International Elite Ltd.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8313)

Annual Report **2008**

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This report, for which the directors of International Elite Ltd. (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to International Elite Ltd. (the "Company"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Kwok King Wa (Chairman)
Li Kin Shing (Chief Executive Officer)
Li Yin
Wong Kin Wa
Li Wen

INDEPENDENT NON-EXECUTIVE DIRECTORS
Tang Yue
Chen Xue Dao
Cheung Sai Ming

AUTHORIZED REPRESENTATIVES
Li Kin Shing
Wong Kin Wa

COMPLIANCE OFFICER
Wong Kin Wa

COMPANY SECRETARY
Chan Wai Ching, *CPA*

AUDIT COMMITTEE
Tang Yue
Chen Xue Dao
Cheung Sai Ming

REMUNERATION COMMITTEE
Wong Kin Wa
Chen Xue Dao
Cheung Sai Ming

NOMINATION COMMITTEE
Li Kin Shing
Chen Xue Dao
Cheung Sai Ming

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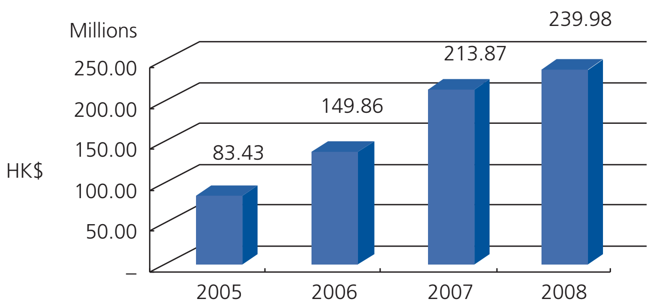
STOCK CODE
8313

CHAIRMAN'S REPORT

DEAR INTERNATIONAL ELITE INVESTOR:

I am happy to report to you a truly monumental year for the Company and its subsidiaries (the "Group"). After listing of the Company in 2007, the Group has gained a continuous revenue growth during the positive transformation by innovative thinking and bold initiatives in 2008. Despite the financial tsunami, the Group actively expands its client base in non-telecommunications industries. Meanwhile, in order to grasp the valuable opportunities arising from the favorable government policies including the restructuring of the telecommunications industry, awarding of 3G licenses and the growth in domestic demand, the Group continues to explore the China market. We are well-prepared to face the challenges in 2009 during the period of economic downturn.

The Group recorded revenue of approximately HK$239,983,000 in 2008, representing a rise of approximately 12%. Gross profit from continuous operations was approximately HK$91,962,000 , representing a decrease of approximately 6% in 2008. The Group's gross profit margin fell to approximately 38%, representing a decrease of approximately 8%. Profit attributable to shareholders was approximately HK$31,417,000. The profit attributable to shareholders margin fell from approximately 28% to approximately 13%. Earnings per share from continuous operations was HK$0.03 or HK$0.05 if the pre-IPO share options expenses were excluded, representing a drop of approximately 63% or 44% respectively in 2008. The following table illustrates the Group's revenue from 2005 to 2008:



Revenue from 2005 to 2008

The Group reached an agreement with MSN China in November 2007 for an Instant Messaging ("IM") customer relationship management ("CRM") platform and CRM service provision. The Group plans to formally launch the service in the near future. The management believes this low cost text-based enquiry and flexible-pricing service will attract more users and the Group will enjoy steady business growth through reduction of the Group's operation costs.

CHAIRMAN'S REPORT

While the Group is benefited from the rising labor cost which adds pressure on enterprises in outsourcing call centers to more efficient CRM specialists like the Group, the Group always seeks new measures to reduce cost, including efficiency improvement by fully utilizing its operators. Since the maximum working hours of operators are stipulated by the law, the Group needs to increase the per hour productivity of the operators. All the Group's operators need to go through a four to six week orientation training program when they join the Group. Their service proficiency will then be improved by on-the-job training. The Group has in the past year introduced a multi-skill training program for the chosen proficient operators in order to get them ready to work on multiple projects, and enable the diversification of production resources. An additional benefit of the new training program is the further improvement of service quality. The multi-skill operators have gone through at least two structured training programs, and have demonstrated superior performance in terms of customer satisfaction and telesales success rate. In the year of Ox, the Group's CRM experts have introduced another revolutionary process namely remote workstation that is expected to fundamentally alter its cost structure. When CRM service centers were relocated to mainland China from Hong Kong almost a decade ago, service providers faced with challenges in terms of quality logistics and culture. Now, when the Group plans to move workstations from a centralized service center to the computer terminals at operators' homes, it expects and anticipates the same challenges. However, the Group believes that by overcoming such challenges, it will rip the bountiful reward by reducing workstation capital investment, lower maintenance expense, and most importantly, facilitate more flexible and lean cost structure as the operators become agents rather than permanent employees of the Group.

On top of all the exciting new development, the Group has advantages on the traditional front too. The Group's strong reputation and transparency increase confidence of its customers. The current production capacity is at an impressive level of 4,100 seats, securing the Group's leading position in China. The geographic location at the "China Service Outsourcing Base" of Guangzhou provides the Group with strong government support, and exposes it to the Mandarin-Cantonese-English-trilingual population. The Group also has one of the most experienced management teams, and a competent research and development ("R&D") department that facilitates the efficient operation and increase of profitability.

The Group enjoys a solid customer portfolio that includes telecommunications giants such as Hutchison, PCCW, and China Unicom; insurance companies like Ping An and AIG; travel agencies including Ctrip, and daily life necessity industry leaders including KFC and Guangzhou Watsons etc.. Looking ahead, the Group believes the CRM outsourcing market will be benefited from newly released economic policies including the restructuring of domestic telecommunications industry, awarding of 3G licenses and growth in domestic demand. The Group is confident that in 2009 it will win service contracts for both telecommunications and non-telecommunication segments in the provinces outside Guangdong. The Group is confident that it will achieve continuous business growth as it is well positioned to take the advantage of market expansion.

The phenomenal demand explosion must of course be supported by comparable supply expansion. Thanks to the investors, the Group now has the capital to expand aggressively. Its improved efficiency has enhanced the production capacity of the existing service centers, and enables it to find the best possible option for the establishment of the two CRM service centers in its agenda. I am happy to announce that the Group has received in March 2008 a letter from the Yonghe Economic Zone of Guangzhou: Economic and Technological Development District (廣州經濟技術開發區) discussing the possibility of offering government support in the use of land for the establishment of an outsourcing base. In addition, as the first step to establish CRM service center in the North-eastern region, the Company established a subsidiary, Shenyang China Elite Info. Services Co., Ltd. (瀋陽盛華信息服務有限公司) ("Shenyang Elite") in Shenbei District of Shenyang City in December 2008. The Group is also planning to establish another outsourcing base in Guangzhou. While it is thrilled by the development, its effort to identify appropriate properties as well as acquisition targets continues.

CHAIRMAN'S REPORT

The Group is organizing an investor relationship campaign that is designed to raise interest in the only CRM specialist on the Stock Exchange. Despite its small size, the Company is an excellent company. The Group is confident that it will bring consistent and superior return to the majority of investors if they take time to know it.

The Company is a young company that is fast growing and ever evolving. It imagines, conceptualizes, realizes, and takes new challenge and new form. As China enters into this new era of business and the global arena, I am proud of the Company for being what it is today. I am also grateful to you, the investors, for your unfaltering support. I hope and trust that you are pleased with how the Company is growing and evolving, and look forward to discovering the future of the Company together.

By order of the Board
KWOK KING WA
Chairman

Hong Kong, 13 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a CRM outsourcing service provider with business focus in Hong Kong, Macau and the PRC markets. CRM is the process of providing services to customers with the use of communication and computer networks. During the year under review, the Group continued to provide services to established telecommunications service providers, including Hutchison Telecommunications, Hutchison Global, China Unicom Guangdong, and PCCW Mobile. Besides, the management continues to diversify the Group's CRM customer base to non-telecommunications industries, the clients of which include, but not limited to, KFC and Guangzhou Watsons. The principal business of the Group can be classified into the following two segments:

Inbound

The Group offers inbound services which comprise a range of customer hotline services, including general enquiry, technical support, broadband connection arrangement, service installation, account activation, subscriber details update, account enquiry, account termination, order placement, member registration, built-in secretary ("BIS"), and a super secretarial services ("Super BIS"). BIS service is a personalized message taking service, where its operators transmit messages left to the subscriber via SMS. The newly introduced Super BIS service is a concierge service where the operators can provide advanced functions such as making restaurant reservation and purchasing flight tickets for high end subscribers.

Outbound

Outbound services are mainly made up of telesales and market research services. The Group's operators run on behalf of their customers promotions and ongoing telemarketing via unsolicited phone calls (cold calls). The operators can also conduct large scale surveys to efficiently collect feedback, opinions, and in some cases, complaints for their customers.

BUSINESS ENVIRONMENT

Despite the financial turmoil, more customers recognize the Group's professional solution under this difficult environment. Consequently, they may cooperate with the Group for lower cost operation, potential market expansion, and improved customer management.

As China enters into the stage of globalized competition, industries that choose to outsource their operation extend from traditional telecommunications to finance, postal, travel, healthcare, logistics, information technology, Internet commerce, media, public utilities and retail. The potential size of CRM market is as large as the size of the China consumer market. When consumption takes off, the Group is well positioned to capture the opportunities.

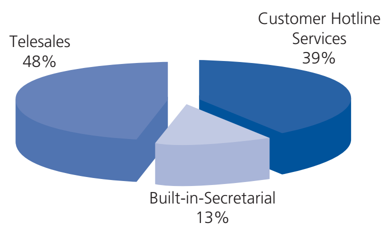
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

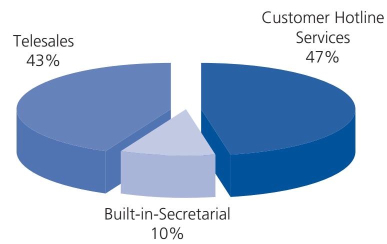
For the year ended 31 December 2008, the Group's total turnover was approximately HK$239,983,000, representing an annual growth rate of approximately 12%. Inbound services and outbound services accounted for approximately 57% and 43% of the Group's total turnover for the year ended 31 December 2008 respectively. There were increase of approximately 22% of turnover from inbound services and 2% of turnover from outbound services respectively. The gross profit margins of the inbound and the outbound segments for the year ended 31 December 2008 were approximately 33% and 45% respectively. Below are the charts illustrating the Group's revenue generated from different service segments in 2007 and 2008.

2007



Revenue by services in 2007

2008

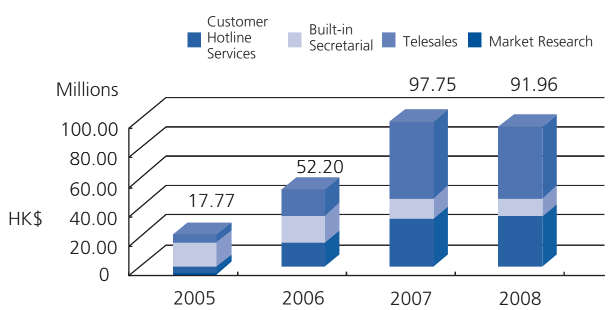


Revenue by services in 2008

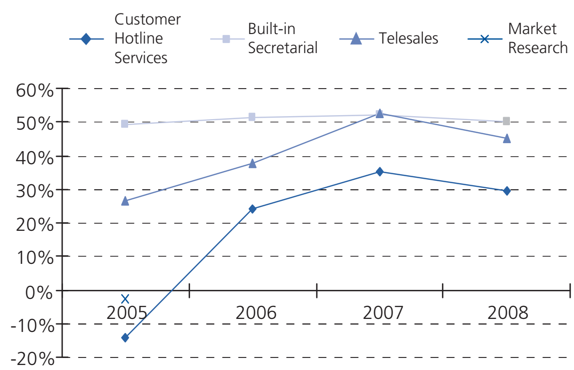
It is anticipated that outbound services, as a high-margin business segment, will account for an increasing and substantial portion of the Group's total turnover in the future. Moreover, the Group has successfully expanded its business to non-telecommunications industries and gained satisfactory results.

Gross Profit

The Group's gross profit for the year ended 31 December 2008 was approximately HK$91,962,000, representing a decrease of approximately 6%. The gross profit margin decreased from approximately 46% to approximately 38%. Inbound services and outbound services accounted for approximately 49% and 51% of the Group's gross profit for the year ended 31 December 2008 respectively. The decrease in gross profit margin was primarily due to the appreciation of RMB and increased staff cost (including the additional cost in relation to the multi-skill training program). Below are the charts illustrating the Group's gross profit from different business segments from 2005 to 2008.



Gross profit by services



Gross profit margin by services

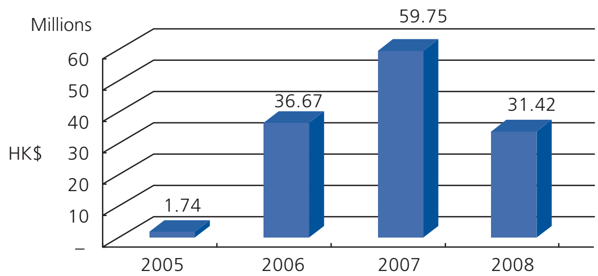
MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

During the year under review, the total administrative expenses of the Group were approximately HK$60,650,000 equivalent to approximately 25% of the Group's sales in 2008. The administrative expenses to sales ratio was approximately 7% higher than that of the previous year due to the appreciation of RMB, increase in staff cost and the pre-IPO share options expenses.

Profit Attributable to Shareholders

The Group's profit attributable to shareholders for the year ended 31 December 2008 was approximately HK$31,417,000, while that of 2007 was approximately HK$59,747,000, representing a decrease of approximately 47%. The net profit margin also dropped from approximately 28% to approximately 13%. The drop was primarily due to the R&D cost for the new Internet CRM service and remote workstations development, the pre-IPO share options expenses and the loss arising from the change in fair value of the RMB target redemption forward contract. The return to equity was approximately 7% for the year ended 31 December 2008. Below is a chart illustrating the Group's net profits from 2005 to 2008.



Net profit of the Group from 2005 to 2008

BUSINESS REVIEW

Customers in Non-Telecommunication Industries

In 2008, the Group rapidly developed its non-telecommunications customer base for CRM business and successfully acquired the service contracts from KFC and Guangzhou Watsons for the restaurant order placement, account enquiry, member registration and exhibition arrangement, etc. These new services created unique value for customers and have earned positive feedback.

Multi-Skill Training

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CRM Service Centers

As at 31 December 2008, the Group operated three CRM service centers in Guangzhou, the PRC, with a total seating capacity of approximately 4,100 seats. The Group employed approximately 4,175 operators, and the utilization rate was approximately 91%, representing an increase of approximately 2% as compared with that of the previous year. The Group provided various trainings for staff to enhance their multi-skills for different programs. The efficiency enhancement has resulted in a general increase in productivity of each workstation. Consequently, the Group was able to maintain the utilization rate at sustainable level while generating larger revenue.

Acquisition of New Customers

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

Customer	Service	Contract date
Guangzhou Yi Jie Information and Technology Company Limited (廣州市易傑數碼科技有限公司)	Telesales Service	January 2008
Guangzhou Watsons Your Personal Care Stores Limited (廣州屈臣氏個人用品商店有限公司)	Customer Hotline Service	March 2008
	Customer Registration Support Service	October 2008
Birdland (Hong Kong) Limited	KFC Order Taking Service	April 2008

Awards and Certification

In January 2008, Guangzhou Government granted the "Service Outsourcing Base Contribution Award" to China Elite Info. Co., Ltd. (廣州盛華信息有限公司) ("China Elite").

In June 2008, Asia Pacific Customer Service Consortium granted the "Best Contact Center of the Year" and the "Best Outsourcing Service Team of the Year" awards to China Elite.

In June 2008, China's Best Customer Service Appraisal Committee conferred the "Best Outsourcing Service Provider in China" award to China Elite.

FUTURE PROSPECT

In 2009, the Group expects new market opportunities. More clients recognize the importance of the Group's professional service and may cooperate with the Group for lower operation cost, bigger market and higher customer loyalty management. The Group looks forward to entering into service agreements with these potential customers. With its expansion in China market, the Group will be benefited from the opportunities arising from the favorable government policies including the restructuring of telecommunications industry, awarding of 3G licenses and the growth in domestic demand. In addition, the Group has been constantly seeking for business improvement and worked out a plan on launching new services, new programs and entering into new markets. The management continues to diversify the Group's CRM customer base to non-telecommunications industries in order to capture more business opportunities. The exciting new development symbolizes the evolution of CRM management.

MANAGEMENT DISCUSSION AND ANALYSIS

Internet CRM

The Group reached an agreement with MSN China in November 2007 for an IM CRM platform and CRM service provision. The management believes this low cost text-based enquiry and flexible-pricing service will attract more users and the Group will enjoy steady business growth through reduction of the Group's operation costs.

Remote Workstations

The R&D team has taken advantage of IP based technology to develop a system that can decentralize its CRM workstations. Rather than having operators come to a central CRM service facility, it will bring the facility to the homes of operators using IP based Internet connection. The remote workstation system is in the process of testing and will be launched in the near future. The Group is optimistic about the eventual benefits of the remote workstation.

New Markets

Due to the favourable policies including the restructuring of China telecommunications industry, awarding of 3G licenses and the growth in domestic demand, China market will provide more opportunities for the development of the Group. The Group plans to continuously broaden its customer base within the telecommunications industry. The Directors intend to seek further business opportunities with China Unicom for the provision of CRM outsourcing services in the PRC in provinces other than Guangdong. The Group will also participate in the bidding of CRM outsourcing service contracts from China Mobile, the leading telecommunications service provider in the PRC. As at the date of this report, the Group has yet secured any service contract with China Mobile. The Group is confident of gaining service contracts from provinces outside Guangdong based on the establishment of new outsourcing base in Shenyang City.

Moreover, the Group also seeks to develop the non-telecommunications markets and overseas markets. As both CRM and outsourcing gain increasing recognition, the Directors anticipate there will be a growing demand for quality CRM outsourcing solution from industries including finance, Internet, travel, health care, market research and retail etc., as well as from overseas markets. The Group currently provides CRM services to restaurant, gas, travel, insurance, health care, exhibition and information technology companies and reached service agreement with Canadian Times Telecom.

New Service Centers

The Group aims to expand seating capacity by establishing up to two new CRM service centers. The Group has received in March 2008 a letter from the Yonghe Economic Zone of Guangzhou: Economic and Technological Development District (廣州經濟技術開發區) discussing the possibility of offering government support in the use of land for the establishment of an outsourcing base. The Group is discussing the terms on the aforesaid land use support with the government.

The Group established a subsidiary, Shenyang Elite in Shenbei District of Shenyang City in December 2008 and plans to establish an outsourcing base in the area. The Group's seating capacity is expected to increase to 6,000 seats after the establishment of the aforesaid outsourcing base in Shenyang City.

Acquisition

The Group will continue to seek suitable small and medium sized CRM service providers for acquisition or merger. The Group has previously identified a potential target. However, the negotiation has lapsed because the parties failed to reach an agreement. As at 31 December 2008, the Group had no specific acquisition target.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The Group adopts a sound financial policy, and the cash surplus is deposited at the bank to facilitate extra expenditure or investment. The management makes financial forecast on a regular basis with reference to the business plan as stated in the prospectus of the Company dated 11 October 2007 (the "Prospectus"). As at 31 December 2008, the Group had no outstanding loan or borrowing, and the gearing ratio (being ratio of total long term borrowings to equity) was therefore inapplicable. As at 31 December 2008, the Group's balance of cash and deposits was approximately HK$456,549,000, which was primarily attributable to the proceeds from the IPO and earnings.

LIQUIDITY AND FINANCIAL POSITION

	2008 **HK$'000**	2007 HK$'000
Cash in hand and demand deposits	**94,230**	66,982
Fixed Deposits (clear)	**322,319**	278,733
Fixed deposits held as security for letter of credit	**40,000**	40,000
Total cash and deposits	**456,549**	385,715

The Group normally finances its operations with internally generated cash flows. Cash position increased by approximately HK$70,834,000 in 2008.

FOREIGN EXCHANGE RATE RISK

The Group is exposed to limited foreign exchange rate risk as the Group's sales, assets and liabilities are principally denominated in RMB and Hong Kong dollars.

In August 2008, the Group entered into a RMB target redemption forward contract with a view to minimizing currency exposure of HKD against RMB. The RMB target redemption forward contract is settled in HKD by reference to the gains or losses on the RMB valuation of a notional amount of HKD50,000,000 as of 13 May 2009 against a forward rate fixed at 0.84750. The RMB target redemption forward contract is a foreign exchange contract which does not qualify for hedge accounting. Due to the recent depreciation of RMB against HKD and based on the quoted exchange rate of 0.89912 on 31 December 2008, the Group recorded an unrealized loss of approximately HKD2,581,000 on the RMB target redemption forward contract as of 31 December 2008 which has been taken into account in the Group's results for the financial year ended 31 December 2008. The RMB target redemption forward contract has fixed forward rate, notional amount and redemption date, but is not an accumulator contract.

In keeping with the constantly changing market conditions, the Group may incur further losses when there is a further depreciation of RMB, or may record a gain when there is an appreciation of RMB against the fixed forward rate, through the RMB target redemption forward contract upon the valuation of RMB against HKD on 13 May 2009.

ASSETS MORTGAGE

The Group has no outstanding asset mortgage as at 31 December 2008.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT ACQUISITION, TAKEOVER OR INVESTMENT

During the year under review, the Group closely observed the market in search of suitable service centers for acquisition or merger. As at 31 December 2008, the Group had no specific target.

Save as disclosed above, the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies, and investment during the year under review.

GEARING RATIO AND INTEREST CAPITALIZATION

The Group had no outstanding bank loans or other loans with interest as at 31 December 2008. During the year under review, no interest was capitalized by the Group.

SEGMENT REPORTING

In presenting information on the basis of business (geographical) segments, segment revenue is based on the business type (geographical location) of customers. If the Group has no assets or liabilities in the business type (geographical location) of customers, such revenue is allocated in the other (Hong Kong) segment for reporting.

STAFF AND REMUNERATION POLICY

As at 31 December 2008, the Group had 4,336 employees (2007: 4,230 employees). Among them, 4,324 employees work in PRC, 10 work in Hong Kong and 2 work in Macau.

Breakdown of the Group's staff by functions as at 31 December 2008 is as follows:

Function	**As at 31 December 2008**	As at 31 December 2007
Management	**13**	13
Operation	**4,175**	4,101
Financial, administrative and human resources	**64**	64
Sales and marketing	**19**	6
Research and development	**28**	13
Repair and maintenance	**37**	33
	4,336	4,230

The total staff remuneration including directors' remuneration paid by the Group in 2008 was approximately HK$161,766,000 (2007: approximately HK$114,613,000). The remuneration paid to the staff, including Directors, is based on their qualification, experience, performance, and market rates, so as to maintain a competitive remuneration level. The Group also offers various staff welfare, including share option scheme, housing fund, social insurance and medical insurance. It believes that employees are the most valuable assets of the Group.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors confirmed that they were 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 during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the Prospectus with actual business progress for the period from the date of commencement of dealings in the shares on the GEM to 31 December 2008:

Business objectives as stated in the Prospectus for the period from the date of commencement of dealings in the shares on the GEM to 31 December 2007	Business objectives as stated in the Prospectus for the six months ended 30 June 2008	Business objectives as stated in the Prospectus for the six months ended 31 December 2008	Actual business progress as at 31 December 2008
EXPANSION OF SEATING CAPACITY			
In the southern and north-eastern regions of the PRC, set up and commence operation of new CRM service centers through (i) the acquisition or rental of suitable land and buildings; and/or (ii) the acquisition of suitable small to medium sized CRM service centers.	Identify suitable small to medium sized CRM service centers in other regions which the Group currently has no service sites.	Negotiate with identified centers.	(i) The Group received in March 2008 a letter from the Yonghe Economic Zone of Guangzhou: Economic and Technological Development District (廣州經濟技術開發區) discussing the possibility of offering government support in the use of land for the establishment of an outsourcing base. The development might potentially reduce the cost of the new CRM service centers. The delay in the construction of the new call centers might constrain the expansion speed of the Group. (ii) The Group established a subsidiary, Shenyang Elite in Shenbei district of Shenyang City in December 2008 and planned to set up an outsourcing base there. (iii) The Group is seeking suitable small to medium sized CRM service providers for acquisition or merger. No specific target has been identified.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives as stated in the Prospectus for the period from the date of commencement of dealings in the shares on the GEM to 31 December 2007	Business objectives as stated in the Prospectus for the six months ended 30 June 2008	Business objectives as stated in the Prospectus for the six months ended 31 December 2008	Actual business progress as at 31 December 2008
Purchase computers, machinery, and equipment and carry out renovation of the new CRM service centers.	Continue to purchase computers, machinery, and equipment for the new CRM service centers.	Carry out maintenance on the existing computers, machinery and equipment to optimize the operating efficiency.	Due to the delay in setting up the new CRM service centers, the plan for the purchase of computers, machinery and equipment, and carrying out renovation of the new CRM service centers has also been postponed accordingly.
Recruit and train operators for the new CRM service centers.	Continue to recruit and train new operators to optimize utilization rate of the seating capacity of the newly set-up CRM service centers.	Provide intensive training to all the operators to improve their operating efficiency.	Due to the delay in setting up the new CRM service centers, the operator recruitment and training are now pending.
EXPANSION OF CUSTOMER BASE AND MARKETS			
Further develop relationships with non-telecommunications companies.	Further cooperate with non-telecommunications companies (including but not limited to the insurance, medical and pharmaceutical as well as marketing research sectors).	Further cooperate with other non-telecommunications companies (including but not limited to the aviation sector).	The Group expanded customer base in non-telecommunications industries. The non-telecommunications segment generated approximately 2% of the Group's revenue for the year ended 31 December 2008. For the details of new customers, please refer to sub-paragraph headed "Acquisition of New Customers" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives as stated in the Prospectus for the period from the date of commencement of dealings in the shares on the GEM to 31 December 2007	Business objectives as stated in the Prospectus for the six months ended 30 June 2008	Business objectives as stated in the Prospectus for the six months ended 31 December 2008	Actual business progress as at 31 December 2008
Reinforce the Group's relationships with existing overseas telecommunications customers (including overseas companies in Canada) for aggressively expanding the Group's overseas business markets.	Expand business in regions (such as Japan, Korea, Taiwan, and Canada) outside China.	Continuously expand business in regions (such as Japan, Korea, Taiwan and Canada) outside China.	The Group is liaising with overseas telecommunications service providers. International outsourcing has become the market trend in recent years. As the trend continues, the Group will further pursue its overseas expansion plan.
CONTINUOUS IMPROVEMENT OF SERVICES TO EXISTING CUSTOMERS			
Execute various business expansion strategies and cooperate with China Unicom in marketing CRM outsourcing services in regions outside Guangdong Province.	Increase the number of subscribers of telecommunications customers and build up customer resources through the application of CRM services for providing customers with new value-added service items.	Reinforce relationships with telecommunications operators, strive to serve more telecommunications customers and enhance customers' service satisfaction and loyalty with the use of the Group's new value-added service.	The Group continues its development in various value-added service segments. The Group is negotiating with a major mobile network operator ("MNO") on a non-telecommunications value-added service outsourcing agreement. Due to the restructuring of telecommunications industry, the Group's cooperation with China Unicom in regions outside Guangdong province has been delayed.

Business objectives as stated in the Prospectus for the period from the date of commencement of dealings in the shares on the GEM to 31 December 2007	**Business objectives as stated in the Prospectus for the six months ended 30 June 2008**	**Business objectives as stated in the Prospectus for the six months ended 31 December 2008**	**Actual business progress as at 31 December 2008**
PROVISION OF NEW SERVICES			
Carry out research on technology and platform for various new Internet-based CRM services.	Launch a new super secretarial service and carry out research and development on technology for supporting the Group's new services.	Continuously develop the new super secretarial service and also carry out maintenance of product technology, implement marketing plan to attract customers.	The new service is in the early stage of introduction.
	Launch a "小E" ("Little E") e-channel service and enhance capability for system programming and input, and database.	Continuously develop the "小E" ("Little E") e-channel service, improve system programming and input, and database as well as implement marketing activities to arouse publicity of products.	The Group reached an agreement with MSN China in November 2007 to provide CRM service on the MSN Messenger. The Group plans to formally launch the new Little E services in the near future.
	Launch Internet-based conventional CRM customer services, improve Internet-based customer services, deal with technology involved therein and continue to develop new services.	Reinforce Internet-based conventional CRM services, improve technology maintenance for Internet-based customer services, develop and retain Internet-based CRM customers.	The new service is still under development.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds

The actual use of proceeds for the period from the date of commencement of dealings in the shares on the GEM to 31 December 2008, as compared to the amount set out in the section headed "Use of Proceeds" of the Prospectus, is summarized as follows:

	Proposed HK$ million	**Actual** HK$ million
Set up of new CRM service centers in the Southern and Northeastern region		
– Acquisition of land and building	99.7	– (Note 1&2)
– Purchase of equipment and facilities	42.0	– (Note 3)
– Renovation and furnishing	41.3	– (Note 3)
Acquisition of small to medium sized CRM services centers	–	–
Repayment of non-trade balance due to related parties of the Group	30.8	30.8
Development of new Internet CRM services	4.8	1.1
General working capital	13.8	–
Total	232.4	31.9

Notes:

1. The Group received in March 2008 a letter from the Yonghe Economic Zone of Guangzhou: Economic and Technological Development District (廣州經濟技術開發區) discussing the possibility of offering government support in the use of land for the establishment of an outsourcing base. The development might potentially reduce the Group's cost of new CRM service centers.

2. The Group established a subsidiary, Shenyang Elite in Shenbei District of Shenyang City in December 2008. The seating capacity in 2009 is expected to increase to 6,000 with the establishment of the outsourcing CRM service base there.

3. Due to the delay in setting up the new CRM service centers, the plan for the purchase of computers, machinery, and equipment, and renovation and furnishing of the new centers has also been postponed accordingly.

REPORT OF DIRECTORS

The Directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION LOCATION

The principal activity of the Company is investment holdings. Activities and the analysis of operation location of its subsidiaries are set out in note 15 to the financial statements.

PRINCIPAL PLACE OF BUSINESS

The principal places of business include Hong Kong, the PRC, and Macau.

FINANCIAL INFORMATION

Financial Summary

A summary of the consolidated income statement and the assets and liabilities of the Group for the last four financial years is set out as follows:

(Expressed in Hong Kong dollars)

	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Results				
Turnover	**239,983**	213,870	149,864	83,434
Profit from operations	**36,858**	62,126	30,378	1,744
Finance costs	**(337)**	(186)	–	–
Profit before taxation	**36,521**	61,940	30,378	1,744
Income tax	**(5,104)**	(2,193)	6,290	–
Profit for the year attributable to equity shareholders of the Company	**31,417**	59,747	36,668	1,744
Assets and liabilities				
Property, plant and equipment	**19,734**	25,013	29,545	24,431
Intangible assets	**425**	–	–	–
Deferred tax assets	**610**	4,432	6,290	–
Net current assets/(liabilities)	**483,648**	426,357	24,843	(2,156)
Total assets less current liabilities	**504,417**	455,802	60,678	22,275
Deferred tax liabilities	**229**	–	–	–
Net assets	**504,188**	455,802	60,678	22,275
Capital and reserves				
Share capital	**9,462**	9,462	14	14
Reserves	**494,726**	446,340	60,664	22,261
Total equity	**504,188**	455,802	60,678	22,275
Earnings per share (note)				
– Basic	**HK$0.03**	HK$0.08	HK$0.06	HK$0.00
– Diluted	**HK$0.03**	HK$0.08	HK$0.06	HK$0.00

Note: As a result of the capitalization issues in 2007, figures for the two years ended 31 December 2005 and 31 December 2006 have been adjusted for comparison purposes.

REPORT OF DIRECTORS

Results and Appropriations

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement, page 36 of this report.

Major Customers

For the year ended 31 December 2008, the turnover attributable to the largest customer and the five major customers accounted for approximately 37% and approximately 93% of the Group's turnover respectively.

Major Suppliers

Purchases from largest supplier accounted for approximately 24% of the Group's total purchases. Purchases from the five largest suppliers accounted for approximately 60% of the Group's total purchases.

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

Dividends

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2008. No dividend was paid in respect of the year ended 31 December 2007.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

Debentures

The Group has not granted any convertible debentures, futures, options, or other similar rights save as disclosed in the Prospectus.

Reserves

Details of movements in reserves of the Company and the Group during the year are set out in note 23 to the financial statements.

Distributable Reserve and Share Premium

According to the articles of association of the Company and the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, after passing the review of debt paying ability of the Group, the share premium account can be attributed to shareholders. As at 31 December 2008, the Company had approximately HK$347,387,000 (As at 31 December 2007, approximately HK$366,257,000) available for distribution to equity shareholders of the Company.

Properties, Plant and Equipment

Details of movements in properties, plant and equipments of the Group are set out in note 13 to the financial statement.

Connected Transactions

For the year ended 31 December 2008, approximately HK$10,526,000 under the category of the sales to related parties, approximately HK$3,000 under the category of the purchase of services from related parties and approximately HK$1,309,000 under the category of the rental of properties from related parties as disclosed in note 30 to the financial statements also fell under the definition of continuing connected transactions under Chapter 20 of the GEM Listing Rules. Details are disclosed in note 30 to the financial statements and the Prospectus.

REPORT OF DIRECTORS

During the year under review, the Group has obtained waiver for strict compliance with Chapter 20 of the GEM Listing Rules from the Stock Exchange for the following various connected transactions as disclosed in the Prospectus.

A. Tenancy agreements

1. Tenancy agreement between the Company and Talent Information Engineering Co. Ltd. in respect of premises located in Hong Kong; and

2. Tenancy agreement between China Elite and Mr. Li Kin Shing in respect of premises located in the PRC.

B. Service agreements

1. Service agreement between PacificNet Communications Limited – Macao Commercial Offshore and Elitel Limited in respect of BIS services; and

2. Service agreement between PacificNet Communications Limited – Macao Commercial Offshore and China-HK Telecom Ltd. in respect of BIS and customer hotline services.

C. China-HK Telecom Telesales Agreement

1. Service agreement between PacificNet Communications Limited – Macao Commercial Offshore and China-HK Telecom Ltd. in respect of telesales services.

Details of the above connected transactions are disclosed in note 30 to the financial statements and the Prospectus. The Company has applied for, and the Stock Exchange has granted to the Company, a waiver with respect to (i) the continuing connected transactions as referred to in paragraph A above from the announcement requirements under Rule 20.47 of the GEM Listing Rules; and (ii) the continuing connected transactions as referred to in paragraphs B and C above from both the announcement requirements under Rule 20.47 of the GEM Listing Rules and the independent shareholders' approval requirements under Rule 20.48 of the GEM Listing Rules, provided that the said continuing connected transactions are conducted in compliance with the conditions (including the respective proposed cap amounts) imposed by the Stock Exchange. The continuing connected transactions had been entered into in accordance with the actual relevant agreements and pricing policies and have not exceeded the cap disclosed in the Prospectus.

The independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favorable to the Group than terms available with independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The auditors of the Company have performed certain agreed-upon procedures on such continuing connected transactions and have provided a letter to the Company stating that:

(i) the transactions have been approved by the Board;

(ii) the prices charged for each of the transactions selected were in accordance with the pricing terms set out in the relevant agreements governing the transactions;

(iii) each of the transactions selected has been entered into in accordance with the relevant agreements governing each of the selected transactions; and

(iv) the aggregate dollar amounts of the transactions have not exceeded the relevant prescribed limits as set out in the waiver letter in respect of the connected transactions granted by the Stock Exchange to the Company.

REPORT OF DIRECTORS

The Directors confirm that the Group has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Post Balance-Sheet Events

There are no significant post balance-sheet events up to the date of this report.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

- Li Kin Shing (李健誠)
- Kwok King Wa (郭景華)
- Li Yin (李燕)
- Wong Kin Wa (黃建華)
- Li Wen (李文)

Independent Non-Executive Directors

- Tang Yue (唐越)
- Chen Xue Dao (陳學道)
- Cheung Sai Ming (張世明)

In accordance with the Company's articles of association, Ms. Kwok King Wa, Ms. Li Yin and Mr. Chen Xue Dao shall retire by rotation at the forthcoming annual general meeting of the Company, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Confirmation of Independence

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors are independent.

Directors' Service Contracts

Each of Ms. Kwok King Wa, Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa, and Mr. Li Wen entered into a service contract with the Company for an initial term of 3 years commencing from 16 October 2007. The remuneration of the staff of the Group (including the Directors) will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The service contracts shall be terminated by either party giving not less than 3 months prior notice in writing. Each of Mr. Tang Yue, Mr. Chen Xue Dao and Mr. Cheung Sai Ming entered into a service contract with the Company for a period of 3 years commencing from 16 October 2007. Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Contract of significance

Save for the service contracts of the Directors and the contracts under the Connected Transaction as disclosed above and note 30 to the financial statements as disclosed below, no contract of significance in relation to the Group's business to which the Company, its subsidiaries and controlling shareholders was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

REPORT OF DIRECTORS

DIRECTORS AND SENIOR MANAGEMENT

The brief biographical details of Directors and senior management are set out in pages 33 to 34 of this report.

Directors Remunerations and Five Employees with Highest Emolument

Details of directors' remunerations and five employees with highest emolument were set out in note 8 and note 9 to the financial statements.

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2008 (2007: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2008 (2007: Nil).

During the year ended 31 December 2008, 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 (2007:Nil).

Staff Contribution Retirement Schemes

The amounts of contributions and details of the Group's defined contribution retirement schemes were set out in note 6(b) and note 25 to the financial statements.

SHARE INTERESTS

Directors' and Chief Executives' Interest in Shares, Underlying Shares and Debentures

As at 31 December 2008, so far as known to the Directors, the Directors and the chief executives had the following interests and short positions in the shares, underlying shares or the debentures of Company or any of its associated corporation within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests, and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

	Company/	Number of shares held				
Name of Directors	Associated Corporation	Personal Interests	Family Interests	Corporate Interests	Total of Interests	Percentage of Equity
Mr. Li Kin Shing	Company	–	–	684,000,000 (Note 1)	684,000,000	72.29%
Mr. Li Kin Shing	Company	20,000,000 (Note 4)	–	–	20,000,000	2.11%
Ms. Kwok King Wa	Company	–	–	684,000,000 (Note 2)	684,000,000	72.29%
Ms. Kwok King Wa	Company	18,550,000 (Note 4)	–	–	18,550,000	1.96%
Ms. Li Yin	Company	–	–	– (Note 3)	–	–
Ms. Li Yin	Company	12,600,000 (Note 4)	–	–	12,600,000	1.33%
Mr. Wong Kin Wa	Company	2,000,000 (Note 4)	–	–	2,000,000	0.21%

REPORT OF DIRECTORS

Name of Directors	Company/ Associated corporation	Number of shares held Personal Interests	Family Interests	Corporate Interests	Total of Interests	Percentage of Equity
Mr. Li Wen	Company	1,000,000 (Note 4)	–	–	1,000,000	0.106%
Mr. Tang Yue	Company	500,000 (Note 4)	–	–	500,000	0.053%
Mr. Chen Xue Dao	Company	500,000 (Note 4)	–	–	500,000	0.053%
Mr. Cheung Sai Ming	Company	500,000 (Note 4)	–	–	500,000	0.053%
Mr. Li Kin Shing	Ever Prosper International Limited ("Ever Prosper")	500	465 (Note 5)	–	965	96.5%
Ms. Kwok King Wa	Ever Prosper	465	500 (Note 5)	–	965	96.5%
Ms. Li Yin	Ever Prosper	35	–	–	35	3.5%

Notes:

1. The 684,000,000 shares are owned by Ever Prosper which is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li King Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 684,000,000 shares under the SFO.

2. The 684,000,000 shares are owned by Ever Prosper which is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 684,000,000 shares under the SFO.

3. Ms. Li Yin holds 3.5% of the issued share capital of Ever Prosper which in turn holds 72.29% of the issued share capital of the Company as at 31 December 2008. Therefore, she will have an attributable interest of 2.53% of the issued share capital of the Company.

4. These shares are held pursuant to the options granted under pre-IPO share option scheme of the Company.

5. Mr. Li Kin Shing and Ms. Kwok King Wa respectively hold 500 and 465 shares of the share capital of Ever Prosper, with the face value US$1 per share. Mr. Li Kin Shing and Ms. Kwok King Wa are the spouse of each other. Accordingly, Mr. Li Kin Shing and Ms. Kwok King Wa are deemed to be interested in the shares under each other's name under the SFO.

Save as disclosed above, as at 31 December 2008, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company, pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange, pursuant to Rules 5.40 to 5.68 of the GEM Listing Rules.

Directors' Interests in Competing Business

Save as disclosed in the Prospectus and below, during the year and up to the date of this report, none of the Directors who are considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as Directors to represent the interests of the Company and/or the Group.

REPORT OF DIRECTORS

Based on the quarterly report of PacificNet Inc. for the nine months ended 30 September 2008, Mr. Li Kin Shing, a Director, acquired 1,150,000 Shares in PacificNet Inc. in September 2003, representing approximately 7.21% shareholding in PacificNet Inc. as at 30 September 2008.

PacificNet Inc., a company incorporated in the State of Delaware and listed on the NASDAQ Stock Exchange in the US, is engaged in the business of providing CRM and outsourcing services, telecommunications value-added services, telecommunications and gaming products and services in Asia. The CRM and outsourcing services provided by PacificNet Inc. include business process outsourcing such as CRM centers, CRM and telemarketing services, and IT outsourcing services including software programming and development services. There is a risk that such services provided by PacificNet Inc. may compete with the services provided by the Group. The Directors confirm that the Group had not experienced any notable customer loss in the past as a result of competition from PacificNet Inc..

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

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

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

As at 31 December 2008, so far as known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long position in shares:

Name	Capacity	Number of Shares	Approx. percentage of interests
Ever Prosper	Beneficial owner	684,000,000 (Note 1)	72.29%
Keywise Greater China Opportunities Master Fund	Beneficial owner	57,366,000 (Note 2)	6.06%

Notes:

1. The 684,000,000 shares are owned by Ever Prosper which is owned as to 50%, 46.5% and 3.5% by Mr. Li Kin Shing , Ms. Kwok King Wa and Ms. Li Yin respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa.

2. The 57,366,000 shares are beneficially held by Keywise Greater China Opportunities Master Fund, whose holding company, Keywise Capital Management (HK) Limited, is indirectly interested in these shares.

REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2008, so far as known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTIONS SCHEMES

Pre-IPO Share Option Scheme

In order to recognize the contribution of, and provide an incentive to, the Directors, senior management and employees of the Group who have contributed to the growth of the Group and/or to the listing of the Company's shares on GEM, the Company adopted the pre-IPO Share Option Scheme pursuant to the written resolution of the shareholders of the Company dated 21 September 2007 (the "Pre-IPO Share Option Scheme").

The total number of shares may be granted under the Pre-IPO Share Option Scheme shall not exceed 60,000,000 shares, representing 100% of the number of pre-IPO share options already granted by the Company. The share options granted under the Pre-IPO Share Option Scheme ("Pre-IPO Share Options") shall be exercised at the price of HK$1.36. Subject to other conditions as set out in the rules of the Pre-IPO Share Option Scheme, the Pre-IPO Share Options will be exercisable by the grantees from the end of the twelfth month after 16 October 2007 (the "Listing Date") until the end of the eighteenth month after the Listing Date unless extended in writing by the Board (and approved by the independent non-executive Directors). Each of the Pre-IPO Share Options (to the extent not already exercised) shall lapse automatically at the end of such period.

On 8 October 2007, 60,000,000 Pre-IPO Share Options were granted to and accepted by certain Directors, senior management and employees of the Group.

Details of this Pre-IPO Share Option Scheme are fully disclosed in the Prospectus.

As at 31 December 2008, none of the Pre-IPO Share Option has been exercised and all of the Pre-IPO Share Option holders have maintained their employment with the Group.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme in the written resolutions of the Shareholders passed on 21 September 2007 (the "Share Option Scheme").

The Share Option Scheme became unconditional after the listing on GEM on 16 October 2007. The Company did not grant or cancel any options under the Share Option Scheme any time during the year under review, and as at 31 December 2008, there was no outstanding share option under the Share Option Scheme.

THE PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands. According to the laws of the Cayman Islands, the Company should issue new shares on a pro-rata basis to existing shareholders of the Company.

REPORT OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE, REDEMPTION OR CANCELLATION OF THE COMPANY'S LISTED SECURITIES OR REDEEMABLE SECURITIES

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any redeemable securities of the Company.

COMPETING INTERESTS

Save as disclosed in the Prospectus and in this report, none of the Directors, management shareholders of the Company (as defined in the GEM Listing Rules) and their respective associates had an interest, directly or indirectly, in a business which competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

The corporate governance report adopted by the Company is set out in pages 28 to 32 of this report.

Board Practices and Procedures

During the year under review, the Company has been in compliance with the board practices and procedures as set out in rule 5.34 of the GEM Listing Rules.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the year under review and as at the date of this report.

Auditors

KPMG was first appointed as auditors of the Company in 2007 and re-appointed in 2008. KPMG will retire, and being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the said meeting.

On behalf of the Board
KWOK KING WA
Chairman
Hong Kong, 13 March 2009

CORPORATE GOVERNANCE REPORT

The Company has committed to achieving high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied with all the code provisions set out in Appendix 15 – Code on Corporate Governance Practices of the GEM Listing Rules during the year under review.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct which is not more lenient than Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiry to all Directors has been made and the Company has confirmed that the Directors have complied with the required standard set out in the code of conduct during the year ended 31 December 2008.

BOARD OF DIRECTORS

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

The profile of Chairman and other Directors of the Board is set out in pages 33 to 34 of this report. Ms. Kwok King Wa is the Chairman and the executive Director of the Company. Mr. Li Kin Shing is the Chief Executive Officer and executive Director of the Company. Ms. Kwok King Wa and Mr. Li Kin Shing are the spouses of each other. For the improvement of the transparency and independence of the corporate governance, the role of the Chairman is separated from the Chief Executive Officer. These two positions have not been held by one person. Company designated three experienced independent non-executive Directors to protect interests of shareholders of the Company, namely Mr. Tang Yue, Mr. Cheung Sai Ming and Mr. Chen Xue Dao. Specific term of Mr. Tang Yue, Mr. Cheung Sai Ming and Mr. Chen Xue Dao are three years commencing from the Listing Date.

The following is the attendance record of the Board meetings:

Name of Directors	Number of Meetings Attended
Ms. Kwok King Wa (郭景華) (Chairman)	4/4
Mr. Li Kin Shing (李健誠) (Executive Director)	4/4
Ms. Li Yin (李燕) (Executive Director)	4/4
Mr. Wong Kin Wa (黃建華) (Executive Director)	4/4
Mr. Li Wen (李文) (Executive Director)	4/4
Mr. Tang Yue (唐越) (Independent Non-Executive Director)	4/4
Mr. Chen Xue Dao (陳學道) (Independent Non-Executive Director)	4/4
Mr. Cheung Sai Ming (張世明) (Independent Non-Executive Director)	4/4

Besides the meetings held above, Directors will hold meetings for special issues regularly.

CORPORATE GOVERNANCE REPORT

NON-COMPETITION UNDERTAKING

Each of Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin (collectively, the "Covenantors" and each a "Covenantor") entered into a deed of non-competition undertaking ("Deed of Non-Competition Undertaking") with the Company on 10 October 2007 pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with the Company that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their associates (other than members of the Group):

(i) not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on his/her/its own account or with each other or in conjunction with or on behalf of any person or company, any business which will or may compete with the business then engaged and from time to time engaged by the Group in the PRC, Hong Kong, Macau or anywhere else (the "Restricted Business");

(ii) not solicit any of the Group's existing or then existing employees for employment by him/it and his/her/its associates (other than members of the Group); and

(iii) not, without the Company's consent, make use of any information pertaining to the business of the Group which may have come to his/her/its knowledge in his/her/its capacity as the controlling Shareholder or Director (as the case may be) or their respective associates for the purpose of competing with the Restricted Business.

The above restrictions do not apply in the following cases:

(i) each of the Covenantors and their respective associates (excluding members of the Group) may hold securities of any company which conducts or is engaged in any Restricted Business provided that (a) such securities are listed on a recognized stock exchange (as defined in the SFO); and (b) the aggregate number of securities held by the Covenantors and their respective associates (excluding members of the Group) do not exceed 5% of the issued shares of such company;

(ii) each of the Covenantors and their respective associates (excluding members of the Group) may invest in the Group; and

(iii) Mr. Li Kin Shing, one of the Covenantors, holds 1,150,000 shares in PacificNet Inc., representing approximately 7.21% shareholding in PacificNet Inc. as at 30 September 2008. The Company has agreed that Mr. Li Kin Shing can hold such shares.

Under the deed of non-competition undertaking, the Covenantors further undertake to the Company the following:

(i) the Covenantors shall allow, and shall procure that the relevant associates (excluding members of the Group) to allow, the Directors and the Company's auditors to have access to such financial records of such Covenantors and/or their respective associates as may be necessary for the Company to determine whether the terms of the deed of non-competition have been complied with;

(ii) the Covenantors shall allow, and shall procure that their associates (excluding members of the Group) to allow, the independent non-executive Directors to review, at least on an annual basis, the Covenantors' compliance with the deed of non-competition undertaking, the options, pre-emptive rights or first rights of refusals provided by the Covenantors in their existing or future complied business;

(iii) the Covenantors shall provide all information necessary for the annual review by the independent non-executive Directors in making a fair and reasonable assessment of the Covenantors' compliance with the deed of non-competition undertaking including but not limited to, (1) a list of listed companies in which he/she/it and/or his/her/its associates are beneficially interested or legally holds 5% or more shareholding interest and the nature of business of each of such companies; and (2) a list of private companies in which he/she/it and/ or his/her/its associates beneficially and/or legally holds and the nature of business of each of such companies;

(iv) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to the Company with a declaration annually for inclusion by the Company in its annual report, in respect of their compliance with the terms of the deed of non-competition undertaking, how the deed of non-competition undertaking has been complied with and enforced, and disclose such information in the corporate governance report under the annual report of the Company (any such disclosure would be consistent with the principles of making voluntary disclosures in the corporate governance report);

(v) the Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition undertaking (e.g. the exercise of options or first rights of refusals) either through the annual report, or by way of announcements to the public;

(vi) in the event the Covenantors or their associates (excluding members of the Group) were given any business opportunity that is or may involve in direct or indirect competition with the business of the Group, the Covenantors shall assist, and shall procure their relevant associates to assist, the Company in obtaining such business opportunity directly or in the event that such business opportunity relates to the provision of any service(s) which is/are supplementary to the core business of such Covenantors or the relevant associates, by ways of subcontracting or outsourcing in the terms being offered to the Covenantors or the relevant associates, or more favorable terms being acceptable to the Company provided that the Covenantors shall not proceed, and shall procure their associates not to proceed, with such opportunity should the Company decline to accept such offer; and

(vii) each of the Covenantors agrees to indemnify the Company from and against any and all losses, damages and costs which loss, damage or cost is resulted from any failure to comply with the terms of the deed of non-competition by the Covenantors or any of their respective associates.

For the above purpose, the "Relevant Period" means the period commencing from 10 October 2007 and shall expire on the earlier of (i) the date on which the Covenantors (together with their respective associates), whether directly or indirectly, cease to be interested in 10% or more of the issued share capital of the Company; and (ii) the date on which the Shares cease to be listed on GEM.

The independent non-executive Directors make review, at least on an annual basis, the compliance with the Deed of Non-Competition Undertaking by the Covenantors, and if applicable, the options, pre-emptive rights or first rights of refusals provided by the Covenantors on its existing or future competing businesses. The Board has received from each of the Covenantors the annual declaration in respect of their compliance with and the enforcement of the Deed of Non-Competition Undertaking. The independent non-executive Directors are of the view that the terms of the Deed of Non-Competition Undertaking are fully complied with.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established an audit committee in September 2007 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. Tang Yue. Mr. Cheung Sai Ming is chairman of the audit committee.

The year under review, the audit committee held four meetings. The attendance record of the meetings is as follows:

Name of Directors	Number of Meetings Attended
Mr. Cheung Sai Ming (張世明) (Chairman)	4/4
Mr. Tang Yue (唐越)	4/4
Mr. Chen Xue Dao (陳學道)	4/4

The audit committee of the Company has reviewed the audited financial statements of the Company and the Group for the year ended 31 December 2008 and is of the opinion that the audited financial statements complied with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Auditors' Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing other non-audit functions performed by the external auditors, including whether such non-audit functions have any potential significant negative impact on the Company. The Company engaged KPMG (i) to audit the financial statements of the Group for the year ended 31 December 2008 for RMB1,100,000, (ii) to provide certain tax advisory service for approximately HK$100,000, and (iii) to provide other services for approximately HK$100,000. Save as disclosed above, the Company did not engage KPMG for any other non-audit services during the year under review.

NOMINATION COMMITTEE

The Company has established a nomination committee in September 2007 with written terms of reference. The nomination committee comprises one executive Director namely Mr. Li Kin Shing and two independent non-executive Directors namely Mr. Chen Xue Dao and Mr. Cheung Sai Ming. Mr. Li Kin Shing has been appointed as the chairman of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

The Board took into consideration criteria such as expertise, experience, the market situation and applicable laws and regulations when considering new director appointments during the year under review. The Directors held one meeting for the nominations of Directors. The attendance record of the meeting is as follows:

Name of Directors	Number of Meeting Attended
Mr. Li Kin Shing (李健誠) (Executive Director)	1/1
Mr. Chen Xue Dao (陳學道) (Independent Non-Executive Director)	1/1
Mr. Cheung Sai Ming (張世明) (Independent Non-Executive Director)	1/1

In the latest meeting, the nomination committee members considered and passed resolutions recommending that all the Directors shall be retained. In addition, resolutions were passed pursuant to the articles of association of the Company, and subject to the proposed arrangement being passed at the forthcoming annual general meeting, that Ms. Kwok King Wa, Ms. Li Yin and Mr. Chen Xue Dao will retire and, being eligible, will offer themselves for re-election at the forth coming annual general meeting.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established a remuneration committee in September 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The remuneration committee comprises one executive Director, namely, Mr. Wong Kin Wa and two independent non-executive Directors, namely Mr. Chen Xue Dao, and Mr. Cheung Sai Ming. Mr. Wong Kin Wa was appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

Remuneration committee held one meeting during the year under review. The attendance record of the meeting is as follows:

Name of Directors	Number of Meeting Attended
Mr. Wong Kin Wa (黃建華) (Chairman)	1/1
Mr. Cheung Sai Ming (張世明)	1/1
Mr. Chen Xue Dao (陳學道)	1/1

Remuneration committee members have considered and reviewed the service contracts of the executive Directors and senior management and the provisions of independent non-executive Directors. The remuneration committee members are of the opinion that the provisions of the service contracts of the executive Directors and senior management and the independent non-executive Directors are fair.

INTEREST OF COMPLIANCE ADVISER

The Company has appointed Daiwa Securities SMBC Hong Kong Limited as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. The term of the appointment shall commence on the Listing Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date (i.e. the date of dispatch of the annual report of the Company in respect of its results of the financial year ending 31 December 2009), subject to early termination.

As at 31 December 2008, as notified by Daiwa Securities SMBC Hong Kong Limited, none of Daiwa Securities SMBC Hong Kong Limited, its directors, its employees or associates had any interest in the Company's securities, including share options and the other rights to subscribe the Company's securities.

INTERNAL CONTROL

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

INVESTOR RELATIONS

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. LI KIN SHING (李健誠先生), aged 51, is an executive Director and chief executive officer of the Company. He is responsible for the overall strategic planning and direction of the Group. Mr. Li has over 21 years of experience in the telecommunications industry. He has been a Director of the Company since its establishment in 2000. Mr. Li was the chief executive officer and president of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, US, whose shares are displayed on the Over the Counter Bulletin Board when he resigned from these positions on 2 February 2007. He is the spouse of Ms. Kwok King Wa (郭景華), an executive Director and the elder brother of Ms. Li Yin (李燕), an executive Director. Mr. Li is also an authorized representative of the Company.

MS. KWOK KING WA (郭景華女士), aged 52, is an executive Director and the chairman of the Company. She is responsible for the Group's overall management, corporate planning and business development. Ms. Kwok has over 13 years of experience in the telecommunications industry. She has been the Director of the Company since 2000. She is the spouse of Mr. Li Kin Shing (李健誠), an executive Director and chief executive officer of the Company.

MS. LI YIN (李燕女士), aged 34, is an executive Director and the chief operation officer of the Company and the general manager of China Elite. She is responsible for the Group's overall management, corporate planning and business development. Ms. Li obtained a diploma in Finance from Guangzhou University in 1998. Ms. Li has over 9 years of experience in the telecommunications industry. She has been the assistant to the general manager of the Company since 2000. She is the sister of Mr. Li Kin Shing, an executive Director and chief executive officer of the Company.

MR. WONG KIN WA (黃建華先生), aged 41, is an executive Director, the chief financial officer and the compliance officer of the Company. Mr. Wong obtained a diploma in Auditing from Guangzhou Radio & TV University in 1988. He joined the Group as chief financial officer in 2000 and is responsible for the overall management of the Group's financial matters. Mr. Wong has over 12 years of finance and marketing experience, in particular in the telecommunications industry in Hong Kong and Macau. Before joining the Group, he was the manager of China-Hong Kong Telelink Company Limited from 1997 to 1999. Mr. Wong joined Denway Motors Limited (駿威汽車有限公司) (previously known as Denway Investment Limited), a company whose shares are listed on the Main Board of the Stock Exchange, as the vice general manager in 1993. Mr. Wong is also an authorized representative of the Company.

MR. LI WEN (李文先生), aged 46, is an executive Director and the deputy general manager of the Company. Mr. Li is responsible for overseeing the overall management of the Group's marketing activities. Mr. Li holds a bachelor degree in Electronic Engineering from Xi'an Electronic and Technology University (西安電子科技大學) and an Executive Master of Business Administration from Sun Yat Sen University (中山大學). He also holds the qualification as an engineer granted by Ministry of Mechanical and Electrical Industry (機械電子工業部). Mr. Li has over 22 years of experience in electronic industry. Mr. Li joined the Group in 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. TANG YUE (唐越先生), aged 38, was appointed as an independent non-executive Director in September 2007. Mr. Tang is a co-founder of eLong, Inc., an online travel service company in the PRC. From 2001 to 2006, Mr. Tang served as Chairman and Chief Executive Officer of eLong, Inc., and in similar key executive positions at its predecessor company from 1999 to 2001. A wholly-owned subsidiary of eLong, Inc., namely eLongNet Information Technology (Beijing) Co., Ltd. ("eLong Net"), is a customer of the Group in the past years and as at the date of this report. As of 31 December 2008, Mr. Tang was beneficially interested in 1,438,748 ordinary shares in eLong, Inc., representing approximately 6.5% of the then issued ordinary shares of eLong, Inc. and an aggregate 3,212,500 ordinary shares in eLong, Inc. issuable upon the exercise of options beneficially interested by Mr. Tang. Prior to founding eLong, Mr. Tang held various positions in the financial services industry in the United States from 1993 to 1999. On 30 December 2002, Mr. Tang was appointed as a director of PacificNet Inc., a company incorporated in the State of Delaware and listed on the Nasdaq Global Market in the US. He later resigned from this directorship in PacificNet Inc. in 2004. Mr. Tang is a co-founder of Blue Ridge China, a private equity investment fund formed in 2006 that invests in companies in the PRC. Mr. Tang is currently (i) a non-executive director of eLong, Inc.,

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

a limited liability company incorporated in BVI and continued in the Cayman Islands, whose shares are listed on the Nasdaq Global Market in the US; and (ii) a non-executive director of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, US, whose shares are displayed on the Over the Counter Bulletin Board. Mr. Tang studied at Nanjing University in the PRC and received his bachelor's degree in Business Administration from Concordia College in the US.

MR. CHEN XUE DAO (陳學道先生), aged 66, was appointed as an independent non-executive Director in September 2007. Mr. Chen obtained a bachelor degree in Cable Communications from Beijing University of Posts and Telecommunications in 1967. Mr. Chen was appointed as the head of Guangdong Communications Administration (廣東省通信管理局) in 2001. Mr. Chen is currently a member of the Telecommunications Technology Committee of the Ministry of Information Industry of the PRC (中國信息產業部通信科學技術委員會), member of the Economic Specialists in the Telecommunications Committee of the Ministry of Information Industry of the PRC (中國信息產業部電信經濟專家委員會), fellow member of the China Institute of Communications (中國通信學會), chairman of the Guangdong Institute of Communications (廣東省通信學會), Honorary chairman of Guangdong Communication Industry Association (廣東省通信行業協會) and Honorary chairman of Guangdong Internet Society (廣東省互聯網協會). Mr. Chen also holds the qualification of a senior engineer at Professor grade, and he has been granted the special subsidy by the State Council of the PRC for his prominent contributions to engineering science since 1992.

MR. CHEUNG SAI MING (張世明先生), aged 34, was appointed as an independent non-executive Director in September 2007. Mr. Cheung is a certified public accountant of Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Cheung obtained a bachelor degree of arts in accountancy and finance from the Heriot-Watt University in 2006. He has extensive experience in auditing and accounting.

SENIOR MANAGEMENT

MR. ZHANG LAN (張嵐先生), aged 49, joined the Group in 2002 as Deputy General Manager of the Company overseeing the Company's technology department. Mr. Zhang graduated with a bachelor degree in Telecommunications from Shanghai Railway College in 1982 and possesses over 22 years of experience in the telecommunications technology industry.

MS. CHAN WAI CHING (陳惠貞女士), aged 47, joined the Group in 2007 and is the Company's Qualified Accountant and Company Secretary. Ms. Chan has over 25 years of experience in accounting, and is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan holds a master degree of professional accounting from The Hong Kong Polytechnic University.

MS. XUAN JING SHAN (禤靜珊女士), aged 40, joined the Group in 1999 and is the finance manager of the Group. Ms. Xuan worked as the accounts manager in Guangzhou Talent Information Engineering Company Limited (廣州天龍信息工程公司) from 1992 to 1999. She has 12 years of experience in the finance field. Ms. Xuan graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) with a diploma in Financial Accounting in 1992.

MS. LIN YUAN YI (林原翼女士), aged 34, joined the Group in 2005 and is the Manager of the Group's Customer Service Department and assistant to the General Manager. Ms. Lin has 15 years of experience in customer relationship management. Prior to joining the Group, Ms. Lin worked for a Telecommunications service provider for over 10 years. Ms. Lin graduated from the Tai Shan Panshi TV University (臺山磐石電視大學) with a Diploma in Pedagogic English in 1994.

MS. PENG JIAN TAO (彭健濤女士), aged 33, joined the Group in 2005 and is the Manager of the Group's Mobile Relationship Management Centre and assistant to the General Manager. Ms. Peng has 12 years of experience in customer relationship management. Prior to joining the Group, Ms. Peng worked for a Telecommunications service provider for 7 years. Ms. Peng obtained a Certificate in Administrative Management from the University of Macau (澳門大學) in 2000.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of International Elite Ltd.
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of International Elite Ltd. (the "Company") and its subsidiaries (the "Group") set out on page 36 to 81, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or errors; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince Building
10 Charter Road
Central, Hong Kong

13 March 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Turnover	3	**239,983**	213,870
Cost of sales		**(148,021)**	(116,123)
Gross profit		**91,962**	97,747
Other revenue	4	**8,127**	3,091
Administrative expenses		**(60,650)**	(38,712)
Other expenses	5	**(2,581)**	–
Profit from operations		**36,858**	62,126
Finance costs	6(a)	**(337)**	(186)
Profit before taxation	6	**36,521**	61,940
Income tax	7	**(5,104)**	(2,193)
Profit for the year attributable to equity shareholders of the Company		**31,417**	59,747
Earnings per share			
– Basic	12	**HK$0.03**	HK$0.08
– Diluted	12	**HK$0.03**	HK$0.08

The notes on pages 41 to 81 form part of the financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	13	**19,734**	25,013
Intangible assets	14	**425**	–
Deferred tax assets	16(b)	**610**	4,432
Total non-current assets		**20,769**	29,445
Current assets			
Trade and other receivables	18	**46,443**	61,663
Cash at bank and in hand	19	**456,549**	385,715
Total current assets		**502,992**	447,378
Total assets		**523,761**	476,823
Current liabilities			
Derivatives	20	**2,581**	–
Trade and other payables	21	**15,375**	20,686
Current taxation	16(a)	**1,388**	335
Total current liabilities		**19,344**	21,021
Net current assets		**483,648**	426,357
Total assets less current liabilities		**504,417**	455,802
Non-current liabilities			
Deferred tax liabilities	16(c)	**229**	–
Net assets		**504,188**	455,802
Equity			
Share capital	22	**9,462**	9,462
Reserves	23	**494,726**	446,340
Total equity		**504,188**	455,802

Approved and authorised for issue by the board of directors on 13 March 2009.

Kwok King Wa	**Li Kin Shing**
Director	*Director*

The notes on pages 41 to 81 form part of the financial statements.

BALANCE SHEET

at 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	13	**156**	945
Investments in subsidiaries	15	**97**	97
Total non-current assets		**253**	1,042
Current assets			
Amounts due from subsidiaries	17	**191,727**	102,585
Trade and other receivables	18	**1,032**	1,423
Cash at bank and in hand	19	**189,377**	323,185
Total current assets		**382,136**	427,193
Total assets		**382,389**	428,235
Current liabilities			
Derivatives	20	**2,581**	–
Amounts due to subsidiaries	17	**2,460**	43,247
Trade and other payables	21	**2,106**	5,065
Current taxation	16(a)	**292**	–
Total current liabilities		**7,439**	48,312
Net current assets		**374,697**	378,881
Total assets less current liabilities		**374,950**	379,923
Net assets		**374,950**	379,923
Equity			
Share capital	22	**9,462**	9,462
Reserves	23	**365,488**	370,461
Total equity		**374,950**	379,923

Approved and authorised for issue by the board of directors on 13 March 2009.

Kwok King Wa
Director

Li Kin Shing
Director

The notes on pages 41 to 81 form part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Share capital $'000 Note 22	Statutory reserve $'000	Exchange reserve $'000	Share premium $'000	Capital contribution reserve $'000 Note 30(b)(iii)	Capital reserve $'000	Retained profits $'000	Total $'000
As at 1 January 2007	14	97	654	–	5,966	–	53,947	60,678
Net profit for the year	–	–	–	–	–	–	59,747	59,747
Issue of new shares	14	–	–	–	–	–	–	14
Repurchase of existing shares	(14)	–	–	–	–	–	–	(14)
Other allotment	342	–	–	–	–	–	–	342
Capitalisation Issue (Note 22(iii))	6,484	–	–	–	–	–	(6,484)	–
Issue of new shares by placing	2,622	–	–	–	–	–	–	2,622
Share premium for issuing new shares (Note 22(iv))	–	–	–	353,970	–	–	–	353,970
Share issue expenses (Note 22(iv))	–	–	–	(27,583)	–	–	–	(27,583)
Equity settled share-based payment (Note 24)	–	–	–	–	–	4,204	–	4,204
Exchange difference on translation of financial statements of subsidiaries	–	–	1,822	–	–	–	–	1,822
As at 31 December 2007 and 1 January 2008	9,462	97	2,476	326,387	5,966	4,204	107,210	455,802
Net profit for the year	–	–	–	–	–	–	31,417	31,417
Waiver of rental payable due to an ultimate shareholder (Note 30b(iii))	–	–	–	–	702	–	–	702
Equity settled share-based payment (Note 24)	–	–	–	–	–	13,897	–	13,897
Exchange difference on translation of financial statements of subsidiaries	–	–	2,370	–	–	–	–	2,370
As at 31 December 2008	9,462	97	4,846	326,387	6,668	18,101	138,627	504,188

The notes on pages 41 to 81 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 $'000	2007 $'000
Operating activities			
Profit before taxation		**36,521**	61,940
Adjustments for:			
– Depreciation	6(c)	**9,540**	9,000
– Amortisation of intangible assets	6(c)	**85**	–
– Impairment losses of trade receivables	18(b)	**173**	362
– Interest income	4	**(7,299)**	(3,070)
– Finance costs	6(a)	**337**	186
– Equity settled share-based payment expenses	6(b)	**13,897**	4,204
– Change in fair value of non-deliverable foreign currency forward contract	5	**2,581**	–
– Foreign exchange loss		**1,056**	646
Operating profit before changes in working capital		**56,891**	73,268
Decrease/(increase) in trade and other receivables		**15,531**	(23,276)
(Decrease)/increase in trade and other payables		**(913)**	6,402
Net cash generated from operating activities		**71,509**	56,394
Investing activities			
Payment for the purchase of property, plant and equipment		**(4,165)**	(4,243)
Expenditure on development of software		**(461)**	–
Advances made to related parties		**–**	(472)
Repayments received from related parties		**–**	11,820
Interest received		**6,815**	3,070
Net cash generated from investing activities		**2,189**	10,175
Financing activities			
Proceed from issuance of shares			
– By placing	22(iv)	**–**	356,592
– Other allotment	22(ii)	**–**	342
Increase/(decrease) in pledged deposits		**–**	(18,968)
Advances received from related parties		**–**	671
Repayments made to related parties		**–**	(47,353)
Payment of share issue expenses		**(2,754)**	(24,829)
Finance charges		**(337)**	(186)
Net cash (used)/generated from financing activities		**(3,091)**	266,269
Net increase in cash and cash equivalents		**70,607**	332,838
Cash and cash equivalents at 1 January	19	**345,715**	13,032
Effect of foreign exchange rate changes		**227**	(155)
Cash and cash equivalents at 31 December	19	**416,549**	345,715

The notes on pages 41 to 81 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. BACKGROUND OF THE COMPANY

The Company was incorporated in the Cayman Islands on 18 September 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has established a place of business in Hong Kong and was registered in Hong Kong under Part XI of the Companies Ordinance as an overseas company on 27 June 2007. On 16 October 2007, the Company listed its shares with a par value of HK$ 0.01 each on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The IASB has issued a number of amendments, new and revised IFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. The Group has not applied any new and revised standard or interpretation that is not yet effective for the current accounting period (see note 32).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments are measured at their fair value (see note 2(d)).

The preparation of financial statements 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 statements and estimates with a significant risk of material adjustment are discussed in note 28.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power 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 are taken into account.

An investment in a subsidiary is consolidated into 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 2(j)).

(d) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

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.

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:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents items of property, plant and equipment under construction and equipment pending for installation, and is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction. Capitalisation of these costs ceased and the 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The software with finite useful lives are amortised from the date they are available for use and their estimated useful lives are 5 years.

(g) 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 profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)), 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 allowance for impairment of doubtful debts.

(i) 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.

(j) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are carried 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. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collectively group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(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 or may have decreased.

– property, plant and equipment;
– intangible assets; and
– 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 cash-generating 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.

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– 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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on 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.

(l) Employee benefits

(i) Short term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year 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.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) 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 profit or loss 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax *(continued)*

Current tax balances 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.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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.

(o) 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 services

Customer Relationship Management 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.

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Repairs and maintenance expenditure

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

(q) 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 statements are presented in Hong Kong dollars ("presentation currency").

(ii) Transactions and balances

Foreign currency transactions during the year 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 profit or loss.

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 exchange rates approximating the foreign exchange rates ruling at the dates of transactions. 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.

(r) Related parties

For the purposes of the financial statements, 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 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) 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 business 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 these financial statements.

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.

3. TURNOVER

The principal activity of the Group is the provision of Customer Relationship Management 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 year is as follows:

	2008 **$'000**	2007 $'000
Inbound services	**135,953**	111,822
Outbound services	**104,030**	102,048
	239,983	213,870

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4. OTHER REVENUE

	2008 $'000	2007 $'000
Interest income from bank deposits	**7,299**	3,070
Others	**828**	21
	8,127	3,091

5. OTHER EXPENSES

	2008 $'000	2007 $'000
Change in fair value of non-deliverable foreign currency forward contract	**2,581**	–

For the year ended 31 December 2008, a net loss of approximately HK$2.6 million (2007: nil) resulted from a change in fair value of non-deliverable foreign currency forward contract has been recognised in the consolidated income statement.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2008 $'000	2007 $'000
(a) Finance costs:		
Finance charges	**337**	186
(b) Staff costs:		
Contributions to defined contribution retirement plan	**11,406**	7,347
Equity settled share-based payment expenses	**13,897**	4,204
Salaries, wages and other benefits	**136,463**	103,062
	161,766	114,613

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6. PROFIT BEFORE TAXATION *(continued)*

	2008 $'000	2007 $'000
(c) Other items:		
Depreciation	9,540	9,000
Amortisation of intangible assets	85	–
Taxes other than income tax	6,761	5,333
Auditors' remuneration		
– audit services	1,604	1,094
– tax services	100	120
Repairs and maintenance	1,257	997
Operating lease charges in respect of		
– rental of building, offices and dormitories	5,370	4,637
– hire of transmission lines	7,287	7,249
Research and development expenses	694	–

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 $'000	2007 $'000
Provision for Hong Kong profits tax for the year (Note 16(a))	(761)	(335)
Under-provision for Hong Kong profits tax relating to prior year (Note 16(a))	(292)	–
Deferred taxation (Note 16(b)&(c))	(4,051)	(1,858)
Total income tax	(5,104)	(2,193)

(i) Hong Kong profits tax

The provision for Hong Kong profits tax for the year ended 31 December 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

(ii) Income taxes outside Hong Kong

The Company's subsidiaries established in the British Virgin Islands, namely Keithick Profits Limited and PacificNet Management Limited, 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 Ltd. – Macao Commercial Offshore and PacificNet Communications Limited – Macao Commercial Offshore, are incorporated under the Commercial Code and regulations on offshore activities of Macau and, accordingly, are exempted from payment of the Macau income tax.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

(a) Taxation in the consolidated income statement represents: *(continued)*

(ii) Income taxes outside Hong Kong (continued)

The applicable tax rate of the Company's subsidiary in the PRC, namely China Elite Info. Co., Ltd. 廣州盛華信息有限公司 ("China Elite"), was 25% in respect of the year ended 31 December 2008 (2007: 33%). China Elite had no assessable profit for the year ended 31 December 2008 as its accumulated tax losses brought forward were sufficient to offset its assessable profit.

The applicable tax rate of the Company's new subsidiary in the PRC, namely Shenyang China Elite Info. Services Co., Ltd. 瀋陽盛華信息服務有限公司 ("Shenyang Elite"), was 25% in respect of the year ended 31 December 2008. Shenyang Elite had incurred a tax loss for the year ended 31 December 2008.

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

	2008 **$'000**	2007 $'000
Accounting profit/(loss) before taxation for entities		
– with tax rate of 25% or 33%	**15,015**	13,238
– with tax rate of 16.5% or 17.5%	**(15,156)**	4,361
– with nil tax rate	**36,662**	44,341
Total	**36,521**	61,940
Tax on accounting profit before taxation using applicable tax rates for entities		
– with tax rate of 25% or 33%	**3,754**	4,369
– with tax rate of 16.5% or 17.5%	**(2,501)**	763
– with nil tax rate	**–**	–
Tax effect of non-deductible expenses	**3,330**	179
Tax effect of unused tax losses not recognised	**–**	88
Under provision in respect of prior year	**292**	–
Reduction in deferred tax assets resulting from reduction in tax rate	**–**	466
Tax effect of temporary differences not recognised previously	**229**	–
Recognition of tax losses not recognised previously	**–**	(3,672)
Income tax expense	**5,104**	2,193

(Expressed in Hong Kong dollars)

8. DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

For the year ended 31 December 2008

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonus $'000	Retirement scheme contributions $'000	Sub-Total $'000	Share-based payments (Note) $'000	Total $'000
Executive directors							
Li Kin Shing	80	603	50	33	766	4,632	5,398
Kwok King Wa	80	603	50	33	766	4,297	5,063
Li Yin	80	240	20	13	353	2,918	3,271
Wong Kin Wa	80	398	33	21	532	463	995
Li Wen	80	411	–	15	506	232	738
Subtotal	400	2,255	153	115	2,923	12,542	15,465
Independent non-executive directors							
Tang Yue	80	–	–	–	80	116	196
Chen Xue Dao	80	–	–	–	80	116	196
Cheung Sai Ming	80	–	–	–	80	116	196
Subtotal	240	–	–	–	240	348	588
Total	640	2,255	153	115	3,163	12,890	16,053

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8. DIRECTORS' REMUNERATION *(continued)*

For the year ended 31 December 2007

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonus $'000	Retirement scheme contributions $'000	Sub-Total $'000	Share-based payments (Note) $'000	Total $'000
Executive directors							
Li Kin Shing	17	–	–	–	17	1,400	1,417
Kwok King Wa	17	–	–	–	17	1,299	1,316
Li Yin	17	240	20	13	290	882	1,172
Wong Kin Wa	17	396	33	21	467	140	607
Li Wen	17	–	–	–	17	70	87
Subtotal	85	636	53	34	808	3,791	4,599
Independent non-executive directors							
Tang Yue	17	–	–	–	17	35	52
Chen Xue Dao	17	–	–	–	17	35	52
Cheung Sai Ming	17	–	–	–	17	35	52
Subtotal	51	–	–	–	51	105	156
Total	136	636	53	34	859	3,896	4,755

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(l)(ii).

The principal terms and number of options granted are disclosed in note 24.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, excluding share-based payments, four (2007: one) are directors whose emoluments are disclosed in note 8. The aggregate emoluments in respect of the other one (2007: four) highest paid individuals are as follows:

	2008 $'000	2007 $'000
Salaries and other emoluments	**483**	2,374
Employees bonuses	**40**	81
Retirement scheme contributions	**26**	48

The emoluments of the other one (2007: four) individuals with the highest emoluments, excluding share-based payments, are within the following bands:

	2008 Number of individuals	2007 Number of individuals
HK$Nil – HK$1,000,000	**1**	3
HK$1,000,000 – HK$1,500,000	**–**	1

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$18,870,000 (profit in 2007: HK$5,977,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2008 (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$31,417,000 (2007: HK$59,747,000) and the weighted average of 946,200,000 shares in issue (2007: 713,827,000 shares after adjusting for the capitalisation issues in 2007) during the year, calculated as follows:

Weighted average number of ordinary shares

	2008 '000	2007 '000
Issued ordinary shares at 1 January	946,200	17,950
Effect of issue of New shares (Note 22(i))	–	1,400
Effect of repurchase of existing shares (Note 22(i))	–	(17,950)
Effect of Other allotment (Note 22 (ii))	–	10,775
Effect of Capitalisation Issue (Note 22 (iii))	–	648,400
Effect of issue of New shares by placing (Note 22 (iv))	–	53,252
Weighted average number of ordinary shares at 31 December	946,200	713,827

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$31,417,000 (2007: HK$59,747,000) and the weighted average number of ordinary shares of 946,200,000 shares (2007: 715,520,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2008 '000	2007 '000
Weighted average number of ordinary shares at 31 December	946,200	713,827
Effect of deemed issue of share under the Company's share option scheme (Note 24)	–	1,693
Weighted average number of ordinary shares (diluted) at 31 December	946,200	715,520

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements $'000	Facilities equipment $'000	Office equipment $'000	Vehicles and other equipment $'000	Construction in progress $'000	Total $'000
Cost:						
At 1 January 2007	15,981	23,612	10,031	3,917	245	53,786
Additions	–	1,483	247	82	1,326	3,138
Transfer from construction in progress	345	–	565	3	(913)	–
Translation adjustments	775	867	896	142	34	2,714
At 31 December 2007 and 1 January 2008	17,101	25,962	11,739	4,144	692	59,638
Additions	191	940	1,095	139	807	3,172
Transfer from construction in progress	881	–	–	–	(881)	–
Translation adjustments	683	882	734	145	42	2,486
At 31 December 2008	**18,856**	**27,784**	**13,568**	**4,428**	**660**	**65,296**
Accumulated depreciation:						
At 1 January 2007	(8,225)	(10,596)	(3,849)	(1,571)	–	(24,241)
Charge for the year	(3,259)	(3,374)	(1,630)	(737)	–	(9,000)
Translation adjustments	(438)	(476)	(400)	(70)	–	(1,384)
At 31 December 2007 and 1 January 2008	(11,922)	(14,446)	(5,879)	(2,378)	–	(34,625)
Charge for the year	(3,360)	(3,663)	(1,783)	(734)	–	(9,540)
Translation adjustments	(384)	(493)	(392)	(128)	–	(1,397)
At 31 December 2008	**(15,666)**	**(18,602)**	**(8,054)**	**(3,240)**	**–**	**(45,562)**
Net book value:						
At 31 December 2008	**3,190**	**9,182**	**5,514**	**1,188**	**660**	**19,734**
At 31 December 2007	5,179	11,516	5,860	1,766	692	25,013

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company

	Leasehold improvements $'000	Facilities equipment $'000	Office equipment $'000	Total $'000
Cost:				
At 1 January 2007	4,821	271	14	5,106
Additions	–	–	13	13
At 31 December 2007 and 1 January 2008	4,821	271	27	5,119
Additions	–	–	–	–
At 31 December 2008	**4,821**	**271**	**27**	**5,119**
Accumulated depreciation:				
At 1 January 2007	(3,087)	(54)	(14)	(3,155)
Charge for the year	(964)	(54)	(1)	(1,019)
At 31 December 2007 and 1 January 2008	(4,051)	(108)	(15)	(4,174)
Charge for the year	(731)	(55)	(3)	(789)
At 31 December 2008	**(4,782)**	**(163)**	**(18)**	**(4,963)**
Net book value:				
At 31 December 2008	**39**	**108**	**9**	**156**
At 31 December 2007	770	163	12	945

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14. INTANGIBLE ASSETS

	Software
Cost:	
As at 1 January 2008	–
Additions	512
Translation adjustments	(2)
As at 31 December 2008	**510**
Accumulated amortisation:	
As at 1 January 2008	–
Charge for the year	(85)
Translation adjustments	–
As at 31 December 2008	**(85)**
Net book value:	
As at 31 December 2008	**425**
As at 31 December 2007	–

The amortisation charge for the year is included in administrative expenses in the consolidated income statement.

15. INVESTMENTS IN SUBSIDIARIES

The Company

	2008 **$'000**	2007 $'000
Unlisted shares, at cost	**97**	97

The following list contains the particulars of all the subsidiaries. The class of shares held is ordinary.

(Expressed in Hong Kong dollars)

15. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation and operation	Particular of issued and paid-up capital and debt securities	Portion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Keithick Profits Limited ("Keithick")	British Virgin Islands	Authorised capital of US$50,000 and paid-up capital of US$1	100%	100%	–	Investment holding
Winet Engineering Limited ("Winet")	Hong Kong, PRC	Authorised capital of HK$10,000 and paid-up capital of HK$2	100%	–	100%	Marketing and technical support services for telecommunications companies
PacificNet Management Limited ("PacificNet Management")	British Virgin Islands	Authorised capital of US$50,000 and paid-up capital of US$50	100%	100%	–	Investment holding
China Elite Info. Co., Ltd. ("China Elite")	PRC	Registered and paid-up capital of HK$94,000,000	100%	–	100%	Services 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 the PRC	Authorised and paid-up capital of Macau Patacus ("MOP") 100,000	100%	100%	–	Call centre for customer support and back offices
PacificNet Communications Limited – Macao Commercial Offshore ("PacificNet Communications")	Macau, PRC	Authorised and paid-up capital of MOP100,000	100%	–	100%	Call centre for customer support and back offices

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation and operation	Particular of issued and paid-up capital and debt securities	Portion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
International Elite Services Limited ("IESL")	Hong Kong, PRC	Registered and paid-up capital of HK$1	100%	100%	–	Investment holding
Shenyang China Elite Info. Services Co., Ltd. ("Shenyang Elite")	PRC	Registered and paid-up capital of US$12,000,000	100%	–	100%	Services relating to telecommunication system network technology, software development, data processing, network system integration and technological consulting

16. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

The Group

	2008 $'000	2007 $'000
Provision for Hong Kong profits tax for the year	761	335
Under-provision for Hong Kong profits tax relating to prior year	292	–
	1,053	335
Balance of Hong Kong profits tax payable relating to prior year	335	–
As at 31 December	1,388	335

The Company

	2008 $'000	2007 $'000
Under-provision for Hong Kong profits tax relating to prior year	292	–

(Expressed in Hong Kong dollars)

16. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(continued)*

(b) Deferred tax assets recognised

The Group

The component of deferred tax assets recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	**Unutilised tax loss** $'000
As at 1 January 2007	6,290
Charged to income statement	(1,858)
As at 31 December 2007 and 1 January 2008	4,432
Charged to income statement	(3,822)
As at 31 December 2008	**610**

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 2008, the Group did not recognise deferred tax assets in respect of cumulative reported tax losses in China Elite amounting to approximately HK$47 million (2007: HK$45 million), as it is not probable that future taxable profits against which the losses can be utilised will be available to China Elite. The tax losses expire within five years after the year the loss occurred under the current tax legislation, the details of which are set out below:

Occurrence year	**Unexpired tax losses as at 31 December 2008** **RMB'000**	Unexpired tax losses as at 31 December 2007 RMB'000	Expiry year
2004	**–**	9,365	2010
2005	**25,507**	27,663	2011
2006	**16,220**	16,220	2012
	41,727	53,248	
Less: Amount recognised	**–**	(11,521)	
	41,727	41,727	
Equivalent to HK$	**47,315**	44,561	

(Expressed in Hong Kong dollars)

16. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(continued)*

(c) Deferred tax liabilities recognised

The Group

The component of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	**Temporary differences** $'000
As at 1 January 2008	–
Charged to income statement	229
As at 31 December 2008	229

At 31 December 2008, the temporary difference between carrying amount of property, plant and equipment and their tax bases arising from the depreciation allowances in excess of related depreciation in Winet amounted to HK$1,391,000 (2007: nil) at rate of 16.5%. Deferred tax liabilities of HK$229,000 (2007: nil) have been recognised in respect of the temporary differences.

17. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries were interest free and repayable on demand.

18. TRADE AND OTHER RECEIVABLES

	Note	**2008** **$'000**	2007 $'000
The Group			
Trade receivables			
– amounts due from related parties	30(c)	**1,633**	902
– amounts due from third parties		**42,878**	58,349
		44,511	59,251
Deposits, prepayments and other receivables		**1,932**	2,412
		46,443	61,663
The Company			
Trade receivables			
– amount due from a third party		**19**	–
Deposits, prepayments and other receivables		**1,013**	1,423
		1,032	1,423

(Expressed in Hong Kong dollars)

18. TRADE AND OTHER RECEIVABLES *(continued)*

The amounts due from related parties were unsecured, interest free and repayable on demand.

(a) Ageing analysis

Included in trade receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2008 $'000	2007 $'000
The Group		
Aged within 1 month	25,028	22,526
Aged between 1 to 3 months	14,949	33,559
Aged between 3 to 6 months	2,651	3,166
Aged between 1 to 2 years	1,883	–
	44,511	59,251
The Company		
Aged within 1 month	19	–

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(j)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
At 1 January	362	–	–	–
Impairment loss recognised	315	362	–	–
Impairment loss written back	(142)	–	–	–
At 31 December	535	362	–	–

At 31 December 2008, the Group's trade receivables of HK$535,000 (2007: HK$362,000) were individually determined to be impaired. The individually impaired receivables related to invoices that were default in payments and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of HK$315,000 (2007: HK$362,000) were recognised. Subsequent recoveries of HK$142,000 (2007: nil) previously charged to the allowance account were reversed against the allowance account and recognised in the income statement. The Group does not hold any collateral over these balances. The Group's credit policy is set out in note 26(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19. CASH AT BANK AND IN HAND

	2008 $'000	2007 $'000
The Group		
Fixed deposits	**362,319**	318,733
Cash in hand and demand deposits	**94,230**	66,982
Cash at bank and in hand in the consolidated balance sheet	**456,549**	385,715
Fixed deposits held as security for letters of credit	**(40,000)**	(40,000)
Cash and cash equivalents in the consolidated cash flow statement	**416,549**	345,715
The Company		
Fixed deposits	**178,009**	318,733
Cash in hand and demand deposits	**11,368**	4,452
Cash at bank and in hand in the balance sheet	**189,377**	323,185

20. DERIVATIVES

	2008 $'000	2007 $'000
The Group and the Company		
Non-deliverable foreign currency forward contract	**2,581**	–

(Expressed in Hong Kong dollars)

21. TRADE AND OTHER PAYABLES

	Note	2008 $'000	2007 $'000
The Group			
Creditors and accrued charges		**15,375**	19,524
Amount due to an ultimate shareholder	30(c)	**–**	967
Amounts due to related parties	30(c)	**–**	195
		15,375	20,686

	2008 $'000	2007 $'000
The Company		
Creditors and accrued charges	**2,106**	4,985
Amounts due to related parties	**–**	80
	2,106	5,065

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

	2008 $'000	2007 $'000
The Group		
Due within 3 months or on demand	**10,013**	12,964
The Company		
Due within 3 months or on demand	**–**	167

The amounts due to an ultimate shareholder and related parties are unsecured, interest free and repayable on demand.

22. SHARE CAPITAL

Authorised and issued share capital

		2008		2007	
		No. of shares '000	**$'000**	No. of shares '000	$'000
Authorised:					
Ordinary shares of HK$0.01 each	(i)	**4,000,000**	**40,000**	4,000,000	40,000
Ordinary shares, issued and fully paid:					
At 1 January		**946,200**	**9,462**	17,950	14
Issue of New shares	(i)	**–**	**–**	1,400	14
Repurchase of existing shares	(i)	**–**	**–**	(17,950)	(14)
Other allotment	(ii)	**–**	**–**	34,200	342
Capitalisation Issue	(iii)	**–**	**–**	648,400	6,484
Issue of New shares by placing	(iv)	**–**	**–**	262,200	2,622
At 31 December		**946,200**	**9,462**	946,200	9,462

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.

(i) On 8 September 2007, the authorised share capital of the Company was increased by HK$40,000,000 by the creation of 4,000,000,000 shares ("New shares") at par value of HK$0.01 each. The Company then issued an aggregate of 1,400,100 New shares at par value of HK$0.01 each to Ever Prosper International Limited ("Ever Prosper"), the immediate parent and ultimate controlling party.

Following the issue of New shares, the Company repurchased all 17,950,000 existing issued shares of US$0.0001 each in the capital of the Company at a price of HK$14,001 in aggregate ("the Repurchase") which was paid out from the proceeds of the issue of New shares. Following the Repurchase, the authorised share capital of the Company was reduced by the cancellation of all unissued shares of US$0.0001 each in the capital of the Company.

(ii) 34,200,000 shares of HK$0.01 each were allotted and issued at par to Ever Prosper on 8 September 2007 with proceeds of HK$342,000 received ("Other allotment").

(iii) On 21 September 2007, the Company allotted and issued a total of 648,399,900 shares at par value of HK$0.01 each to Ever Prosper by capitalising the Company's retained profits of HK$6,483,999 ("Capitalisation Issue").

(Expressed in Hong Kong dollars)

22. SHARE CAPITAL *(continued)*

(iv) On 16 October 2007, 228,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$1.36 per share and listed on the GEM of the Stock Exchange. On 7 November 2007, an additional 34,200,000 ordinary shares of HK$0.01 each were issued at a price of HK$1.36 per share.

Part of proceeds of HK$2,622,000, being the par value of the shares issued, was credited to the Company's share capital account. The remaining proceeds of HK$353,970,000 as set off by share issuance expenses of HK$27,583,000 were credited to the share premium account (note 23).

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands.

(v) Terms of unexpired and unexercised share options at the balance sheet date

Exercise period	Exercise price	**2008 Number**	2007 Number
16 October 2008 to 15 April 2009	HK$1.36	**60,000,000**	60,000,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23. RESERVES

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Statutory reserve (Note 23(i))				
At 1 January and at 31 December	**97**	97	**–**	–
Exchange reserve				
At 1 January	**2,476**	654	**–**	–
Exchange difference on translation of financial statements of subsidiaries	**2,370**	1,822	**–**	–
At 31 December	**4,846**	2,476	**–**	–
Share premium (Note 23(ii))				
At 1 January	**326,387**	–	**326,387**	–
Share premium for issuing new shares (Note 22 (iv))	**–**	353,970	**–**	353,970
Share issue expenses (Note 22 (iv))	**–**	(27,583)	**–**	(27,583)
At 31 December	**326,387**	326,387	**326,387**	326,387
Capital contribution reserve				
At 1 January	**5,966**	5,966	**–**	–
Waiver of rental payable due to an ultimate shareholder	**702**	–	**–**	–
At 31 December	**6,668**	5,966	**–**	–
Capital reserve				
At 1 January	**4,204**	–	**4,204**	–
Equity settled share-based payment (Note 24)	**13,897**	4,204	**13,897**	4,204
At 31 December	**18,101**	4,204	**18,101**	4,204
Retained earnings (Note 23(ii))				
At 1 January	**107,210**	53,947	**39,870**	40,377
Net profit/(loss) for the year	**31,417**	59,747	**(18,870)**	5,977
Capitalisation Issue (Note 22 (iii))	**–**	(6,484)	**–**	(6,484)
At 31 December	**138,627**	107,210	**21,000**	39,870
Total	**494,726**	446,340	**365,488**	370,461

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23. 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 their statutory reserve funds until the balance reaches 50% of the registered capital. The balances of statutory reserve in these subsidiaries had already reached 50% of their respective registered capital and no more transfer was required to be made to the statutory reserve funds of these subsidiaries during 2007 and 2008.

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. Transfer to this fund must be made before distributing dividends to the equity holders.

Pursuant to the applicable regulations in the PRC, the Group's wholly owned subsidiary in the PRC, namely China Elite, is required to transfer at least 10% of its after-tax profit determined under the relevant accounting regulations in the PRC (after offsetting prior year losses) to the statutory reserve until the balance reaches 50% of the registered capital. As China Elite had accumulated losses, no transfer was made to the statutory reserve during the year.

(ii) Distributability of reserves

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 December 2008, the Company had HK$347,387,000 available for distribution to equity shareholders of the Company (2007: HK$366,257,000).

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has two share option schemes, namely the Share Option Scheme and the Pre-IPO Share Option Scheme, which were adopted on 21 September 2007 whereby the Board of the Company is authorised, at its discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a cash consideration of HK$1.00 for each grantee to subscribe for shares of the Company. As at 31 December 2008, no option was granted under the Share Option Scheme. The exercise price of the share options under the Pre-IPO Share Option Scheme was determined based on the new issue price of the Company's shares on 16 October 2007 (the "Listing Date"). The options vest after one year from the Listing Date and are then exercisable within a period of six months. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(Expressed in Hong Kong dollars)

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(a) The terms and conditions of the grants that existed during the year ended 31 December 2008 are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted:			
– on 8 October 2007	60,000,000	One year after the Listing Date	1.5 years
Total share options	60,000,000		

(b) The number and exercise price of share options under the Pre-IPO Share Option Scheme are as follows:

	2008	
	Exercise price	Number of options '000
Outstanding as of 1 January 2008 and 31 December 2008	**$1.36**	**60,000**

No options were exercised during the year ended 31 December 2008.

The options outstanding at 31 December 2008 had an exercise price of $1.36 and a remaining contractual life of 3.5 months.

(c) Fair value of share options under the Pre-IPO Share Option Scheme and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial option pricing model.

Fair value of share options and assumptions	2007
Fair value at measurement date	$0.30
Share price	$1.36
Exercise price	$1.36
Expected volatility (expressed as weighted average volatility used in the modelling under Binomial option pricing model)	42.4%
Option life (expressed as weighted average life used in the modelling under Binominal option pricing model)	1.5 year
Expected dividends yield	0%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	3.8%

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) Fair value of share options under the Pre-IPO Share Option Scheme and assumptions: *(continued)*

The expected volatility is estimated by reference to the historic volatility of comparable companies which engage in Customer Relationship Management outsourcing services based on publicly available information. Expected dividends are based on historical dividends. Change in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

25. 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.

26. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and market risks arises in the normal course of the Group's business. 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 and derivatives.

The Group's financial management policies and practices to limit the above risks and the Group's management of capital are described below.

(a) 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. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Normally, the Group does not obtain collateral from customers.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

At 31 December 2008, the Group had a concentration of credit risk as 87% (2007: 89%) of the total trade receivables was due from the Group's five largest customers and 24% (2007: 33%) of the total trade receivables 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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(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 policy to managing liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities 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 has certain foreign currency sales and expenditures, which expose the Group to foreign currency risk. To manage the exchange exposure of HK$ against RMB, the Group entered into a non-deliverable RMB exchange forward contract for selling HK$50,000,000 as of 13 May 2009 against a forward rate fixed at 0.8475. For the year ended 31 December 2008, a net loss of approximately HK$2,581,000 (2007: nil) arising from changes in the fair value of the non-deliverable foreign currency forward contract has been recognised in the income statement. At 31 December 2008, the non-deliverable foreign currency forward contract was recorded as a liability of approximately HK$2,581,000 (2007: nil).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure, monitors the return on capital, and makes adjustments to the capital structure in light of changes in economic conditions.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26. FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value

Non-deliverable forward contract is marked to market based on quotations obtained from banks.

Except for the non-deliverable forward contract, the fair values of the Group's financial instruments 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.

27. 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.

Year ended 31 December 2008

	Inbound services $'000	Outbound services $'000	Total $'000
Revenue from external customers	135,953	104,030	239,983
Segment results	45,169	46,793	91,962
Unallocated income and expenses			(55,441)
Profit before taxation			36,521
Income tax			(5,104)
Profit for the year			31,417
Depreciation for the year	960	1,146	
Segment assets	32,546	17,187	49,733
Unallocated assets			474,028
Total assets			523,761
Segment liabilities	–	–	–
Unallocated liabilities			19,573
Segment capital expenditure incurred during the year	1,196	410	1,606
Unallocated capital expenditure incurred during the year			2,078
Total capital expenditure incurred during the year			3,684

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27. SEGMENT REPORTING *(continued)*

Year ended 31 December 2007

	Inbound services $'000	Outbound services $'000	Total $'000
Revenue from external customers	111,822	102,048	213,870
Segment results	44,029	53,718	97,747
Unallocated income and expenses			(35,807)
Profit before taxation			61,940
Income tax			(2,193)
Profit for the year			59,747
Depreciation for the year	816	967	
Segment assets	34,450	29,299	63,749
Unallocated assets			413,074
Total assets			476,823
Segment liabilities	–	–	–
Unallocated liabilities			21,021
Segment capital expenditure incurred during the year	979	351	1,330
Unallocated capital expenditure incurred during the year			1,808
Total capital expenditure incurred during the year			3,138

Geographical segments

The Group primarily operates in the 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.

(Expressed in Hong Kong dollars)

27. SEGMENT REPORTING *(continued)*
Geographical segments *(continued)*

Year ended 31 December 2008

	PRC **$'000**	**Hong Kong** **$'000**	**Macau** **$'000**	**Total** **$'000**
Revenue from external customers	**29,110**	**202,283**	**8,590**	**239,983**
Segment assets	**16,168**	**30,831**	**2,734**	**49,733**
Capital expenditure incurred during the year	**3,529**	**155**	**–**	**3,684**

Year ended 31 December 2007

	PRC $'000	Hong Kong $'000	Macau $'000	Total $'000
Revenue from external customers	29,816	177,836	6,218	213,870
Segment assets	15,287	47,213	1,249	63,749
Capital expenditure incurred during the year	2,898	231	9	3,138

28. 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.

(a) *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.

(b) *Impairments*

In considering the impairment loss that may be required for certain property, plant and equipment, and intangible assets 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) *Impairments (continued)*

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.

29. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	$'000	$'000
Contracted for	**440**	732

(b) The total future minimum lease payments under non-cancellable operating leases payable at 31 December 2008 are as follows:

The Group

	2008		2007	
	Properties	**Transmission lines**	Properties	Transmission lines
	$'000	**$'000**	$'000	$'000
Within 1 year	**1,324**	**3,113**	1,261	1,408
Over 1 year but within 2 years	**–**	**864**	1,257	–
	1,324	**3,977**	2,518	1,408

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29. COMMITMENTS *(continued)*

(b) The total future minimum lease payments under non-cancellable operating leases payable at 31 December 2008 are as follows: *(continued)*

The Company

	2008		2007	
		Transmission		Transmission
	Properties	**lines**	Properties	lines
	$'000	**$'000**	$'000	$'000
Within 1 year	**168**	**–**	168	–
Over 1 year but within 2 years	**–**	**–**	168	–
	168	**–**	336	–

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 one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

30. MATERIAL RELATED PARTY TRANSACTIONS

(a) Relationship between the Group and related parties

(i) *Ultimate shareholders of the Group*
Li Kin Shing
Kwok King Wa
Li Yin

(ii) *Subject to common control from ultimate shareholders*
China-Hong Kong Telecom Ltd.
Directel Communications Ltd.
Directel Limited
Elitel Limited
Fastary Limited
Guangzhou Zhitong Telecommunications Limited ("Guangzhou Zhitong")*
Jandah Management Limited
Talent Information Engineering Co., Ltd.

* Mr. Li Kin Shing and Ms. Kwok King Wa disposed of their entire interests in Guangzhou Zhitong to an independent third party in April 2007 and since then, Guangzhou Zhitong is no longer a related party to the Group.

(iii) *Related companies of ultimate shareholders*
Guangdong Zhitong Investment Ltd.
Guangdong Zhitong Telecommunications Limited
Guangdong Zhitong Telecommunications Paging Limited
Guangdong Zhitong Telecommunications Service Company Limited
Shenzhen Zhitong Telecommunications Limited

30. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions

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

		2008 $'000	2007 $'000
Sales	(i)	**10,526**	11,083
Purchases of services	(ii)	**3**	511
Rental of properties	(iii)	**1,309**	1,095
Waiver of rental payable of property	(iii)	**702**	–
Cash advances to related parties		**–**	472
Repayment of cash advances from related parties		**–**	11,820
Cash advances from related parties		**–**	671
Repayment of cash advances to related parties		**–**	47,353

Notes:

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

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

(iii) The Group rented properties from an ultimate shareholder, Li Kin Shing, and a related party, Talent Information Engineering Co., Ltd., and used them as offices with free charges up to 31 December 2006. The Group recognised the fair value of rents on property as capital contribution reserve set out in note 23. The fair value of rents was determined by reference to the market price. During the year of 2008, rental payable related to the period from January 2007 to September 2007 was waived by the ultimate shareholder, Li Kin Shing, and accounted for under capital contribution reserve.

An ultimate shareholder, Li Kin Shing, pledged his own property amounting to approximately HK$38 million up to 10 August 2007 to secure the performance 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.

(Expressed in Hong Kong dollars)

30. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

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

	2008 $'000	2007 $'000
Amounts due from an ultimate shareholder and related parties		
– trade	**1,633**	902
– non-trade	**–**	–
Amounts due to an ultimate shareholder and related parties		
– trade	**–**	1,145
– non-trade	**–**	17

Notes: The amounts due from/to an ultimate shareholder and related parties are unsecured, interest free and are repayable on demand. The amounts due from an ultimate shareholder and related parties are included in "Trade and other receivables" (note 18) and the amounts due to an ultimate shareholder and related parties are included in "Trade and other payables" (note 21). No allowance for doubtful debts has been made in respect of the amounts due from an ultimate shareholder and related parties.

The amounts due to an ultimate shareholder and related parties are the payable for rental of properties and director's fee.

(d) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2008 $'000	2007 $'000
Short-term employee benefits	**3,992**	1,561
Contribution to retirement benefit schemes	**187**	56
Equity compensation benefits	**13,260**	3,938
	17,439	5,555

The remuneration is included in "staff costs" (see note 6(b)).

(e) Contributions to defined contribution retirement schemes

The amounts of contributions and details of the Group's defined contribution retirement schemes are described in note 6(b) and note 25.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2008, 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.

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the IASB has issued amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of the amendments, new standards and interpretations is expected to be in the period of initial applications. So far it has concluded that adoption of them is unlikely to have a significant impact on the Group's result of operations and financial positions. While, IFRS 8, Operating segments and IAS1 (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 statements.

FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Results				
Turnover	**239,983**	213,870	149,864	83,434
Profit from operations	**36,858**	62,126	30,378	1,744
Finance costs	**(337)**	(186)	–	–
Profit before taxation	**36,521**	61,940	30,378	1,744
Income tax	**(5,104)**	(2,193)	6,290	–
Profit for the year attributable to equity shareholders of the Company	**31,417**	59,747	36,668	1,744
Assets and liabilities				
Property, plant and equipment	**19,734**	25,013	29,545	24,431
Intangible assets	**425**	–	–	–
Deferred tax assets	**610**	4,432	6,290	–
Net current assets/(liabilities)	**483,648**	426,357	24,843	(2,156)
Total assets less current liabilities	**504,417**	455,802	60,678	22,275
Deferred tax liabilities	**229**	–	–	–
Net assets	**504,188**	455,802	60,678	22,275
Capital and reserves				
Share capital	**9,462**	9,462	14	14
Reserves	**494,726**	446,340	60,664	22,261
Total equity	**504,188**	455,802	60,678	22,275
Earnings per share (note)				
– Basic	**HK$0.03**	HK$0.08	HK$0.06	HK$0.00
– Diluted	**HK$0.03**	HK$0.08	HK$0.06	HK$0.00

Note: As a result of the capitalization issues in 2007, figures for the two years ended 31 December 2005 and 31 December 2006 have been adjusted for comparison purposes.