INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1328)

Annual Report 2009

CONTENTS

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

Registered Office
Portcullis TrustNet (Cayman) Ltd.
Marquee Place, Suite 300
430 West Bay Road, P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands, British West Indies

Head Office and Principal Place of Business in Hong Kong
Room 3809-3810, Hong Kong Plaza
188 Connaught Road West
Hong Kong

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

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

Principal Share Registrar and Transfer Office
Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Grand Cayman KY1-1107
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong
Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Compliance Advisor
Daiwa Capital Markets Hong Kong Limited
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88 Queensway
Hong Kong

Auditors
KPMG

Certified Public Accountants
8th Floor Prince's Building
10 Chater Road
Central, Hong Kong

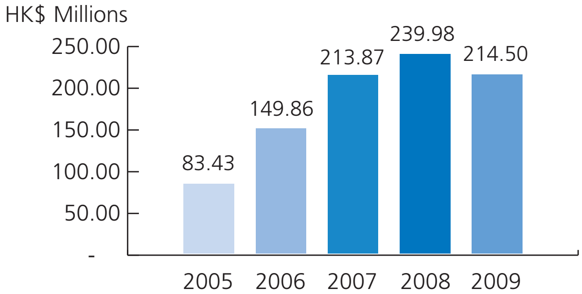
Stock Code
1328

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 Company has successfully transferred its listing from the Growth Enterprise Market (GEM) to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May 2009. It is believed that the listing of the shares of the Company (the "Shares") on the Main Board will help to enhance the profile of the Group and increase the share trading liquidity and recognitions by attracting larger institutional and retail investors. The listing of the Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Company. In order to grasp the valuable opportunities arising from the favorable government policies in China including the restructuring of the telecommunications industry, growth in 3G mobile communications and domestic demand, the Group continues to explore the China market. We are well-prepared to face the challenges in 2010.

Due to the financial tsunami, the Group recorded revenue of approximately HK$214,503,000 in 2009, representing a drop of approximately 11%. Gross profit from continuous operations was approximately HK$77,067,000, representing a decease of approximately 16% in 2009. The Group's gross profit margin fell to approximately 36%, representing a decrease of approximately 2% in 2009. Profit attributable to shareholders for the year was approximately HK$38,141,000. The profit attributable to shareholders margin for the year increased from approximately 13% to approximately 18%. Earnings per share from continuous operations for the year was HK$0.04, representing an increase of approximately 33%. The following table illustrates the Group's revenue from 2005 to 2009:



Revenue from 2005 to 2009

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.

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 utilising 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 introduced a multi-skill training program since 2008 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 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 2009, 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. Currently, 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 approximately 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 the Group is benefited from the trilingual environment within the region, namely the Mandarin, Cantonese and English speaking-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, we believe the CRM outsourcing market will continue to be benefited from economic policies including the restructuring of domestic telecommunications industry, growth in 3G mobile communications and domestic demand. The Group is confident that in 2010 it will win service contracts for both telecommunications and non-telecommunications 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 Guangzhou and Shenyang in its agenda. The Group acquired from an ultimate shareholder, Mr. Li Kin Shing at the end of 2009, certain premises in Guangzhou at a total consideration of RMB40.5 million (approximately HK$45.976 million). The Group intends to continue to use the premises as the Group's CRM services centres and offices so the acquisition will help the Group in saving future rental payment and reduce the continuing connected transactions. While it is thrilled by the development, its effort to identify appropriate properties as well as acquisition targets continues.

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, 15 March 2010

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

Year 2009 had been a very difficult year for most businesses so as the Group was severely impacted by the financial tsunami. Customers' budget shrank while competition intensified as companies battled for business to steer through the crisis. Notwithstanding the difficult business environment, the financial results of the year under review were still encouraging.

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.

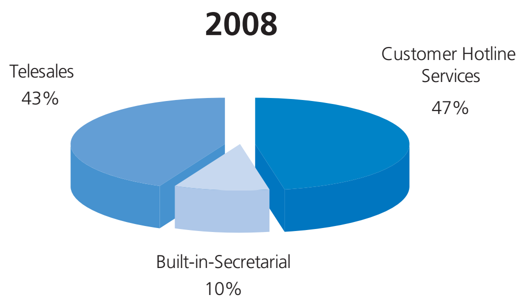
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

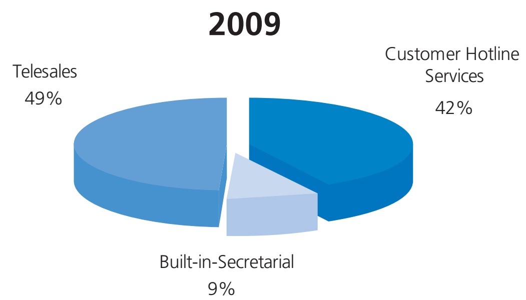
Turnover

For the year ended 31 December 2009, the Group's total turnover was approximately HK$214,503,000, representing a drop of approximately 11%. Though the Group has successfully expanded its business to non-telecommunications industries, the decrease in turnover from telecommunications service providers due to the financial tsunami outweighed the increase in turnover from customers in non-telecommunications industries for the year ended 31 December 2009.

Inbound services and outbound services accounted for approximately 51% and 49% of the Group's total turnover for the year ended 31 December 2009 respectively. There was a decrease of approximately 20% of turnover from inbound services and an increase of approximately 1% of turnover from outbound services. Below are the charts illustrating the Group's revenue generated from different service segments in 2008 and 2009.



Revenue by service in 2008

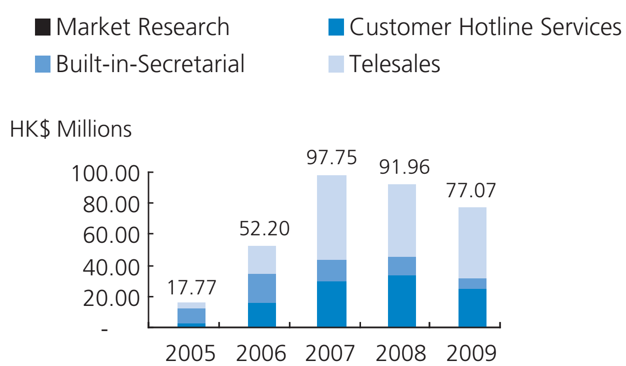


Revenue by service in 2009

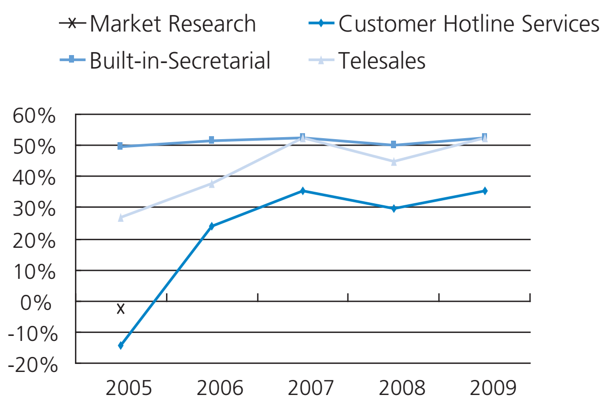
The gross profit margins of the inbound and the outbound segments for the year ended 31 December 2009 were approximately 30% and 43% respectively. It is anticipated that outbound services, as a high-margin business segment, will account for an increasing and substantial portion of the Group's total turnover in the future.

Gross Profit

The Group's gross profit for the year ended 31 December 2009 was approximately HK$77,067,000, representing a decease of approximately 16%. The gross profit margin deceased by approximately 2% to approximately 36%. Inbound services and outbound services accounted for approximately 42% and 58% of the Group's gross profit for the year ended 31 December 2009 respectively. The decrease in gross profit margin was primarily due to the appreciation of RMB. Below are the charts illustrating the Group's gross profit from different business segments from 2005 to 2009.



Gross profit by service



Gross profit margin by services

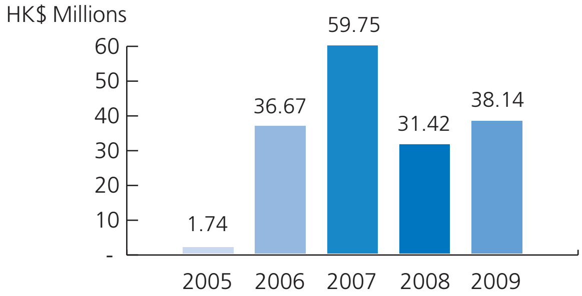
MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

During the year under review, the total administrative expenses of the Group were approximately HK$48,025,000 equivalent to approximately 22% of the Group's sales in 2009. The administrative expenses to sales ratio was approximately 3% lower or 3% higher than that of the previous year if the pre-IPO share options expenses for the year ended 31 December 2008 were excluded due to the appreciation of RMB and research and development ("R&D") expenses for the new Internet CRM service and remote workstations development.

Profit Attributable to Shareholders

The Group's profit attributable to shareholders for the year ended 31 December 2009 was approximately HK$38,141,000, while that of 2008 was approximately HK$31,417,000, representing an increase of approximately 21%. The net profit margin also increased from approximately 13% to approximately 18%. The net profit margin increased by approximately 5% or decreased by approximately 1% if the pre-IPO share options expenses for the year ended 31 December 2008 of approximately HK$13,897,000 were excluded. The decrease was primarily due to the appreciation of RMB and increase in R&D expenses for the new Internet CRM service and remote workstations development. The return to equity was approximately 7% for the year ended 31 December 2009. Below is a chart illustrating the Group's net profits from 2005 to 2009.



Net profit of the Group from 2005 to 2009

BUSINESS REVIEW

Customers in Telecommunications Industries

In 2009, the Group continued to provide services to established telecommunications service providers. However, due to the financial tsunami, turnover of the Group from telecommunications service providers for the year ended 31 December 2009 decreased by approximately 11%.

Customers in Non-Telecommunications Industries

In 2009, the Group rapidly developed its non-telecommunications customer base for CRM business and successfully acquired the service contracts from Guangdong Development Bank (Wuyangxincheng Branch), Guangzhou EF Professional English School, Asia Pacific Customer Service Consortium and a well-known slimming center for telesales service. The Group continued cooperation and provision of CRM services to well established customers. In line with their development and expansion, there is increasing demand of our services. Both new and established customers have built up a consolidated customer base of the Group and have witnessed the achievement of the Group's development in non-telecommunications industries.

MANAGEMENT DISCUSSION AND ANALYSIS

Multi-Skill Training

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

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

CRM Service Centers

As at 31 December 2009, the Group operated three CRM service centers in Guangzhou, the PRC, with a total seating capacity of approximately 4,100 seats. The Group had approximately 3,617 employees for operation function, and the utilisation rate was approximately 88%, representing a decrease of approximately 3% 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 utilisation 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
Guangdong Development Bank (Wuyangxincheng Branch)	Telesales Service	March 2009
Guangzhou EF Professional English School (廣州英孚英語培訓中心有限公司)	Telesales Service	September 2009
Asia Pacific Customer Service Consortium	Telesales service	December 2009

Awards and Certification

In June 2009, China's Best Customer Service Appraisal Committee conferred the "Best Outsourcing Service Provider in China" award to China Elite Info. Co., Ltd. (廣州盛華信息有限公司) ("China Elite").

In July 2009, China Council for International Investment Promotion granted "China's Top 100 Emerging Service Provider 2009" to China Elite.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECT

The Group strives to increase the penetration in the China market and the possibility of developing non-telecommunications markets. The Group expects new market opportunities from the World Expo 2010 Shanghai, China ("Expo 2010"). More clients recognise the importance of the Group's professional service and may cooperate with the Group for lower operation cost, bigger market and higher customer loyalty management. The Group looks forward to entering into service agreements with these potential customers. With its expansion in the China market, the Group will be benefited from the opportunities arising from the favorable government policies including the growth in 3G mobile communications and domestic demand.

In addition, the Group has been constantly seeking for business improvement and worked out plans 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. At present, the Group has identified several potential customers and started the negotiation with the customers in industries including but not limited to restaurants, slimming and beauty shops, magazines, etc.

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.

The introduction of Internet CRM service will create unique value for our customers. The Group believes that by changing the cost structure and increasing revenue source, the new service will enhance profit margin for the Group.

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 favorable market environment in China, including the Expo 2010 to be taken place, the growth in 3G mobile communications and domestic demand, we expect the China market will provide more opportunities for the business 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, information technology and education companies.

MANAGEMENT DISCUSSION AND ANALYSIS

New Service Centers

The Group aims to expand seating capacity by establishing new CRM service centers so as to ensure there are sufficient resources for new businesses in the future. The Group has received a letter from the Yonghe Economic Zone of Guangzhou: Economic and Technological Development District (廣州經濟技術開發區) in March 2008 and a letter from the Guangzhou Panyu District (廣州番禺區) in November 2009 in relation to the possibility of offering government support in the use of land for the establishment of an outsourcing base. The Group is in the progress of negotiating the terms on the aforesaid land use support with the government.

The Group 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 and plans to establish an outsourcing base in the area.

Acquisition of property

In November 2009, China Elite, entered into the Sale and Purchase Agreements with Mr. Li Kin Shing pursuant to which China Elite agreed to purchase, and Mr. Li agreed to sell, the properties situated at Levels l-7, No. 67 West Tang Xin Street, Guanghua Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC (the "Properties") for an aggregate consideration of RMB40,500,000 (approximately HK$45,976,000).

The Group occupied the Properties under a tenancy agreement entered into between China Elite (as tenant) and Mr. Li (as landlord) dated 8 October 2007 and expiring on 31 December 2009. The Group intends to continue to use the Properties as the Group's CRM services centres and offices and hence the acquisition will help the Group in saving future rental payment and reduce the continuing connected transactions. The acquisition was funded by internal resources.

Acquisition

The Group will continue to seek suitable small and medium sized CRM service providers for acquisition or merger. As at 31 December 2009, the Group had no specific acquisition target.

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 2009, 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 2009, the Group's balance of cash and deposits was approximately HK$422,990,000, which was primarily attributable to the proceeds from the IPO and earnings.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL POSITION

	2009 HK$'000	2008 HK$'000
Cash in hand and demand deposits	**48,793**	94,230
Fixed Deposits (clear)	**374,197**	322,319
Fixed deposits held as security for letter of credit	**–**	40,000
Total cash and deposits	**422,990**	456,549

The Group normally finances its operations with internally generated cash flows. Cash position decreased by approximately HK$33,559,000 in 2009.

The current ratio was 36.47 as at 31 December 2009, higher than 26.00 as at 31 December 2008. Quick ratio was inapplicable as the Group did not have any inventory.

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 was settled in HKD by reference to the gains or losses on the RMB valuation of a notional amount of HK$50,000,000 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. It has fixed forward rate, notional amount and redemption date, but is not an accumulator contract. Due to the depreciation of RMB against HKD in late 2008 and based on the quoted exchange rate of 0.89912 on 31 December 2008, the Group recorded an unrealized loss of approximately HK$2,581,000 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.

On 13 May 2009, the settlement rate for RMB/HKD has been fixed at 0.88043 and the Group recorded a gain of approximately HK$711,000 during the year ended 31 December 2009 and a total realized loss of approximately HK$1,870,000 on the RMB target redemption forward contract upon the valuation of RMB against HKD on 13 May 2009.

ASSETS MORTGAGE

The Group had no outstanding asset mortgage as at 31 December 2009.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2009.

SIGNIFICANT ACQUISITION, DISPOSAL 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 2009, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO AND INTEREST CAPITALIZATION

The Group had no outstanding bank loans or other loans with interest as at 31 December 2009. During the year under review, no interest was capitalized by the Group.

CAPITAL COMMITMENTS

As at 31 December 2009, there was nil capital commitments outstanding in the financial statement (31 December 2008: approximately HK$440,000).

SEGMENT REPORTING

On first-time adoption of IFRS 8, Operating Segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments which are inbound services and outbound services. Detail of segment reporting is set out in note 14 to this report.

STAFF AND REMUNERATION POLICY

As at 31 December 2009, the Group had 3,813 employees (2008: 4,336 employees). Among them, 3,797 employees work in PRC, 14 employees work in Hong Kong and 2 employees work in Macau.

Breakdown of the Group's staff by functions as at 31 December 2009 is as follows:

Function	**As at 31 December 2009**	As at 31 December 2008
Management	**13**	13
Operation	**3,617**	4,175
Financial, administrative and human resources	**83**	64
Sales and marketing	**21**	19
Research and development	**36**	28
Repair and maintenance	**43**	37
	3,813	4,336

The total staff remuneration including directors' remuneration paid by the Group in 2009 was approximately HK$139,152,000 (2008: approximately HK$161,766,000). 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 is believed that employees are the most valuable assets of the Group.

DISCLOSURE UNDER CHAPTER 13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules during the 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 2009:

Business progress 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	Business objectives as stated in the Prospectus for the six months ended 30 June 2009	Business objectives as stated in the Prospectus for the six months ended 31 December 2009	Actual business progress as at 31 December 2009
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.	Carry out acquisitions under reasonable terms and conditions.	Commence operation of the newly acquired CRM service centre.	(i) The Group continued discussing the possibility of gaining the government support in the use of land for the establishment of outsourcing base. (ii) The Group planned to set up outsourcing bases in Shenyang City and Guangzhou City respectively. (iii) The Group was seeking suitable small to medium sized CRM service providers for acquisition or merger.
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 optimise the operating efficiency.	Purchase new machinery and equipment and carry out renovation of the newly acquired CRM service centres.	Upgrade computers, machinery and equipment in existing CRM service centres currently operated by the Group.	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 had been postponed accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

Business progress 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	Business objectives as stated in the Prospectus for the six months ended 30 June 2009	Business objectives as stated in the Prospectus for the six months ended 31 December 2009	Actual business progress as at 31 December 2009
Recruit and train operators for the new CRM service centers.	Continue to recruit and train new operators to optimise utilisation 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.	Recruit and train operators for the newly acquired CRM service centres.	Continue to recruit and train new operators to optimise utilisation rate of the seating capacity of the newly acquired CRM service centres.	Due to the delay in setting up the new CRM service centers, the operator recruitment and training were 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).	Further cooperate with other non-telecommunications companies (including but not limited to travel agencies, hotels and the retail sector).	Consolidate cooperation relationship with customers and explore further clientele cooperation opportunities.	The Group kept expanding and cooperating with non-telecommunications customers. The non-telecommunications segment generated approximately 2% of the Group's revenue for the year ended 31 December 2009. For the details of new customers, please refer to sub-paragraph headed "Acquisition of New Customers" of this report.
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.	Reinforce relationships with overseas telecommunications customers, expand overseas client base into non-telecommunications market and continuously develop other overseas markets.	Reinforce relationships with overseas telecommunications customers, expand overseas client base into non-telecommunications market and continuously develop other overseas markets.	The Group was 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business progress 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	Business objectives as stated in the Prospectus for the six months ended 30 June 2009	Business objectives as stated in the Prospectus for the six months ended 31 December 2009	Actual business progress as at 31 December 2009
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.	Through the cooperation with telecommunications customers and aggressive development of non-telecommunications customers as well as the support of data analysis, establish more comprehensive value-added services needed in everyday life.	With the support of data research and analysis, provide personalized value-added service in line with the preferences of general subscribers.	The Group continued its development in various value-added service segments. The Group was negotiating with a major mobile network operator ("MNO") on a non-telecommunications value-added service outsourcing agreement. Due to the restructuring of China telecommunications industry, growth in 3G mobile communications, the Group aimed at increasing business opportunities and cooperation with China Unicom for 3G and data services, and in regions outside Guangdong Province.
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.	Explore and retain customers of the new super secretarial service, arouse publicity in the consumer market and develop value-added services for products.	Explore and retain customers of the new super secretarial service and launch new value-added services for products.	The new service was in the stage of introduction.

MANAGEMENT DISCUSSION AND ANALYSIS

Business progress 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	Business objectives as stated in the Prospectus for the six months ended 30 June 2009	Business objectives as stated in the Prospectus for the six months ended 31 December 2009	Actual business progress as at 31 December 2009
	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.	Expand the system database on the "小E" ("Little E") e-channel service, implement marketing activities to arouse publicity and development of value-added services for products.	Explore and retain customers of the "小E" ("Little E") e-channel service, expand the system database and promote value-added services for products.	The Group reached an agreement with MSN China in November 2007 to provide CRM service on the MSN Messenger. The Group planned 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.	Reinforce Internet-based CRM services, improve technology maintenance for Internet-based customer services, develop and retain Internet-based CRM customers and set up a customer database.	Reinforce Internet-based CRM customer services, improve technology maintenance for Internet-based customer services on an ongoing basis, develop and retain Internet-based CRM customers, expand the customer database and carry out value-added sales with further use of customer resources.	The new service was 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 2009, 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	32.0	–
Repayment of non-trade balance due to related parties of the Group	30.8	30.8
Development of new Internet CRM services	11.5	3.6
General working capital	27.7	–
Total	285.0	34.4

Notes:

1. The Group received a letter from the Yonghe Economic Zone of Guangzhou: Economic and Technological Development District (廣州經濟技術開發區) in March 2008 and a letter from the Guangzhou Panyu District (廣州番禺區) in November 2009 in relation to 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 namely Shenyang China Elite Information Service Company Ltd. (瀋陽盛華信息服務有限公司) in Shenbei District of Shenyang City in December 2008 and plans to establish an outsourcing base in the area.

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 2009.

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 18 to the financial statements.

PRINCIPAL PLACE OF BUSINESS

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

FINANCIAL INFORMATION

Five-Year Financial Summary

A summary of the consolidated income statement and the assets and liabilities of the Group for the last five financial years is set out on page 86 of this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement, page 37 of this report.

Major Customers

For the year ended 31 December 2009, the turnover attributable to the largest customer and the five major customers accounted for approximately 43% and approximately 91% of the Group's turnover respectively.

Major Suppliers

Purchases from largest supplier accounted for approximately 26% of the Group's total purchases. Purchases from the five largest suppliers accounted for approximately 71% 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") recommended the payment of a final dividend of HK1 cent per ordinary share for the year ended 31 December 2009 (2008: Nil). In addition to the payment of the final dividend, the Board recommended the payment of a special dividend of HK3 cents per ordinary share for the year ended 31 December 2009 (2008: Nil) (i) in recognition of the continual support of the shareholders; (ii) after reviewing the financial situation of the Company; and (iii) taking into account the successful transfer of the listing of the Company's Shares from GEM to Main Board.

The proposed final dividend and special dividend will be paid on 25 May 2010 to the shareholders whose names appear on the register of members of the Company on 4 May 2010 if this proposal is approved by the Company's shareholders at the forthcoming annual general meeting.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 26 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.

REPORT OF DIRECTORS

Reserves

Details of movements in reserves of the Company and the Group during the year are set out in note 27 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 2009, the Company had approximately HK$495,988,000 (As at 31 December 2008, approximately HK$347,387,000) 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 15 to the financial statement.

Connected Transactions

For the year ended 31 December 2009, approximately HK$ 6,504,000 under the category of the sales to related parties and approximately HK$ 1,325,000 under the category of the rental of properties from related parties as disclosed in note 33 to the financial statements also fell under the definition of continuing connected transactions under Chapter 14A of the Listing Rules. Details are disclosed in note 33 to the financial statements and the Prospectus.

During the year under review, the Group has obtained waiver for strict compliance with Chapter 14A of the 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 (Note 1).

B. *Service agreements*

1. Service agreement between PacificNet Communications Limited – Macao Commercial Offshore and Elitel Limited in respect of BIS services (Note 2); and

2. Service agreement between PacificNet Communications Limited – Macao Commercial Offshore and China-HK Telecom Ltd. in respect of BIS and customer hotline services (Note 3).

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 (Note 4).

NOTES:

(1) The tenancy agreement expired on 31 December 2009. On 10 November 2009, China Elite, entered into the sale and purchase agreements with Mr. Li Kin Shing, the Chief Executive Officer and an executive Director pursuant to which China Elite agreed to purchase, and Mr. Li agreed to sell, the premises situated at Levels l-7, No. 67 West Tang Xin Street, Guanghua Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC (the "Properties") for an aggregate consideration of RMB40,500,000 (approximately HK$45,976,000). The Group intends to continue to use the Properties as the Group's CRM services centres and offices and hence the acquisition will help the Group in saving future rental payment and reduce the continuing connected transactions.

(2) On 16 December 2009, PacificNet Communications Limited – Macao Commercial Offshore and Elitel Limited entered into a new service agreement pursuant to which PacificNet Communications Limited – Macao Commercial Offshore agreed to provide subscribers of Elitel Limited's customers with BIS services for a term commencing on 1 January 2010 and ending on 31 December 2012 (both days inclusive). The fees payable for the services provided by PacificNet Communications Limited – Macao Commercial Offshore are determined on the number of subscribers using the BIS services on the last day of each calendar month times a fixed rate, which is agreed between Elitel Limited and PacificNet Communications Limited – Macao Commercial Offshore. Elitel Limited is wholly owned by Directel Holdings Limited, which is held as to 95.5% by New Everich Holdings Limited, a company held as to 54% by Mr. Li Kin Shing and 46% by Ms. Kwok King Wa respectively.

(3) On 16 December 2009, PacificNet Communications Limited – Macao Commercial Offshore and China-Hongkong Telecom Limited entered into a new service agreement pursuant to which PacificNet Communications Limited – Macao Commercial Offshore agreed to provide subscribers of China-Hongkong Telecom Limited with BIS and customer hotline services for a term commencing on 1 January 2010 and ending on 31 December 2012 (both days inclusive). The fees payable for the services provided by PacificNet Communications Limited – Macao Commercial Offshore are determined on the basis of, inter alia, (i) in respect of BIS services, the number of subscribers using the BIS services on the last day of each calendar month times a fixed rate, which is agreed between China-Hongkong Telecom Limited and PacificNet Communications Limited – Macao Commercial Offshore; and (ii) in respect of customer hotline services, the number of seats required for each particular project, the number of incoming calls times corresponding fixed rate, which is agreed between China-Hongkong Telecom Limited and PacificNet Communications Limited – Macao Commercial Offshore. China-Hongkong Telecom Limited is wholly owned by Elitel and indirectly wholly owned by Directel Holdings Limited, which is held as to 95.5% by New Everich Holdings Limited, a company held as to 54% by Mr. Li Kin Shing and 46% by Ms. Kwok King Wa respectively.

(4) On 16 December 2009, PacificNet Communications Limited – Macao Commercial Offshore and China-Hongkong Telecom Limited entered into a new service agreement pursuant to which PacificNet Communications Limited – Macao Commercial Offshore agreed to provide telesales service to China-Hongkong Telecom Limited for a term commencing on 1 January 2010 and ending on 31 December 2012 (both days inclusive). The fees payable by China-Hongkong Telecom Limited to PacificNet Communications Limited – Macao Commercial Offshore in respect of the telesales services are derived from the number of successful orders/deals for specific products and/or services marketed, times a fixed rate, of which are mutually agreed between China-Hongkong Telecom Limited and PacificNet Communications Limited – Macao Commercial Offshore.

Details of the above connected transactions are disclosed in note 33 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 14A.47 of the Listing Rules; and (ii) the continuing connected transactions as referred to in paragraphs B and C above from both the announcement requirements under Rule 14A.47 of the Listing Rules and the independent shareholders' approval requirements under Rule 14A.48 of the 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.

The Directors confirm that the Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Post Balance-Sheet Events

The Board proposed after the balance sheet date the payment of a final dividend of HK1 cent and a special dividend of HK3 cents per ordinary share for the year ended 31 December 2009. There are no other significant post balance-sheet events up to the date of this report.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 30 April 2010 to 4 May 2010, both days inclusive. In order to qualify for the recommended final dividend and special dividend and for the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, namely Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 29 April 2010.

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, Mr. Li Kin Shing, Mr. Wong Kin Wa and Mr. Tang Yue 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 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent.

REPORT OF DIRECTORS

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. On 25 May 2009, in the light of the transfer of the Company's listing from GEM to Main Board, each of Ms. Kwok King Wa, Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa and Mr. Li Wen entered into a supplemental service agreement with the Company with the term commencing from 25 May 2009 to 15 October 2010. 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. On 25 May 2009, in the light of the transfer of the Company's listing from GEM to Main Board, each of Mr. Tang Yue, Mr. Chen Xue Dao and Mr. Cheung Sai Ming entered into a supplemental service agreement with the Company with the term commencing from 25 May 2009 to 15 October 2010. 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 33 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.

DIRECTORS AND SENIOR MANAGEMENT

The brief biographical details of Directors and senior management are set out in pages 33 to 35 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 9 and note 10 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 2009 (2008: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2009 (2008: Nil).

During the year ended 31 December 2009, 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 (2008: Nil).

Staff Contribution Retirement Schemes

The amounts of contributions and details of the Group's defined contribution retirement schemes were set out in note 7(b) and note 29 to the financial statements.

SHARE INTERESTS

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

As at 31 December 2009, so far as known to the Directors, the Directors and the chief executives of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporation within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests, and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Name of Directors	Company/ Associated corporation	Number of shares held Personal Interests	Family Interests	Corporate Interests	Total of Interests	Percentage of Equity
Mr. Li Kin Shing	Company (Note 1)	2,680,000	–	684,000,000	686,680,000	72.57%
Ms. Kwok King Wa	Company (Note 2)	–	2,680,000	684,000,000	686,680,000	72.57%
Ms. Li Yin	Company (Note 3)	–	–	–	–	–
Mr. Li Kin Shing	Ever Prosper International Limited ("Ever Prosper") (Note 4)	500	465	–	965	96.5%
Ms. Kwok King Wa	Ever Prosper (Note 4)	465	500	–	965	96.5%
Ms. Li Yin	Ever Prosper (Note 3)	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. The 2,680,000 Shares are owned by Mr. Li Kin Shing in person. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 686,680,000 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. The 2,680,000 Shares are owned by Mr. Li Kin Shing in person. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 686,680,000 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. Therefore, she will have an attributable interest of 2.53% of the issued share capital of the Company.

4. Mr. Li Kin Shing and Ms. Kwok King Wa respectively holds 500 and 465 shares of the share capital of Ever Prosper, with the nominal 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 2009, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF DIRECTORS

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 nor their respective associates is considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group.

Based on the quarterly report of PacificNet Inc. ("PacificNet") for the nine months ended 30 September 2008, the 1,150,000 shares in PacificNet acquired by Mr. Li Kin Shing, an executive Director, in September 2003, represented approximately 7.21% shareholding in PacificNet as of 30 September 2008.

According to its financial reports, PacificNet, 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 include business process outsourcing such as CRM centers, CRM and telemarketing services, and IT outsourcing services including software programming and development services. In April 2008, PacificNet consummated the sale of its subsidiary, PacificNet Epro Holdings Limited, which is primarily engaged in the business of providing call centre telecom and CRM services as well as other business outsourcing services in China. However, the Directors consider that it is uncertain as to whether or not PacificNet will continue to develop and/or operate CRM outsourcing services. Accordingly, the Directors are of the view that there is a potential risk that services provided by PacificNet may compete with the services provided by the Group.

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

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

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

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

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

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

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

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

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

As at 31 December 2009, 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%

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.

Save as disclosed above, as at 31 December 2009, 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.

REPORT OF DIRECTORS

SHARE OPTIONS SCHEMES

Pre-IPO Share Option Scheme

In order to recognise 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.

All Pre-IPO Share Options granted by the Company under its Pre-IPO Share Option Scheme had not been exercised and such Pre-IPO Share Options ceased to have any effect after the end of the exercise period on 15 April 2009.

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. Upon the listing of the Shares being transferred from GEM to the Main Board, the Share Option Scheme has been terminated and no further option will be offered or granted thereunder. As at 31 December 2009, no share options under the Share Option Scheme have been granted.

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.

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.

REPORT OF DIRECTORS

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

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

During the year ended 31 December 2009, 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 nor 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.

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 2009. 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, 15 March 2010

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 14 – Code on Corporate Governance Practices of the Listing Rules ("CG Code") 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 Appendix 10 of the Listing Rules. Specific enquiry to all Directors has been made and the Company has confirmed that the Directors have complied with the required standard set out in the code of conduct during the year ended 31 December 2009.

BOARD OF DIRECTORS

The Board comprises eight Directors, and is responsible for the Company's business strategy, annual and interim 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 and interim 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 and Chief Executive Officer)	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.

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, each of the Covenantors shall, and shall procure that their associates (other than members of the Group):

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

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

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

The above restrictions do not apply in the following cases:

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

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

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

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

(i) the Covenantors shall allow, and shall procure that the relevant associates (excluding members of the Group) to allow, the Directors and the Company's 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.

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 has established an audit committee with written terms of reference in accordance with the requirements of the CG Code. The primary duties of the audit committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. 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 2009 and is of the opinion that the audited financial statements complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

Auditors' Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing other non-audit functions performed by the external auditors, including whether such non-audit functions have any potential significant negative impact on the Company. The Company engaged KPMG (i) to audit the financial statements of the Group for the year ended 31 December 2009 for RMB1,100,000, (ii) to provide certain tax advisory service for approximately HK$191,000, and (iii) to provide other services for approximately HK$397,000. 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 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 Mr. Li Kin Shing, Mr. Wong Kin Wa and Mr. Tang Yue will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the CG Code. 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.

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 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 52, 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 22 years of experience in the telecommunications industry. He joined the Group in 1993 and 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 53, 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 14 years of experience in the telecommunications industry. She has joined the Group and 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 35, 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 10 years of experience in the telecommunications industry. She has joined the Group and 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 42, 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 13 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 47, 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 23 years of experience in electronic industry. Mr. Li joined the Group in 2000.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. TANG YUE (唐越先生), aged 39, 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 2009, Mr. Tang was beneficially interested in 1,127,688 ordinary shares in eLong, Inc., which is less than 5% of the then issued ordinary shares of eLong, Inc. and an aggregate of 3,212,500 ordinary shares in eLong, Inc. issuable upon the exercise of options beneficially interested by Mr. Tang. Prior to founding eLong Inc., 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., 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 67, 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 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) and committee member of the Guangdong Provincial Association for Science and Technology (廣東省科學技術協會). 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 35, 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

MR. ZHANG LAN (張嵐先生), aged 50, 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 23 years of experience in the telecommunications technology industry.

MS. CHAN WAI CHING (陳惠貞女士), aged 48, 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, finance, taxation and corporate governance and is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan holds a master degree of professional accounting from The Hong Kong Polytechnic University.

MS. XUAN JING SHAN (禤靜珊女士), aged 41, 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 13 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 35, 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 16 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 34, 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 13 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 pages 37 to 85, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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 2009 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

15 March 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Turnover	4	**214,503**	239,983
Cost of sales		**(137,436)**	(148,021)
Gross profit		**77,067**	91,962
Other revenue	5	**9,253**	8,127
Administrative expenses		**(48,025)**	(60,650)
Other net income/(expenses)	6	**711**	(2,581)
Profit from operations		**39,006**	36,858
Finance costs	7(a)	**(175)**	(337)
Share of losses of an associate		**(2)**	–
Profit before taxation	7	**38,829**	36,521
Income tax	8	**(688)**	(5,104)
Profit for the year attributable to equity shareholders of the Company		**38,141**	31,417
Earnings per share			
– Basic	13	**HK$0.04**	HK$0.03
– Diluted	13	**HK$0.04**	HK$0.03

The notes on pages 43 to 85 form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	2009 $'000	2008 $'000
Profit for the year	**38,141**	31,417
Other comprehensive income for the year		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**241**	2,370
Total comprehensive income for the year attributable to equity shareholders of the Company	**38,382**	33,787

The notes on pages 43 to 85 form part of the financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Property, plant and equipment	15	**59,772**	19,734
Intangible assets	16	**1,205**	425
Interest in an associate	19	**404**	–
Deferred tax assets	20(b)	**4**	610
Total non-current assets		**61,385**	20,769
Current assets			
Trade and other receivables	22	**71,773**	46,443
Cash at bank and in hand	23	**422,990**	456,549
Total current assets		**494,763**	502,992
Total assets		**556,148**	523,761
Current liabilities			
Derivatives	24	**–**	2,581
Trade and other payables	25	**12,172**	15,375
Current taxation	20(a)	**1,395**	1,388
Total current liabilities		**13,567**	19,344
Net current assets		**481,196**	483,648
Total assets less current liabilities		**542,581**	504,417
Non-current liabilities			
Deferred tax liabilities	20(c)	**11**	229
Net assets		**542,570**	504,188
Equity			
Share capital	26	**9,462**	9,462
Reserves	27	**533,108**	494,726
Total equity		**542,570**	504,188

Approved and authorised for issue by the board of directors on 15 March 2010.

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

The notes on pages 43 to 85 form part of the financial statements.

BALANCE SHEET

at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Property, plant and equipment	15	**64**	156
Investments in subsidiaries	18	**603**	97
Deferred tax assets	20(b)	**4**	–
Total non-current assets		**671**	253
Current assets			
Amounts due from subsidiaries	21	**335,306**	191,727
Trade and other receivables	22	**737**	1,032
Cash at bank and in hand	23	**188,795**	189,377
Total current assets		**524,838**	382,136
Total assets		**525,509**	382,389
Current liabilities			
Derivatives	24	**–**	2,581
Amounts due to subsidiaries	21	**–**	2,460
Trade and other payables	25	**1,922**	2,106
Current taxation	20(a)	**36**	292
Total current liabilities		**1,958**	7,439
Net current assets		**522,880**	374,697
Total assets less current liabilities		**523,551**	374,950
Net assets		**523,551**	374,950
Equity			
Share capital	26	**9,462**	9,462
Reserves	27	**514,089**	365,488
Total equity		**523,551**	374,950

Approved and authorised for issue by the board of directors on 15 March 2010.

Kwok King Wa
Director

Li Kin Shing
Director

The notes on pages 43 to 85 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Share capital $'000 Note 26	Share premium $'000	Capital contribution reserve $'000 Note 33(b)(iii)	Capital reserve $'000	Statutory reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
As at 1 January 2008	9,462	326,387	5,966	4,204	97	2,476	107,210	455,802
Waiver of rental payable due to an ultimate shareholder (Note 33b (iii))	–	–	702	–	–	–	–	702
Equity settled share-based payment (Note 28)	–	–	–	13,897	–	–	–	13,897
Total comprehensive income for the year					–	2,370	31,417	33,787
As at 31 December 2008 and 1 January 2009	9,462	326,387	6,668	18,101	97	4,846	138,627	504,188
Total comprehensive income for the year	–	–	–	–	–	241	38,141	38,382
As at 31 December 2009	**9,462**	**326,387**	**6,668**	**18,101**	**97**	**5,087**	**176,768**	**542,570**

The notes on pages 43 to 85 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Operating activities			
Profit before taxation		**38,829**	36,521
Adjustments for:			
– Depreciation	7(c)	**7,358**	9,540
– Amortisation of intangible assets	7(c)	**322**	85
– Impairment losses of trade receivables	22(b)	**151**	173
– Interest income	5	**(1,138)**	(7,299)
– Finance costs	7(a)	**175**	337
– Share of losses of an associate		**2**	–
– Equity settled share-based payment expenses	7(b)	**–**	13,897
– Change in fair value of non-deliverable foreign currency forward contract	6	**(711)**	2,581
– Foreign exchange loss		**485**	1,056
– Loss on disposal of property and equipment		**46**	–
Operating profit before changes in working capital		**45,519**	56,891
(Increase) /decrease in trade and other receivables		**(25,942)**	15,531
Decrease in trade and other payables		**(4,503)**	(913)
Tax paid		**(293)**	–
Net cash generated from operating activities		**14,781**	71,509
Investing activities			
Acquisition of a subsidiary net of cash acquired	17	**(406)**	–
Payment for the purchase of property, plant and equipment		**(46,213)**	(4,165)
Expenditure on development of software		**(991)**	(461)
Interest received		**1,601**	6,815
Settlement on non-deliverable foreign currency forward contract		**(1,870)**	–
Net cash (used)/generated from investing activities		**(47,879)**	2,189
Financing activities			
Decrease in pledged bank deposits		**40,000**	–
Payment of share issue expenses		**–**	(2,754)
Finance charges		**(175)**	(337)
Net cash generated/(used) from financing activities		**39,825**	(3,091)
Net increase in cash and cash equivalents		**6,727**	70,607
Cash and cash equivalents at 1 January	23	**416,549**	345,715
Effect of foreign exchange rate changes		**(286)**	227
Cash and cash equivalents at 31 December	23	**422,990**	416,549

The notes on pages 43 to 85 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").

On 16 April 2009, the Company applied to the Stock Exchange for the transfer of listing from the GEM to the Main Board of the Stock Exchange in respect of the 946,200,000 Shares in issue. Approval was granted by the Stock Exchange for the Shares to be listed on the Main Board and to be de-listed from GEM on 15 May 2009. Dealings in the Shares on the Main Board commenced on 25 May 2009.

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 applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Company and its subsidiaries (the "Group") is set out below.

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

Note 3 provides information on any changes in accounting policies resulting from initial application of these development to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 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(e)).

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 major sources of estimation uncertainty are discussed in note 31.

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(k)).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policies decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 2(k)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) 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(k)).

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(k)). 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.

(g) 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(k)). 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) 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.

(i) 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(k)), 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.

(j) 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.

(k) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(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;

– investment in an associate; 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 fair value less costs to sell 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.

– 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.

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) 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).

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax *(continued)*

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.

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.

(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) 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.

(q) Repairs and maintenance expenditure

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

(r) 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.

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) 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.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. The following developments are relevant to the Group's financial statements:

- IFRS 8, Operating Segments
- Revised IAS 1, Presentation of Financial Statements
- Amendments to IFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to IFRSs (2008)

The improvements to IFRSs (2008) have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosures requirements specifically applicable to the Group's financial statements. The impact of the remainder of these developments is as follows:

– IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

– As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any year presented.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4. 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:

	2009 $'000	2008 $'000
Inbound services	108,983	135,953
Outbound services	105,520	104,030
	214,503	239,983

The Group has only two customers with whom transactions have exceeded 10% of the Group's aggregate revenue in 2009 (2008: three customers). The amount of revenue from the largest customer and the second largest customer, including inbound services and outbound services, are as follows:

	2009 $'000	2008 $'000
The largest customer	91,579	88,667
The second largest customer	78,129	85,955

5. OTHER REVENUE

	2009 $'000	2008 $'000
Interest income from bank deposits	1,138	7,299
Government grants	5,723	–
Compensation from a customer	2,263	–
Others	129	828
	9,253	8,127

Government grants were received from the local authorities to support the Group's development. The grants were unconditional.

6. OTHER NET INCOME/(EXPENSES)

	2009 **$'000**	2008 $'000
Change in fair value of non-deliverable foreign currency forward contract	**711**	(2,581)

For the year ended 31 December 2009, a net profit of approximately HK$711,000 (2008: net loss of HK$2,581,000) resulted from a change in fair value of non-deliverable foreign currency forward contract has been recognised in the consolidated income statement.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2009 **$'000**	2008 $'000
(a)	**Finance costs:**		
	Finance charges	**175**	337
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plan	**12,521**	11,406
	Equity settled share-based payment expenses	**–**	13,897
	Salaries, wages and other benefits	**126,631**	136,463
		139,152	161,766
(c)	**Other items:**		
	Depreciation	**7,358**	9,540
	Amortisation of intangible assets	**322**	85
	Taxes other than income tax	**6,146**	6,761
	Auditors' remuneration		
	– audit services	**1,233**	1,604
	– tax and other services	**773**	100
	Repairs and maintenance	**1,009**	1,257
	Operating lease charges in respect of		
	– rental of building, offices and dormitories	**5,497**	5,370
	– hire of transmission lines	**7,483**	7,287
	Research and development expenses	**2,641**	694

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009 $'000	2008 $'000
Provision for Hong Kong profits tax for the year (Note 20(a))	**(210)**	(761)
Provision for PRC income tax for the year (Note 20(a))	**(90)**	–
Under-provision for Hong Kong profits tax relating to prior year (Note 20(a))	**–**	(292)
Deferred taxation (Note 20(b) & (c))	**(388)**	(4,051)
Total income tax	**(688)**	(5,104)

(i) Hong Kong profits tax

The provision for Hong Kong profits tax for the year ended 31 December 2009 is calculated at 16.5% (2008: 16.5%) 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.

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 2009 (2008: 25%). China Elite had no assessable profit for the year ended 31 December 2009 as its accumulated tax losses brought forward were sufficient to offset its assessable profit.

The applicable tax rate of the Company's another 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 2009 (2008: 25%). Shenyang Elite had incurred tax losses for the year ended 31 December 2008 and 2009 is its first profit making year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

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

	2009 $'000	2008 $'000
Accounting profit / (loss) before taxation for entities		
– with tax rate of 25%	12,404	15,015
– with tax rate of 16.5%	(1,654)	(15,156)
– with nil tax rate	28,079	36,662
Total	38,829	36,521
Tax on accounting profit before taxation using applicable tax rates for entities		
– with tax rate of 25%	3,101	3,754
– with tax rate of 16.5%	(273)	(2,501)
– with nil tax rate	–	–
Tax effect of non-deductible expenses	525	3,330
Tax effect of non-taxable income	(168)	–
Under provision in respect of prior year	–	292
Tax effect of temporary differences not recognised previously	(4)	229
Utilisation of previously unrecognised tax losses	(2,493)	–
Income tax expense	688	5,104

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9. DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

For the year ended 31 December 2009

	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	608	97	35	820	–	820
Kwok King Wa	80	608	97	35	820	–	820
Li Yin	80	240	20	13	353	–	353
Wong Kin Wa	80	404	91	24	599	–	599
Li Wen	80	120	–	–	200	–	200
Subtotal	400	1,980	305	107	2,792	–	2,792
Independent non-executive directors							
Tang Yue	80	–	–	–	80	–	80
Chen Xue Dao	80	–	–	–	80	–	80
Cheung Sai Ming	80	–	–	–	80	–	80
Subtotal	240	–	–	–	240	–	240
Total	640	1,980	305	107	3,032	–	3,032

9. DIRECTORS' REMUNERATION *(continued)*

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

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(m)(ii).

The principal terms and number of options granted, are disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, excluding share-based payments, four (2008: four) are directors whose emoluments are disclosed in note 9. The aggregate emoluments in respect of the other one (2008: one) highest paid individuals are as follows:

	2009 **$'000**	2008 $'000
Salaries and other emoluments	**488**	483
Employees bonuses	**52**	40
Retirement scheme contributions	**27**	26

The emoluments of the other one (2008: one) individuals with the highest emoluments, excluding share-based payments, are within the following bands:

	2009 **Number of individuals**	2008 Number of individuals
HK$Nil – HK$1,000,000	**1**	1

11. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$148,601,000 (loss in 2008: HK$18,870,000), which was mainly derived from dividends distributed from its subsidiaries and has been dealt with in the financial statements of the Company.

12. DIVIDENDS

Dividends payable to equity shareholders of the company attributable to the year:

	2009 **$'000**	2008 $'000
Final dividend of 1 cent and special dividend of 3 cents per ordinary share proposed after the balance sheet date (2008:Nil)	**37,848**	–
	37,848	–

The final and special dividends proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. 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$38,141,000 (2008: HK$31,417,000) and the weighted average of 946,200,000 shares in issue (2008: 946,200,000 shares) during the year.

(b) Diluted earnings per share

Diluted earnings per share are the same as the basic earnings per share for the year ended 31 December 2009 and 2008 as the inclusion of the effect of deemed issue of ordinary shares under the share options scheme would have an anti-dilutive effect on the basic earnings per share.

14. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both services and geographic location. On first-time adoption of IFRS 8, Operating Segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Inbound services: this segment includes customer hotline services and built-in secretarial services, a personalised message taking services.

(ii) Outbound services: this segment includes telesales services and market research services.

(a) Segment results and assets

In accordance with IFRS 8, segment information disclosed in the financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's most senior executive management monitors the results and assets attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other assets.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments including depreciation and amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "gross profit of operating segment" i.e. "turnover less cost of sales". Items not specifically attributed to individual segment such as directors' and auditors' remuneration and other head office or administrative expenses are excluded from the calculation of segment profit.

14. SEGMENT REPORTING *(continued)*

(a) Segment results and assets *(continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

Year ended 31 December 2009

	Inbound services $'000	Outbound services $'000	Total $'000
Revenue from external customers	**108,983**	**105,520**	**214,503**
Reportable segment revenue	**108,983**	**105,520**	**214,503**
Reportable segment profit (gross profit)	**32,215**	**44,852**	**77,067**
Depreciation for the year	**1,021**	**1,190**	**2,211**
Reportable segment assets	**43,821**	**29,665**	**73,486**
Addition to non-current segment assets during the year	**132**	**2**	**134**

Year ended 31 December 2008

	Inbound services $'000	Outbound services $'000	Total $'000
Revenue from external customers	135,953	104,030	239,983
Reportable segment revenue	135,953	104,030	239,983
Reportable segment profit (gross profit)	45,169	46,793	91,962
Depreciation for the year	960	1,146	2,106
Reportable segment assets	32,546	17,187	49,733
Addition to non-current segment assets during the year	1,196	410	1,606

14. SEGMENT REPORTING *(continued)*

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

	2009 $'000	2008 $'000
Revenue		
Reportable segment revenue	214,503	239,983
Consolidated revenue	214,503	239,983
Profit		
Reportable segment profit	77,067	91,962
Other revenue and net income	9,964	5,546
Unallocated depreciation and amortisation	(5,469)	(7,519)
Finance costs	(175)	(337)
Unallocated head office and administrative expenses	(42,558)	(53,131)
Consolidated profit before taxation	38,829	36,521
Assets		
Reportable segment assets	73,486	49,733
Deferred tax assets	4	610
Cash at bank and in hand	422,990	456,549
Unallocated head office and other assets	59,668	16,869
Consolidated total assets	556,148	523,761

(c) Geographic information

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

Year ended 31 December 2009

	Hong Kong $'000	PRC $'000	Macau $'000	Total $'000
Revenue from external customers	193,902	12,278	8,323	214,503
Specified non-current assets	2,019	59,354	8	61,381

Year ended 31 December 2008

	Hong Kong $'000	PRC $'000	Macau $'000	Total $'000
Revenue from external customers	202,283	29,110	8,590	239,983
Specified non-current assets	3,528	16,624	7	20,159

(Expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building $'000	Leasehold improvements $'000	Facilities equipment $'000	Office equipment $'000	Vehicles and other equipment $'000	Construction in progress $'000	Total $'000
Cost:							
At 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 and 1 January 2009	–	18,856	27,784	13,568	4,428	660	65,296
Additions	47,378	37	110	472	65	440	48,502
Transfer from construction in progress	–	–	–	–	–	(1,101)	(1,101)
Disposals	–	–	–	(401)	(4)	–	(405)
Translation adjustments	21	20	25	21	4	1	92
At 31 December 2009	**47,399**	**18,913**	**27,919**	**13,660**	**4,493**	**–**	**112,384**
Accumulated depreciation:							
At 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 and 1 January 2009	–	(15,666)	(18,602)	(8,054)	(3,240)	–	(45,562)
Charge for the year	–	(1,330)	(3,534)	(1,920)	(574)	–	(7,358)
Written-back on disposals	–	–	–	355	4	–	359
Translation adjustments	–	(16)	(16)	(14)	(5)	–	(51)
At 31 December 2009	**–**	**(17,012)**	**(22,152)**	**(9,633)**	**(3,815)**	**–**	**(52,612)**
Net book value:							
At 31 December 2009	**47,399**	**1,901**	**5,767**	**4,027**	**678**	**–**	**59,772**
At 31 December 2008	–	3,190	9,182	5,514	1,188	660	19,734

Up to the date of this report, the Group was in the process of applying for the title certificates of its newly acquired property in 2009 with a carrying amount of HK$47,378,000 as at 31 December 2009 (31 December 2008: Nil). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned property.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

The Company

	Leasehold improvements $'000	Facilities equipment $'000	Office equipment $'000	Total $'000
Cost:				
At 1 January 2008	4,821	271	27	5,119
Additions	–	–	–	–
At 31 December 2008 and 1 January 2009	4,821	271	27	5,119
Additions	–	–	–	–
At 31 December 2009	**4,821**	**271**	**27**	**5,119**
Accumulated depreciation:				
At 1 January 2008	(4,051)	(108)	(15)	(4,174)
Charge for the year	(731)	(55)	(3)	(789)
At 31 December 2008 and 1 January 2009	(4,782)	(163)	(18)	(4,963)
Charge for the year	(36)	(54)	(2)	(92)
At 31 December 2009	**(4,818)**	**(217)**	**(20)**	**(5,055)**
Net book value:				
At 31 December 2009	**3**	**54**	**7**	**64**
At 31 December 2008	39	108	9	156

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16. INTANGIBLE ASSETS

	Software
Cost:	
As at 1 January 2009	510
Additions	1,101
Translation adjustments	2
As at 31 December 2009	**1,613**
Accumulated amortisation:	
As at 1 January 2009	(85)
Charge for the year	(322)
Translation adjustments	(1)
As at 31 December 2009	**(408)**
Net book value:	
As at 31 December 2009	**1,205**
As at 31 December 2008	425

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

17. ACQUISITION

On 15 October 2009, the Group acquired 100% equity interests in Star Global Technology Limited ("Star Global") from Mr. Li Kin Shing, CEO of the Group and Ms. Kwok King Wa, Chairman of the Group for a cash consideration of HKD506K.

Details of net assets acquired were as follows:

	Fair Value $'000	**Acquiree's carrying amount** $'000
Cash	100	100
Investment in an associate	406	406
Net assets	506	506
Purchase consideration settled in cash		506
Cash in subsidiary acquired		(100)
Cash outflow on acquisition		406

(Expressed in Hong Kong dollars)

18. INVESTMENTS IN SUBSIDIARIES

The Company

	2009 $'000	2008 $'000
Unlisted shares, at cost	603	97

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

Name of company	Place of incorporation or establishment	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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation or establishment	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	
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
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 telecommunications system network technology, software development, data processing, network system integration and technological consulting
Star Global Technology Limited ("Star Global")	Hong Kong, PRC	Authorised capital of HK$10,000 and paid up capital of HK$2	100%	100%	–	Investment holding

* These entities are established as wholly foreign owned enterprises in the PRC.

(Expressed in Hong Kong dollars)

19. INTEREST IN AN ASSOCIATE

The Group

	2009 $'000	2008 $'000
Share of net assets	**404**	–

The following list contains the particulars of the associate, which is an unlisted corporate entity, which principally affected the results or assets of the Group:

Name of company	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Portion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Guangdong Zhitong Info. Construction Co., Ltd.	Incorporated	PRC	Registered and paid-up capital of HK$1,000,000	40%	–	40%	Design and development of telecommunications system network technology and computer software

Summary financial information on an associate:

	100 per cent		Group's effective interest	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Assets	**1,060**	–	**424**	–
Liabilities	**51**	–	**20**	–
Equity	**1,009**	–	**404**	–
Revenue	**–**	–	**–**	–
Loss	**117**	–	**47**	–

(Expressed in Hong Kong dollars)

20. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

The Group

	2009 $'000	2008 $'000
Provision for Hong Kong profits tax for the year	210	761
Provision for PRC income tax for the year	90	–
Under-provision for Hong Kong profits tax relating to prior year	–	292
	300	1,053
Balance of Hong Kong profits tax payable relating to prior year	1,095	335
As at 31 December	1,395	1,388

The Company

	2009 $'000	2008 $'000
Provision for Hong Kong profits tax for the year	36	–
Under-provision for Hong Kong profits tax relating to prior year	–	292
	36	292

(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	Related depreciation in excess of the depreciation allowances $'000	Total $'000
As at 1 January 2008	4,432	–	4,432
Charged to income statement	(3,822)	–	(3,822)
As at 31 December 2008 and 1 January 2009	610	–	610
Charged to income statement	(610)	4	(606)
As at 31 December 2009	**–**	**4**	**4**

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(b) Deferred tax assets recognised *(continued)*

The Company

Deferred tax arising from:

	Related depreciation in excess of the depreciation allowances $'000	Total $'000
As at 1 January 2008	–	–
Charged to income statement	–	–
As at 31 December 2008 and 1 January 2009	–	–
Charged to income statement	4	4
As at 31 December 2009	**4**	**4**

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 2009, the Group did not recognise deferred tax assets in respect of cumulative reported tax losses in China Elite amounting to approximately HK$38 million (2008: HK$47 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 2009 RMB'000**	Unexpired tax losses as at 31 December 2008 RMB'000	Expiry year
2005	**25,507**	25,507	2011
2006	**16,220**	16,220	2012
	41,727	41,727	
Less: Amount utilised	**(8,408)**	–	
	33,319	41,727	
Equivalent to HK$	**37,841**	47,315	

(Expressed in Hong Kong dollars)

20. 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 2009	229
Charged to income statement	(218)
As at 31 December 2009	**11**

At 31 December 2009, deferred tax liabilities of HK$11,000 (2008: HK$229,000) have been recognised in respect of the temporary difference arising from the differences between the carrying amount of property, plant and equipment and their tax bases.

21. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

22. TRADE AND OTHER RECEIVABLES

	Note	2009 $'000	2008 $'000
The Group			
Trade receivables			
– amounts due from related parties	33(c)	2,369	1,633
– amounts due from third parties		67,664	42,878
		70,033	44,511
Deposits, prepayments and other receivables		1,740	1,932
		71,773	46,443
The Company			
Trade receivables			
– amount due from a third party		33	19
Deposits, prepayments and other receivables		704	1,013
		737	1,032

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

(Expressed in Hong Kong dollars)

22. TRADE AND OTHER RECEIVABLES *(continued)*

(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:

	2009 $'000	2008 $'000
The Group		
Aged within 1 month	17,338	25,028
Aged between 1 to 3 months	21,117	14,949
Aged between 3 to 6 months	24,563	2,651
Aged between 6 months to 1 year	7,015	–
Aged between 1 to 2 years	–	1,883
	70,033	44,511

	2009 $'000	2008 $'000
The Company		
Aged within 1 month	33	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(k)(i)).

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

	The Group		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At 1 January	535	362	–	–
Impairment loss recognised	151	315	–	–
Impairment loss written back	–	(142)	–	–
Uncollectible amounts written off	(116)	–	–	–
At 31 December	570	535	–	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade receivables *(continued)*

At 31 December 2009, the Group's trade receivables of HK$570,000 (2008: HK$535,000) 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$151,000 (2008: HK$315,000) were recognised. The Group's impaired receivables of HK$116,000 (2008: Nil) were individually determined to be written off against trade receivables directly. The Group does not hold any collateral over these balances. The Group's credit policy is set out in note 30(a).

23. CASH AT BANK AND IN HAND

	2009	2008
	$'000	$'000
The Group		
Fixed deposits	**374,197**	362,319
Cash in hand and demand deposits	**48,793**	94,230
Cash at bank and in hand in the consolidated balance sheet	**422,990**	456,549
Fixed deposits held as security for letters of credit	**–**	(40,000)
Cash and cash equivalents in the consolidated cash flow statement	**422,990**	416,549
The Company		
Fixed deposits	**181,757**	178,009
Cash in hand and demand deposits	**7,038**	11,368
Cash at bank and in hand in the balance sheet	**188,795**	189,377

24. DERIVATIVES

	2009	2008
	$'000	$'000
The Group and the Company		
Non-deliverable foreign currency forward contract	**–**	2,581

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25. TRADE AND OTHER PAYABLES

	2009 $'000	2008 $'000
The Group		
Creditors and accrued charges	**12,172**	15,375
	12,172	15,375
The Company		
Creditors and accrued charges	**1,922**	2,106
	1,922	2,106

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

	2009 $'000	2008 $'000
The Group		
Due within 3 months or on demand	**6,823**	10,013
The Company		
Due within 3 months or on demand	**–**	–

26. SHARE CAPITAL

Authorised and issued share capital

	2009 No. of shares '000	2009 $'000	2008 No. of shares '000	2008 $'000
Authorised:				
Ordinary shares of HK$0.01 each	**4,000,000**	**40,000**	4,000,000	40,000
Ordinary shares, issued and fully paid:				
At 1 January and 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27. RESERVES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Statutory reserve (Note 27(i))				
At 1 January and at 31 December	**97**	97	**–**	–
Exchange reserve				
At 1 January	**4,846**	2,476	**–**	–
Exchange difference on translation of financial statements of subsidiaries	**241**	2,370	**–**	–
At 31 December	**5,087**	4,846	**–**	–
Share premium (Note 27(ii))				
At 1 January and at 31 December	**326,387**	326,387	**326,387**	326,387
Capital contribution reserve				
At 1 January	**6,668**	5,966	**–**	–
Waiver of rental payable due to an ultimate shareholder	**–**	702	**–**	–
At 31 December	**6,668**	6,668	**–**	–
Capital reserve				
At 1 January	**18,101**	4,204	**18,101**	4,204
Equity settled share-based payment (Note 28)	**–**	13,897	**–**	13,897
At 31 December	**18,101**	18,101	**18,101**	18,101
Retained earnings (Note 27(ii))				
At 1 January	**138,627**	107,210	**21,000**	39,870
Net profit/(loss) for the year	**38,141**	31,417	**148,601**	(18,870)
At 31 December	**176,768**	138,627	**169,601**	21,000
Total	**533,108**	494,726	**514,089**	365,488

27. 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.

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 (2008: Nil).

(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 dividends are 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 2009, the Company had HK$495,988,000 available for distribution to equity shareholders of the Company (2008: HK$347,387,000).

28. 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 2009, 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.

All Pre-IPO share options grants by the company on 8 October 2007 under its Pre-IPO Share Option Scheme had not been exercised and such Pre-IPO share options ceased to have any effect after the end of the exercise period on 15 April 2009.

29. 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.

29. RETIREMENT BENEFITS *(continued)*

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.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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.

At 31 December 2009, the Group had a concentration of credit risk as 95% (2008: 87%) of the total trade receivables was due from the Group's five largest customers and 19% (2008: 24%) 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 22.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(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) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi ("RMB") and United States dollars ("USD").

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 2009, a net gain of approximately HK$711,000 (net loss in 2008 HK$2,581,000) arising from changes in the fair value of the non-deliverable foreign currency forward contract has been recognised in the income statement.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars ("HK$").

The Group

	Exposure to foreign currencies At 31 December	
	2009	2008
	$'000	$'000
RMB		
– Trade and other receivables	**8,835**	13,882
– Trade and other payables	**(9,447)**	(11,851)
– Cash and cash equivalent	**21,651**	17,536
	21,039	19,567
USD		
– Trade and other payables	**(6)**	(86)
– Cash	**8,894**	8,859
	8,888	8,773
Net exposure arising from recognised assets and liabilities	**29,927**	28,340

(Expressed in Hong Kong dollars)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Market risk *(continued)*

(ii) Currency risk (continued)

The Company

	Exposure to foreign currencies At 31 December 2009 $'000	2008 $'000
RMB		
– Trade and other payables	(23)	–
	(23)	–
USD		
– Trade and other payables	(6)	–
– Cash	8,797	8,764
	8,791	8,764
Net exposure arising from recognised Assets	8,768	8,764

Sensitivity analysis

The following table indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the group has significant exposure at the balance sheet date had changed at the date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

The Group

	2009		2008	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000
RMB	5%	878	5%	817
	(5%)	(878)	(5%)	(817)
USD	5%	371	5%	366
	(5%)	(371)	(5%)	(366)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Market risk *(continued)*

(ii) Currency risk (continued)

Sensitivity analysis *(continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the changes in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currency of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2008.

(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.

(e) Fair values

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31. 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.

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.

(Expressed in Hong Kong dollars)

32. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

The Group

	2009 $'000	2008 $'000
Contracted for	–	440

(b) The total future minimum lease payments under non-cancellable operating leases payable at 31 December 2009 are as follows:

The Group

	2009		2008	
	Properties $'000	Transmission lines $'000	Properties $'000	Transmission lines $'000
Within 1 year	–	3,141	1,324	3,113
Over 1 year but within 2 years	–	1,150	–	864
	–	4,291	1,324	3,977

The Company

	2009		2008	
	Properties $'000	Transmission lines $'000	Properties $'000	Transmission lines $'000
Within 1 year	–	–	168	–
	–	–	168	–

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.

(Expressed in Hong Kong dollars)

33. 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.
Jandah Management Limited
Talent Information Engineering Co., Ltd.

(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 Mobile Telecommunications Limited

(b) Transactions

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

		2009 **$'000**	2008 $'000
Sales	(i)	**6,504**	10,526
Purchases of services	(ii)	**–**	3
Rental of properties	(iii)	**1,325**	1,309
Waiver of rental payable of property	(iii)	**–**	702
Purchase of a property	(iv)	**45,976**	–
Acquisition of a subsidiary	(v)	**506**	–

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. During the year of 2008, rental payable of HK$702,000 related to the period from January 2007 to September 2007 was waived by Li Kin Shing, and accounted for under capital contribution reserve.

(iv) The Group purchased a property from an ultimate shareholder, Li Kin Shing at a cash consideration of HK$45,976,000.

(v) The Company acquired 100% of equity interest in Star Global from Mr. Li Kin Shing and Ms. Kwok King Wa.

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 business.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

33. 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:

	2009 **$'000**	2008 $'000
Amounts due from related parties		
– trade	**2,369**	1,633

Notes: The amounts due from related parties are unsecured, interest free and are repayable on demand. The amounts due from related parties are included in "Trade and other receivables" (note 22). No allowance for doubtful debts has been made in respect of the amounts due from related parties.

(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 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2009 **$'000**	2008 $'000
Short-term employee benefits	**3,881**	3,992
Contribution to retirement benefit schemes	**180**	187
Equity compensation benefits	**–**	13,260
	4,061	17,439

The remuneration is included in "staff costs" (see note 7(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 7(b) and note 29.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

34. COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements, and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

35. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2009, 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.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 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.

FIVE – YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Results					
Turnover	**214,503**	239,983	213,870	149,864	83,434
Profit from operations	**39,006**	36,858	62,126	30,378	1,744
Finance costs	**(175)**	(337)	(186)	–	–
Share of losses of an associate	**(2)**	–	–	–	–
Profit before taxation	**38,829**	36,521	61,940	30,378	1,744
Income tax	**(688)**	(5,104)	(2,193)	6,290	–
Profit for the year attributable to equity shareholders of the Company	**38,141**	31,417	59,747	36,668	1,744

	At 31 December				
	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Assets and liabilities					
Property, plant and equipment	**59,772**	19,734	25,013	29,545	24,431
Intangible assets	**1,205**	425	–	–	–
Interest in an associate	**404**	–	–	–	–
Deferred tax assets	**4**	610	4,432	6,290	–
Net current assets/(liabilities)	**481,196**	483,648	426,357	24,843	(2,156)
Total assets less current liabilities	**542,581**	504,417	455,802	60,678	22,275
Deferred tax liabilities	**11**	229	–	–	–
Net assets	**542,570**	504,188	455,802	60,678	22,275
Capital and reserves					
Share capital	**9,462**	9,462	9,462	14	14
Reserves	**533,108**	494,726	446,340	60,664	22,261
Total equity	**542,570**	504,188	455,802	60,678	22,275
Earnings per share (note)					
– Basic	**HK$0.04**	HK$0.03	HK$0.08	HK$0.06	HK$0.00
– Diluted	**HK$0.04**	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.