INTERNATIONAL ELITE LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1328)

ANNUAL REPORT 2011

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
Chen Xue Dao
Cheung Sai Ming
Liu Chun Bao

Authorized Representatives
Li Kin Shing
Wong Kin Wa

Compliance Officer
Wong Kin Wa

Company Secretary
Chan Wai Ching, CPA

Audit Committee
Chen Xue Dao
Cheung Sai Ming
Liu Chun Bao

Remuneration Committee
Wong Kin Wa
Chen Xue Dao
Cheung Sai Ming

Nomination Committee
Li Kin Shing
Chen Xue Dao
Cheung Sai Ming

Registered Office
The Grand Pavilion
Oleander Way, 802 West Bay Road
Grand Cayman KY1-1208
Cayman Islands

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
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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
Level 26 One Pacific Place
88 Queensway
Hong Kong

Auditor
PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

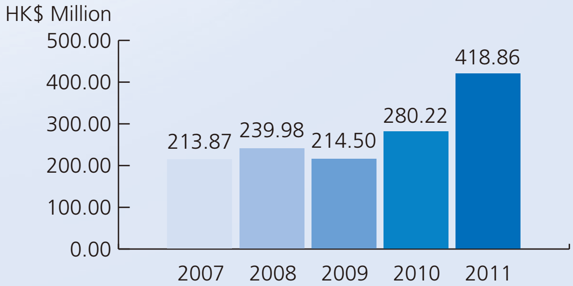
Stock Code
1328

CHAIRMAN'S REPORT

Dear Shareholders,

Year 2011 is another monumental year for the Company and its subsidiaries (the "Group"). After listing of the Company in 2007, transferring its listing from the Growth Enterprise Market ("GEM") to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2009, completed the acquisition of the entire issued share capital of Sunward Telecom Limited ("Sunward") in 2010 (the "Acquisition"), in May 2011 the Company has successfully completed the issue of convertible notes which were converted to 2,081,620,000 ordinary shares of the Company ("Shares") at the conversion price of HK$1.00 per share in July 2011. After the conversion, the number of Shares in issue has increased to 3,027,820,000 shares.

Sunward and its wholly-owned subsidiaries (the "Sunward Group") is principally engaged in the research and development, production and sales of Radio-Frequency Subscriber Identity Module ("RF-SIM") products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau. The directors of the Company (the "Directors") are of the view that in the light of the fierce competitions in the Customer Relationship Management ("CRM") industry, it is necessary for the Group to broaden its revenue sources so as to enhance its competitiveness. With approximately HK$142,668,000 contributed by the newly acquired subsidiary, the Sunward Group, the Group reached a recorded high revenue of approximately HK$418,856,000 in 2011, representing an increase of approximately 49% as compared with approximately HK$280,215,000 in 2010. The following table illustrates the Group's revenue from 2007 to 2011:



Revenue from 2007 to 2011

On top of the Acquisition, the Group has advantages on the traditional front too. The Group's strong reputation and transparency increase confidence of its customers. The Group has expanded seating capacity of approximately 400 by establishing a new CRM service center located at Liwan District in Guangzhou and to provide premium services to high-end customers. The new CRM service center is an innovation and optimization of existing facilities and has started its operation since April 2011. Its operation symbolizes the Group's vision of providing quality CRM outsourcing services to perfection. The current production capacity is at an impressive level of approximately 4,500 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 team, and a competent research and development department that facilitates the efficient operation and increases in profitability.

The Group enjoys a solid customer portfolio that includes telecommunications giants such as Hutchison, PCCW and China Unicom; daily life necessity industry leaders including KFC, Guangzhou Watsons, Guangzhou Park'N Shop, etc.. Looking ahead, we believe the CRM outsourcing market will continue to be benefited from the opportunities arising from the favorable government policies in China including the growth in 3G mobile communications and domestic demand. The Group is confident that in 2012 it will win more service contracts for both telecommunications and non-telecommunication segments in the provinces outside Guangdong. The Group is confident that it will achieve continuous business growth as it is well positioned to take the advantage of market expansion.

The Company is a young company that is fast growing and ever evolving. It imagines, conceptualizes, realizes and takes new challenge and new form. Through business acquisitions, it has been constantly expanding its investment portfolios on an enterprising yet prudent strategy aiming to provide you with the best return on your investment.

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 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 of Directors

KWOK KING WA
Chairman

Hong Kong, 26 March 2012

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 a process of providing services to customers with the use of communication and computer networks. During the year under review, the Group continued to provide services to established telecommunications service providers, including Hutchison Telecommunications, 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, Guangzhou Watsons, Wuhan Watsons and Guangzhou Park'N Shop.

Upon the acquisition of the Sunward Group in September 2010, RF-SIM business has been added as one of the principal business segments. The principal business of the Group is classified into the following three segments:

Inbound Services

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 super secretarial services ("Super BIS"). BIS service is a personalized message taking service, where its operators transmit messages left to the subscriber via SMS. The Super BIS service is a concierge service where the operators can provide advanced functions such as making restaurant reservation and purchasing flight tickets for high-end subscribers.

Outbound Services

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.

RF-SIM Business

RF-SIM is a technology of proprietary intellectual property right that embeds a special-made radio frequency module into a mobile SIM card that complies with GSM specifications. The RF-SIM card is a combination of ordinary mobile phone subscriber identity module card and contactless smartcard. RF-SIM business covers (i) the research and development, production and sales of RF-SIM products; and (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau.

BUSINESS ENVIRONMENT

The slow recovery of global economy as well as the impact of the European sovereign debt crisis continues to unfold around the globe with the notable exception of China. The sustainable economy growth of China is benefited from its enormous domestic demand. The economy of the PRC has grown by 9.2% in 2011 and is projected to grow by 7.5% in 2012. In order to grasp the valuable opportunities arising from the favorable government policies in China including the growth in 3G mobile communications and domestic demand, the Group continues to explore the China market.

China has entered 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.

Since the mobile service operators in China continue to promote the mobile payment as one of their value-added services besides the voice and data, the RF-SIM technology advocated by Sunward is regarded as one of their corporate standards. Despite the competition of alternative solutions in the mobile payment is getting severe, RF-SIM technology is still being regarded as one of the competitive solutions in the mobile e-commerce market. The Group continues to ship the current product, and develops new products and formulates new marketing strategies to cope with the changes in the market situation and to fulfill various requirements of mobile service operators and other service providers.

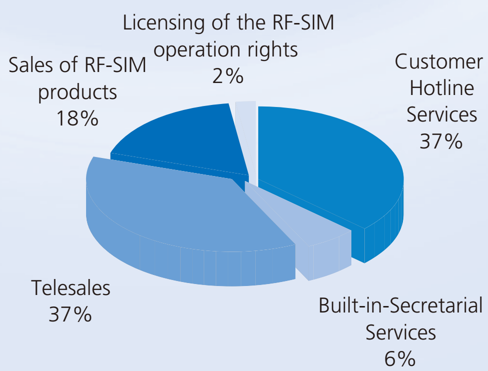
FINANCIAL REVIEW

Turnover

For the year ended 31 December 2011, the Group's total turnover was approximately HK$418,856,000, representing an increase of approximately 49% as compared with approximately HK$280,215,000 in 2010. There was approximately a 30% increase in turnover contributed by the newly acquired RF-SIM business while only approximately 19% increase in turnover contributed by CRM service business.

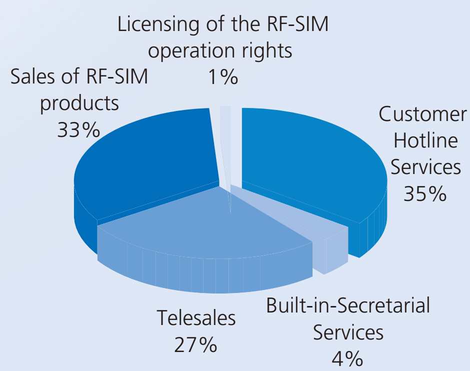
Turnover from inbound services, outbound services and RF-SIM business accounted for approximately 39%, 27% and 34% of the Group's total turnover for the year ended 31 December 2011 respectively. There was an increase of approximately 36% of inbound services and an increase of approximately 9% of outbound services as compared with last year. There was an increase of approximately 153% of RF-SIM business as compared with last year after the Acquisition. Below are the charts illustrating the Group's revenue generated from different services in 2010 and 2011.

2010



Revenue by services in 2010

2011



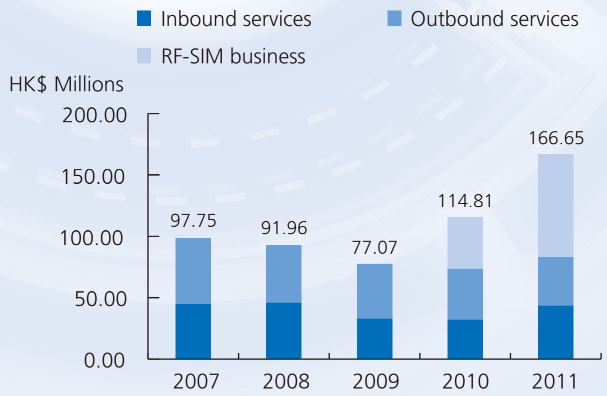
Revenue by services in 2011

Gross Profit

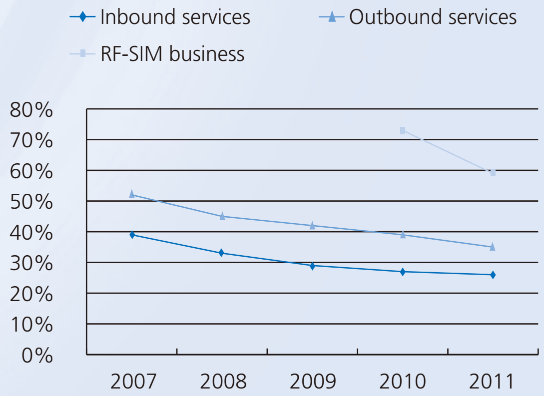
The Group's gross profit for the year ended 31 December 2011 was approximately HK$166,650,000, representing an increase of approximately 45% as compared with last year. The gross profit margin of approximately 40% remained stable as compared with last year.

The gross profit of CRM service business for the year ended 31 December 2011 was approximately HK$82,375,000, representing an increase of approximately 13% as compared with last year. The gross profit margin of CRM service business decreased by approximately 3% to approximately 30%. The decrease in gross profit margin of CRM service business was mainly attributable to the appreciation of RMB and increase in wages of the operators. The gross profit of RF-SIM business for the year ended 31 December 2011 was approximately HK$84,275,000, representing an increase of approximately 102% as compared with last year after the Acquisition. The gross profit margin of RF-SIM business decreased by approximately 15% to approximately 59%. The decrease in gross profit margin of RF-SIM business was mainly due to the reduction of unit selling price of RF-SIM products.

The gross profit of inbound services, outbound services and RF-SIM business accounted for approximately 26%, 24% and 50% of the Group's gross profit for the year ended 31 December 2011 respectively. The gross profit margins of the inbound services, outbound services and RF-SIM business for the year ended 31 December 2011 were approximately 26%, 35% and 59% respectively. Below are the charts illustrating the Group's gross profit from different business segments from 2007 to 2011.



Gross profit by segment



Gross profit margin by segment

Administrative Expenses

During the year under review, the total administrative expenses of the Group were approximately HK$68,928,000 equivalent to approximately 17% of the Group's sales in 2011. The administrative expenses to sales ratio was stable as compared with last year.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2011 was approximately HK$1,070,241,000, while the Group's loss attributable to equity holders of the Company for the year ended 31 December 2010 was approximately HK$3,774,770,000. The profit for the year included certain non-cash items arising from the Acquisition and the issue of convertible notes that are not as a result of the operations of the Group. These items included a fair value gain of purchase consideration payables of approximately HK$1,344,220,000 less interest expenses accreted on convertible notes of approximately HK$20,778,000 and impairment charges of approximately HK$347,505,000 less deferred tax provision reversal of approximately HK$12,308,000.

CRM SERVICE BUSINESS

Business Review

Customers in Telecommunications Industries

In 2011, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. There was an increase in turnover of the Group from telecommunications service providers for the year ended 31 December 2011 of approximately 24% as compared with last year.

Customers in Non-Telecommunications Industries

In 2011, the Group continued to develop its non-telecommunications customer base for CRM business and successfully acquired the service contract from Wuhan Watsons. The Group negotiated actively with potential customers such as social welfare, beauty, education and IT corporations. The Group continued cooperation and provision of CRM services to well established customers and customers having establishments in the PRC in provinces other than Guangdong. In line with their development and expansion, there is an 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-telecommunication industries.

Multi-Skill Training

Benefiting from the government's favorable training policy for CRM industry in China, the Group provided various training programs for its staff, including a multi-skill-and-management training program. This training program is designed to imbue 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 believe that the operators with multi-skills can form an elite CRM team that particularly suits for high-end customers.

CRM Service Centers

The Group has established its fourth CRM service center located at No.10, Hualei Road, Liwan District, Guangzhou City, Guangdong Province, the PRC ("Hongmian Premises") with seating capacity of approximately 400 to provide premium services to high-end customers. The Hongmian Premises CRM service center is an innovation and optimization of existing facilities and has started its operation since April 2011. Its operation symbolizes the Group's vision of providing quality CRM outsourcing services to perfection.

Acquisition of New Customers

During the year under review, the Group has entered into service contract with the following customer for the provision of CRM services.

Customer	Service	Contract date
Wuhan Watsons Your Personal Care Stores Limited	Hotline Services	August 2011

Awards and Certification

In January 2011, China Elite Info. Co., Ltd. (廣州盛華信息有限公司) ("China Elite") was accredited "Vice President Chairman" by the Guangzhou Association of Sourcing Service.

In June 2011, China Council for International Investment Promotion granted "Top 100 China's Emerging Service Provider" to China Elite.

In July 2011, China's Best Customer Service Appraisal Committee conferred the "Best Outsourcing Service Provider in China" award to China Elite.

In December 2011, China Elite was accredited "Vice President Chairman" by Guangdong Service Outsourcing Industry Association.

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 startup of the Twelfth Five-Year Plan. More clients recognise the importance of the Group's professional service and may cooperate with the Group for lower operation cost, bigger market and higher customer loyalty management. The Group is looking forward to entering into service agreements with these potential customers. 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 food and beverage, slimming and beauty shops, etc.

Internet CRM

The Group reached an agreement with MSN China in November 2007 for an Instant Messaging ("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.

New Markets

Due to the favorable market environment in China, including the startup of the Twelfth Five-Year Plan, 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.

Moreover, the Group also seeks to develop in non-telecommunications markets and overseas markets. As both CRM and outsourcing gain increasing recognition, the Directors anticipate that 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 various industries in overseas markets. The Group will continue to seek further business opportunities with companies having establishments in the PRC in provinces other than Guangdong.

New Service Centers

The Group aims to expand seating capacity by establishing new CRM service centers so as to ensure 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.

RF-SIM BUSINESS

Business Review

The Group encountered some downturns of selling and distributing the RF-SIM card and RF-SIM readers to the mobile service providers in China in the past twelve months especially the sales of the RF-SIM readers due to the slow down of marketing activities by the Group's key customer, one of the China mobile service providers, who used to be very aggressive in pursing the application of the RF-SIM technology in the universities and colleges in China. In 2011, shipments of RF-SIM cards were mainly for the placements to the existing installation in those cities with system already established in previous years. New installation and expansion to new cities and provinces were not up to speed as last year due to the uncertainty of the standardization of mobile payment technologies in China as expected by the mobile service providers. Despite there is indication that RF-SIM technology will be adopted as one of the national standards for near field mobile payment by the China regulatory body, there is no realistic schedule or announcement in the mean time. Hence the mobile service providers were prudent and hesitated in vigorously promoting the Group's products into the mass consumer market beyond the vertical markets, universities and colleges. However the Group continued to ship RF-SIM cards to more than one China mobile service providers and there was growth in the education market. The Group has worked with another mobile service operator to increase the clientele base by supplying to two more SIM card suppliers. The revenue from licensing was also reduced significantly due to the same reason of ambiguous standardization situation and the sale of the licensed manufacturer of RF-SIM was weak in the year. As a result, an impairment charge relating to goodwill of HK$295,362,000; and an impairment charge of HK$50,183,000 relating to patent and HK$1,960,000 relating to property, plant and equipment were recognised for the year ended 31 December 2011.

The Group continued exploring overseas market. Since the sales cycle for adoption of a new technology, especially in the mobile payment industry with concerns on security and safety, is lengthy, there was no remarkable sales outside China in 2011.

Marketing Strategy

The Group has aligned its strategy to cope with the changes in the market situation and turned its focus to the mass consumer market along with its licensed manufacturer, distribution agents for a few major cities in China. With the shift in the focus and with new product added to the portfolio, the Group continued to engage SIM suppliers, "Point-of-Sales" reader manufacturers, payment system integrators, mobile payment platform solution providers exploring the near field payment market in China and the rest of the world. The Group continued to maintain cost effective methods to explore the overseas market by technology alliance and co-operation with mobile payment solution providers from various parts of the world.

Product Development

The Group continued to expand its product portfolio by adding RF-SIM product with different working frequency spectrum. With co-operation with technology partners, the Group started to develop new 13.5M products. By strengthening the research and development team in Xiamen China, the Group committed to unremitting product development and technology innovation which appeal to the China and worldwide market.

Manufacturing & Production

In 2011, one more outsourcing manufacturing facility in China was certified by the Group and some of the new products will be produced in this new manufacturing plant. Hence the production capacity is increased and the requirement for longer term reliability and contingency plan has also been accomplished. The Group continued to improve the production process, procedures and policies by working with these factories in China and Taiwan.

Future Prospect

Despite the development of "Internet-of-Things" ("IOT") and mobile e-commerce business in China being advocated by the three mobile service providers is still not up to full speed, near field mobile payment is commonly regarded as one of the appealing applications for end users in the arena of IOT. Expecting the standardization of specific mobile payment specifications for China market will be released by the authority which allows the whole value chain of near field mobile payment to grow in a much faster pace. The Group has kept its confidence to the market development done by all the stake holders of the ecosystem of near field mobile payment and upkeep its efforts in formulating creative marketing strategies to attain the best result from the changing market environment and accelerating growth of the IOT industry. Continuing to offer one of best solutions to the mobile service providers to acquire new subscribers and retain loyal customers, the Group has prepared for a prosperous future in era of IOT.

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. As at 31 December 2011, the Group had no outstanding loan or borrowing, and the gearing ratio (being ratio of total borrowings outstanding less cash and deposits to the sum of total equity and total borrowings) was therefore inapplicable. As at 31 December 2011, the Group's balance of cash and deposits was approximately HK$347,417,000, which was primarily attributable to the proceeds from the IPO and earnings.

LIQUIDITY AND FINANCIAL POSITION

	2011 **HK$'000**	2010 HK$'000
Cash at bank and in hand	**250,740**	204,110
Short-term bank deposits	**96,677**	90,793
Total cash and deposits	**347,417**	294,903

The Group normally finances its operations with internally generated cash flows. Cash position increased by approximately HK$52,514,000 in 2011.

As at 31 December 2011, the current ratio was 18.24 (2010: 8.31) and the quick ratio was 17.15 (2010: 7.78).

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.

ASSETS MORTGAGE

The Group had no outstanding asset mortgage as at 31 December 2011.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2011.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

As at 31 December 2011, the Group has no specific acquisition target. The Group did not have any material acquisition and disposals of subsidiaries and affiliated companies, and investment during the year under review.

GEARING RATIO AND INTEREST CAPITALIZATION

The Group had no outstanding bank loans or other loans with interest as at 31 December 2011. During the year under review, no interest was capitalized by the Group.

CAPITAL COMMITMENTS

As at 31 December 2011, there was approximately HK$1,567,000 capital commitments outstanding but not provided for in the financial statements (2010: HK$2,047,000).

SEGMENT REPORTING

Adopting IFRS 8, Operating Segments and in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The Group has identified three reportable segments which are inbound services, outbound services and RF-SIM business. Detail of segment reporting is set out in note 6 to this report.

STAFF AND REMUNERATION POLICY

As at 31 December 2011, the Group had 3,581 employees (2010: 3,669 employees). Among them, 3,561 employees work in PRC, 18 employees work in Hong Kong and 2 employees work in Macau.

Breakdown of the Group's staff by functions as at 31 December 2011 is as follows:

Function	**As at 31 December 2011**	As at 31 December 2010
Management	**18**	18
Operation	**3,315**	3,441
Financial, administrative and human resources	**99**	86
Sales and marketing	**21**	26
Research and development	**93**	57
Repair and maintenance	**35**	41
	3,581	3,669

The total staff remuneration including directors' remuneration paid by the Group in 2011 was approximately HK$220,673,000 (2010: approximately HK$156,525,000). The remuneration paid to the staff, including Directors, is based on their qualification, experience, performance, and market rates, so as to maintain a competitive remuneration level. The Group also offers various staff welfare, including share option scheme, housing fund, social insurance and medical insurance. It believes that employees are the most valuable assets of the Group.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

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

REPORT OF DIRECTORS

The Directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2011.

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 31 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 90 of this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement, page 33 of this report.

Major Customers

For the year ended 31 December 2011, the turnover attributable to the largest customer and the five major customers accounted for approximately 29% and approximately 85% 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 78% of the Group's total purchases.

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

Dividends

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2011. No dividend was paid in respect of the year ended 31 December 2010.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

Debentures

Save as disclosed in the paragraph – "The Transfer of the Sales Convertible Notes and Conversion of the Convertible Notes", the Group has not granted any convertible debentures, futures, options, or other similar rights for the year ended 31 December 2011.

Reserves

Details of movements in reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

Distributable Reserve and Share Premium

Under the Cayman Companies Law, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2011, the Company had approximately HK$1,542,342,000 (2010: approximately HK$326,387,000) available for distribution to equity shareholders of the Company, subject to immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

Properties, Plant and Equipment

Details of movements in properties, plant and equipments of the Group are set out in note 15 to the financial statements.

Connected Transactions

For the year ended 31 December 2011, approximately HK$2,204,000 under the category of the sales to 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.

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 and Renewal of Continuing Connected Transactions announcement dated 16 December 2009.

A. *Service agreements*

1. Service agreement between PacificNet Communications Limited – Macao Commercial Offshore ("PacificNet Communications") (novated to its affiliated company, International Elite Limited – Macao Commercial Offshore on 1 October 2011) and Elitel Limited in respect of BIS services with a maximum aggregate annual value of HK$760,000 (Note 1); and

2. Service agreement between PacificNet Communications (novated to its affiliated company, International Elite Limited – Macao Commercial Offshore on 1 October 2011) and China–Hong Kong Telecom Ltd. ("China–HK Telecom") in respect of BIS and customer hotline services with a maximum aggregate annual value of HK$2,123,000 (Note 2).

B. *China-HK Telecom Telesales Agreement*

1. Service agreement between PacificNet Communications (novated to its affiliated company, International Elite Limited – Macao Commercial Offshore on 1 October 2011) and China–HK Telecom in respect of telesales services with a maximum aggregate annual value of HK$8,820,000 (Note 3).

NOTES:

(1) On 16 December 2009, PacificNet Communications and Elitel Limited entered into a new service agreement pursuant to which PacificNet Communications 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 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. Elitel Limited is wholly owned by Directel Holdings Limited ("DHL"), a company the shares of which are listed on the GEM of the Stock Exchange. Mr. Li Kin Shing is a director and a controlling shareholder of DHL and Ms. Kwok King Wa is a controlling shareholder of DHL.

(2) On 16 December 2009, PacificNet Communications and China-HK Telecom entered into a new service agreement pursuant to which PacificNet Communications agreed to provide subscribers of China-HK Telecom 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 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-HK Telecom and PacificNet Communications; 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-HK Telecom and PacificNet Communications. China-HK Telecom is wholly owned by Elitel Limited and indirectly wholly owned by DHL.

(3) On 16 December 2009, PacificNet Communications and China-HK Telecom entered into a new service agreement pursuant to which PacificNet Communications agreed to provide telesales service to China-HK Telecom for a term commencing on 1 January 2010 and ending on 31 December 2012 (both days inclusive). The fees payable by China-HK Telecom to PacificNet Communications 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-HK Telecom and PacificNet Communications.

Details of the above connected transactions are disclosed in note 33 to the financial statements, the Prospectus and Renewal of Continuing Connected Transactions announcement dated 16 December 2009. The Company has applied for, and the Stock Exchange has granted to the Company, a waiver with respect to the continuing connected transactions as referred to in paragraphs A and B 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 and Renewal of Continuing Connected Transactions announcement dated 16 December 2009.

The aforesaid continuing connected transaction has been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid connected transaction were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 14 of the Annual Report in accordance with rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

- Chen Xue Dao (陳學道)
- Cheung Sai Ming (張世明)
- Liu Chun Bao (劉春保)

In accordance with the Company's Articles of Association, Mr. Li Kin Shing, Ms. Kwok King Wa, Mr. Cheung Sai Ming and Mr. Liu Chun Bao 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.

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. On 15 October 2010, each of Ms. Kwok King Wa, Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa and Mr. Li Wen entered into a renewal of service agreement with the Company for a term of 3 years commencing from 16 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. On 15 October 2010, each of Mr. Tang Yue, Mr. Chen Xue Dao and Mr. Cheung Sai Ming entered into a renewal of service agreement with the Company for a term of 3 years commencing from 16 October 2010. Mr. Tang resigned as an independent non-executive director and a member of the audit committee of the Company with effect from 3 June 2011. Mr. Liu Chun Bao has been appointed as an independent non-executive director and a member of the audit committee of the Company with effect on the same day and has not entered into any service contract with the Company. Pursuant to his appointment letter, he has been appointed for a term of three years commencing from 3 June 2011. 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 paragraph – "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 29 to 30 of this report.

Directors Remunerations and Five Employees with Highest Emolument

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

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2011 (2010: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2011 (2010: Nil).

During the year ended 31 December 2011, 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 (2010: Nil).

Staff Contribution Retirement Schemes

The amounts of contributions and details of the Group's defined contribution retirement schemes are set out in note 11(b) and note 2.18(i) to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2011, so far as known to the Directors, the Directors and the chief executives of the Company had the following interests and short positions in the shares, underlying shares or the debentures of Company or any of its associated corporation within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests, and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Interests in ordinary shares of the Company

		Number of shares held				
Name of Directors	Company/ Associated corporation	Personal Interests	Family Interests	Corporate Interests	Total of Interests	Percentage of Equity
Mr. Li Kin Shing	Company (Note 1)	383,490,000	1,040,810,000	684,000,000	2,108,300,000	69.63%
Ms. Kwok King Wa	Company (Note 2)	1,040,810,000	383,490,000	684,000,000	2,108,300,000	69.63%
Mr. Li Wen	Company	36,180,000	–	–	36,180,000	1.19%
Mr. Wong Kin Wa	Company	5,000,000	–	–	5,000,000	0.17%
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 1,040,810,000 shares are owned by Ms. Kwok King Wa 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 2,108,300,000 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 383,490,000 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 2,108,300,000 shares under the SFO.

3. Ms. Li Yin holds 3.5% of the issued share capital of Ever Prosper, which in turn holds 22.59% of the issued share capital of the Company. Therefore, she will have an attributable interest of 0.79% 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.

THE TRANSFER OF THE SALES CONVERTIBLE NOTES AND CONVERSION OF THE CONVERTIBLE NOTES

With reference to the announcements of the Company dated 25 May 2010 and 31 May 2011 and the circular of the Company dated 23 August 2010, the Company issued non-interest bearing convertible notes of principal amount of HK$2,081,620,000 in total on 31 May 2011 (the "Convertible Notes").

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The liability component is subsequently stated at amortised cost until extinguished upon conversion or maturity of the notes. The residual amount, representing the value of the equity conversion component, is accounted for as an other reserve included in reserves (note 25 to the financial statements). Interest expenses on the liability component of the convertible notes are calculated using the effective interest method, applying the effective interest rate of 11.351% per annum to the liability component.

With reference to the announcements of the Company dated 3 July 2011 and 20 July 2011 in relation to the Sale and Purchase Agreements and the Right Transfer Agreement, respectively and the announcement of the Company dated 26 July 2011 in relation to the completion of transfer of the Sale Convertible Notes and conversion of the Convertible Notes, on 26 July 2011, the Company received conversion notices from the note-holders in respect of the conversion of the Convertible Notes in the principal amounts of HK$2,081,620,000 into shares at the conversion price of HK$1.00 per share. As a result of the conversion, the Company has allotted and issued 2,081,620,000 shares. Upon the allotment and issue of the shares, the liability component of the convertible notes was credited to equity thereby reducing the liability, which is measured at amortised cost using the effective interest method at the date of conversion, and correspondingly increasing the equity of the Group for the same amount.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND, UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, 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)	22.59%
Jovial Elite Limited	Beneficial owner	300,000,000 (Note 2)	9.91%
Glory Moment Investments Ltd.	Beneficial owner	280,000,000	9.25%

NOTES:

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

2. According to the notice filed by Jovial Elite Limited, Jovial Elite Limited is a wholly owned subsidiary of Hony Capital Fund 2008, L.P. Hony Capital Fund 2008, L.P. is 100% controlled by Hony Capital Fund 2008 GP, L.P.. Hony Capital Fund 2008 GP, L.P. is 100% controlled by Hony Capital Management Limited. Hony Capital Management Limited is controlled by Mr. Zhao John Huan and Right Lane Limited as to 55% and 45% respectively. Right Lane Limited is 100% controlled by Legend Holdings Limited. Legend Holdings Limited is controlled by Chinese Academy of Sciences Holdings Co., Ltd. as to 36%. Chinese Academy of Sciences Holdings Co., Ltd. is 100% controlled by Chinese Academy of Sciences.

Save as disclosed above, as at 31 December 2011, so far as known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTIONS SCHEMES

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") in the written resolutions of the Shareholders passed on 4 May 2010 (the "Share Option Scheme"). As at 31 December 2011, no option has been granted under the Share Option Scheme.

THE PRE-EMPTIVE RIGHTS

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

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

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

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

During the year ended 31 December 2011, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any share of the Company.

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any redeemable securities of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report and below, during the year and up to the date of this report, none of the Directors nor their respective associates is considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group.

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, telecommunications and gaming products and services as well as IT outsourcing services;

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

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

As of 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.

COMPETING INTERESTS

Directel Limited, a company incorporated in the Cayman Islands, is held as to 50% and 50% by Mr. Li Kin Shing, a non-executive director, the chairman of DHL, a controlling shareholder and a substantial shareholder of DHL, and Ms. Kwok King Wa, a controlling shareholder and a substantial shareholder of DHL and the spouse of Mr. Li Kin Shing, respectively. According to the Listing Rules, Directel Limited is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a connected person.

Directel Limited is the legal and beneficial owner of the RF-SIM intellectual property rights in Hong Kong and Macau. Further, Directel Limited is the licensee of the operation rights of RF-SIM in markets other than the PRC in addition to its owned RFSIM intellectual property rights in Hong Kong and Macau and it has the right to grant licences of the operation rights of RF-SIM intellectual property rights to others in markets other than the PRC. There is a risk that such services provided by Directel Limited may compete with the services provided by DHL and its subsidiaries ("DHL Group") as Directel Limited is expected to grant licences of the operation rights of RF-SIM intellectual property rights in other regions in the future.

DHL is a company incorporated in the Cayman Islands and a listed company on the GEM of The Stock Exchange with Mr. Li Kin Shing and Ms. Kwok King Wa as controlling shareholders. According to the Listing Rules, DHL is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a connected person. The principal activity of DHL is investment holding. Its subsidiaries are principally engaged in the provision of mobile phone services. DHL Group also provides services of resale of airtime to mobile network operators and telesales dealership.

The Directors confirm that as China–HK Telecom, a wholly-owned subsidiary of DHL, has obtained the exclusive licence of the operation rights of RF-SIM intellectual property rights in Hong Kong and Macau and since the services provided by DHL Group are mainly in Hong Kong and Macau, there will be no direct competition between the services provided by Directel Limited, which are in territories other than the PRC, Hong Kong and Macau. There will also be no direct competition between the services provided by the Company, which its strategy is to concentrate on the application of the RF-SIM intellectual property rights in the PRC. Nevertheless, Mr. Li Kin Shing, Ms. Kwok King Wa and Directel Limited (as Covenantors) executed a deed of non-competition undertaking in favour of DHL on 24 May 2010 pursuant to which the Covenantors have undertaken to DHL inter alia, that (i) the Covenantors shall not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on his/her/its own account or with each other or in conjunction with or on behalf of any person or company, any business which will or may compete with the RF-SIM business of DHL Group in Hong Kong and Macau; and (ii) in the event the Covenantors or their associates were given any business opportunities that is or may involve in direct or indirect competition with the business of DHL Group, the Covenantors shall assist DHL in obtaining such business opportunities in the terms being offered to the Covenantors, or more favourable terms being acceptable to DHL.

CORPORATE GOVERNANCE

The corporate governance report adopted by the Company is set out in pages 24 to 28 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

PricewaterhouseCoopers ("PwC") was first appointed as auditors of the Company in 2010 and re-appointed in 2011. PwC 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 PwC as auditors of the Company is to be proposed at the said meeting.

On behalf of the Board

KWOK KING WA
Chairman

Hong Kong, 26 March 2012

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 2011.

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.

Mr. Tang Yue has resigned as an independent non-executive director and a member of the audit committee of the Company with effect from 3 June 2011 due to pursuit of other business commitment. Mr. Tang has confirmed that he has no disagreement with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company. Mr. Liu Chun Bao has been appointed as an independent non-executive director and a member of the audit committee of the Company with effect from 3 June 2011.

The profile of Chairman and other Directors of the Board is set out in pages 29 to 30 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. Liu Chun Bao (the replacement of 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. Specific term of Mr. Liu Chun Bao is three years commencing from 3 June 2011.

Board of Directors held eight meetings during the year under review. The following is the attendance record of the Board meetings:

Name of Directors	Number of Meetings Attended
Ms. Kwok King Wa (郭景華) *(Executive Director and Chairman)*	7/8
Mr. Li Kin Shing (李健誠) *(Executive Director and Chief Executive Officer)*	8/8
Ms. Li Yin (李燕) *(Executive Director)*	4/8
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	8/8
Mr. Li Wen (李文) *(Executive Director)*	4/8
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	4/8
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director)*	4/8
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	3/8
Mr. Tang Yue (唐越) *(Independent Non-Executive Director)*	1/8

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

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. Liu Chun Bao. Mr. Cheung Sai Ming is chairman of the audit committee.

The year under review, the audit committee held two 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)*	2/2
Mr. Chen Xue Dao (陳學道)	2/2
Mr. Liu Chun Bao (劉春保)	1/2
Mr. Tang Yue (唐越)	1/2

The audit committee of the Company has reviewed the audited financial statements of the Company and the Group for the year ended 31 December 2011 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.

Remuneration for auditing services and non-auditing services provided by the external Auditors for the year ended 31 December 2011 are set out in note 11(a) to the financial statements.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference in accordance with the requirements of the CG Code. The nomination committee comprises one executive Director namely Mr. 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 and Chairman)*	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, Ms. Kwok King Wa, Mr. Cheung Sai Ming and Mr. Liu Chun Bao 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) *(Executive Director and Chairman)*	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

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 questions of the Shareholders.

In addition, annual/interim reports, announcements and press releases are posted on the Company's website www.iel.hk as well as the website of the Stock Exchange at www.hkexnews.hk which is constantly being updated in a timely manner and so contains additional information on the Group's business.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. LI KIN SHING (李健誠先生), aged 54, 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 24 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. Mr. Li has been a non-executive Director and Chairman of Directel Holdings Limited, a company listed on the GEM Board and controlled by Mr. Li and his spouse Ms. Kwok King Wa since 2009.

MS. KWOK KING WA (郭景華女士), aged 55, 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 16 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 37, 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 12 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 44, 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 15 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. Wong has been a non-executive Director of Directel Holdings Limited since 2009.

MR. LI WEN (李文先生), aged 49, 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 25 years of experience in electronic industry. Mr. Li joined the Group in 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHEN XUE DAO (陳學道先生), aged 69, 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. Chen has been an independent non-executive Director of Directel Holdings Limited since 2010.

MR. CHEUNG SAI MING (張世明先生), aged 37, 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.

MR. LIU CHUN BAO (劉春保先生), aged 66, a senior engineer, graduated from Wuhan College of Posts and Telecommunications in 1969. Mr. Liu has served as engineer, deputy section chief and section chief in Guangdong Posts and Telecommunications Administration Bureau and as researcher and the assistant to the director in Guangdong Communication Administration Bureau. Mr. Liu is currently the general secretary of the Guangdong Institute of Communications, Guangdong Communication Industry Association and Guangdong Internet Society and a committee member of the China Association of Communications Enterprises.

SENIOR MANAGEMENT

MR. ZHANG LAN (張嵐先生), aged 52, 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 25 years of experience in the telecommunications technology industry.

MS. CHAN WAI CHING (陳惠貞女士), aged 50, joined the Group in 2007 and is the Company's Qualified Accountant and Company Secretary. Ms. Chan has over 26 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. Chan has been the company secretary of Directel Holdings Limited since 2009.

MS. XUAN JING SHAN (禤靜珊女士), aged 43, 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 15 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 37, 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 18 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 36, 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 15 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

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羅兵咸永道

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 (together, the "Group") set out on pages 33 to 89, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 the directors, as well as evaluating the overall presentation of the consolidated 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 2011, 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.

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OTHER MATTERS

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	5	**418,856**	280,215
Cost of sales	11(a)	**(252,206)**	(165,402)
Gross profit		**166,650**	114,813
Other revenue	7	**9,813**	5,790
Other gains	8	**1,344,220**	291,105
Impairment charges	11(d)	**(347,505)**	(4,127,997)
Research and development expenses	11(a)	**(16,881)**	(6,639)
Administrative expenses	11(a)	**(68,928)**	(46,717)
Profit/(loss) from operations		**1,087,369**	(3,769,645)
Finance costs	11(c)	**(20,778)**	–
Profit/(loss) before income tax		**1,066,591**	(3,769,645)
Income tax credit/(expense)	12	**3,650**	(5,125)
Profit/(loss) for the year and attributable to equity holders of the Company		**1,070,241**	(3,774,770)
Earnings/(loss) per share attributable to equity holders of the Company:			
– basic	14	**HK$0.58**	HK$(3.99)
– diluted	14	**HK$0.58**	HK$(3.99)

The accompanying notes on pages 39 to 89 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit/(loss) for the year	**1,070,241**	(3,774,770)
Other comprehensive income		
– Currency translation differences	**26,689**	80,650
Total comprehensive income/(loss) for the year, net of tax	**1,096,930**	(3,694,120)

The accompanying notes on pages 39 to 89 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**68,312**	64,159
Goodwill	16	**–**	281,409
Intangible assets	17	**43,696**	96,309
Investment in an associate	18	**–**	–
Deferred tax assets	19	**757**	80
		112,765	441,957
Current assets			
Inventories	22	**30,157**	28,035
Trade and other receivables	20	**125,389**	114,181
Cash and cash equivalents	21	**347,417**	294,903
		502,963	437,119
Total assets		**615,728**	879,076
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	**30,278**	9,462
Reserves	25	**547,672**	(3,198,615)
Total equity		**577,950**	(3,189,153)
LIABILITIES			
Non-current liabilities			
Purchase consideration payables	26	**–**	3,993,615
Deferred tax liabilities	19	**10,204**	22,013
		10,204	4,015,628
Current liabilities			
Trade and other payables	27	**26,594**	35,469
Current income tax liabilities		**980**	17,132
		27,574	52,601
Total liabilities		**37,778**	4,068,229
Total equity and liabilities		**615,728**	879,076
Net current assets		**475,389**	384,518
Total assets less current liabilities		**588,154**	826,475

Approved and authorised for issue by the board of directors on 26 March 2012.

Kwok King Wa
Director

Li Kin Shing
Director

The accompanying notes on pages 39 to 89 are an integral part of these financial statements.

BALANCE SHEET

as at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	2	4
Investments in subsidiaries	31	218,374	483,109
Deferred tax assets	19	9	–
		218,385	483,113
Current assets			
Trade and other receivables	20	833	592
Amounts due from subsidiaries	31	191,793	235,356
Cash and cash equivalents	21	90,509	66,280
		283,135	302,228
Total assets		501,520	785,341
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	30,278	9,462
Reserves	25	469,627	(3,243,849)
Total equity		499,905	(3,234,387)
Non-current liabilities			
Purchase consideration payables	26	–	3,993,615
Current liabilities			
Trade and other payables	27	1,612	1,866
Amounts due to subsidiaries	31	–	24,247
Current income tax liabilities		3	–
		1,615	26,113
Total liabilities		1,615	4,019,728
Total equity and liabilities		501,520	785,341
Net current assets		281,520	276,115
Total assets less current liabilities		499,905	759,228

Approved and authorised for issue by the board of directors on 26 March 2012.

Kwok King Wa
Director

Li Kin Shing
Director

The accompanying notes on pages 39 to 89 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Attributable to equity holders of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Other reserves** HK$'000	**Statutory reserve** HK$'000	**Exchange reserve** HK$'000	**Retained earnings/ (accu-mulated losses)** HK$'000	**Total** HK$'000
As at 1 January 2010	9,462	326,387	24,769	97	5,087	176,768	542,570
Comprehensive income							
Loss for the year	–	–	–	–	–	(3,774,770)	(3,774,770)
Other comprehensive income							
Currency translation differences	–	–	–	–	80,650	–	80,650
Transactions with owners							
Dividends relating to 2009 (Note 10)	–	–	–	–	–	(37,848)	(37,848)
Income tax expense of a subsidiary borne by the ultimate shareholder	–	–	245	–	–	–	245
As at 31 December 2010	9,462	326,387	25,014	97	85,737	(3,635,850)	(3,189,153)
Comprehensive income							
Profit for the year	–	–	–	–	–	1,070,241	1,070,241
Other comprehensive income							
Currency translation differences	–	–	–	–	26,689	–	26,689
Transactions with owners							
Issuance of convertible notes – equity component (Note 26)	–	–	1,433,402	–	–	–	1,433,402
Conversion of convertible notes – liability component (Note 26)	20,816	1,215,955	–	–	–	–	1,236,771
As at 31 December 2011	**30,278**	**1,542,342**	**1,458,416**	**97**	**112,426**	**(2,565,609)**	**577,950**

The accompanying notes on pages 39 to 89 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**82,955**	88,986
Income tax paid		**(22,869)**	(589)
Net cash generated from operating activities		**60,086**	88,397
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		**(10,619)**	(6,429)
Expenditure on development of software		**(451)**	(24)
Interest received		**855**	542
Acquisition of subsidiaries, net of cash acquired		**–**	(173,908)
Proceeds from disposal of subsidiaries		**–**	423
Net cash used in investing activities		**(10,215)**	(179,396)
Cash flows from financing activities			
Dividends paid		**–**	(37,848)
Net cash used in financing activities		**–**	(37,848)
Increase/(decrease) in cash and cash equivalents		**49,871**	(128,847)
Cash and cash equivalents at beginning of year		**294,903**	422,990
Exchange gains on cash and cash equivalents		**2,643**	760
Cash and cash equivalents at end of year		**347,417**	294,903

The accompanying notes on pages 39 to 89 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

International Elite Ltd. (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the provision of Customer Relationship Management ("CRM") services, which include inbound services and outbound services, to companies in various service-oriented industries. Following the acquisition of Sunward Telecom Limited and its subsidiaries ("Sunward Group") in September 2010 as set out in Note 29, the Group is also engaged in research and development, production and sales of Radio-Frequency Subscriber Identity Module ("RF-SIM") products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau.

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. The address of its registered office is The Grand Pavilion, Oleander Way, 802 West Bay Road, Grand Cayman KY1-1208, Cayman Islands. 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.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issuance by the Board of Directors on 26 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of purchase consideration payables, which are stated at fair values.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(i) New standards, revised standards and amendments and interpretations to existing standards that are effective in 2011 but do not have a significant impact to the Group

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement
IAS 24 (Revised)	Related Party Disclosures

(ii) New standards, revised standards and amendments and interpretations to existing standards that are not yet effective in 2011 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
IAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 (Amendment)	Employee Benefits	1 January 2013
IAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
IAS 28 (Revised 2011)	Associates and Joint Ventures	1 January 2013
IAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1 July 2011
IFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosures of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurements	1 January 2013

The directors are currently assessing the impact on their adoption and the impact of adoption of these new standards, revised standards and amendments and interpretations to existing standards in future periods is not currently known or cannot be reasonably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 *Consolidation*

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations and for business combinations under common controls. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.2.2 *Separate financial statements*

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as key management team that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	39 years
Leasehold improvements	The shorter of the unexpired term of lease or 5 years
Facilities equipment	5 years
Office equipment	3–5 years
Vehicles and other equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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

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

(b) Computer software

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

(c) Patent

Patent acquired in a business combination is recognised at fair value at the acquisition date. The patent has a finite useful life and is amortised over its estimated useful life of 14 years, which is equivalent to its legal life, on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period which are classified as non-current assets.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Derivative financial instruments

Derivatives are initially recognises at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in fair value of the derivatives are recognised immediately in the consolidated income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct cost and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Current and deferred income tax *(continued)*

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits

(i) Pension and employee social security and benefits obligations

The subsidiary in Hong Kong participates in a pension scheme. The scheme is generally funded through payments to insurance companies or trustee-administered funds. The assets of the defined contribution plan are generally held in separate trustee-administered funds. It is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The subsidiary in the PRC participates in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Bonus plan

The Group recognises a provision for bonus when contractually obliged or when there is a past practice that has created a constructive obligation.

(iii) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example, an entity's share price); but excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.20 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) CRM services

CRM services comprise (1) inbound services which include customer hotline services and built-in secretary services, a personalised message taking services, and (2) 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) Sales of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from sales of goods is recognised when the Group has delivered the goods to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(iii) Licensing income

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

(iv) Interest income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.22 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

When the convertible notes are converted, the fair value of the derivative financial instrument and the amortised cost of the liability component are transferred to share capital and share premium as consideration for the shares are issued.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB") and United States dollars ("US$"). Foreign exchange risk arises from recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contracts to hedge against foreign exchange risk as management considers its exposure minimal.

At 31 December 2011, if HK$ had weakened/strengthened by 4% against RMB, with all other variables held constant, the Group's post-tax profit for the year would have been HK$3,614,000 higher/lower (2010: post-tax loss of HK$2,669,000 lower/higher) and the Company's post-tax profit for the year would have been HK$Nil higher/lower (2010: post-tax loss of HK$Nil lower/higher), mainly as a result of foreign exchange gains/losses on translation of RMB denominated recognised assets and liabilities which are not hedged by hedging instruments.

At 31 December 2011, if HK$ had weakened/strengthened by 1% against US$, with all other variables held constant, the Group's post-tax profit for the year would have been HK$549,000 higher/lower (2010: post-tax loss of HK$553,000 lower/higher) and the Company's post-tax profit for the year would have been HK$Nil higher/lower (2010: post-tax loss of HK$88,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US$ denominated recognised assets and liabilities which are not hedged by hedging instruments.

(ii) Interest rate risk

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

As at 31 December 2011, if the interest rate on the cash at bank had been 25 basis points higher or lower with all other variables held constant, the impact on the Group's post-tax profit for the year would have been approximately HK$751,000 higher/lower (2010: post-tax loss of HK$737,000 lower/higher) and the Company's post-tax profit for the year would have been approximately HK$189,000 higher/lower (2010: post-tax loss of HK$166,000 lower/higher).

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade and other receivable and deposits with banks and financial institutions.

For credit exposures to cash and cash equivalents, bank deposits are only placed with reputable banks. For credit exposures to customers, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer.

At 31 December 2011, the Group had a concentration of credit risk as 90% (2010: 93%) of the total trade receivables were due from the Group's five largest customers and 34% (2010: 17%) 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 20.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy to managing liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from shareholders to meet its liquidity requirements in the short and longer term. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 31 December 2011					
Trade and other payables	**10,225**	**–**	**–**	**–**	**10,225**
At 31 December 2010					
Trade and other payables	20,601	–	–	–	20,601
Purchase consideration payables (Note 26)	–	–	–	1,800,000	1,800,000
	20,601	–	–	1,800,000	1,820,601

3. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk (continued)

The Company

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 31 December 2011					
Trade and other payables	13	–	–	–	13
At 31 December 2010					
Trade and other payables	315	–	–	–	315
Purchase consideration payables (Note 26)	–	–	–	1,800,000	1,800,000
	315	–	–	1,800,000	1,800,315

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from 2010.

The Group defines capital as total equity attributable to equity holders of the Company, comprising issued share capital and reserves, as shown in the consolidated balance sheet. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 December 2010				
Liabilities				
Purchase consideration payables (Note 26)	–	–	3,993,615	3,993,615

As at 31 December 2011, no financial instruments were carried at fair value, by valuation method as set out above.

The fair values of the purchase consideration payables that are not traded in an active market are determined by using valuation techniques. The key assumptions used for the valuation are set out in Note 26.

The following table presents the changes in level 3 instruments for the year ended 31 December 2010:

	Purchase consideration payables HK$'000
Initial fair values at the date of acquisition (Note 29)	4,284,701
Fair values recognised in the income statement	(291,086)
Closing balance	3,993,615

The carrying amounts of cash and cash equivalents, and trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Provision for impairment of assets

(i) Estimated impairment of goodwill and assets that are subject to amortisation and depreciation

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The Group tested assets that are subject to amortisation and depreciation whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, as set out in Note 2.7. The recoverable amounts of cash-generating units ("CGU") have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates (Note 16).

The carrying amounts of the goodwill, patent and property, plant and equipment have been reduced to its recoverable amount through recognition of an impairment loss of HK$295,362,000, HK$50,183,000 and HK$1,960,000, respectively, during the year. If the estimated sales decline rates for each of the coming years had been 1% higher than management's estimates at 31 December 2011 (from -10% to -6% instead of from -9% to -5%), the Group would have recognised a further impairment charge by HK$5,570,000 in total on patent and property, plant and equipment. If the discount rate is increased by 1% (19.7% instead of 18.7%), the Group would have recognised a further impairment charge by HK$4,014,000 in total on patent and property, plant and equipment.

(ii) Trade and other receivables

Significant judgement is exercised in the assessment of the collectibility of trade and other receivables from customers. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment pattern including subsequent payments and customers' financial position.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management will reassess the estimations at each balance sheet date.

(c) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment on a straight-line basis over their respective estimated useful lives. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technology obsolete or non-strategic assets that have been abandoned or sold.

5. TURNOVER

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

	2011 HK$'000	2010 HK$'000
Inbound services	**162,087**	119,362
Outbound services	**114,101**	104,362
Sales of goods	**137,702**	49,856
Licensing income	**4,966**	6,635
	418,856	280,215

The Group has 3 customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2011 (2010: 3 customers). The amounts of revenue from the customers are as follows:

	2011 HK$'000	2010 HK$'000
Largest customer	**119,753**	97,814
Second largest customer	**116,983**	83,216
Third largest customer	**94,156**	27,115
	330,892	208,145

6. SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM assesses the performance of the operating segments based on the results and assets attributable to each reportable segment. Interest income and expense are not allocated to segment, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

CODM has determined the operating segments based on these reports. The Group is organised into three business 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.

(iii) RF-SIM business: this segment includes (i) the research and development, production and sales of RF-SIM products; and (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau.

No operating segments have been aggregated to form the reportable segments.

6. SEGMENT INFORMATION *(continued)*

(a) Segment results and assets

CODM assesses the performance of the operating segments based on the revenue from external customers and reportable segment profit (i.e. turnover less cost of sales).

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.

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

The following tables present revenue, reportable segment profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2011 and 2010:

	For the year ended 31 December 2011			
	Inbound services HK$'000	Outbound services HK$'000	RF-SIM business HK$'000	Total HK$'000
Revenue from external customers	162,087	114,101	142,668	418,856
Reportable segment profit	42,710	39,665	84,275	166,650
Depreciation and amortisation	612	921	7,911	9,444
Impairment charges	–	–	347,505	347,505
Reportable segment assets	60,563	31,002	116,147	207,712
Addition to non-current segment assets during the year	6,190	484	1,878	8,552

	For the year ended 31 December 2010			
	Inbound services HK$'000	Outbound services HK$'000	RF-SIM business HK$'000	Total HK$'000
Revenue from external customers	119,362	104,362	56,491	280,215
Reportable segment profit	31,405	41,728	41,680	114,813
Depreciation and amortisation	739	885	113	1,737
Impairment charges	–	–	4,127,997	4,127,997
Reportable segment assets	35,299	28,661	457,668	521,628
Addition to non-current segment assets during the year	256	569	2,394	3,219

6. SEGMENT INFORMATION *(continued)*

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

	2011 HK$'000	2010 HK$'000
Revenue		
Reportable segment revenue	**418,856**	280,215
Consolidated revenue	**418,856**	280,215
Profit		
Reportable segment profit	**166,650**	114,813
Other revenue and other gains (Note 7 and Note 8)	**1,354,033**	296,895
Unallocated depreciation and amortisation	**(6,016)**	(7,339)
Finance costs	**(20,778)**	–
Impairment charges	**(347,505)**	(4,127,997)
Research and development expenses	**(16,881)**	(6,639)
Unallocated head office and administrative expenses	**(62,912)**	(39,378)
Consolidated profit/(loss) before income tax	**1,066,591**	(3,769,645)
Assets		
Reportable segment assets	**207,712**	521,628
Deferred tax assets	**757**	80
Cash and cash equivalents	**347,417**	294,903
Unallocated head office and other assets	**59,842**	62,465
Consolidated total assets	**615,728**	879,076

6. SEGMENT INFORMATION *(continued)*

(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 2011

	Hong Kong HK$'000	**PRC HK$'000**	**Macau HK$'000**	**Total HK$'000**
Revenue from external customers	**252,379**	**157,040**	**9,437**	**418,856**
Specified non-current assets	**2,825**	**109,181**	**2**	**112,008**

Year ended 31 December 2010

	Hong Kong HK$'000	PRC HK$'000	Macau HK$'000	Total HK$'000
Revenue from external customers	201,634	69,665	8,916	280,215
Specified non-current assets	1,777	440,095	5	441,877

7. OTHER REVENUE

	2011 HK$'000	2010 HK$'000
Interest income	**892**	534
Government grants (Note a)	**7,700**	4,313
Others	**1,221**	943
	9,813	5,790

Note:

(a) Government grants were received from the local authorities to support the Group's enhancement of service provision to overseas customers and the Group's application of technical patents. There are no unfulfilled conditions or contingencies relating to these grants.

8. OTHER GAINS

	2011 HK$'000	2010 HK$'000
Changes in fair values of purchase consideration payables (Note 26)	1,344,220	291,086
Gain on disposal of a subsidiary (Note 24)	–	19
	1,344,220	291,105

9. DIRECTORS' REMUNERATION

(a) Directors' emoluments

For the year ended 31 December 2011

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Li Kin Shing	80	607	73	34	794
Kwok King Wa	80	607	73	34	794
Li Yin	80	513	50	28	671
Wong Kin Wa	80	606	63	33	782
Li Wen	80	633	75	–	788
Chen Xue Dao	80	–	–	–	80
Cheung Sai Ming	80	–	–	–	80
Liu Chun Bao	46	–	–	–	46
Tang Yue	34	–	–	–	34
	640	2,966	334	129	4,069

For the year ended 31 December 2010

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Li Kin Shing	80	608	73	34	795
Kwok King Wa	80	608	73	34	795
Li Yin	80	240	20	13	353
Wong Kin Wa	80	454	73	26	633
Li Wen	80	120	10	–	210
Tang Yue	80	–	–	–	80
Chen Xue Dao	80	–	–	–	80
Cheung Sai Ming	80	–	–	–	80
	640	2,030	249	107	3,026

9. DIRECTORS' REMUNERATION *(continued)*

(b) Five highest paid individuals

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

	2011 Number of individual	2010 Number of individual
Director of the Company	3	3
Senior management	2	2

Out of the five individuals with the highest emoluments, three (2010: three) are directors whose emoluments are disclosed in Note 9(a). The aggregate emoluments in respect of the other two (2010: two) highest paid individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other emoluments	2,031	818
Bonuses	165	79
Retirement scheme contribution	104	48
	2,300	945

The emoluments of the above mentioned individuals with the highest emoluments fall within the following bands:

	2011 Number of individual	2010 Number of Individual
HK$Nil–HK$1,000,000	1	2
HK$1,000,001–HK$2,000,000	1	–

10. DIVIDENDS

The dividends paid in 2010 amounted to HK$9,462,000 (final dividend of HK$0.01 per share) and HK$28,386,000 (special dividend of HK$0.03 per share) which are related to the dividends proposed for the year ended 31 December 2009.

11. EXPENSES BY NATURE

(a) Cost of sales, administrative expenses and research and development expenses

	2011 HK$'000	2010 HK$'000
Employee benefits expenses (Note 11(b))	220,673	156,525
Auditors' remuneration		
– audit services	1,536	1,544
– non-audit services	166	1,001
Depreciation of property, plant and equipment (Note 15)	8,097	6,756
Amortisation of intangible assets (Note 17)	7,363	2,320
Cost of inventories sold (Note 22)	51,761	13,663
Provision for impairment of inventories (Note 22)	2,802	–
Operating lease charges in respect of		
– rental of building and offices	5,981	4,592
– hire of transmission lines	6,259	7,391
Other expenses	33,377	24,966
Total cost of sales, administrative expenses and research and development expenses	338,015	218,758

(b) Employee benefits expenses

	2011 HK$'000	2010 HK$'000
Wages, salaries and other benefits	197,968	141,501
Pension costs – defined contribution plan	22,705	15,024
Total employee benefits expenses	220,673	156,525

Employee benefits expenses of HK$184,902,000 (2010: HK$139,514,000) and HK$11,369,000 (2010: HK$5,126,000) have been charged in cost of sales and research and development expenses respectively.

(c) Finance costs

	2011 HK$'000	2010 HK$'000
Accretion on interest expenses of convertible notes (Note 26)	20,778	–

11. EXPENSES BY NATURE *(continued)*

(d) Impairment charges

	2011 HK$'000	2010 HK$'000
Impairment charges on:		
Property, plant and equipment (Note 15)	**1,960**	–
Goodwill (Note 16)	**295,362**	4,127,997
Intangible assets (Note 17)	**50,183**	–
	347,505	4,127,997

12. INCOME TAX (CREDIT)/EXPENSE

	2011 HK$'000	2010 HK$'000
Current income tax:		
Hong Kong profits tax	**4,398**	3,045
PRC corporate income tax	**5,588**	2,541
Over-provision in the prior year	**(75)**	–
Deferred tax (Note 19)	**(13,561)**	(461)
Income tax (credit)/expense	**(3,650)**	5,125

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

(ii) PRC corporate income tax

According to the tax circular Caishui [2010] No. 65, China Elite Info. Co., Ltd. ("China Elite") is entitled to a PRC corporate income tax rate of 15% for the 4-year period from 2010-2013 as China Elite was approved as a Technology Advanced Service Enterprise ("TASE").

Xiamen Elite Electric Co. Ltd. ("Xiamen Elite"), a production-type foreign investment enterprise established in Xiamen, one of the Special Economic Zones in the PRC, was entitled to a two-year full exemption from income tax followed by a three-year 50% reduction in income tax rate ("2+3 tax holiday") and a preferential tax rate of 15%. According to the new Corporate Income Tax Law effective from 1 January 2009 and its relevant regulations, the 2+3 tax holiday is grandfathered. In addition, an enterprise which was subject to the reduced tax rate of 15% before, the transitional income tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Xiamen Elite had unused tax losses as at 31 December 2008 and is deemed to have started its tax holiday in 2009. Accordingly, Xiamen Elite is subject to income tax at the rates of 0%, 0%, 11%, 12%, 12.5% and 25% for 2008, 2009, 2010, 2011, 2012 and 2013, respectively.

12. INCOME TAX (CREDIT)/EXPENSE *(continued)*

The tax on the Group's profit/(loss) before income tax differs than the theoretical amount that would arise using the weighted average tax rate applicable to profits/(losses) of the consolidated entities as follows:

	2011 HK$'000	2010 HK$'000
Profit/(loss) before income tax	**1,066,591**	(3,769,645)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	**181,097**	(450,251)
Tax effects of:		
Income not subject to tax	**(222,226)**	(34,930)
Expenses not deductible for tax purposes	**39,313**	496,817
Utilisation of previously unrecognised tax losses	**(1,862)**	(6,463)
Over-provision in the prior year	**(75)**	–
Tax losses for which no deferred income tax asset was recognised	**103**	–
Others	**–**	(48)
Income tax (credit)/expense	**(3,650)**	5,125

The weighted average applicable tax rate was 17.0% (2010: 11.9%).

13. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$1,064,119,000 (2010: loss of HK$3,757,938,000).

14. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on profit attributable to equity holders of the Company of HK$1,070,241,000 (2010: loss attributable to equity holders of the Company of HK$3,774,770,000) and on the weighted average number of 1,852,987,890 (2010: 946,200,000) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

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

Diluted earnings per share are equal to the basic earnings per share for the year ended 31 December 2011 as there were no potential dilutive ordinary shares outstanding during the year.

The purchase consideration payables arising from the acquisition of the Sunward Group (Note 26) potentially require such consideration to be settled in shares. As the Group is loss making for the year ended 31 December 2010, the impact on the loss per share is anti-dilutive and consequently has not been reflected in the calculation of diluted loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

The Group	Building	Leasehold improvements	Facilities equipment	Office equipment	Vehicles and other equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010							
Cost	47,399	18,913	27,919	13,660	4,493	–	112,384
Accumulated depreciation	–	(17,012)	(22,152)	(9,633)	(3,815)	–	(52,612)
Net book amount	47,399	1,901	5,767	4,027	678	–	59,772
Year ended 31 December 2010							
Opening net book amount	47,399	1,901	5,767	4,027	678	–	59,772
Additions	82	1,254	880	932	2,214	1,067	6,429
Acquisition of subsidiaries (Note 29)	–	361	1,286	755	321	–	2,723
Depreciation	(1,240)	(1,117)	(2,554)	(1,488)	(357)	–	(6,756)
Disposals	–	–	(10)	(20)	–	–	(30)
Exchange differences	1,631	67	157	147	2	17	2,021
Closing net book amount	47,872	2,466	5,526	4,353	2,858	1,084	64,159
At 31 December 2010							
Cost	49,132	21,041	30,765	16,171	7,499	1,084	125,692
Accumulated depreciation	(1,260)	(18,575)	(25,239)	(11,818)	(4,641)	–	(61,533)
Net book amount	47,872	2,466	5,526	4,353	2,858	1,084	64,159
Year ended 31 December 2011							
Opening net book amount	47,872	2,466	5,526	4,353	2,858	1,084	64,159
Additions	–	685	2,210	2,157	1,306	4,629	10,987
Depreciation	(1,294)	(1,604)	(2,242)	(1,460)	(1,497)	–	(8,097)
Disposals	–	–	(2)	(9)	–	–	(11)
Impairment charge (Note)	–	–	(1,960)	–	–	–	(1,960)
Transfer	–	3,604	606	988	12	(5,091)	119
Exchange differences	2,346	171	225	240	89	44	3,115
Closing net book amount	48,924	5,322	4,363	6,269	2,768	666	68,312
At 31 December 2011							
Cost	51,568	26,146	32,739	19,926	9,065	666	140,110
Accumulated depreciation	(2,644)	(20,824)	(28,376)	(13,657)	(6,297)	–	(71,798)
Net book amount	48,924	5,322	4,363	6,269	2,768	666	68,312

Note: In accordance with the Group's accounting policy on asset impairment (Note 2.7), the carrying value of property, plant and equipment allocated to the operating segment of RF-SIM business of HK$3,628,000 (before impairment charge) was tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The assumptions used to calculate the recoverable amount of the CGU are set out in Note 16 to the consolidated financial statements.

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

The Company	**Leasehold improvements** HK$'000	**Facilities equipment** HK$'000	**Office equipment** HK$'000	**Total** HK$'000
At 1 January 2010				
Cost	4,821	271	27	5,119
Accumulated depreciation	(4,818)	(217)	(20)	(5,055)
Net book amount	3	54	7	64
Year ended 31 December 2010				
Opening net book amount	3	54	7	64
Depreciation	(3)	(54)	(3)	(60)
Closing net book amount	–	–	4	4
At 31 December 2010				
Cost	4,821	271	27	5,119
Accumulated depreciation	(4,821)	(271)	(23)	(5,115)
Net book amount	–	–	4	4
Year ended 31 December 2011				
Opening net book amount	–	–	4	4
Depreciation	–	–	(2)	(2)
Closing net book amount	–	–	2	2
At 31 December 2011				
Cost	4,821	271	27	5,119
Accumulated depreciation	(4,821)	(271)	(25)	(5,117)
Net book amount	–	–	2	2

16. GOODWILL

The Group	2011 HK$'000	2010 HK$'000
As at 1 January	281,409	–
Acquisition of subsidiaries (Note 29)	–	4,333,021
Exchange difference	13,953	76,385
Impairment charge	(295,362)	(4,127,997)
As at 31 December	–	281,409

The carrying amount of the goodwill has been reduced to its recoverable amount through recognition of an impairment loss.

Impairment test

Goodwill is allocated to the Group's CGU identified according to operating segment. Since the goodwill was arisen from the acquisition of Sunward Group (Note 29), it is allocated to the operating segment of RF-SIM business.

The recoverable amount of a CGU is determined based on fair value less costs to sell calculations. These calculations use post-tax cash flow projections based on financial budgets covering up to 2024. Cash flows beyond 2024 have been extrapolated assuming no growth rate per annum which is determined by considering both internal and external factors relating to the CGU.

Key assumptions used for fair value less costs to calculations are as follows:

	2011	2010
Estimated sales growth rate from 2012 to 2013 (2010: from 2011 to 2013)	-9%	23–8%
Estimated sales decline rate from 2014–2024	5%	5%
Discount rate	18.7%	16.4%

Management determined the above estimated sales decline/growth rates based on its expectations of market development. The discount rate used reflects specific risks relating to the relevant operating segment.

In accordance with the Group's accounting policy on asset impairment (Note 2.7), the carrying value of goodwill was tested for impairment as at each balance sheet date.

RF-SIM is a technology which allows a special-made SIM card to perform the function of mobile SIM card as well as a contact-less smart card. This is a new technology that embeds a special-made radio frequency module, i.e. 2.4GHz, into a mobile SIM card. The radio frequency module could carry out a point-to-point or point-to-multipoint communication, without affecting the mobile services or call in conversation.

16. GOODWILL *(continued)*

Impairment test *(continued)*

There are currently three main models for mobile payment technology in the PRC, namely:

(i) Near Field Communication ("NFC"), an international standard based on the 13.56MHz frequency;

(ii) Dual-Interface SIM technology which is presented by SIMpass product in the PRC, which is also based on the 13.56MHz frequency; and

(iii) RF-SIM technology, operating at 2.4GHz frequency.

During the year, the Group encountered some downturns of selling and distributing of the RF-SIM products to the mobile service providers in China, as there were some uncertainties on whether RF-SIM technology, which operates at 2.4 GHz frequency, would be adopted as one of the national standards for near field mobile payment by the China regulatory body. As a result, the mobile service providers were prudent and the orders of RF-SIM products during the year were mainly for the placements to the existing installation in those cities with system already established in previous years. New installation and expansion to new cities and provinces were not up to speed as in last year. The gross margin of RF-SIM business decreased due to the reduction of unit selling price of RF-SIM products. As a result, the Group did not meet the profit forecast for the year ended 31 December 2011.

Management revised the profit forecast by using the key assumptions as mentioned above. The patent and property, plant and equipment of Sunward Group are allocated to the same CGU as goodwill, which arose from the acquisition of Sunward Group. For impairment assessment purpose, the carrying values of the same CGU is compared against its recoverable amount and an impairment loss is recognised when the asset's carrying value exceeds its recoverable amount. The impairment loss is then allocated to reduce the carrying amount of goodwill and then to the other assets of the same CGU ratably based on the carrying amount of each asset. By comparing the carrying amount of the goodwill against its recoverable amount, which equals fair value less costs to sell, an impairment charge relating to goodwill of HK$295,362,000 (2010: HK$4,127,997,000) was recognised for the year ended 31 December 2011; and an impairment charge of HK$50,183,000 (2010: HK$Nil) relating to patent (Note 17) and HK$1,960,000 (2010: HK$Nil) relating to property, plant and equipment (Note 15) were recognised for the year ended 31 December 2011.

17. INTANGIBLE ASSETS

The Group

	Patent HK$'000	Software HK$'000	Total HK$'000
At 1 January 2010			
Cost	–	1,613	1,613
Accumulated amortisation	–	(408)	(408)
Net book value	–	1,205	1,205
Year ended 31 December 2010			
Opening net book value	–	1,205	1,205
Additions	–	24	24
Acquisition of subsidiaries (Note 29)	97,265	116	97,381
Amortisation for the year	(1,985)	(335)	(2,320)
Exchange differences	–	19	19
Closing net book value	95,280	1,029	96,309
At 31 December 2010			
Cost	97,265	1,793	99,058
Accumulated amortisation	(1,985)	(764)	(2,749)
Net book value	95,280	1,029	96,309
Year ended 31 December 2011			
Opening net book value	95,280	1,029	96,309
Additions	–	451	451
Amortisation for the year	(6,971)	(392)	(7,363)
Impairment charge (Note)	(50,183)	–	(50,183)
Transfer	–	(119)	(119)
Exchange differences	4,552	49	4,601
Closing net book value	42,678	1,018	43,696
At 31 December 2011			
Cost	51,905	2,212	54,117
Accumulated amortisation	(9,227)	(1,194)	(10,421)
Net book value	42,678	1,018	43,696

Note: In accordance with the Group's accounting policy on asset impairment (Note 2.7) the carrying value of intangible assets allocated to the operating segment of RF-SIM business of HK$92,861,000 (before impairment charge) was tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The assumptions used to calculate the recoverable amount of the CGU are set out in Note 16 to the consolidated financial statements.

18. INVESTMENT IN AN ASSOCIATE

The Group

	2011 HK$'000	2010 HK$'000
At 1 January	–	404
Disposals (Note 24)	–	(404)
At 31 December	–	–

19. DEFERRED TAX ASSETS AND LIABILITIES

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

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	(757)	(80)	(9)	–
At 31 December	(757)	(80)	(9)	–
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	8,836	21,268	–	–
Deferred tax liability to be recovered within 12 months	1,368	745	–	–
At 31 December	10,204	22,013	–	–
Deferred tax liabilities/(assets) (net)	9,447	21,933	(9)	–

19. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

The gross movement on the deferred income tax account is as follows:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
At 1 January	**21,933**	7	**–**	(4)
Acquisition of subsidiary (Note 29)	**–**	22,387	**–**	–
(Credited)/charged to income statement (Note 12)	**(13,561)**	(461)	**(9)**	4
Exchange differences	**1,075**	–	**–**	–
At 31 December	**9,447**	21,933	**(9)**	–

The movement on the deferred income tax account is as follows:

The Group

Deferred tax liabilities	**Accelerated tax depreciation** HK$'000	**Fair value gains** HK$'000	**Total** HK$'000
At 1 January 2010	11	–	11
Acquisition of subsidiaries (Note 29)	–	22,387	22,387
Charged/(credited) to consolidated income statement	72	(457)	(385)
At 31 December 2010	83	21,930	22,013
At 1 January 2011	83	21,930	22,013
Charged/(credited) to consolidated income statement	107	(12,992)	(12,885)
Exchange differences	–	1,076	1,076
At 31 December 2011	**190**	**10,014**	**10,204**

19. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

The Group *(continued)*

Deferred tax assets	**Decelerated tax depreciation** HK$'000	**Unrealised profits and others** HK$'000	**Total** HK$'000
At 1 January 2010	4	–	4
(Charged)/credited to consolidated income statement	(3)	79	76
At 31 December 2010	1	79	80
At 1 January 2011	1	79	80
Credited to consolidated income statement	6	670	676
Exchange differences	1	–	1
At 31 December 2011	**8**	**749**	**757**

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2011, the Group did not have material tax losses to be carried forward. As at 31 December 2010, the Group did not recognise deferred income tax assets of HK$2 million in respect of losses amounting to HK$11 million (which was expired in 2011) as it is not probable that future taxable profits against which the losses can be utilised. The tax losses expire within five years after the year the loss occurred under the current tax legislation.

The Company

Deferred tax assets	**Decelerated tax depreciation** HK$'000
At 1 January 2010	4
Charged to income statement	(4)
At 31 December 2010	–
At 1 January 2011	–
Credited to income statement	9
At 31 December 2011	**9**

20. TRADE AND OTHER RECEIVABLES

	Note	The Group 2011 HK$'000	The Group 2010 HK$'000	The Company 2011 HK$'000	The Company 2010 HK$'000
Trade receivables					
– amounts due from related parties	33(c)	110	350	–	–
– amounts due from third parties		121,927	107,715	12	9
	(a)	122,037	108,065	12	9
Deposits, prepayments and other receivables		3,352	6,116	821	583
		125,389	114,181	833	592

The amounts due from related parties were unsecured, interest free and repayable on demand (2010: same).

The carrying amounts of the Group's and the Company's trade and other receivables are denominated in the following currencies:

	The Group 2011 HK$'000	The Group 2010 HK$'000	The Company 2011 HK$'000	The Company 2010 HK$'000
RMB	51,169	61,558	–	–
HK$	74,220	52,623	833	592
	125,389	114,181	833	592

(a) Ageing analysis

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

	The Group 2011 HK$'000	The Group 2010 HK$'000	The Company 2011 HK$'000	The Company 2010 HK$'000
Aged within 1 month	38,886	41,081	6	9
Aged over 1 to 3 months	64,976	60,859	6	–
Aged over 3 to 6 months	17,206	6,006	–	–
Aged over 6 months to 1 year	788	119	–	–
Aged over 1 year	181	–	–	–
	122,037	108,065	12	9

20. TRADE AND OTHER RECEIVABLES *(continued)*

(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 (Note 2.9).

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

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
At 1 January	**830**	570	**–**	–
Provision for receivables impairment	**–**	260	**–**	–
Receivable written off during the year as uncollectible	**(649)**	–	**–**	–
At 31 December	**181**	830	**–**	–

At 31 December 2011, the Group's trade receivables of HK$181,000 (2010: HK$830,000) were individually determined to be impaired.

Trade receivables of HK$51,005,000 (2010: HK$33,019,000) of the Group were past due but not impaired. These relate to a number of independent customers who have a good track record with the Group. The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Up to 3 months	**46,381**	29,195	**–**	–
3 to 6 months	**3,655**	3,824	**–**	–
6 months to 1 year	**87**	–	**–**	–
Over 1 year	**882**	–	**–**	–
	51,005	33,019	**–**	–

The individually impaired receivables related to invoices that were default in payments and management assessed that the receivables are not expected to be recovered as at 31 December 2010. Consequently, trade receivables of HK$82,000 were directly written off to the income statement for the year ended 31 December 2011 and allowances for doubtful debts HK$260,000 of the Group were recognised as at 31 December 2010. As at 31 December 2011, HK$649,000 (2010: HK$Nil) were individually determined to be written off against trade receivables directly. Management considered that no further impairment loss should be recognised as at 31 December 2011 as the receivables were expected to be recovered.

20. TRADE AND OTHER RECEIVABLES *(continued)*

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

According to the contracts entered into between the Group and its customers, payments in respect of the Group's provision of services are made on an open account with credit terms ranging from 15 to 30 days. For the sales of goods, the credit terms is at maximum of 30 days. Subject to negotiation, credit terms could be further extended to three to six months for certain customers with well-established trading and payment records on a case-by-case basis. The Group generally gives credit terms to its customers based on certain criteria, such as the length of business relationship with the customers and the customer's payment history, background and financial strength. The Group reviews the settlement records of its customers on a regular basis to determine their credit terms.

The carrying values of other receivables approximate their fair values. Deposits, prepayments and other receivables do not contain impaired assets. The maximum exposure to credit risk is the fair value of each class of financial assets mentioned above. The Group does not hold any collateral as security.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Cash at banks and in hand	**250,740**	204,110	**62,095**	37,972
Short-term bank deposits	**96,677**	90,793	**28,414**	28,308
	347,417	294,903	**90,509**	66,280

The effective interest rates on short-term bank deposits ranged from 0.15% to 0.8% (2010: 0.01% to 0.19%) per annum. These deposits have an average maturity of 30 to 36 days (2010: 30 to 90 days).

The carrying values of cash and cash equivalents approximate their fair values.

The carrying amounts of the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
HK$	**207,659**	206,823	**81,681**	57,465
US$	**64,203**	55,372	**8,828**	8,815
RMB	**75,540**	32,696	**–**	–
Other currencies	**15**	12	**–**	–
	347,417	294,903	**90,509**	66,280

As at 31 December 2011, cash and cash equivalents of approximately HK$75,531,000 (2010: HK$32,551,000) of the Group and none of the cash and cash equivalents of the Company were deposited with banks in the People's Republic of China ("PRC"). The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by The State Administration for Exchange Control.

22. INVENTORIES

	The Group	
	2011 **HK$'000**	2010 HK$'000
Raw materials	**23,531**	15,249
Work in progress	**8,548**	12,074
Finished goods	**880**	712
	32,959	28,035
Less: provision for impairment of inventories	**(2,802)**	–
	30,157	28,035

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$51,761,000 (2010: HK$13,663,000).

23. SHARE CAPITAL

(a) Authorised and issued share capital

	The Company	
	2011 **HK$'000**	2010 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each	**40,000**	40,000

	Issued and fully paid ordinary share of HK$0.01 each	
	Number of shares	HK$'000
As at 1 January 2010 and 31 December 2010	946,200,000	9,462
Issued during the year (Note 26)	2,081,620,000	20,816
As at 31 December 2011	**3,027,820,000**	**30,278**

(b) Share based payments

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 2011, no option was granted under the Share Option Scheme (2010: Same). 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.

24. DISPOSAL OF A SUBSIDIARY

On 30 November 2010, the Group entered into an agreement with Mr. Li Kin Shing for the disposal of Star Global Technology Limited ("Star Global"). Details are as follows:

	2011 HK$'000	2010 HK$'000
Cash consideration received	–	506
Net assets disposed:		
Investment in an associate (Note 18)	–	(404)
Cash and cash equivalents	–	(83)
Gain on disposal of a subsidiary	–	19

25. RESERVES

(a) The Group

	Statutory reserve HK$'000	Exchange reserve HK$'000	Share premium HK$'000	Other reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2010	97	5,087	326,387	24,769	176,768	533,108
Loss for the year	–	–	–	–	(3,774,770)	(3,774,770)
Exchange difference on translation of financial statements of subsidiaries	–	80,650	–	–	–	80,650
Dividends relating to 2009	–	–	–	–	(37,848)	(37,848)
Income tax expense of a subsidiary borne by the ultimate shareholder	–	–	–	245	–	245
At 31 December 2010	97	85,737	326,387	25,014	(3,635,850)	(3,198,615)
At 1 January 2011	97	85,737	326,387	25,014	(3,635,850)	(3,198,615)
Profit for the year	–	–	–	–	1,070,241	1,070,241
Exchange difference on translation of financial statements of subsidiaries	–	26,689	–	–	–	26,689
Issuance of convertible notes – equity component	–	–	–	1,433,402	–	1,433,402
Conversion of convertible notes – liability component	–	–	1,215,955	–	–	1,215,955
At 31 December 2011	**97**	**112,426**	**1,542,342**	**1,458,416**	**(2,565,609)**	**547,672**

25. RESERVES *(continued)*

(b) The Company

	Share premium HK$'000	Other reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2010	326,387	18,101	169,601	514,089
Loss for the year	–	–	(3,757,938)	(3,757,938)
At 31 December 2010	326,387	18,101	(3,588,337)	(3,243,849)
At 1 January 2011	326,387	18,101	(3,588,337)	(3,243,849)
Profit for the year	–	–	1,064,119	1,064,119
Issuance of convertible notes				
– equity component	–	1,433,402	–	1,433,402
Conversion of convertible notes				
– liability component	1,215,955	–	–	1,215,955
At 31 December 2011	**1,542,342**	**1,451,503**	**(2,524,218)**	**469,627**

(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 their 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 (2010: Nil). For Xiamen Elite, before the acquisition by the Company during the year ended 31 December 2010, the balance of statutory reserve had already reached 50% of its registered capital.

(ii) *Distributability of reserves*

Under the Cayman Companies Law, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2011, the Company had HK$1,542,342,000 (2010: HK$326,387,000) available for distribution to equity holders of the Company, subject to immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

26. PURCHASE CONSIDERATION PAYABLES AND CONVERTIBLE NOTES

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
As at 1 January	**3,993,615**	–
Initial fair values of purchase consideration payables at the date of acquisition	**–**	4,284,701
Fair value adjustment (Note a)	**(1,344,220)**	(291,086)
Issuance of convertible notes (Note b)	**(2,649,395)**	–
As at 31 December	**–**	3,993,615

Notes:

(a) According to IFRS 3R, contingent consideration classified as a liability that is a financial instrument is within the scope of IAS 39 and shall be measured at fair value, with any resulting gain or loss recognised in income statement in accordance with IFRS, until the convertible notes have been issued. As a result, the purchase consideration payables were re-measured at fair values at 31 May 2011, i.e. when the convertible notes were issued. The key assumptions are as follows:

	31 May 2011	31 December 2010
Closing share price of the Company	**HK$1.02**	HK$1.70
Expected volatility of underlying share	**82.586%**	83.034%
Dividend yield	**1.672%**	1.670%
Risk free rate	**1.471%**	1.763%
Discount rate	**11.351%**	11.893%

(b) On 31 May 2011, the Company issued non-interest bearing convertible notes of the principal amount of HK$2,081,620,000 in total, which is calculated based on the net profit of Sunward Group amounting to HK$114,081,000 and by applying a price-earnings multiple of 20 times according to the formula as stipulated in the acquisition agreement as set out in Note 29, for the year ended 31 December 2010.

At the option of the noteholders, the aggregate amount of HK$2,081,620,000 is convertible into fully paid shares with a par value of HK$0.01 each of the Company. The convertible notes mature in five years (May 2016) from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or before 31 May 2016 at a conversion price of HK$1.00 per share at the option of the noteholders. Since the fixed principal amounts of convertible notes is only convertible into shares at fixed price, the convertible notes should be split into two components, a liability portion and an equity portion according to their respective fair values at the date of issue.

The fair value of the liability component was calculated using the market interest rate for an equivalent non-convertible note. The liability component is subsequently stated at amortised cost until its extinguishment upon conversion or maturity of the notes. The residual amount, representing the value of the equity conversion component, is accounted for as an other reserve included in reserves.

26. PURCHASE CONSIDERATION PAYABLES AND CONVERTIBLE NOTES *(continued)*

The convertible notes recognised in the consolidated balance sheet is calculated as follows:

	2011 HK$'000
Issuance of convertible notes	2,649,395
Equity component	(1,433,402)
Liability component at the date of issuance on 31 May 2011	1,215,993
Accretion of interest (Note 11(c))	20,778
Conversion of convertible notes	(1,236,771)
Carrying amount of liability component at 31 December 2011	–

Interest expenses on the liability component of the convertible notes are calculated using the effective interest method, applying the effective interest rate of 11.351% per annum to the liability component, up to 26 July 2011.

On 26 July 2011, the Company received conversion notices from the noteholders in respect of the conversion of the convertible notes in the principal amounts of HK$2,081,620,000 into shares at the conversion price of HK$1.00 per share. As a result of the conversion, the Company allotted and issued 2,081,620,000 shares of HK$0.01 each at the conversion price of HK$1. Upon the allotment and issue of the shares, the liability component of the convertible notes was credited to equity thereby reducing the liability by HK$1,236,771,000 which is measured at amortised cost using the effective interest method at the date of conversion, and correspondingly the share capital and the share premium of the Group was increased by HK$20,816,000 and HK$1,215,955,000, respectively.

27. TRADE AND OTHER PAYABLES

		The Group		The Company	
	Note	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade payables	(a)	2,667	6,571	–	–
Other payables and accruals					
– amount due to related parties	33(c)	–	11,752	–	–
– others		23,927	17,146	1,612	1,866
		26,594	35,469	1,612	1,866

The amounts due to related parties as at 31 December 2010 were unsecured, interest free and repayable on demand.

27. TRADE AND OTHER PAYABLES *(continued)*

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

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
US$	**723**	3,977	**–**	–
RMB	**22,267**	27,300	**–**	–
HK$	**3,604**	4,192	**1,612**	1,866
	26,594	35,469	**1,612**	1,866

(a) Trade payables

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
The ageing analysis of trade payables is as follows:				
0 – 30 days	**1,868**	5,816	**–**	–
31 – 90 days	**510**	578	**–**	–
91 – 180 days	**84**	7	**–**	–
181 – 1 year	**–**	170	**–**	–
Over 1 year	**205**	–	**–**	–
	2,667	6,571	**–**	–

28. CASH GENERATED FROM OPERATIONS

	2011 HK$'000	2010 HK$'000
Profit/(loss) before income tax	**1,066,591**	(3,769,645)
Adjustments for:		
– Depreciation of property, plant and equipment	**8,097**	6,756
– Amortisation of intangible assets	**7,363**	2,320
– Loss on disposal of property, plant and equipment	**11**	30
– Impairment charges	**347,505**	4,127,997
– Impairment losses of trade receivables	**–**	260
– Written off of trade receivables	**82**	–
– Change in fair values of purchase consideration payables	**(1,344,220)**	(291,086)
– Finance costs	**20,778**	–
– Gain on disposal of a subsidiary	**–**	(19)
– Interest income	**(892)**	(534)
– Foreign exchange losses	**1,685**	1,457
Changes in working capital		
– Inventories	**(2,122)**	(9,226)
– Trade and other receivables	**(12,066)**	55,548
– Trade and other payables	**(9,857)**	(34,872)
Cash generated from operations	**82,955**	88,986

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

	2011 HK$'000	2010 HK$'000
The Group		
Net book amount (Note 15)	**11**	30
Loss on disposal of property, plant and equipment	**(11)**	(30)
Proceeds from disposal of property, plant and equipment	**–**	–

Major non-cash transaction

Save as disclosed in Note 26 to the consolidated financial statements, there is no other major non-cash transaction during the years ended 31 December 2011 and 2010.

29. BUSINESS COMBINATIONS

Acquisition of interests in Sunward Group

On 4 May 2010, the Company entered into an acquisition agreement ("Acquisition Agreement") with Mr. Li Kin Shing, CEO of the Group and Ms. Kwok King Wa, Chairman of the Group, who are also the controlling shareholders of the Company, pursuant to which the Company conditionally agreed to purchase the entire issued share capital of Sunward Telecom Limited for an aggregate consideration of HK$2,000,000,000, which shall be satisfied as to an aggregate amount of HK$200,000,000 by cash and as to an aggregate amount of HK$1,800,000,000 by the issue of convertible notes. The principal balance of the convertible notes changed subject to the profit of Sunward Group for the year ended 31 December 2010 and by applying a price-earnings multiple of 20 times according to the formula as stipulated in the Acquisition Agreement. As the conversion price was fixed at HK$1.00, the actual number of shares to be issued would change accordingly.

On 15 September 2010, following the fulfillment of all conditions as set out in the Acquisition Agreement, the acquisition of Sunward Group was completed and Sunward Telecom Limited became a direct wholly-owned subsidiary of the Company.

Details of the consideration paid/payable and net assets acquired are as follows:

	2010 HK$'000
Cash	200,000
Purchase consideration payables (Note 26)	4,284,701
Total consideration	4,484,701
Net assets acquired	
Property, plant and equipment (Note 15)	2,723
Patent (Note 17)	97,265
Other intangible assets (Note 17)	116
Inventories	18,809
Trade and other receivables	97,971
Cash and cash equivalents	26,092
Trade and other payables	(58,169)
Current income tax liabilities	(10,740)
Deferred tax liabilities (Note 19)	(22,387)
	151,680
Goodwill on acquisition (Note 16)	4,333,021

Goodwill arising from the acquisition date amounted to HK$4,333,021,000 as computed above. The terms for the purchase consideration payables, including the conversion price for the convertible notes, have been determined when the Acquisition Agreement was entered into on 4 May 2010. The conversion price was set at HK$1.00 per share based on the closing share price of the Company when the Acquisition Agreement was entered into. As the transaction was only completed on 15 September 2010, the fair values of the consideration paid, including the purchase consideration payables, were determined with reference the closing share price of the Company on the acquisition date which was HK$1.83 per share. This resulted in a significant increase in the purchase consideration payables, resulting in a significant increase in the goodwill recognised for the acquisition.

The goodwill is attributable to future expected profitability of the acquired business, acquisition of highly skilled workforce, potential contracts with prospective new customers, non-contractual customer relationships and research and development potential for future technology improvement.

The revenue included in the consolidated income statement since 15 September 2010 contributed by the Sunward Group was HK$56,491,000 and its contributed net profit was HK$29,219,000 over the same period.

Had the Sunward Group been consolidated from 1 January 2010, the revenue contributed by the Sunward Group would be HK$224,286,000 and contributed net profit of HK$114,081,000.

The acquisition-related costs of HK$3,325,000 have been included in the administrative expenses in the consolidated income statement for the year ended 31 December 2010.

30. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
The Group				
Property, plant, equipment	288	597	–	–
Construction in progress	1,279	1,450	–	–
	1,567	2,047	–	–

(b) Operating lease commitments – as leases

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

The Group	2011		2010	
	Properties HK$'000	Transmission lines HK$'000	Properties HK$'000	Transmission lines HK$'000
Within 1 year	4,308	2,237	1,425	1,711
Over 1 year but within 5 years	4,663	–	2,450	–
	8,971	2,237	3,875	1,711

The Company	2011		2010	
	Properties HK$'000	Transmission lines HK$'000	Properties HK$'000	Transmission lines HK$'000
Within 1 years	168	–	168	–
Over 1 year but within 2 years	–	–	168	–
	168	–	336	–

The Group leases a number of properties and transmission lines held under non-cancellable operating leases. The lease terms are between one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31. INVESTMENTS IN SUBSIDIARIES

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	483,109	4,484,798
Disposal of a subsidiary (Note c)	(97)	–
Less: provision for impairment loss (Note a)	(264,638)	(4,001,689)
	218,374	483,109
Amounts due from subsidiaries (Note b)	191,793	235,356
Amounts due to subsidiaries (Note b)	–	(24,247)

Notes:

(a) Management has assessed the recoverable amounts of the investments, which are determined based on the net asset values of the subsidiaries at year end.

(b) The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

(c) During the year, the Company disposed of 100% of interest in Pacificnet Management Limited to Sunward Telecom Limited, a wholly-owned subsidiary of the Company at the consideration of HK$0.01. Following the disposal, Pacificnet Management Limited becomes a wholly-owned subsidiary held indirectly by the Company.

The following is a list of the principal subsidiaries at 31 December 2011:

Name	Place of incorporation or establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid-up capital and debt securities	Interest held
China Elite Info Co., Ltd[2]	PRC, limited liability company	Services relating to information and telecommunications system network technology; data communications technology services in the PRC	Registered and paid-up capital of HK$94,000,000	100%
International Elite Limited – Macao Commercial Offshore	Macau Special Administrative Region ("Macau") of the PRC, limited liability company	Call centre for customer support and back offices in Macau	Authorised and paid-up capital of Macau Patacus ("MOP")100,000	100%
International Elite Services Limited	Hong Kong, limited liability company	Investment holding	Authorised and paid-up capital of HK$1	100%[1]

31. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation or establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid-up capital and debt securities	Interest held
Keithick Profits Limited	British Virgin Islands, limited liability company	Investment holding	Authorised capital of US$50,000 and paid-up capital of US$1	100%(1)
PacificNet Communications Limited – Macao Commercial Offshore	Macau, limited liability company	Designing, development and manufacturing of telecommunications products and software in Hong Kong and the PRC	Authorised and paid-up capital of MOP100,000	100%
PacificNet Management Limited	British Virgin Islands, limited liability company	Investment holding	Authorised capital of US$50,000 and paid-up capital of US$50	100%
Sunward Network Technology Limited	British Virgin Islands, limited liability company	Telecommunications consultancy in Hong Kong	Authorised capital of US$50,000 and paid-up capital of US$2	100%
Sunward Telecom Limited	British Virgin Islands, limited liability company	Investment holding	Authorised capital of US$50,000 and paid-up capital of US$2	100%(1)
Target Link Enterprises Limited	Hong Kong, limited liability company	Designing, development and manufacturing of telecommunications products and software in Hong Kong and the PRC	Authorised capital of HK$10,000 and paid-up capital of HK$250	100%
Winet Engineering Limited	Hong Kong, limited liability company	Marketing and technical support services for telecommunications companies in Hong Kong	Authorised capital of HK$10,000 and paid-up capital of HK$2	100%
Xiamen Elite Electric Co. Ltd.(2)	PRC, limited liability company	Manufacturing and sales of RF-SIM cards in the PRC	Registered and paid-up capital of HK$4,000,000	100%

(1) Shares held directly by the Company
(2) These entities are established as wholly owned enterprises in the PRC

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

The Group

	Loans and receivables HK$'000
Assets as per consolidated balance sheet	
31 December 2011	
Trade and other receivables	**123,716**
Cash and cash equivalents (Note 21)	**347,417**
Total	**471,133**
31 December 2010	
Trade and other receivables	109,807
Cash and cash equivalents (Note 21)	294,903
Total	404,710

	Liabilities at fair value through the profit and loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per consolidated balance sheet			
31 December 2011			
Trade and other payables	**–**	**10,225**	**10,225**
31 December 2010			
Trade and other payables	–	20,601	20,601
Purchase consideration payables (Note 26)	3,993,615	–	3,993,615
Total	3,993,615	20,601	4,014,216

32. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The Company

	Loans and receivables HK$'000
Assets as per balance sheet	
31 December 2011	
Trade and other receivables	**413**
Amounts due from subsidiaries (Note 31)	**191,793**
Cash and cash equivalents (Note 21)	**90,509**
Total	**282,715**
31 December 2010	
Trade and other receivables	341
Amounts due from subsidiaries (Note 31)	235,356
Cash and cash equivalents (Note 21)	66,280
Total	301,977

	Liabilities at fair value through the profit and loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
31 December 2011			
Trade and other payables	**–**	**13**	**13**
31 December 2010			
Trade and other payables	–	315	315
Amounts due to subsidiaries (Note 31)	–	24,247	24,247
Purchase consideration payables (Note 26)	3,993,615	–	3,993,615
Total	3,993,615	24,562	4,018,177

33. 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 of ultimate shareholders

China-Hong Kong Telecom Ltd.
Directel Communications Ltd.
Directel Holdings Limited
Directel Limited
Elitel Limited
Fastary Limited
Jandah Management Limited
Talent Information Engineering Co., Ltd.

(iii) Related company of ultimate shareholders

Guangdong Zhitong Investment Ltd.

(b) Transactions with related parties

The following transactions were carried out with related parties:

	Note	2011 HK$'000	2010 HK$'000
Sales	(i)	2,204	4,471
Licensing income	(ii)	68	19
Income tax expense of a subsidiary borne by the ultimate shareholder	(iii)	–	245
Rental expenses for properties	(iv)	332	223
Acquisition of subsidiaries	(v)	–	4,193,615
Disposal of a subsidiary	(vi)	–	506

Notes:

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

(ii) Licensing income from Directel Limited, licensee of the operation rights of RF-SIM in markets other than the PRC is determined on a mutually agreed basis.

(iii) Hong Kong profit tax paid for a subsidiary for the period from 1 January to 15 October 2007 (before listing) was borne by an ultimate shareholder, Mr. Li Kin Shing.

(iv) The Group rented properties from the ultimate shareholder, Mr. Li Kin Shing, and a related party, Talent Information Engineering Co., Ltd., on a mutually agreed basis.

(v) The Company acquired 100% of equity interests in Sunward Group from Mr. Li Kin Shing and Ms. Kwok King Wa during the year ended 31 December 2010 (Note 29).

(vi) The Company disposed of 100% of equity interests in Star Global to Mr. Li Kin Shing and Ms. Kwok King Wa during the year ended 31 December 2010 (Note 24).

33. 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:

	Note	2011 HK$'000	2010 HK$'000
Amounts due from related parties			
– trade	20	**110**	350
Amounts due to related parties			
– others	27	**–**	11,752

Balances with related parties are unsecured, interest-free and repayable on demand.

(d) Key management compensation

Key management includes directors and certain of the highest paid employees as disclosed in Note 9 and Note 11. The compensation paid or payable to key management for employee services is shown below:

	2011 HK$'000	2010 HK$'000
Wages, salaries and other benefits	**4,958**	3,829
Contribution to retirement benefit schemes	**256**	194
	5,214	4,023

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Results					
Turnover	**418,856**	280,215	214,503	238,983	213,870
Profit/(loss) from operations	**1,087,369**	(3,769,645)	39,006	36,858	62,126
Finance costs	**(20,778)**	–	(175)	(337)	(186)
Share of losses of an associate	**–**	–	(2)	–	–
Profit/(loss) before income tax	**1,066,591**	(3,769,645)	38,829	36,521	61,940
Income tax credit/(expense)	**3,650**	(5,125)	(688)	(5,104)	(2,193)
Profit/(loss) for the year attributable to equity holders of the Company	**1,070,241**	(3,774,770)	38,141	31,417	59,747

	At 31 December				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Assets and liabilities					
Property, plant and equipment	**68,312**	64,159	59,772	19,734	25,013
Goodwill	**–**	281,409	–	–	–
Intangible assets	**43,696**	96,309	1,205	425	–
Interest in an associate	**–**	–	404	–	–
Deferred tax assets	**757**	80	4	610	4,432
Net current assets	**475,389**	384,518	481,196	483,648	426,357
Total assets less current liabilities	**588,154**	826,475	542,581	504,417	455,802
Purchase consideration payables	**–**	3,993,615	–	–	–
Deferred tax liabilities	**10,204**	22,013	11	229	–
Net assets/(liabilities)	**577,950**	(3,189,153)	542,570	504,188	455,802
Capital and reserves					
Share capital	**30,278**	9,462	9,462	9,462	9,462
Reserves	**547,672**	(3,198,615)	533,108	494,726	446,340
Total equity	**577,950**	(3,189,153)	542,570	504,188	455,802
Earnings/(loss) per share					
– Basic	**HK$0.58**	HK$(3.99)	HK$0.04	HK$0.03	HK$0.08
– Diluted	**HK$0.58**	HK$(3.99)	HK$0.04	HK$0.03	HK$0.08