INTERNATIONAL ELITE LTD.

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

2013 Annual Report

CONTENT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Li Kin Shing *(Chairman and 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

Cheung Sai Ming *(Chairman)*
Chen Xue Dao
Liu Chun Bao

REMUNERATION COMMITTEE

Cheung Sai Ming *(Chairman)*
Wong Kin Wa
Chen Xue Dao

NOMINATION COMMITTEE

Cheung Sai Ming *(Chairman)*
Li Kin Shing
Chen Xue Dao

REGISTERED OFFICE

The Grand Pavilion Commercial Centre
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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(with effect from 31 March 2014)

AUDITOR

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

STOCK CODE

1328

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Director(s)") of International Elite Ltd. (the "Company"), I am pleased to present the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

Subsequent to the resignation of Ms. Kwok King Wa from 1 December 2013, I have been re-designated from the chief executive officer to the chairman and chief executive officer of the Company and remained as an executive director of the Company. The Board will meet regularly to consider, discuss and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that sufficient measures have been taken and the vesting of the roles of chairman and the chief executive officer of the Company in me will not impair the balance of power and authority between the Board and the management. The Board considers that the structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Looking ahead, the Directors believe that the Group will continue to be benefited from the opportunities arising from the favorable government policies in China including the growth in 3G mobile communications, the release of 4G mobile communications and the increase in domestic demand. The Group is confident that in 2014 it will win more contracts from customers of both telecommunications and non-telecommunication segments in the provinces outside Guangdong, China. The Group is confident that it will achieve continuous business growth as it is well positioned to take the advantage of market expansion with its strong reputation, transparency and soild customer portfolio.

The Group is an organisation that is fast growing and ever evolving. It imagines, conceptualizes, realizes and takes new challenges and new forms. Through business acquisitions, it has been constantly expanding its investment portfolios on an enterprising yet prudent strategy.

Throughout the development course of the Group, it is crucial to have the devotion of its staff. On behalf of the Board, I would like to thank all of our staff for their passion and hard work in turning the Group's vision into reality. I also take this opportunity to extend my appreciation to our shareholders and business partners for their trust and support. The Group's management and staff will work cohesively under the leadership of the Board to overcome challenges in the coming year and return a rich harvest to shareholders.

LI KIN SHING
Chairman

Hong Kong, 28 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a Customer Relationship Management ("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, 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, Radio-Fregnency Subscriber Identity Module ("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

Mature development of China's service outsourcing base cities leads to the CRM fierce market competition, it becomes a big challenge to the Group. Due to the robust domestic demand, the risk exposure to the operation of the Group is still at a manageable level. In 2013, China's economic growth rate reached 7.7%, which was beyond the economic growth target of 7.5% expected by the government of China earlier. Capitalizing on the valuable opportunities arising from a number of favorable government policies in China, including the growth in 3G mobile communications, the release of 4G mobile communications and the increase in domestic demand, the Group continues to explore the China market.

CRM outsourcing is relatively common in the traditional telecommunications industry. CRM customer base has been extended to a wide range of industries, stretching across finance, postal, travel, healthcare, logistics, information technology, online business, media, public utilities and retail. Meanwhile, new concepts such as "Services in China", online services and mobile internet application ("APP") are getting increasingly popular and these new elements have been integrated into the traditional CRM services. In 2013, the Group has been appointed as an internet CRM services provider by several customers to operate the intelligent online business for them. Therefore, the immense potential scale of a rising intelligent CRM market will be further enhanced along with the swift growth in China's booming consumer market. The Group is well-prepared for capturing the opportunities and meeting the challenges ahead.

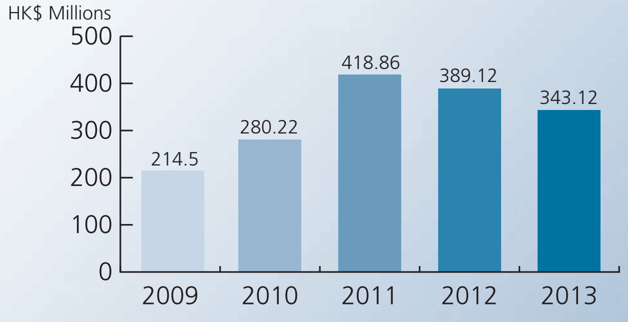
The Group is supplying RF-SIM products, a widely commercialized and proven technology in the market, as one of the alternative solutions to Near Field Communication ("NFC") handsets to mobile service providers in China and exploring the overseas market. In 2013, mobile payment remains one of the hottest topics in the mobile communication over the world. In China for instance, all the 3 mobile operators and many banks have allocated more resources to deploy mobile payment technology, mainly NFC handsets technology, and there is an increasing number of mobile payment handsets as well as payment accepting devices in the market. According to a report from the Ministry of Industry and Information Technology (MIIT) of China, up to the end of 2013, there are 3.66 million handsets with mobile payment capability in the market. Although it translates to a 31.4% increase from the previous year, the penetration rate remains low as compared to a total number of 1.2 billion mobile subscribers in China. The demand for the NFC handsets as a mobile payment technology is still not as great as what is predicted by many of the research reports. The opportunities for alternative NFC handset solutions remain.

The Group is still keeping its vision on the long term opportunity of its product portfolio derived from their RF-SIM technology as prudently optimistic despite the uncertainty and risks on its business growth and product strategies due to the total accessible market which is huge and their unique position in the complex mobile payment ecosystem. The Group has been paying a lot of attention and caution to the changing market environment and adjusted its company's development direction accordingly, by reviewing its existing challenges and prospects.

FINANCIAL REVIEW

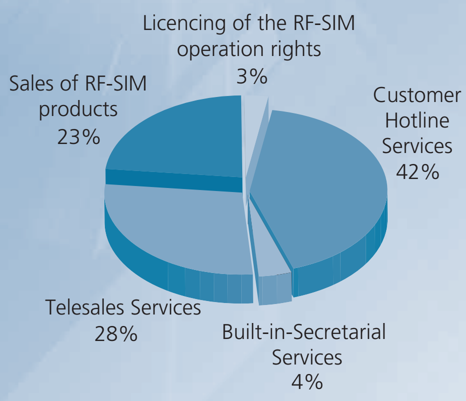
Revenue

For the year ended 31 December 2013, with approximately HK$250,623,000 and HK$92,501,000 contributed by CRM service business and RF-SIM business respectively, the Group's total revenue was approximately HK$343,124,000, representing a drop of approximately 12% as compared with approximately HK$389,118,000 in 2012. There was approximately a 9% decrease in revenue contributed by CRM service business and an approximately 3% decrease in revenue contributed by RF-SIM business. The following table illustrates the Group's revenue from 2009 to 2013:

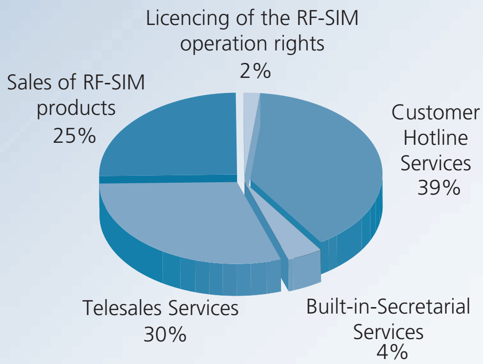


Revenue from 2009 to 2013

Revenue from inbound services, outbound services and RF-SIM business accounted for approximately 43%, 30% and 27% of the Group's total revenue for the year ended 31 December 2013 respectively. There were a decrease of approximately 18% of inbound services, a decrease of approximately 4% of outbound services and a decrease of approximately 10% of RF-SIM business as compared with last year. Below are the charts illustrating the Group's revenue generated from different sections in 2012 and 2013.



Revenue by services in 2012



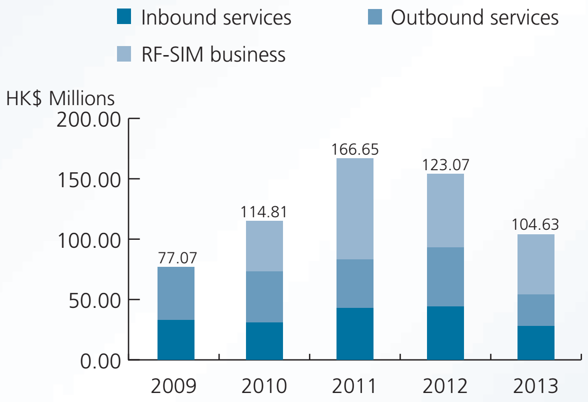
Revenue by services in 2013

Gross Profit

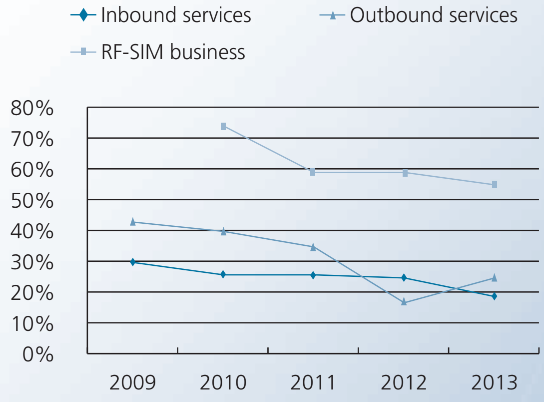
The Group's gross profit for the year ended 31 December 2013 was approximately HK$104,633,000, representing a decrease of approximately 15% as compared with last year. The gross profit margin decreased by approximately 2% to approximately 30% as compared with last year.

The gross profit of CRM service business for the year ended 31 December 2013 was approximately HK$54,175,000, which was decreased by approximately HK$8,322,000 as compared with last year and accounted for approximately 7% of the decrease in gross profit of the Group. The gross profit margin of CRM service business of approximately 22% remained stable as compared with last year. The gross profit of RF-SIM business for the year ended 31 December 2013 was approximately HK$50,548,000, which was decreased by approximately HK$10,119,000 as compared with last year and accounted for approximately 8% of the decrease in gross profit of the Group. The gross profit margin of RF-SIM business decreased by approximately 4% to approximately 55% as compared with last year.

The gross profit of inbound services, outbound services and RF-SIM business accounted for approximately 27%, 25% and 48% of the Group's gross profit for the year ended 31 December 2013 respectively. The gross profit margins of the inbound services, outbound services and RF-SIM business for the year ended 31 December 2013 were approximately 19%, 25% and 55% respectively. Below are the charts illustrating the Group's gross profit from different business segments from 2009 to 2013.



Gross profit by segment



Gross profit margin by segment

Administrative and Other Operating Expenses

During the year under review, the total administrative and other operating expenses of the Group were approximately HK$53,173,000 equivalent to approximately 15% of the Group's revenue in 2013. The administrative and other operating expenses to sales ratio was approximately 2% higher 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 2013 was approximately HK$38,305,000, while the Group's profit attributable to equity holders of the Company for the year ended 31 December 2012 was approximately HK$31,389,000. The increase in profit attributable to equity holders of the Company for the year ended 31 December 2013 was mainly due to that the profit for the year ended 31 December 2012 included a non-cash item, an impairment charge on patent of approximately HK$20,298,000 less deferred tax provision reversal of approximately HK$5,074,500 arising from the acquisition of the Sunward Group.

CRM SERVICE BUSINESS

Business Review

Customers in Telecommunications Industry

In 2013, 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. However, due to the fierce competition in the CRM and telecommunications industries, there was a decrease in revenue of the Group from telecommunications service providers for the year ended 31 December 2013 of approximately 14% as compared with last year.

Customers in Non-Telecommunications Industries

In 2013, the Group continued to broaden its non-telecommunications customer base through active negotiation with potential customers in various industries such as food and beverage, slimming and beauty shops, social welfare, education and information technology and has successfully acquired service contracts from new customers under the paragraph – "New Customers" of this report.

In 2013, the Group entered into a framework agreement with the Government Department of Guangzhou Panyu Administrative District, in which the Group was assigned to develop an integrated "Smart City" solution to promote the transformation of Panyu into an intelligent city.

The Group continued to cooperate with and provide CRM services to well-established customers and customers with business established outside Guangdong Province, China. These customers have stronger demand for our services in line with their development and expansion. The existing customers have built up a consolidated customer base for the Group and have witnessed the Group's notable 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 four CRM service centers and the current production capacity is at an impressive level of over 4,500 seats, securing the Group's leading position in China.

New Customers

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

Customer	Service	Contract date
Guangzhou Deming Real Estate Agency Co., Ltd.	Telesales Service	March 2013
Royal Capital Precious Metals (Asia) Limited	Telesales Service	June 2013
Bonjour Beauty Limited	Telesales Service	July 2013
Ping An Property & Casualty Insurance Company of China, Ltd. Guangdong Branch	Telesales Service	October 2013

Awards and Certification

In July 2013, China's Best Customer Service Appraisal Committee conferred the "Best Outsourcing Service Provider in China" award to China Elite.

In July 2013, China Council for International Investment Promotion granted "Top 100 China's Emerging Service Provider" to China Elite.

In August 2013, China Elite was accredited with "Service Outsourcing Model Enterprise in Guangdong Province" by Department of Foreign Trade and Economic Cooperation of Guangdong Province.

Internet CRM

During the year under review, the Group has launched and provided the Internet CRM service named as Intelligent Internet Chat Application ("iChat") service, to the established telecommunications service providers as well as customer in non-telecommunications industry. With the introduction of iChat service, the labor force structure of the traditional CRM service has been optimized. Furthermore, iChat service creates a unique value to the Group's customers. The Group believes that by changing the cost structure and increasing revenue source, the new service will enhance profit margin for the Group.

Prospects

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.

Under China's scientific and technological innovative environment, including, but not limited to, mature 3G mobile communications, the release of 4G mobile communications, the penetration of mobile internet application into everyday life, the Directors anticipate that there will be more opportunities emerged in the market of China and for the business development of the Group. In 2014, the Group expects to enter into service contract with the Government Department of Guangzhou Panyu Administrative District as the Group has been assigned to develop an integrated "Smart City" solution to promote the transformation of Panyu into an intelligent city. The Group will continue to seek further business opportunities with other government departments and companies having establishments in provinces other than Guangdong, China.

In addition, the Group has been constantly seeking business improvement and worked out plans on launching new services, new programs and entering into new markets. As both CRM and evolution gain increasing recognition, the Directors anticipate that there will be a growing demand for quality intelligent CRM outsourcing solution from various industries in local and overseas markets.

RF-SIM BUSINESS

Business Review

The Group encountered a decrease in revenue of approximately 10% of RF-SIM business for the year ended 31 December 2013 even though the market for mobile payment was growing as a whole. The growth was mainly attributed to NFC handset as well as to NFC-SIM card solutions. The reasons attributed to this result including that all the 3 mobile operators announced their plans on deploying NFC handset solutions in 2012; also, RF-SIM is more specialized to closed-loop applications (e.g. for campus and enterprise solutions) which limited its growth. In addition, the NFC technology is becoming more mature for commercialization these days and hence are more competitive as compared to the old days.

Marketing Strategy

The Group will continue to keep its marketing strategy to deploy its RF-SIM products including the new NFC-SIM and Certificate Authority-SIM ("CA-SIM") products through its well-established channels including SIM card vendors, system integrators as well as service aggregator companies.

The Group has never stopped exploring the international market, but there was not much progress due to the long sales cycle as well as different business environments and hence requirements as compared to that in China for the overseas business. With the new products including NFC-SIM and CA-SIM, the Group will leverage on the new product portfolio to explore the international market through co-operation with overseas system integrators and service operators.

Product Development

The Group is going to launch its NFC-SIM (13.56MHz) products as well as CA-SIM (Bluetooth 4.0) products in the first half of 2014.

NFC-SIM is developed as an alternative solution to NFC handset technology for mobile payment applications. The product can emulate the smart card mode of what the NFC standards stipulates, together with the unique function of Single Wire Protocol ("SWP") that some of the mobile service providers prefer. It will also support the Peer-to-peer ("P2P") mode that other solutions and products may not offer, which is one of the competitive advantages and differentiation of the Group's products.

CA-SIM is developed as a solution for "Smart City" initiatives as well as Internet of Things (IOT) applications. Through the use of CA-SIM with mobile phone APPs, it enables subscribers to store digital certificate on CA-SIM and achieve high hardware security level to access various secured services within any "Smart City" environment. China's Twelfth Five-Year Plan highlighted the importance of building modern metropolis and improving the quality of life. The government in China is promoting "Smart Cities" on a national strategic level to achieve these initiatives.

Manufacturing and Production

The Group did experience a slowdown in demand for the products under outsourcing arrangement but two contracted manufacturing facilities were still employed in the meantime. New products were on trial run and pilot manufacturing in one of them while volume production was being carried out in another one with a bigger capacity. The readiness for supplying a larger scale of the Group's RF-SIM, NFC-SIM and CA-SIM products was maintained and the supply chain management techniques were being continuously enhanced to reduce the inventory level despite the demand for the existing products was not strong and for the new products has not yet been solid yet. The Group had tried whatever measures to ensure the improvement in quality of production and products, including submitting the products for third party certification and authority organizations quality examination when applicable.

Awards and Recognition

In 2013, the Group received the following awards and certifications:

Second Prize for "Excellent New Products of Xiamen" (廈門市優秀新產品獎二等獎)
Third Prize for "Patents of Xiamen" (廈門市專利三等獎)
Pilot Enterprise of Intellectual Property Industry in Xiamen (廈門市知識產權試點企業)
Pilot Enterprise of innovation in Xiamen (廈門市創新試點企業)
Third Prize for "Xiamen Science and Technology Progress Award" (廈門市科技進步三等獎)
Xiamen Technological Institute Laboratories Accreditation (廈門市科技機構實驗室認證)
Third Prize for "Science and Technological Progress Award of Fujian" (福建省科技進步三等獎)
"High-tech products" Certification – Radio-Frequency Mobile Phone Subscriber Identity Module Card, Dual-mode Multi-domain Radio-Frequency Card Reader (高新技術產品認定－射頻手機用戶識別卡、雙模多限域射頻讀卡器)
Internal Research and Development Institute Registration Certificate (企業內部研發機構備案證書)

Prospects

The Group is extending its product portfolio with new product lines which can continue to meet the requirements from both the market as well as the customers, and to arouse new demand for the Group's products. There are also sale leads from overseas which bring more business opportunities to the Group and it is reckoned that the successful expansion of its sales to the international market without huge capital investment to establish overseas facility will be realized in the coming year. These initiatives to extend the Group's product portfolio and to explore of international markets will be a challenge for the Group but the Group will continue to pursue with a proper risk assessment and management philosophy in place.

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 2013, 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 2013, the Group's balance of cash and deposits was approximately HK$430,702,000, which was attributable to the proceeds from the IPO and earnings.

LIQUIDITY AND FINANCIAL POSITION

	2013 HK$'000	2012 HK$'000
Cash at bank and in hand	**281,958**	258,228
Short-term bank deposits	**148,744**	125,408
Total cash and deposits	**430,702**	383,636

The Group normally finances its operations with internally generated cash flows. Cash position increased by approximately HK$47,066,000 in 2013.

As at 31 December 2013, the current ratio was 34.81 (2012: 32.69) and the quick ratio was 32.68 (2012: 30.45).

FOREIGN EXCHANGE RATE RISK

The Group is exposed to limited foreign exchange rate risk as the Group's revenue, assets and liabilities are principally denominated in the functional currencies of the respective group entities.

ASSET MORTGAGE

The Group had no outstanding asset mortgage as at 31 December 2013.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2013.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

As at 31 December 2013, the Group has no specific acquisition target. The Group did not have any material acquisition and disposal 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 2013. During the year under review, no interest was capitalized by the Group.

CAPITAL COMMITMENTS

As at 31 December 2013, there was no capital commitments contracted and not provided for in the financial statements (2012: HK$16,000).

SEGMENT REPORTING

In accordance with IFRS 8, Operating Segments, 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. The 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. Details of segment reporting are set out in note 6 to the financial statements.

STAFF AND REMUNERATION POLICY

As at 31 December 2013, the Group had 2,584 employees (2012: 3,356 employees). Among them, 2,565 employees work in the PRC, 17 employees work in Hong Kong and 2 employees work in Macau.

Breakdown of the Group's staff by function as at 31 December 2013 is as follows:

Function	**As at 31 December 2013**	As at 31 December 2012
Management	**17**	18
Operation	**2,344**	3,087
Financial, administrative and human resources	**96**	95
Sales and marketing	**6**	12
Research and development	**90**	113
Repair and maintenance	**31**	31
	2,584	3,356

The total staff remuneration including Directors' remuneration paid by the Group in 2013 was approximately HK$211,670,000 (2012: approximately HK$241,696,000). 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 2013.

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 26 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 88 of this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement, page 37 of this report.

Major Customers

For the year ended 31 December 2013, the revenue attributable to the largest customer and the five major customers accounted for approximately 39% and approximately 85% of the Group's revenue respectively.

Major Suppliers

Purchases from the largest supplier accounted for approximately 41% of the Group's total purchases. Purchases from the five largest suppliers accounted for approximately 72% 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 does not recommend the payment of a final dividend for the year ended 31 December 2013. No dividend was paid in respect of the year ended 31 December 2012.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 21 to the financial statements.

Debentures

The Group has not issued any convertible debentures, futures, or granted any options, or other similar rights for the year ended 31 December 2013.

Reserves

Details of movements in reserves of the Company and of the Group during the year are set out in note 22 to the financial statements.

Distributable Reserve and Share Premium

Under the Companies Law of the Cayman Islands, 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 debt as they fall due in the ordinary course of business.

As at 31 December 2013, the Company had approximately HK$1,542,342,000 (2012: approximately HK$1,542,342,000) 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.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group and of the Company are set out in note 15 to the financial statements.

Connected Transactions

The continuing connected transactions as referred to in paragraphs A and B fell under the category of continuing connected transactions exempt from the independent shareholders' approval requirements during the three years ended 31 December 2012. Upon their renewal on 12 December 2012, these continuing connected transactions as referred to in paragraphs A and B fell under the category of de minimis transactions and are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

A. *Service Agreements*

1. Service agreement between International Elite Limited – Macao Commercial Offshore ("IEL Macau") (novated from its affiliated company, PacificNet Communications Limited – Macao Commercial Offshore ("PacificNet Communications") on 1 October 2011) and Elitel Limited in respect of BIS services; and

2. Service agreement between IEL Macau (novated from its affiliated company, PacificNet Communications on 1 October 2011) and China-Hong Kong Telecom Ltd. ("China-HK Telecom") in respect of BIS and customer hotline services.

B. *China-HK Telecom Telesales Agreement*

1. Service agreement between IEL Macau (novated from its affiliated company, PacificNet Communications on 1 October 2011) and China-HK Telecom in respect of telesales services.

Details of the above connected transactions are disclosed in the prospectus of the Company dated 11 October 2007.

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) *(resigned with effect from 1 December 2013)*
- 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 (the "Articles"), Mr. Li Kin Shing, Mr. Li Wen and Mr. Cheung Sai Ming shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM"), and, being eligible, will offer themselves for re-election at the forthcoming AGM.

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 the executive Directors has entered into a service agreement with the Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

(a) Each renewal of service agreements is for an initial term of three years commencing on 16 October 2013. Each of these service agreements may be terminated by either party thereto giving to the other not less than three months' prior notice in writing.

(b) The annual director's fee and basic salary payable to Mr. Li Kin Shing, Ms. Kwok King Wa (resigned with effect from 1 December 2013), Ms. Li Yin, Mr. Wong Kin Wa and Mr. Li Wen under their respective service agreements were approximately HK$762,500, HK$762,500, HK$407,600, HK$530,450 and HK$506,075 respectively. Subject to salary adjustments, the annual director's fee and basic salary payable to Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa and Mr. Li Wen as of the date of this report shall be approximately HK$1,280,000, HK$680,000, HK$680,000, and HK$80,000 respectively. In addition, the annual basic salary of approximately HK$844,000 shall be payable to Mr. Li Wen by Xiamen Elite Electric Co., Ltd., a wholly owned subsidiary of the Company.

(c) Each of the executive Directors is entitled to allowance, non-cash benefit, retirement scheme contribution and management bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the executive Director; and

(d) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus payable to himself.

Each of the independent non-executive Directors has entered into a service agreement or appointment letter with the Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

(a) Each of Mr. Chen Xue Dao and Mr. Cheung Sai Ming entered into a renewal of service agreement with the Company for an initial term of three years commencing on 16 October 2013. Mr. Liu Chun Bo has signed an appointment letter with the Company and been appointed for a term of three years commencing from 3 June 2011. Each of these service contracts may be terminated by either party thereto giving to the other not less than three months' prior notice in writing. The appointment letter of Mr. Liu Chun Bo may be terminated by either party thereto giving to the other not less than one month prior notice in writing.

(b) The annual director's fee payable to Mr. Chen Xue Dao, Mr. Cheung Sai Ming and Mr. Liu Chun Bo under their respective service agreement or appointment letter shall be HK$80,000, HK$80,000 and HK$80,000 respectively.

(c) Each of the non-executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus payable to himself.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM 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 Transactions" as disclosed above, no contract of significance in relation to the Group's business to which the Company, its subsidiaries and controlling Shareholders was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

DIRECTORS AND SENIOR MANAGEMENT

The brief biographical details of Directors and senior management are set out in pages 33 to 34 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 2013 (2012: Nil). No Director waived or agreed to waive any emoluments during the year ended 31 December 2013 (2012: Nil).

During the year ended 31 December 2013, 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 (2012: 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 2013, 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 – long position

		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 (Note 3)	12,300,000	3,780,000	–	16,080,000	0.53%
Mr. Wong Kin Wa	Company	5,000,000	–	–	5,000,000	0.17%
Ms. Li Yin	Company (Note 4)	–	–	–	–	–
Mr. Li Kin Shing	Ever Prosper International Limited ("Ever Prosper") (Note 5)	500	465	–	965	96.5%
Ms. Kwok King Wa	Ever Prosper (Note 6)	465	500	–	965	96.5%
Ms. Li Yin	Ever Prosper (Note 3)	35	–	–	35	3.5%

Notes:

1. The 684,000,000 shares are held by Ever Prosper, which is held as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. The 1,040,810,000 shares are held 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 held by Ever Prosper, which is held as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. The 383,490,000 shares are held 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. Ms. Kwok King Wa resigned as Executive Director and Chairman of the Company with effect from 1 December 2013.

3. The 12,300,000 shares are held by Mr. Li Wen in person. Ms. Shen Shi Ying is the spouse of Mr. Li Wen and holds 3,780,000 shares in person. Accordingly, Mr. Li Wen is deemed to be interested in the 16,080,000 shares under the SFO.

4. 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.

5. Mr. Li Kin Shing holds 500 shares of Ever Prosper in person, with the nominal value US$1 per share. The 465 shares of Ever Prosper is held by Ms. Kwok King Wa in person. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 965 shares under each other's name under the SFO.

Save as disclosed above, as at 31 December 2013, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2013, 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 (Note 3)	9.25%

Notes:

1. The 684,000,000 shares are held by Ever Prosper, which is held 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 Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is 100% controlled by Hony Capital Management Limited. Hony Capital Management Limited is 80% controlled by Hony Managing Partners Limited. Hony Managing Partners Limited is 100% controlled by Mr. Zhao John Huan.

3. The 280,000,000 shares are held by Glory Moment Investments Ltd., which is wholly owned by Mr. Fang Shin.

Save as disclosed above, as at 31 December 2013, 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. As at 31 December 2013, no option has been granted under the Share Option Scheme.

THE PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles 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.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Tuesday, 27 May 2014. The register of members will be closed from Friday, 23 May 2014 to Tuesday, 27 May 2014, both days inclusive. In order to ascertain the members' entitlement to the attendance of the forthcoming AGM, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, namely Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (to be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:30 p.m. on Thursday, 22 May 2014.

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 2013, 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 2013, 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.

In September 2003, Mr. Li Kin Shing, an executive Director, acquired 1,150,000 shares in PacificNet Inc. ("PacificNet"). PacificNet is a company incorporated in the State of Delaware and listed on the NASDAQ Stock Exchange in the US till August 2012. Based on the last filed quarterly report of PacificNet for the nine months ended 30 September 2008, the shares acquired by Mr. Li Kin Shing represented approximately 7.21% shareholding in PacificNet as of 30 September 2008.

According to its financial reports, PacificNet 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 arm's 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 Directel Holdings Limited ("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 RF-SIM 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 on pages 22 to 32 of this report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board
International Elite Ltd.

Li Kin Shing
Chairman

Hong Kong, 28 March 2014

CORPORATE GOVERNANCE REPORT

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company further adopted the board diversity policy in August 2013 prior to the implementation date of the same as required by the Listing Rules. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules except for the deviations as described below:

The code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. Subsequent to the resignation of Ms. Kwok King Wa from 1 December 2013, Mr. Li Kin Shing has been re-designated from the chief executive officer to the chairman and chief executive officer of the Company and remained as an executive director of the Company. The Board will meet regularly to consider, discuss and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that sufficient measures have been taken and the vesting of the roles of chairman and the chief executive officer of the Company in Mr. Li Kin Shing will not impair the balance of power and authority between the Board and the management. The Board considers that the structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

The code provision E.1.2 of the CG Code provides that the chairman of the board should attend the AGM. Ms. Kwok King Wa, the Chairman of the Board was unable to attend the AGM held on 27 May 2013 as she had an important engagement. The chairman and members of the audit, remuneration and nomination committees attended the AGM. The Company considered that their presence was sufficient for (i) answering questions from and (ii) effective communication with shareholders present at the AGM.

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 2013.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2013 and the date of this report, the Board comprises seven Directors. The following are the members of the Board:

Executive Directors

- Li Kin Shing (李健誠)
- 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)

The profile of Chairman and other Directors of the Board is set out in pages 33 to 34 of this report.

In conformity to the board diversity policy adopted by the Company in August 2013, the composition of the Board reflects the necessary balance of skills, experience and diversity of perspectives desirable for effective leadership of the Company and independence in decision-making.

In addition, the functions of the Board and the management are clearly established and set out in writing for delegation of day-to-day operational responsibility to the management of the Company.

Relationship Between Board Members

Mr. Li Kin Shing is the elder brother of Ms. Li Yin and the spouse of Ms. Kwok King Wa. Save as disclosed herein, to the best knowledge of the Company, there is no other financial business relationship among the members of the Board.

Function and Duties of the Board

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

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer are segregated and are held by Ms. Kwok King Wa and Mr. Li Kin Shing respectively to ensure their respective independence, accountability and responsibility. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer takes the lead in the Group's operations and business development. Subsequent to the resignation of Ms. Kwok King Wa from 1 December 2013, Mr. Li Kin Shing has been re-designated from the chief executive officer to the chairman and chief executive officer of the Company and remained as an executive director of the Company. The Board will meet regularly to consider, discuss and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that sufficient measures have been taken and the vesting of the roles of chairman and the chief executive officer of the Company in Mr. Li Kin Shing will not impair the balance of power and authority between the Board and the management. The Board considers that the structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Appointment, Re-election and Removal of Directors

In compliance with Rules 3.10(1) and (2) of the Listing Rules, the Company has appointed sufficient number of independent non-executive Directors with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards and that appropriate systems are in place to protect the interest of the Company and its shareholders. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and considers that their independence is in compliance the Listing Rules as at the date of this report.

The term of appointment of each non-executive Director and independent non-executive Director is for a period of three years, subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with the Articles, at each AGM one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. Notices of regular Board meetings are duly given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides Directors information on activities and development of the businesses of the Group. The company secretary records the proceedings of each Board meeting by keeping minutes, including the record of all decisions by the Board together with concerns raised and dissenting views expressed (if any). Draft of Board minutes are circulated to all Directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any Director.

Each Director ensures that he/she can give sufficient time, commitments and attention to the affairs of the Company for the year.

During the year under review, the Board of Directors held eight meetings. 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 resigned with effect from 1 December 2013)*	6/8
Mr. Li Kin Shing (李健誠) *(Executive Director and Chief Executive Officer re-designated as Executive Director, Chairman and Chief Executive Officer with effect from 1 December 2013)*	8/8
Ms. Li Yin (李燕) *(Executive Director)*	7/8
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	8/8
Mr. Li Wen (李文) *(Executive Director)*	7/8
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	7/8
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director)*	7/8
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	7/8

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

Director's Training

As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. During the year and up to the date of this report, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

The participation by individual Directors during the year ended 31 December 2013 is recorded in the table below.

Name of Directors	Attending (Note)
Ms. Kwok King Wa (郭景華) *(Executive Director and Chairman resigned with effect from 1 December 2013)*	✓
Mr. Li Kin Shing (李健誠) *(Executive Director and Chief Executive Officer re-designated as Executive Director, Chairman and Chief Executive Officer with effect from 1 December 2013)*	✓
Ms. Li Yin (李燕) *(Executive Director)*	✓
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	✓
Mr. Li Wen (李文) *(Executive Director)*	✓
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	✓
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director)*	✓
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	✓

Note:
- seminar(s)/course(s)/conference(s)/forums relevant to the business or directors' duties and responsibilities:
- reading newspaper, journals, regulatory updates and relevant materials

Directors' and Officers' Liabilities Insurance

Pursuant to the code provision A.1.8 of the CG Code, appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company arising out of corporate activities of the Group has been arranged by the Company.

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 auditor 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.

BOARD COMMITTEES

The Company has established three Board committees (the "Board Committees"), namely the audit committee, the remuneration committee and the nomination committee to assist the Board in discharging its duties and responsibilities. The Board Committees are provided with sufficient resources to discharge their duties and are able to obtain outside independent professional advice in connection with their duties at the Company's expenses.

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.

During the year under review, the audit committee held two meetings to review the financial statements and reports and consider any significant or usual items and discuss with external auditors before submission to the Board, review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement and review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The attendance record of the meetings is as follows:

Name of Directors	Number of Meetings Attended
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director and Chairman)*	2/2
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	2/2
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	2/2

The audit committee of the Company has reviewed the audited financial statements of the Company and the Group for the year ended 31 December 2013 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 2013 are set out in note 11(a) to the financial statements. Auditors' remuneration for non-auditing services includes remuneration paid/payable to auditors for providing certain tax advisory service.

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. Cheung Sai Ming has been appointed as the chairman of the nomination committee. The nomination committee is mainly responsible for (i) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy; (ii) reviewing the structure, size and composition of the Board and the board diversity policy; (iii) make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iv) identify individuals suitably qualified to become Board members; and (v) assess the independence of independent non-executive 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 nomination committee members considered and passed resolutions recommending that all the Directors shall be retained. In addition, resolutions were passed pursuant to the Articles, and subject to the proposed arrangement being passed at the forthcoming AGM, that Ms. Li Yin, Mr. Wong Kin Wa and Mr. Chen Xue Dao will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The attendance record of the meeting is as follows:

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

Furthermore, the nomination committee has reviewed the annual confirmation of independence submitted by the independent non-executive Directors, assessed their independence and reviewed the structure, size and composition including the skills knowledge and experience of the Board.

The Company has recognised the importance of diversity in the boardroom and its benefits to the Company, and the Board has revised the terms of reference of nomination committee to incorporate the elements of board diversity. Thereafter, the board diversity policy was adopted in August 2013. The following is a summary of the board diversity policy:

- reviewing and assessing the composition of the Board to maintain an appropriate range and balance of talents, skills, experience and background on the Board;

- recommending candidates for appointment to the Board by considering merit against objective criteria and with due regard for the benefits of diversity on the Board; and

- conducting the annual review of the effectiveness of the Board by considering the balance of talents, skills, experience, independence and knowledge of the Board and the diversity of the Board.

The achievement of these criteria will be measurable on an objective review, which can enhance the diversity of background and experience of individual directors and the effectiveness of the Board in promoting shareholders' interests.

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. Cheung Sai Ming 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.

During the year under review, the remuneration committee held three meetings and the attendance record of the meetings is as follows:

Name of Directors	Number of Meetings Attended
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	3/3
Mr. Chen Xue Dao (陳學道) *(Independent Non-Executive Director)*	3/3
Mr. Cheung Sai Ming (張世明) *(Independent Non-Executive Director and Chairman)*	3/3

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

In addition, the remuneration committee has made recommendations to the Board to establish a more formal and transparent procedure for determining the remuneration packages of individual senior management.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 9 to the financial statements.

CORPORATE GOVERNANCE FUNCTIONS

The Board has delegated the corporate governance functions to the audit committee with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner as required by the Listing Rules.

The external auditor's statement about reporting responsibility is set out on pages 35 and 36 of this report.

COMPANY SECRETARY

Ms. Chan Wai Ching is an employee of the Company and has been appointed as the company secretary of the Company since 1 June 2007. As the company secretary, Ms. Chan supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. The biographical details of Ms. Chan is set out in the section of Profile of Directors and Senior Management on page 34 of this report.

Pursuant to Rule 3.29 of the Listing Rules, Ms. Chan has undertaken not less than 15 hours of relevant professional training to update her skill and knowledge.

BUSINESS STRATEGIES AND OBJECTIVES

The Group's objectives are to expand its geographical coverage, customer base and type of services. The current business strategy is disclosed in the section of Management Discussion and Analysis of this report.

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.

The attendance of members of the Board to the general meeting held during the year ended 31 December 2013 is as follows:

Name of Directors	Number of Meeting Attended
Ms. Kwok King Wa (郭景華) *(Executive Director and Chairman resigned with effect from 1 December 2013)*	0/1
Mr. Li Kin Shing (李健誠) (*Executive Director and Chief Executive Officer re-designated as Executive Director, Chairman and Chief Executive Officer with effect from 1 December 2013)*	1/1
Ms. Li Yin (李燕) *(Executive Director)*	0/1
Mr. Wong Kin Wa (黃建華) *(Executive Director)*	1/1
Mr. Li Wen (李文) *(Executive Director)*	0/1
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
Mr. Liu Chun Bao (劉春保) *(Independent Non-Executive Director)*	1/1

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.

SHAREHOLDERS' RIGHT

Convening an Extraordinary General Meeting

Pursuant to article 58 of the Articles, extraordinary general meetings of the Company (the "EGM(s)") shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Enquiries to the Board

Shareholders may at any time make enquiries to the Board or make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong at Room 3809–3810, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

Putting Forward Proposals at Shareholders' Meetings

The procedures for shareholders to put forward proposals at general meetings include a written notice of proposals being submitted by shareholders, addressed to the Company Secretary of the Company at our head office. Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's head office. Other general enquiries can be directed to the Company through the Company's website.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. LI KIN SHING (李健誠), aged 56, is an executive Director and chief executive officer of the Company and re-designated as Executive Director, Chairman and Chief Executive Officer of the Company subsequent to the resignation of Ms. Kwok King Wa from 1 December 2013. He is responsible for the overall strategic planning and direction of the Group. Mr. Li has over 26 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 chairman who resigned with effect from 1 December 2013 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. LI YIN (李燕), aged 39, 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 14 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), aged 46, 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 17 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 were formerly 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), aged 51, 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's degree in Electronic Engineering from Xi'an Electronic and Technology University and an Executive Master of Business Administration from Sun Yat Sen University. 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 27 years of experience in electronic industry. Mr. Li joined the Group in 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHEN XUE DAO (陳學道), aged 71, was appointed as an independent non-executive Director in September 2007. Mr. Chen graduated with his major of Telegraph and telephone in Beijing University of Posts and Telecommunications in 1967. Mr. Chen is currently an honorary member of the China Institute of Communications (中國通信學會), honorary chairman of the Guangdong Institute of Communications (廣東省通信學會) and honorary chairman of Guangdong Communication Industry Association (廣東省通信行業協會). 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, an independent director of Eastone Century Technology Holding Co., Ltd. (Guangdong) (廣東宜通世紀科技股份有限公司), a company listed in the Shenzhen Stock Exchange with stock code 300310, and an independent director of GCI Science & Technology Co., Ltd. (廣州傑賽科技股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code 002544.

MR. CHEUNG SAI MING (張世明), aged 39, 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's 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), aged 68, was appointed as an independent non-executive Director in June 2011. He is 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 (廣東省通信學會), Guangdong Communication Industry Association (廣東省通信行業協會) and Guangdong Internet Society (廣東省互聯網協會) and a committee member of the China Association of Communications Enterprises (中國通信企業協會).

SENIOR MANAGEMENT

MR. ZHANG LAN (張嵐), aged 54, joined the Group in 2002 as deputy general manager of the Company overseeing the Company's technology department. Mr. Zhang graduated with a bachelor's degree in Telecommunications from Shanghai Railway College in 1982 and possesses over 27 years of experience in the telecommunications technology industry.

MS. CHAN WAI CHING (陳惠貞), aged 52, joined the Group in 2007 and is the Company's qualified accountant and company secretary. Ms. Chan has over 31 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 obtained a master's degree of professional accounting from The Hong Kong Polytechnic University in 2008. Ms. Chan has been the company secretary of Directel Holdings Limited since 2009.

MS. XUAN JING SHAN (禤靜珊), aged 45, 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 17 years of experience in the finance field. Ms. Xuan graduated from the Guangzhou Radio and TV University with a diploma in Financial Accounting in 1992.

MS. LIN YUAN YI (林原翼), aged 39, 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 20 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 with a Diploma in Pedagogic English in 1994.

MS. PENG JIAN TAO (彭健濤), aged 38, 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 17 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 in 2000.

MR. CHOW SIU KONG, FRANCO (周少剛), aged 41, joined the Group in 2010 and is the Senior Manager of Business Development of Sunward Group. Mr. Chow obtained a master's degree in business administration and a bachelor's degree in computer science from The Hong Kong University of Science and Technology in 2007 and 1995 respectively. He has over 18 years of technical experience in payment-related industries. Mr. Chow is the inventor of two patents for smart-card and payment applications. Prior to joining the Group, he played important roles in several multi-national corporations.

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 37 to 87, which comprise the consolidated and company balance sheets as at 31 December 2013, 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 2013, 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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羅兵咸永道

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, 28 March 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**343,124**	389,118
Cost of sales	11(a)	**(238,491)**	(266,044)
Gross profit		**104,633**	123,074
Other revenue	7	**8,699**	9,407
Other loss	8	**–**	(6,907)
Impairment charges	11(c)	**–**	(20,298)
Research and development expenses	11(a)	**(19,016)**	(20,577)
Administrative and other operating expenses	11(a)	**(53,173)**	(51,281)
Profit from before income tax		**41,143**	33,418
Income tax expense	12	**(2,838)**	(2,029)
Profit for the year and attributable to equity holders of the Company		**38,305**	31,389
Earnings per share attributable to equity holders of the Company:			
– basic	14	**HK$0.01**	HK$0.01
– diluted	14	**HK$0.01**	HK$0.01

The accompanying notes on pages 43 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**38,305**	31,389
Other comprehensive income		
Item that may be reclassified to profit or loss		
– Currency translation differences	**9,920**	585
Total comprehensive income for the year, net of tax	**48,225**	31,974

The accompanying notes on pages 43 to 87 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**64,172**	66,264
Intangible assets	16	**17,689**	19,822
Deferred tax assets	17	**604**	724
		82,465	86,810
Current assets			
Inventories	18	**36,580**	37,390
Trade and other receivables	19	**129,709**	121,759
Tax recoverable		**–**	1,904
Cash and cash equivalents	20	**430,702**	383,636
		596,991	544,689
Total assets		**679,456**	631,499
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**30,278**	30,278
Reserves	22	**627,871**	579,646
Total equity		**658,149**	609,924
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	**4,157**	4,914
		4,157	4,914
Current liabilities			
Trade and other payables	23	**14,572**	14,350
Current income tax liabilities		**2,578**	2,311
		17,150	16,661
Total liabilities		**21,307**	21,575
Total equity and liabilities		**679,456**	631,499
Net current assets		**579,841**	528,028
Total assets less current liabilities		**662,306**	614,838

Approved and authorised for issue by the board of directors on 28 March 2014.

Li Kin Shing
Director

Wong Kin Wa
Director

The accompanying notes on pages 43 to 87 are an integral part of these financial statements.

BALANCE SHEET

as at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**29**	36
Investments in subsidiaries	26	**218,374**	218,374
Deferred tax assets	17	**1**	2
		218,404	218,412
Current assets			
Trade and other receivables	19	**1,007**	821
Amounts due from subsidiaries	26	**148,149**	241,323
Cash and cash equivalents	20	**131,434**	41,115
		280,590	283,259
Total assets		**498,994**	501,671
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**30,278**	30,278
Reserves	22	**466,760**	469,573
Total equity		**497,038**	499,851
Current liabilities			
Trade and other payables	23	**1,952**	1,819
Current income tax liabilities		**4**	1
		1,956	1,820
Total liabilities		**1,956**	1,820
Total equity and liabilities		**498,994**	501,671
Net current assets		**278,634**	281,439
Total assets less current liabilities		**497,038**	499,851

Approved and authorised for issue by the board of directors on 28 March 2014.

Li Kin Shing
Director

Wong Kin Wa
Director

The accompanying notes on pages 43 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	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$'000	Accu-mulated losses HK$'000	Total HK$'000
As at 1 January 2012	30,278	1,542,342	1,458,416	97	112,426	(2,565,609)	577,950
Comprehensive income							
Profit for the year	–	–	–	–	–	31,389	31,389
Other comprehensive income							
Currency translation differences	–	–	–	–	585	–	585
As at 31 December 2012	30,278	1,542,342	1,458,416	97	113,011	(2,534,220)	609,924
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**38,305**	**38,305**
Other comprehensive income							
Currency translation differences	**–**	**–**	**–**	**–**	**9,920**	**–**	**9,920**
As at 31 December 2013	**30,278**	**1,542,342**	**1,458,416**	**97**	**122,931**	**(2,495,915)**	**658,149**

The accompanying notes on pages 43 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Note	**2013 HK$'000**	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	24	**41,308**	46,764
Income tax paid		**(1,533)**	(7,856)
Net cash generated from operating activities		**39,775**	38,908
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		**(2,602)**	(5,080)
Expenditure on development of software		**(89)**	(162)
Interest received		**3,672**	2,436
Proceeds from disposal of property, plant and equipment		**57**	41
Net cash used in investing activities		**1,038**	(2,765)
Increase in cash and cash equivalents		**40,813**	36,143
Cash and cash equivalents at beginning of year		**383,636**	347,417
Exchange gains on cash and cash equivalents		**6,253**	76
Cash and cash equivalents at end of year		**430,702**	383,636

The accompanying notes on pages 43 to 87 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, 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 Commercial Centre, 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 28 March 2014.

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.

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.

(i) Changes of estimated useful lives of intangible asset – patent

During the year, the Group reassessed the useful lives of the patent, and considered to change the remaining useful life of the patent from 12 years to 8 years to better reflect the life cycle of the patent. The change has been applied prospectively resulting in an increase in amortisation charge of patent of the Group for the year ended 31 December 2013 by approximately HK$806,000. A similar level of amortisation charge is expected in future periods over the remaining useful life of the patent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) New standards, revised standards and amendments and interpretations to existing standards that are effective in 2013 but do not have a significant impact to the Group

IAS 1 (Amendment)	Financial Statement Presentation
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
IFRS 1 (Amendment)	Government Loans
IFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurements
Amendments to IFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transactions Guidance
Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle
IFRIC-Int 20	Stripping Cost in the production phase of a surface Mine

The adoption of the above new and revised standards and amendments and interpretations to existing standards did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies, except for certain changes in presentation and disclosures.

(iii) New standards, revised standards and amendments and interpretations to existing standards that are not yet effective during the year and have not been early adopted by the Group

		Effective for annual periods beginning on or after
IAS 19 (Amendment)	Deined Benefit Plans: Employee Contributions	1 July 2014
IAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendment)	Impairment of Assets	1 January 2014
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 10, IFRS 12 and IAS 27 (2011) (Amendment)	Investment Entities	1 January 2014
IFRIC-Int 21	Levies	1 January 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle	1 July 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle	1 July 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 9	Financial Instruments	To be determined

The directors anticipate that the impact of the adoption of these new standards, revised standards and amendments and interpretations to existing standards in future periods will not result in a significant impact on the results and financial position of the Group.

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.

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

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 received 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.

2.3 Segment reporting

Operating segments are 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 other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, where appropriate, 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 and other operating expenses in the consolidated income statement.

2.6 Intangible assets

(a) 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.

(b) 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 8 years on a straight-line basis.

2.7 Impairment of non-financial assets

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Note 2.12 and 2.13).

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

(a) Assets carried at amortised cost

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 Research and development cost

Research costs are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development of the software product are available; and

– the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product cost includes employee costs for software development and on appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an assets in a subsequent period.

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. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.18 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.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent equity account.

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 collectibility 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.

2.21 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 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 and interest rate 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.

(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$"). As Hong Kong dollar is pegged to United States dollar, the Group believes the exposure of transactions denominated in United States dollar which are entered by group companies with a functional currency of Hong Kong dollar to be insignificant. 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 2013, if HK$ had weakened/strengthened by 4% against the RMB with all other variables held constant, the Group's post-tax profit for the year would have been HK$2,978,000 higher/lower (2012: HK$616,000) and the Company's post-tax profit for the year would have been HK$4,000 higher/lower (2012: HK$4,000), 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.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(ii) Interest rate risk

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

As at 31 December 2013, 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$1,003,000 higher/lower (2012: HK$899,000) and the Company's post-tax profit for the year would have been approximately HK$274,000 higher/lower (2012: HK$86,000).

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

(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 2013, the Group had a concentration of credit risk as 86% (2012: 86%) of the total trade receivables were due from the Group's five largest customers and 33% (2012: 41%) 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 19.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(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 3 months HK$'000	3-6 months HK$'000	7-9 months HK$'000	10-12 months HK$'000	Total HK$'000
At 31 December 2013					
Trade and other payables	**6,519**	**–**	**–**	**–**	**6,519**
At 31 December 2012					
Trade and other payables	6,774	–	–	–	6,774

The Company

	Less than 3 months HK$'000	3-6 months HK$'000	7-9 months HK$'000	10-12 months HK$'000	Total HK$'000
At 31 December 2013					
Trade and other payables	**15**	**–**	**–**	**–**	**15**
At 31 December 2012					
Trade and other payables	112	–	–	–	112

(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 2012.

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 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 assets that are subject to amortisation and depreciation

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.

During the year ended 31 December 2013, management determines that there is no impairment on the patent. As at 31 December 2013, the carrying amount of patent is approximately HK$17,229,000.

Changing the assumptions selected by management in assessing impairment, including the growth rates or discount rates assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. If the estimated sales growth rates for each of the year from 2014 to 2015 had been 15% lower than management's estimates and estimated sale decline rates for each of the years from 2016 to 2020 had been 15% higher than management's estimates at 31 December 2013 with all other variables held constant, the Group would not have to recognise any further impairment charge on patent. If the discount rate had been 5% higher than management's estimates at 31 December 2013 with all other variables held constant, the Group would not have to recognise any further impairment charge of the patent.

(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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 estimates 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.

(d) Amortisation of intangible assets

The Group amortises intangible assets on a straight-line basis over their respective estimated useful lives. Management will revise the amortisation charge where useful lives are different to previously estimated. During the year, the Group has reassessed the useful lives of the patent, and considered a change to the remaining useful life of the patent from 12 years to 8 years would better reflect the life cycle of the patent. The change has resulted in an increase in amortisation charge of patent of the Group for the year ended 31 December 2013 by approximately HK$806,000.

(e) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

5. REVENUE

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

	2013 **HK$'000**	2012 HK$'000
Inbound services	**146,796**	178,179
Outbound services	**103,827**	108,637
Sales of goods	**86,345**	90,188
Licensing income	**6,156**	12,114
	343,124	389,118

5. REVENUE (continued)

The Group has 3 customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2013 (2012: 3 customers). The amounts of revenue from the customers are as follows:

	2013 HK$'000	2012 HK$'000
Largest customer	**133,247**	133,330
Second largest customer	**81,818**	117,691
Third largest customer	**48,013**	42,561
	263,078	293,582

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. The 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.

The 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 personalized message taking services.

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

(iii) RF-SIM business: this segment includes (a) the research and development, production and sales of RF-SIM products; and (b) 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.

(a) Segment results and assets

The CODM assesses the performance of the operating segments based on the revenue from external customers and reportable segment profit (i.e. revenue 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.

6. SEGMENT INFORMATION (continued)

(a) Segment results and assets (continued)

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 2013 and 2012:

	For the year ended 31 December 2013			
	Inbound services HK$'000	Outbound services HK$'000	RF-SIM business HK$'000	Total HK$'000
Revenue from external customers	**146,796**	**103,827**	**92,501**	**343,124**
Reportable segment profit	**27,890**	**26,285**	**50,458**	**104,633**
Depreciation and amortisation	**2,215**	**396**	**3,568**	**6,179**
Reportable segment assets	**52,988**	**24,971**	**109,937**	**187,896**
Additions to non-current segment assets during the year	**462**	**209**	**645**	**1,316**

	For the year ended 31 December 2012			
	Inbound services HK$'000	Outbound services HK$'000	RF-SIM business HK$'000	Total HK$'000
Revenue from external customers	178,179	108,637	102,302	389,118
Reportable segment profit	43,822	18,675	60,577	123,074
Depreciation and amortisation	761	428	4,317	5,506
Impairment charges	–	–	20,298	20,298
Reportable segment assets	62,463	27,301	117,628	207,392
Additions to non-current segment assets during the year	659	12	446	1,117

6. SEGMENT INFORMATION (continued)

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

	2013 HK$'000	2012 HK$'000
Revenue		
Reportable segment revenue	343,124	389,118
Consolidated revenue	343,124	389,118
Profit		
Reportable segment profit	104,633	123,074
Other revenue and other loss (Note 7 and Note 8)	8,699	2,500
Unallocated depreciation and amortisation	(2,645)	(5,038)
Impairment charges (Note a)	–	(20,298)
Research and development expenses	(19,016)	(20,577)
Unallocated head office and administrative and other operating expenses	(50,528)	(46,243)
Consolidated profit before income tax	41,143	33,418
Assets		
Reportable segment assets	187,896	207,392
Deferred tax assets	604	724
Cash and cash equivalents	430,702	383,636
Unallocated head office and other assets	60,254	39,747
Consolidated total assets	679,456	631,499

Note:

(a) It represented impairment changes on the patent of RF-SIM business.

6. SEGMENT INFORMATION (continued)

(c) Geographical information

The following tables set 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 2013

	Hong Kong HK$'000	PRC HK$'000	Macau HK$'000	Total HK$'000
Revenue from external customers	**228,487**	**105,240**	**9,397**	**343,124**
Specified non-current assets	**1,495**	**80,366**	**–**	**81,861**

Year ended 31 December 2012

	Hong Kong HK$'000	PRC HK$'000	Macau HK$'000	Total HK$'000
Revenue from external customers	265,954	113,837	9,327	389,118
Specified non-current assets	2,188	83,897	1	86,086

7. OTHER REVENUE

	2013 HK$'000	2012 HK$'000
Interest income	**3,717**	2,566
Government grants (Note a)	**4,195**	5,728
Others	**787**	1,113
	8,699	9,407

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 LOSS

	2013 HK$'000	2012 HK$'000
Loss on investment (Note a)	–	(6,907)

Note:

(a) It represented an investment in a new business during 2012 which was abandoned subsequently. It included the deposit paid, employee benefits expenses and other expenses which were allocated to the business.

9. DIRECTORS' REMUNERATION

(a) Directors' emoluments

For the year ended 31 December 2013

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 (Note (i))	80	608	73	34	795
Kwok King Wa (resigned with effect from 1 December 2013)	73	555	67	31	726
Li Yin	80	608	50	33	771
Wong Kin Wa	80	608	64	33	785
Li Wen	80	873	67	34	1,054
Chen Xue Dao	80	–	–	–	80
Cheung Sai Ming	80	–	–	–	80
Liu Chun Bao	80	–	–	–	80
	633	3,252	321	165	4,371

9. DIRECTORS' REMUNERATION (continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2012

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 (Note (i))	80	607	73	34	794
Kwok King Wa	80	607	73	34	794
Li Yin	80	607	50	32	769
Wong Kin Wa	80	607	62	33	782
Li Wen	80	649	114	–	843
Chen Xue Dao	80	–	–	–	80
Cheung Sai Ming	80	–	–	–	80
Liu Chun Bao	80	–	–	–	80
	640	3,077	372	133	4,222

Note:

(i) Since Li Kin Shing is the director and the chief executive of the Company, no separate disclosure in respect of the remuneration of the chief executive is required.

No directors waived any emoluments during the year (2012: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

(b) Five highest paid individuals

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

	2013 Number of individual	2012 Number of individual
Director of the Company	**4**	4
Senior management	**1**	1

9. DIRECTORS' REMUNERATION (continued)

(b) Five highest paid individuals (continued)

Out of the five individuals with the highest emoluments, four (2012: four) are directors whose emoluments are disclosed in Note 9(a). The aggregate emoluments in respect of the remaining one (2012: one) highest paid individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other emoluments	873	1,208
Bonuses	68	100
Retirement scheme contribution	47	65
	988	1,373

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

	2013 Number of individual	2012 Number of individual
HK$Nil – HK$1,000,000	1	–
HK$1,000,001 – HK$2,000,000	–	1

10. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: same).

11. EXPENSES BY NATURE

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

	2013 HK$'000	2012 HK$'000
Employee benefits expenses, including directors' emoluments (Note 11(b))	211,670	241,696
Auditors' remuneration		
– audit services	1,562	1,742
– non-audit services	105	139
Depreciation of property, plant and equipment (Note 15)	6,027	6,826
Amortisation of intangible assets (Note 16)	2,797	3,718
Cost of inventories sold (Note 18)	40,714	39,068
Provision for impairment of inventories (Note 18)	1,330	468
Operating lease charges in respect of		
– rental of building and offices	9,361	7,970
– hire of transmission lines	6,712	6,621
Other expenses	30,402	29,654
Total cost of sales, administrative and other operating expenses and research and development expenses	310,680	337,902

(b) Employee benefits expenses, including directors' emoluments

	2013 HK$'000	2012 HK$'000
Wages, salaries and other benefits	189,089	215,634
Contribution to retirement benefit schemes	22,581	26,062
Total employee benefits expenses	211,670	241,696

Employee benefits expenses of HK$173,847,000 (2012: HK$202,995,000) and HK$14,250,000 (2012: HK$14,675,000) have been charged to cost of sales and research and development expenses respectively.

11. EXPENSES BY NATURE (continued)

(c) Impairment charges

	2013 HK$'000	2012 HK$'000
Impairment charges on intangible assets (Note 16)	–	20,298

12. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current income tax:		
Hong Kong profits tax	43	50
PRC corporate income tax	3,609	7,267
Over-provision in the prior year	(183)	(34)
Deferred tax (Note 17)	(631)	(5,254)
Income tax expense	2,838	2,029

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

(ii) PRC corporate income tax

China Elite Info. Co., Ltd. ("China Elite") was approved as a Technology Advanced Service Enterprise ("TASE") during the year. According to the tax circular Caishui [2010] No. 65, China Elite is eligible for a preferential PRC corporate income tax rate of 15% during the 4-year period from 2010–2013 as a TASE, subject to the in-charge tax authority's acceptance of the annual record filing for the entitlement of this reduced corporate income tax rate.

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 corporate income tax followed by a three-year 50% reduction in corporate income tax rate ("2+3 tax holiday") and a preferential corporate income tax rate of 15% under the old PRC Foreign Enterprise Income Tax ("FEIT") law prior to 1 January 2008. According to the new Corporate Income Tax Law effective from 1 January 2008 and its relevant regulations, the 2+3 tax holiday is grandfathered. In addition, for an enterprise which was subject to the reduced tax rate of 15% under the old FEIT law, the transitional corporate income tax rates are 18%, 20% 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 respectively. Xiamen Elite was in a loss position as at 31 December 2008 and is deemed to have started its 2+3 tax holiday in 2008. Accordingly, Xiamen Elite is subject to corporate income tax rate at the rates of 0%, 0%, 11% 12% and 12.5% for 2008, 2009, 2010, 2011 and 2012 respectively.

Xiamen Elite is eligible for a preferential income tax rate of 15% 2013-2014 as a High and New Technology Enterprise ("HNTE"), subject to the approval of Science and Technology Bureau, Ministry of Finance and tax authorities and fulfillment of all the criteria as a HNTE.

(iii) Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, the Group is exempted from Macao Complementary Tax. As a result, no provision for Macao Complementary Tax has been made by the Group for the year.

12. INCOME TAX EXPENSE (continued)

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

	2013 HK$'000	2012 HK$'000
Profit before income tax	**41,143**	33,418
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,800**	2,076
Tax effects of:		
Income not subject to tax	**(243)**	(145)
Expenses not deductible for tax purposes	**635**	105
Over-provision in the prior year	**(183)**	(34)
Tax losses for which no deferred income tax asset was recognised	**291**	27
Re-measurement of deferred tax – change in PRC tax rate	**(462)**	–
Income tax expense	**2,838**	2,029

The weighted average applicable tax rate was 6.8% (2012: 6.2%).

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$2,813,000 (2012: loss of HK$54,000).

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK$38,305,000 (2012: HK$31,389,000) and on the weighted average number of 3,027,820,000 (2012: 3,027,820,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

For diluted earnings per share, the weighted average number 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 2013 as there were no potential dilutive ordinary shares outstanding during the year (2012: same).

15. PROPERTY, PLANT AND EQUIPMENT

The Group	Building HK$'000	Leasehold improvements HK$'000	Facilities equipment HK$'000	Office equipment HK$'000	Vehicles and other equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2012							
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
Year ended 31 December 2012							
Opening net book amount	48,924	5,322	4,363	6,269	2,768	666	68,312
Additions	–	580	1,008	1,255	244	1,763	4,850
Depreciation	(1,306)	(1,983)	(1,598)	(1,169)	(770)	–	(6,826)
Disposals	–	–	(8)	(51)	–	–	(59)
Transfer	–	2,285	–	36	106	(2,427)	–
Exchange differences	(10)	–	(1)	–	–	(2)	(13)
Closing net book amount	47,608	6,204	3,764	6,340	2,348	–	66,264
At 31 December 2012							
Cost	51,562	29,018	33,670	20,708	9,415	–	144,373
Accumulated depreciation	(3,954)	(22,814)	(29,906)	(14,368)	(7,067)	–	(78,109)
Net book amount	47,608	6,204	3,764	6,340	2,348	–	66,264
Year ended 31 December 2013							
Opening net book amount	**47,608**	**6,204**	**3,764**	**6,340**	**2,348**	**–**	**66,264**
Additions	**–**	**294**	**700**	**883**	**306**	**–**	**2,183**
Depreciation	**(1,311)**	**(2,111)**	**(659)**	**(1,546)**	**(400)**	**–**	**(6,027)**
Disposals	**–**	**(24)**	**(112)**	**(100)**	**–**	**–**	**(236)**
Exchange differences	**1,470**	**161**	**138**	**178**	**41**	**–**	**1,988**
Closing net book amount	**47,767**	**4,524**	**3,831**	**5,755**	**2,295**	**–**	**64,172**
At 31 December 2013							
Cost	**53,175**	**29,999**	**34,250**	**21,211**	**9,922**	**–**	**148,557**
Accumulated depreciation	**(5,408)**	**(25,475)**	**(30,419)**	**(15,456)**	**(7,627)**	**–**	**(84,385)**
Net book amount	**47,767**	**4,524**	**3,831**	**5,755**	**2,295**	**–**	**64,172**

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 2012				
Cost	4,821	271	27	5,119
Accumulated depreciation	(4,821)	(271)	(25)	(5,117)
Net book amount	–	–	2	2
Year ended 31 December 2012				
Opening net book amount	–	–	2	2
Additions	–	–	37	37
Depreciation	–	–	(3)	(3)
Closing net book amount	–	–	36	36
At 31 December 2012				
Cost	4,821	271	64	5,156
Accumulated depreciation	(4,821)	(271)	(28)	(5,120)
Net book amount	–	–	36	36
Year ended 31 December 2013				
Opening net book amount	**–**	**–**	**36**	**36**
Depreciation	**–**	**–**	**(7)**	**(7)**
Closing net book amount	**–**	**–**	**29**	**29**
At 31 December 2013				
Cost	**4,821**	**271**	**64**	**5,156**
Accumulated depreciation	**(4,821)**	**(271)**	**(35)**	**(5,127)**
Net book amount	**–**	**–**	**29**	**29**

16. INTANGIBLE ASSETS

The Group

	Patent HK$'000	Software HK$'000	Total HK$'000
At 1 January 2012			
Cost	51,905	2,212	54,117
Accumulated amortisation	(9,227)	(1,194)	(10,421)
Net book value	42,678	1,018	43,696
Year ended 31 December 2012			
Opening net book value	42,678	1,018	43,696
Additions	–	162	162
Amortisation for the year	(3,271)	(447)	(3,718)
Impairment charge (Note)	(20,298)	–	(20,298)
Exchange differences	(18)	(2)	(20)
Closing net book value	19,091	731	19,822
At 31 December 2012			
Cost	31,600	2,374	33,974
Accumulated amortisation	(12,509)	(1,643)	(14,152)
Net book value	19,091	731	19,822
Year ended 31 December 2013			
Opening net book value	**19,091**	**731**	**19,822**
Additions	**–**	**89**	**89**
Amortisation for the year	**(2,419)**	**(378)**	**(2,797)**
Exchange differences	**557**	**18**	**575**
Closing net book value	**17,229**	**460**	**17,689**
At 31 December 2013			
Cost	**32,590**	**2,538**	**35,128**
Accumulated amortisation	**(15,361)**	**(2,078)**	**(17,439)**
Net book value	**17,229**	**460**	**17,689**

Note: In accordance with the Group's accounting policy on asset impairment (Note 2.7), the carrying value of intangible assets was tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year ended 31 December 2013, the Group continued to encounter the downturns of selling and distributing of the RF-SIM products to the mobile service providers in China. Therefore, it has reassessed the useful lives of the patent, and changed the remaining useful life of the patent from 12 years to 8 years (see note 4(d) for details). As a result, management assessed the recoverable amount of the patent. Based on the assessment, management determined there was no impairment on the patent. For the year ended 31 December 2012, impairment of approximately HK$20,298,000 was recognised in the consolidated income statement.

Key assumptions used for assessing the recoverable amount are as follows:

Estimated sales growth rate from 2013 – 2014	70%
Estimated sales growth rate from 2014 to 2015	101%
Estimated sales decline rate from 2015 to 2016	8%
Estimated sales decline rate from 2016 to 2017	7%
Estimated sales decline rate from 2017 to 2020	18%
Discount rate	21%

17. DEFERRED TAX ASSETS AND LIABILITIES

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	**(604)**	(724)	**(1)**	(2)
At 31 December	**(604)**	(724)	**(1)**	(2)
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	**3,788**	4,516	**–**	–
Deferred tax liability to be recovered within 12 months	**369**	398	**–**	–
At 31 December	**4,157**	4,914	**–**	–
Deferred tax liabilities/(assets) (net)	**3,553**	4,190	**(1)**	(2)

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**4,190**	9,447	**(2)**	(9)
(Credited)/charged to income statement (Note 12)	**(631)**	(5,254)	**1**	7
Exchange differences	**(6)**	(3)	**–**	–
At 31 December	**3,553**	4,190	**(1)**	(2)

17. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

The Group

Deferred tax liabilities	Accelerated tax depreciation HK$'000	Patent value gain HK$'000	Total HK$'000
At 1 January 2012	190	10,014	10,204
Credited to the consolidated income statement	(49)	(5,239)	(5,288)
Exchange differences	–	(2)	(2)
At 31 December 2012	141	4,773	4,914
At 1 January 2013	**141**	**4,773**	**4,914**
Credited to the consolidated income statement	**(45)**	**(706)**	**(751)**
Exchange differences	**–**	**(6)**	**(6)**
At 31 December 2013	**96**	**4,061**	**4,157**

Deferred tax assets	Decelerated tax depreciation HK$'000	Unrealised profits and others HK$'000	Total HK$'000
At 1 January 2012	8	749	757
Credited/(charged) to the consolidated income statement	101	(135)	(34)
Exchange differences	1	–	1
At 31 December 2012	110	614	724
At 1 January 2013	**110**	**614**	**724**
Charged to the consolidated income statement	**(84)**	**(36)**	**(120)**
Exchange differences	**–**	**–**	**–**
At 31 December 2013	**26**	**578**	**604**

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2013, the Group did not recognise deferred income tax assets of HK$318,000 (2012: HK$27,000) in respect of losses as it is not probable that future taxable profits against which the losses can be utilised. The estimated tax losses are subject to approval by the relevant tax authorities.

Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to HK$251,166,000 (2012: HK$214,170,000) of its subsidiaries in Mainland China earned after 1 January 2008 because the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

17. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The Company

Deferred tax assets	Decelerated tax depreciation HK$'000
At 1 January 2012	9
Charged to the income statement	(7)
At 31 December 2012	2
At 1 January 2013	**2**
Charged to the income statement	**(1)**
At 31 December 2013	**1**

18. INVENTORIES

	The Group	
	2013 HK$'000	2012 HK$'000
Raw materials	**29,086**	25,289
Work in progress	**11,379**	15,213
Finished goods	**715**	158
	41,180	40,660
Less: provision for impairment of inventories	**(4,600)**	(3,270)
	36,580	37,390

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$40,714,000 (2012: HK$39,068,000).

19. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
	Note	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade receivables					
– amounts due from related parties	28(c)	**80**	129	**–**	–
– amounts due from third parties		**125,783**	115,215	**4**	5
		125,863	115,344	**4**	5
Provision for doubtful debts	(b)	**(181)**	(181)	**–**	–
Trade receivables, net	(a)	**125,682**	115,163	**–**	–
Deposits, prepayments and other receivables		**4,027**	6,596	**1,003**	816
		129,709	121,759	**1,007**	821

The amounts due from related parties were unsecured, interest free and repayable on demand (2012: same).

19. TRADE AND OTHER RECEIVABLES (continued)

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**1**	937	**1**	–
RMB	**63,471**	42,118	**547**	–
HK$	**66,237**	78,704	**459**	821
	129,709	121,759	**1,007**	821

(a) Ageing analysis

Included in trade receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis based on the dates on which the relevant sales were made is as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Aged within 1 month	**36,304**	29,410	**4**	5
Aged over 1 to 3 months	**37,174**	45,778	**–**	–
Aged over 3 to 6 months	**47,034**	38,472	**–**	–
Aged over 6 months to 1 year	**4,876**	1,212	**–**	–
Aged over 1 year	**294**	291	**–**	–
	125,682	115,163	**4**	5

(b) Impairment of trade receivables

Trade receivables of HK$73,605,000 (2012: HK$62,695,000) 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. An ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Overdue by 0 to 3 months	**64,761**	57,607	**–**	–
Overdue by 3 to 6 months	**7,794**	3,816	**–**	–
Overdue by 6 months to 1 year	**756**	991	**–**	–
Overdue by over 1 year	**294**	281	**–**	–
	73,605	62,695	**–**	–

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).

19. TRADE AND OTHER RECEIVABLES (continued)

(b) Impairment of trade receivables (continued)

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**181**	181	**–**	–
Receivable written off during the year as uncollectible	**–**	–	**–**	–
At 31 December	**181**	181	**–**	–

At 31 December 2013, the Group's trade receivables of HK$181,000 (2012: HK$181,000) were individually determined to be impaired.

The individually impaired receivables related to invoices that were default in payments and management assessed that the receivables are not expected to be recovered as at 31 December 2013. Management considered that no further impairment loss should be recognised as at 31 December 2013 as the receivables were expected to be recovered. During the year ended 31 December 2012, trade receivables of HK$41,000 were directly written off to the income statement.

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. Its customers are granted with credit terms of maximum of 30 days for the sales of goods. 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 trade and 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.

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**281,958**	258,228	**8,222**	12,448
Short-term bank deposits	**148,744**	125,408	**123,212**	28,667
	430,702	383,636	**131,434**	41,115

The interest rates on short-term bank deposits ranged from 0.11% to 3% (2012: 0.17% to 3%) per annum. These deposits have an average maturity of 31 to 90 days (2012: 31 to 90 days).

20. CASH AND CASH EQUIVALENTS (continued)

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**110,604**	149,125	**28,153**	32,271
US$	**65,272**	78,904	**8,857**	8,844
RMB	**254,813**	155,591	**94,424**	–
Other currencies	**13**	16	**–**	–
	430,702	383,636	**131,434**	41,115

As at 31 December 2013, cash and cash equivalents of approximately HK$159,306,000 (2012: HK$130,681,000) 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.

21. SHARE CAPITAL

(a) Authorised and issued share capital

	2013		2012	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised - Ordinary shares of HK$0.01 each	**4,000,000**	**40,000**	4,000,000	40,000
Issued and fully paid - Ordinary shares of HK$0.01 each: Beginning and end of the year	**3,027,820**	**30,278**	3,027,820	30,278

21. SHARE CAPITAL (continued)

(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 2013, no option was granted under the Share Option Scheme (2012: 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.

22. RESERVES

(a) The Group

	Statutory reserve HK$'000	Exchange reserve HK$'000	Share premium HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	97	112,426	1,542,342	1,458,416	(2,565,609)	547,672
Profit for the year	–	–	–	–	31,389	31,389
Exchange difference on translation of financial statements of subsidiaries	–	585	–	–	–	585
At 31 December 2012	97	113,011	1,542,342	1,458,416	(2,534,220)	579,646
At 1 January 2013	**97**	**113,011**	**1,542,342**	**1,458,416**	**(2,534,220)**	**579,646**
Profit for the year	**–**	**–**	**–**	**–**	**38,305**	**38,305**
Exchange difference on translation of financial statements of subsidiaries	**–**	**9,920**	**–**	**–**	**–**	**9,920**
At 31 December 2013	**97**	**122,931**	**1,542,342**	**1,458,416**	**(2,495,915)**	**627,871**

22. RESERVES (continued)

(b) The Company

	Share premium HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	1,542,342	1,451,503	(2,524,218)	469,627
Loss for the year	–	–	(54)	(54)
At 31 December 2012	1,542,342	1,451,503	(2,524,272)	469,573
At 1 January 2013	**1,542,342**	**1,451,503**	**(2,524,272)**	**469,573**
Loss for the year	**–**	**–**	**(2,813)**	**(2,813)**
At 31 December 2013	**1,542,342**	**1,451,503**	**(2,527,085)**	**466,760**

(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 the subsidiaries had already reached 50% of the 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 (2012: 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 Companies Law of the Cayman Islands, 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.

(iii) *Other reserves*

It mainly represented the equity component which was arising from the issuance of convertible notes on 26 July 2011 in which the convertible notes were fully converted in 2011.

23. TRADE AND OTHER PAYABLES

		The Group		The Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables	(a)	**4,332**	4,868	**–**	–
Other payables and accruals		**10,240**	9,482	**1,952**	1,819
		14,572	14,350	**1,952**	1,819

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**212**	425	**6**	6
RMB	**11,023**	10,496	**–**	119
HK$	**3,337**	3,429	**1,946**	1,694
	14,572	14,350	**1,952**	1,819

(a) Trade payables

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
The ageing analysis of trade payables is as follows:				
0–30 days	**4,131**	4,133	**–**	–
31–90 days	**48**	374	**–**	–
91–180 days	**–**	16	**–**	–
181 days–1 year	**31**	101	**–**	–
Over 1 year	**122**	244	**–**	–
	4,332	4,868	**–**	–

24. CASH GENERATED FROM OPERATIONS

	2013 HK$'000	2012 HK$'000
Profit/(loss) before income tax	**41,143**	33,418
Adjustments for:		
– Depreciation of property, plant and equipment	**6,027**	6,826
– Amortisation of intangible assets	**2,797**	3,718
– Loss on disposal of property, plant and equipment	**179**	18
– Impairment charges	**–**	20,298
– Write off of trade receivables	**–**	49
– Change in fair values of purchase consideration payables	**–**	–
– Provision for impairment of inventories	**1,330**	468
– Finance costs	**–**	–
– Interest income	**(3,717)**	(2,566)
– Foreign exchange losses	**1,326**	541
Changes in working capital		
– Inventories	**(520)**	(7,701)
– Trade and other receivables	**(7,897)**	3,707
– Trade and other payables	**640**	(12,012)
Cash generated from operations	**41,308**	46,764

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

	2013 HK$'000	2012 HK$'000
The Group		
Net book amount (Note 15)	**236**	59
Loss on disposal of property, plant and equipment	**(179)**	(18)
Proceeds from disposal of property, plant and equipment	**57**	41

25. COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Construction in progress	**–**	16	**–**	–
	–	16	**–**	–

(b) Operating lease commitments

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

The Group	**2013**		2012	
	Properties	**Transmission lines**	Properties	Transmission lines
	HK$'000	**HK$'000**	HK$'000	HK$'000
Within 1 year	**5,431**	**1,806**	5,351	3,309
Over 1 year but within 5 years	**942**	**–**	2,237	–
	6,373	**1,806**	7,588	3,309

The Company	**2013**		2012	
	Properties	**Transmission lines**	Properties	Transmission lines
	HK$'000	**HK$'000**	HK$'000	HK$'000
Within 1 year	**168**	**–**	168	–
Over 1 year but within 2 years	**168**	**–**	336	–
	336	**–**	504	–

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.

26. INVESTMENTS IN SUBSIDIARIES

	2013 HK$'000	2012 HK$'000
Unlisted shares/investments at cost	218,374	218,374
Amounts due from subsidiaries (Note a)	148,149	241,323

Notes:

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

The following is a list of the principal subsidiaries at 31 December 2013:

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]
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%

26. 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
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 foreign owned enterprises in the PRC. The English names of these entities incorporated in Mainland China are direct translation of Chinese names.

27. 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 2013	
Trade and other receivables	**127,881**
Cash and cash equivalents (Note 20)	**430,702**
Total	**559,643**
31 December 2012	
Trade and other receivables	119,666
Cash and cash equivalents (Note 20)	383,636
Total	503,302

	Other financial liabilities at amortised cost HK$'000
Liabilities as per consolidated balance sheet	
31 December 2013	
Trade and other payables	**6,519**
31 December 2012	
Trade and other payables	6,774

27. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company

	Loans and receivables HK$'000
Assets as per balance sheet	
31 December 2013	
Trade and other receivables	**594**
Amounts due from subsidiaries (Note 26)	**148,149**
Cash and cash equivalents (Note 20)	**131,434**
Total	**280,177**
31 December 2012	
Trade and other receivables	412
Amounts due from subsidiaries (Note 26)	241,323
Cash and cash equivalents (Note 20)	41,115
Total	282,850

	Other financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
31 December 2013	
Trade and other payables	**15**
31 December 2012	
Trade and other payables	112

28. 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	**2013 HK$'000**	2012 HK$'000
Sales	(i)	**1,177**	1,289
Licensing income	(ii)	**65**	65
Rental expenses for properties	(iii)	**332**	332

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) 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.

28. 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	2013 HK$'000	2012 HK$'000
Amounts due from related parties			
– trade	19	**80**	129

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

(d) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2013 HK$'000	2012 HK$'000
Wages, salaries and other benefits	**6,903**	7,063
Contribution to retirement benefit schemes	**399**	371
	7,302	7,434

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**343,124**	389,118	418,856	280,215	214,503
Profit/(loss) from operations	**41,143**	33,418	1,087,369	(3,769,645)	39,006
Finance costs	**–**	–	20,778	–	(175)
Share of losses of an associate	**–**	–	–	–	(2)
Profit/(loss) before taxation	**41,143**	33,418	1,066,591	(3,769,645)	38,829
Income tax (expense)/credit	**(2,838)**	(2,029)	3,650	(5,125)	(688)
Profit/(loss) for the year attributable to equity shareholders of the Company	**38,305**	31,389	1,070,241	(3,774,770)	38,141

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Property, plant and equipment	**64,172**	66,264	68,312	64,159	59,772
Goodwill	**–**	–	–	281,409	–
Intangible assets	**17,689**	19,822	43,696	96,309	1,205
Interest in an associate	**–**	–	–	–	404
Deferred tax assets	**604**	724	757	80	4
Net current assets	**579,841**	528,028	475,389	384,518	481,196
Total assets less current liabilities	**662,306**	614,838	588,154	826,475	542,581
Purchase consideration payables	**–**	–	–	3,993,615	–
Deferred tax liabilities	**4,157**	4,914	10,204	22,013	11
Net assets/(liabilities)	**658,149**	609,924	577,950	(3,189,153)	542,570
Capital and reserves					
Share capital	**30,278**	30,278	30,278	9,462	9,462
Reserves	**627,871**	579,646	547,672	(3,198,153)	533,108
Total equity	**658,149**	609,924	577,950	(3,189,153)	542,570
Earnings/(loss) per share					
– Basic	**HK$0.01**	HK$0.01	HK$0.58	HK$(3.99)	HK$0.04
– Diluted	**HK$0.01**	HK$0.01	HK$0.58	HK$(3.99)	HK$0.04