,064

(a) Included in trade receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date.

	At 31 December 2005 $'000	At 31 December 2006 $'000	At 31 May 2007 $'000
The Group			
Aged within 1 month	14,981	18,670	18,444
Aged between 1 to 3 months	5,814	12,588	19,950
Aged between 3 to 6 months	1,717	2,283	1,382
Aged between 6 months to 1 year	725	2,763	102
Aged between 1 to 2 years	—	—	1,542
	23,237	36,304	41,420
The Company			
Aged within 1 month	—	31	97

All of the trade receivables (net of impairment losses for bad and doubtful debts) are expected to be received within one year. No impairment losses for bad and doubtful debts have been made in respect of trade and other receivable during the Relevant Period.

12. Trade and other receivables (continued)

b) In general, apart from related parties, debts are due for payment upon billing or with initial credit terms of 15 to 30 days. Subject to negotiation, credit terms could be extended to three to six months for certain customers with well-established trading and payment records on a case-by-case basis.

13. Cash at bank and in hand

	At 31 December		At 31 May
	2005	2006	2007
	$'000	$'000	$'000
The Group			
Fixed deposits	20,393	21,032	20,000
Cash in hand and demand deposits	13,597	13,032	21,167
Cash at bank and in hand in the consolidated balance sheets	33,990	34,064	41,167
Fixed deposits held as security for letters of credit	(20,393)	(21,032)	(20,000)
Cash and cash equivalents in the consolidated cash flow statements	13,597	13,032	21,167
The Company			
Fixed deposits as security for letters of credit	20,393	21,032	20,000
Cash in hand and demand deposits	1,887	1,811	4,183
Cash at bank and in hand in the balance sheets	22,280	22,843	24,183

14. Trade and other payables

		At 31 December		At 31 May
	Note	2005	2006	2007
		$'000	$'000	$'000
The Group				
Creditors and accrued charges		9,805	11,568	8,730
Advance payments from customers		4,159	583	369
Amounts due to shareholder	23(b)	5,779	6,419	7,173
Amounts due to related companies	23(b)	46,578	40,748	26,930
		66,321	59,318	43,202
The Company				
Creditors and accrued charges		167	350	329
Advance payments from customers		165	165	165
Amounts due to shareholder		5,780	6,418	6,719
Amounts due to related companies		45,879	40,185	26,930
		51,991	47,118	34,143

14. Trade and other payables (continued)

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 31 December		At 31 May
	2005	2006	2007
	$'000	$'000	$'000
The Group			
Due within 3 months or on demand	14,016	12,250	9,553
The Company			
Due within 3 months or on demand	332	515	494

All of the trade payables are expected to be settled within one year.

15. Share capital

Authorised and issued share capital

	At 31 December				At 31 May	
	2005		2006		2007	
	No. of shares ('000)	$'000	No. of shares ('000)	$'000	No. of shares ('000)	$'000
Authorised:						
Ordinary shares of US$0.0001 each	500,000	390	500,000	390	500,000	390
Ordinary shares, issued and fully paid:						
At 1 January and 31 December / 31 May	17,950	14	17,950	14	17,950	14

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

No dividend has been paid or declared by the Company during the Relevant Period.

16. Reserves

The Group

	Statutory reserve	Translation reserve	Capital contribution reserve	Retained profits	Total
	$'000 Note (i)	$'000	$'000 Note 23(a)(iii)	$'000	$'000
As at 1 January 2005	97	(84)	3,936	15,535	19,484
Profit for the year	—	—	—	1,744	1,744
Recognised expenses on free rental from shareholder	—	—	998	—	998
Exchange difference on translation of financial statements of subsidiaries	—	35	—	—	35
As at 31 December 2005 and 1 January 2006	97	(49)	4,934	17,279	22,261
Profit for the year	—	—	—	36,668	36,668
Recognised expenses on free rental from shareholder	—	—	1,032	—	1,032
Exchange difference on translation of financial statements of subsidiaries	—	703	—	—	703
As at 31 December 2006 and 1 January 2007	97	654	5,966	53,947	60,664
Profit for the period	—	—	—	16,820	16,820
Exchange difference on translation of financial statements of subsidiaries	—	887	—	—	887
As at 31 May 2007	97	1,541	5,966	70,767	78,371
Unaudited					
As at 31 December 2005 and 1 January 2006	97	(49)	4,934	17,279	22,261
Profit for the period	—	—	—	8,868	8,868
Recognised expenses on free rental from shareholder	—	—	430	—	430
Exchange difference on translation of financial statements of subsidiaries	—	19	—	—	19
As at 31 May 2006	97	(30)	5,364	26,147	31,578

The Company

	Retained profits
	$'000
As at 1 January 2005	20,515
Profit for the year	4,806
As at 31 December 2005 and 1 January 2006	25,321
Profit for the year	15,056
As at 31 December 2006 and 1 January 2007	40,377
Profit for the period	525
As at 31 May 2007	40,902
Unaudited	
As at 31 December 2005 and 1 January 2006	25,321
Profit for the period	3,797
As at 31 May 2006	29,118

16. Reserves (continued)

(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 the statutory reserve fund until the balance reaches 50% of the registered capital. As at 1 January 2005, the balances of statutory reserve in these subsidiaries already reached 50% of their respective registered capital and no more transfer was made to the statutory reserve during the Relevant Period.

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 other than upon liquidation. Transfers to this fund must be made before distributing dividends to the Company.

Pursuant to applicable PRC regulations, 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 PRC accounting regulations (after offsetting prior year losses) to the statutory reserve until the balance reaches 50% of the registered capital. As China Elite had accumulated losses, no transfer was made to the statutory reserve during the Relevant Period.

(ii)Distributable reserve

At 31 December 2005 and 2006 and 31 May 2007, the reserve available for distribution to equity shareholders of the Company was HK$25 million, HK$40 million and HK$41 million, respectively.

17. Retirement benefits

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees immediately. Any unvested balance from voluntary contributions is refunded to the Group.

In accordance with the labour regulations of the PRC, the operating subsidiary of the Group in the PRC, namely China Elite, participates in defined contribution retirement schemes organised by the municipal governments for its employees. The subsidiary is required to make contributions to the government administered retirement schemes at certain rates of the basic salaries of its employees. Under these schemes, retirement benefits of the existing and retired employees are payable by the relevant authorities and the Group has no further obligations beyond the contributions.

Employees engaged by the Group outside Hong Kong and PRC are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

18. Financial instruments

The Group has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's financial assets include cash at bank and in hand, trade and other receivables. The Group's financial liabilities include trade and other payables. Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a)Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's 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.

At 31 December 2005 and 2006 and 31 May 2007, the Group had a concentration of credit risk as 85%, 88% and 88% of the total trade receivables respectively was due from the Group's five largest customers, and 28%, 30% and 37% of the total trade receivables respectively was due from the Group's largest customer.

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

(b)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 approach to managing liquidity is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable to meet its liquidity requirements in the short and longer term.

(c)Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Group has no material exposure to market risk for changes in interest rate.

(ii) Foreign currency risk

The Group's presentation currency is Hong Kong dollar.

18. Financial instruments (continued)

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.

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital.

There were no changes in the Group's approach to capital management during the Relevant Period.

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

(e) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial assets and liabilities. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

19. Segment reporting

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The business segment of the Group comprises:

(i) Inbound services; and

(ii) Outbound services.

19. Segment reporting (continued)

Year ended 31 December 2005

	Inbound services $'000	Outbound services $'000	Total $'000
Revenue from external customers	59,980	23,454	83,434
Segment results	18,880	2,739	21,619
Unallocated income and expenses			(19,875)
Profit from operations			1,744
Taxation			—
Profit for the year			1,744
Depreciation for the year	402	293	
Segment assets	11,056	6,975	18,031
Unallocated assets			70,565
Total assets			88,596
Segment liabilities	—	—	—
Unallocated liabilities			66,321
Capital expenditure incurred during the year	11,447	7,941	

Year ended 31 December 2006

	Inbound services $'000	Outbound services $'000	Total $'000
Revenue from external customers	103,313	46,551	149,864
Segment results	37,605	17,590	55,195
Unallocated income and expenses			(24,817)
Profit from operations			30,378
Taxation			6,290
Profit for the year			36,668
Depreciation for the year	697	489	
Segment assets	23,318	14,515	37,833
Unallocated assets			82,163
Total assets			119,996
Segment liabilities	—	—	—
Unallocated liabilities			59,318
Capital expenditure incurred during the year	6,611	4,819	

19. Segment reporting (continued)

Five months ended 31 May 2006 (unaudited)

	Inbound services	Outbound services	Total
	$'000	$'000	$'000
Revenue from external customers	40,413	16,894	57,307
Segment results	13,407	6,562	19,969
Unallocated income and expenses			(11,101)
Profit from operations			8,868
Taxation			—
Profit for the period			8,868
Depreciation for the period	285	193	
Segment assets	24,613	9,409	34,022
Unallocated assets			59,314
Total assets			93,336
Segment liabilities	—	—	—
Unallocated liabilities			61,744
Capital expenditure incurred during the period	767	402	

Five months ended 31 May 2007

	Inbound services	Outbound services	Total
	$'000	$'000	$'000
Revenue from external customers	42,631	32,292	74,923
Segment results	15,642	18,595	34,237
Unallocated income and expenses			(15,277)
Profit from operations			18,960
Taxation			(2,140)
Profit for the period			16,820
Depreciation for the period	284	307	
Segment assets	28,957	21,431	50,388
Unallocated assets			71,199
Total assets			121,587
Segment liabilities	—	—	—
Unallocated liabilities			43,202
Capital expenditure incurred during the period	823	246	

Geographical segments

The Group primarily operates in PRC, Hong Kong and Macau. Hong Kong is a major market for all of the Group's businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

19. Segment reporting (continued)

Year ended 31 December 2005

	PRC	Hong Kong	Macau	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	4,921	77,068	1,445	83,434
Segment assets	789	16,944	298	18,031
Capital expenditure incurred during the year	12,807	6,581	—	19,388

Year ended 31 December 2006

	PRC	Hong Kong	Macau	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	14,874	131,538	3,452	149,864
Segment assets	3,620	32,138	2,075	37,833
Capital expenditure incurred during the year	8,818	2,608	4	11,430

Five months ended 31 May 2006 (unaudited)

	PRC	Hong Kong	Macau	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	4,724	51,067	1,516	57,307
Segment assets	9,215	23,856	951	34,022
Capital expenditure incurred during the period	1,160	5	4	1,169

Five months ended 31 May 2007

	PRC	Hong Kong	Macau	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	7,339	65,461	2,123	74,923
Segment assets	15,350	33,829	1,209	50,388
Capital expenditure incurred during the period	880	187	2	1,069

20. Accounting estimates and judgements

Key sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(i)Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

20. Accounting estimates and judgements (continued)

(b) Impairments

In considering the impairment loss that may be required for certain property, plant and equipment of the Group, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment loss for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the net profit in future years.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

21. Commitments

(a) Capital commitments outstanding at 31 December 2005 and 2006 and 31 May 2007 not provided for in the Financial Information were as follows:

	At 31 December		At 31 May
	2005	2006	2007
	$'000	$'000	$'000
Contracted for	278	—	—
Authorised, but not contracted for	—	—	—

(b) The total future minimum lease payments under non-cancellable operating leases payable at 31 December 2005 and 2006 and 31 May 2007 are as follows:

	At 31 December				At 31 May	
	2005		2006		2007	
	Properties $'000	Transmission lines $'000	Properties $'000	Transmission lines $'000	Properties $'000	Transmission lines $'000
Within 1 year	34	690	211	1,275	120	520

21. Commitments (continued)

The Group is the lessee in respect of a number of properties and transmission lines held under operating leases. The leases typically run for an initial period of 1 year, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

22. Contingent liabilities

At 31 December 2005 and 2006 and 31 May 2007, there were no significant contingent liabilities.

23. Material related party transactions

(a) Transactions

During the Relevant Period, the Group entered into the following material related party transactions:

	Note	For the year ended 31 December		For the five months ended 31 May	
		2005	2006	2006	2007
		$'000	$'000	$'000 (unaudited)	$'000
Sales	(i)	2,325	5,071	776	4,444
Purchases of services	(ii)	402	782	170	110
Rental of properties	(iii)	998	1,032	430	454
Cash advances to related parties		2,666	3,950	760	472
Repayment of cash advances from related parties		4,919	450	90	11,820
Cash advances from related parties		31,528	4,958	2,664	390
Repayment of cash advances to related parties		2,043	10,104	688	13,423

Notes:

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

(ii) Services purchase from related parties mainly represent services for operation.

(iii) The Group rented properties from a shareholder and a related company, and used them as offices with free charges up to 31 December 2006. The fair value of rents were determined by reference to the market price, and the Group recognised the fair value of rents on property as capital contribution reserve set out in note 16. Started from 1 January 2007, the Group pays rents to the shareholder and the related company with reference to the market price.

A shareholder pledged his own property amounting to approximately HK$38 million during the Relevant Period for the implementation of the Group's contract with a major customer.

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

The directors have confirmed that the cash advances to and from related parties will not continue in the future after the listing of the shares of the Company on the Stock Exchange.

23. Material related party transactions (continued)

(b) Balances with related parties

The outstanding balances arising from the above transactions at the balance sheet date are as follows:

	At 31 December		At 31 May
	2005	2006	2007
	$'000	$'000	$'000
Amounts due from shareholder and related companies			
— trade	2,800	4,041	2,444
— non-trade	6,349	11,743	—
Amounts due to shareholder and related companies			
— trade	52	99	454
— non-trade	52,305	47,068	33,649

Note:
The amounts due from/to related parties are unsecured, interest free and are expected to be recovered within one year/repaid on demand. The amounts due from shareholder and related companies are included in "Trade and other receivables" (note 12) and the amounts due to shareholder and related companies are included in "Trade and other payables" (note 14). No impairment losses for bad or doubtful debts have been made in respect of the amounts due from shareholder and related companies.

(c) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	$'000	$'000	$'000 (unaudited)	$'000
Short-term employee benefits	749	892	305	505
Contribution to retirement benefit schemes	39	56	22	23
	788	948	327	528

The remuneration is included in "staff costs" (see note 4(a)).

(d) Contributions to defined contribution retirement schemes

The Group participates in defined contribution retirement schemes organised by municipal and provincial governments for its employees in the PRC.

The Group is also required to make contributions to the Mandatory Provident Fund Scheme for its employees in Hong Kong at the rate set up by the local laws and regulations.

Employees engaged by the Group outside Hong Kong and the PRC are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

The amounts of contributions and details of the Group's defined contribution retirement schemes are described in note 4(a) and note 17.

24. Non-adjusting post balance sheet events

(a) The following significant transactions took place subsequent to 31 May 2007

The Company increased its authorised share capital and completed its capitalisation issue prior to the placing and public offer of the Company's shares.

The following have been taken place:

- the authorised share capital of the Company was increased by HK$40,000,000 by the creation of 4,000,000,000 shares of HK$0.01 each on 8 September 2007;
- an aggregate of 1,400,100 shares of HK$0.01 each were allotted and issued at par to Ever Prosper International Limited ("Ever Prosper") on 8 September 2007, the immediate parent and ultimate controlling party;
- 17,950,000 shares of US$0.0001 each previously held by Ever Prosper were repurchased by the Company on 8 September 2007;
- the authorised but unissued share capital of the Company was diminished by the cancellation of all unissued shares of US$0.0001 each on 8 September 2007;
- 34,200,000 shares of HK$0.01 each were allotted and issued at par to Ever Prosper on 8 September 2007; and
- 648,399,900 shares of HK$0.01 each were allotted and issued at par to Ever Prosper following the written resolution of the sole shareholder of the Company passed on 21 September 2007.

Subsequent to the completion of the above transactions, Ever Prosper holds 684,000,000 shares of the Company of HK$0.01 each.

(b) Share Option Scheme

Pursuant to the written resolution of the sole shareholders of the Company passed on 21 September 2007, the Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in Appendix VI to the Prospectus.

25. Parent and ultimate controlling party

At 31 May 2007, the directors consider the immediate parent and ultimate controlling party of the Company to be Ever Prosper International Limited, which is incorporated in the British Virgin Islands. This entity does not provide financial statements available for public use.

26. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 May 2007

Up to the date of issue of the Financial Information, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 31 May 2007 and which have not been adopted in this Financial Information.

		Effective for Annual accounting dates beginning on or after
IFRS 8	Operating Segments	1 January 2009
IAS 23 (Revised)	Borrowing costs	1 January 2009
IAS 1 (Revised)	Presentation of financial statements	1 January 2009
IFRIC - 12	Service concession arrangements	1 January 2008
IFRIC - 13	Customer loyalty programme	1 July 2008
IFRIC - 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial applications. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position.

In addition, IFRS 8, Operating segments and IAS 1 (Revised), Presentation of financial statements, which are effective for accounting period beginning on or after 1 January 2009, may result in new or amended disclosures in the Financial Information.

D. DIRECTORS' REMUNERATION

Save as disclosed in Section C note 6 above, no remuneration has been paid or is payable in respect of the Relevant Period to the directors of the Company. Under the arrangement presently in force, the estimated aggregate amount of the Company's directors' remuneration payable for the year ending 31 December 2007 is approximately HK$1,357,450, excluding management bonuses which are payable at the Company's discretion.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 May 2007.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong, China