INTERNATIONAL ELITE LTD.

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

2014 Interim Report

HIGHLIGHTS

- Revenue for the six months ended 30 June 2014 was approximately HK$124,642,000, representing a drop of approximately 22% as compared to that of the Last Corresponding Period.

- Profit attributable to equity holders of the Company for the six months ended 30 June 2014 was approximately HK$3,000,000, representing a decrease of approximately 83% as compared to that of the Last Corresponding Period. The significant decrease in profit attributable to equity holders of the Company for the six months ended 30 June 2014 was mainly attributable to a significant decrease in sales of the radio-frequency subscriber identity model products and a drop in revenue from the provision of customer relationship management services as compared to those in the six months ended 30 June 2013.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "Board") of International Elite Ltd. (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 (the "Relevant Period") together with the unaudited comparative figures for the corresponding period in 2013 (the "Last Corresponding Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 June 2014 (Unaudited) HK$'000	 2013 (Unaudited) HK$'000
Revenue	6	**124,642**	160,525
Cost of sales	7(a)	**(96,582)**	(110,995)
Gross profit		**28,060**	49,530
Other revenue		**5,906**	3,454
Research and development expenses	7(a)	**(9,523)**	(9,291)
Administrative and other operating expenses	7(a)	**(21,655)**	(26,027)
Profit before income tax		**2,788**	17,666
Income tax credit	8	**212**	412
Profit for the period and attributable to equity holders of the Company		**3,000**	18,078
Earnings per share attributable to equity holders of the Company:			
– basic	10	**HK0.1 cent**	HK0.6 cent
– diluted	10	**HK0.1 cent**	HK0.6 cent

The notes on pages 7 to 20 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Profit for the period	**3,000**	18,078
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
– Currency translation differences	**(3,288)**	5,337
Total comprehensive (loss)/income for the period, net of tax	**(288)**	23,415

The notes on pages 7 to 20 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**61,953**	64,172
Intangible assets		**16,376**	17,689
Deferred income tax assets		**758**	604
Total non-current assets		**79,087**	82,465
Current assets			
Inventories	12	**43,720**	36,580
Trade and other receivables	13	**87,491**	129,709
Cash and cash equivalents	14	**469,958**	430,702
Total current assets		**601,169**	596,991
Total assets		**680,256**	679,456
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**30,278**	30,278
Reserves		**627,583**	627,871
Total equity		**657,861**	658,149
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**3,912**	4,157
Total non-current liabilities		**3,912**	4,157
Current liabilities			
Trade and other payables	15	**16,209**	14,572
Current income tax payables		**2,274**	2,578
Total current liabilities		**18,483**	17,150
Total liabilities		**22,395**	21,307
Total equity and liabilities		**680,256**	679,456
Net current assets		**582,686**	579,841
Total assets less current liabilities		**661,773**	662,306

The notes on pages 7 to 20 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company						
	Share capital (Unaudited) HK$'000	**Share premium** (Unaudited) HK$'000	**Other reserves** (Unaudited) HK$'000	**Statutory reserve** (Unaudited) HK$'000	**Exchange reserve** (Unaudited) HK$'000	**Accumulated losses** (Unaudited) HK$'000	**Total** (Unaudited) HK$'000
As at 1 January 2013	30,278	1,542,342	1,458,416	97	113,011	(2,534,220)	609,924
Comprehensive income							
Profit for the period	–	–	–	–	–	18,078	18,078
Other comprehensive income							
Currency translation differences	–	–	–	–	5,337	–	5,337
As at 30 June 2013	30,278	1,542,342	1,458,416	97	118,348	(2,516,142)	633,339
As at 1 January 2014	**30,278**	**1,542,342**	**1,458,416**	**97**	**122,931**	**(2,495,915)**	**658,149**
Transfer from profit to statutory reserve	**–**	**–**	**–**	**913**	**–**	**(913)**	**–**
Comprehensive income							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**3,000**	**3,000**
Other comprehensive income							
Currency translation differences	**–**	**–**	**–**	**–**	**(3,288)**	**–**	**(3,288)**
As at 30 June 2014	**30,278**	**1,542,342**	**1,458,416**	**1,010**	**119,643**	**(2,493,828)**	**657,861**

The notes on pages 7 to 20 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cash flows from operating activities		
Cash generated from operations	**40,157**	1,430
Income tax paid	**(432)**	(871)
Net cash generated from operating activities	**39,725**	559
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1,524)**	(1,138)
Proceeds on disposal of property, plant and equipment	**–**	47
Purchases of intangible assets	**(138)**	(102)
Interest received	**3,790**	1,409
Net cash generated from investing activities	**2,128**	216
Net increase in cash and cash equivalents	**41,853**	775
Cash and cash equivalents at 1 January	**430,702**	383,636
Effect of foreign exchange rate changes	**(2,597)**	2,816
Cash and cash equivalents at 30 June	**469,958**	387,227

The notes on pages 7 to 20 form an integral part of these condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 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"). 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.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. The condensed consolidated interim financial information was approved for issue by the Board on 26 August 2014.

The condensed consolidated interim financial information has been reviewed, not audited.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 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.

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 personalised message taking services.

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

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

No operating segment has been aggregated to form the following 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 cash and cash equivalents.

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 six months ended 30 June 2014 and 2013, and as at 30 June 2014 and 31 December 2013.

	For the six months ended 30 June 2014				For the six months ended 30 June 2013			
	Inbound services (Unaudited) HK$'000	Outbound services (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	Total (Unaudited) HK$'000	Inbound services (Unaudited) HK$'000	Outbound services (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	Total (Unaudited) HK$'000
Revenue from external customers	69,308	41,225	14,109	124,642	85,519	43,564	31,442	160,525
Reportable segment profit	14,298	8,332	5,430	28,060	25,258	6,203	18,069	49,530
Depreciation and amortisation	996	138	1,818	2,952	1,082	212	1,362	2,656

	As at 30 June 2014				As at 31 December 2013			
	Inbound services (Unaudited) HK$'000	Outbound services (Unaudited) HK$'000	RF-SIM business (Unaudited) HK$'000	Total (Unaudited) HK$'000	Inbound services (Audited) HK$'000	Outbound services (Audited) HK$'000	RF-SIM business (Audited) HK$'000	Total (Audited) HK$'000
Reportable segment assets	36,505	18,097	83,800	138,402	52,988	24,971	109,937	187,896
Addition to non-current segment assets during the period	18	74	216	308	462	209	645	1,316

6. Segment information (Continued)

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

	For the six months ended 30 June 2014 (Unaudited) HK$'000	For the six months ended 30 June 2013 (Unaudited) HK$'000
Revenue		
Reportable segment revenue	**124,642**	160,525
Consolidated revenue	**124,642**	160,525
Profit		
Reportable segment profit	**28,060**	49,530
Other revenue	**5,906**	3,454
Unallocated depreciation and amortisation	**(1,232)**	(1,726)
Research and development expenses	**(9,523)**	(9,291)
Unallocated head office and administrative and other operating expenses	**(20,423)**	(24,301)
Consolidated profit before income tax	**2,788**	17,666

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Assets		
Reportable segment assets	**138,402**	187,896
Deferred income tax assets	**758**	604
Cash and cash equivalents	**469,958**	430,702
Unallocated head office and other assets	**71,138**	60,254
Consolidated total assets	**680,256**	679,456

6. Segment information (Continued)

(c) Geographic information

The following tables set out the 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 revenue is based on the location of the customers. The geographical location of the specified non-current assets is based on the location of the operations to which they are allocated.

	PRC (Unaudited) HK$'000	Hong Kong (Unaudited) HK$'000	Macau (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2014				
Revenue from external customers	**19,089**	**101,115**	**4,438**	**124,642**
As at 30 June 2014				
Specific non-current assets	**76,889**	**1,440**	**–**	**78,329**
For the six months ended 30 June 2013				
Revenue from external customers	36,721	118,932	4,872	160,525

	PRC (Audited) HK$'000	Hong Kong (Audited) HK$'000	Macau (Audited) HK$'000	Total (Audited) HK$'000
As at 31 December 2013				
Specific non-current assets	80,366	1,495	–	81,861

7. Expenses by nature

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Employee benefits expenses	**94,252**	105,490
Depreciation of property, plant and equipment	**2,897**	3,385
Amortisation of intangible assets	**1,287**	997
Cost of inventories sold	**8,055**	12,546
Operating lease charges in respect of		
– rental of building and offices	**4,718**	4,586
– hire of transmission lines	**3,319**	3,348
Other expenses	**13,232**	15,961
Total cost of sales, research and development expenses and administrative and other operating expenses	**127,760**	146,313

(b) Employee benefits expenses

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, wages and other benefits	**84,766**	93,574
Contribution to retirement benefit schemes	**9,486**	11,916
Total employee benefits expenses	**94,252**	105,490

8. Income tax credit

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**28**	18
– PRC corporate income tax	**46**	1,220
Under/(over)-provision in prior year	**74**	(862)
Deferred income tax	**(360)**	(788)
Income tax credit	**(212)**	(412)

(a) Hong Kong profits tax

The provision for Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 June 2014.

(b) PRC corporate income tax

China Elite Info. Co., Ltd. ("China Elite") was approved as a Technology Advanced Service Enterprise ("TASE") in December 2009, and the status was renewed in August 2012 and valid for 2 years. According to the tax circular Guoban [2013] No. 33, China Elite is eligible for a preferential PRC corporate income tax rate of 15% during the 4 – year period from 2014 – 2018 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") 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.

(c) 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 six months ended 30 June 2014.

9. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014. No interim dividend was paid in respect of the six months ended 30 June 2013.

10. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity holders of the Company of approximately HK$3,000,000 (2013: approximately HK$18,078,000) and on the weighted average number of 3,027,820,000 ordinary shares in issue during the period (2013: 3,027,820,000).

(b) Diluted earnings per share

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

Diluted earnings per share are equal to the basic earnings per share for the six months ended 30 June 2014 as there were no potential dilutive ordinary shares outstanding during the period (2013: same).

11. Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$1,283,000 (2013: approximately HK$841,000). No property, plant and equipment was disposed of during the six months ended 30 June 2014 (2013: net book values of approximately HK$184,000).

12. Inventories

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Raw materials	**27,289**	29,086
Work in progress	**20,711**	11,379
Finished goods	**1,037**	715
	49,037	41,180
Less: provision for impairment of inventories	**(5,317)**	(4,600)
	43,720	36,580

13. Trade and other receivables

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Trade receivables		
– amounts due from related parties	**62**	80
– amounts due from third parties	**70,530**	125,783
	70,592	125,863
Provision for doubtful debts	**(421)**	(181)
Trade receivables, net	**70,171**	125,682
Deposits, prepayments and other receivables	**17,320**	4,027
	87,491	129,709

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 their payment history, background and financial strength. The Group reviews the settlement records of its customers on a regular basis to determine their credit terms.

Included in trade receivables are trade debtors (net of allowance for doubtful debts) and bills receivable with the following ageing analysis based on the dates on which the relevant sales were made as of the balance sheet date:

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Aged within 1 month	**25,253**	36,304
Aged over 1 month to 3 months	**32,304**	37,174
Aged over 3 months to 6 months	**2,991**	47,034
Aged over 6 months to 1 year	**9,036**	4,876
Aged over 1 year	**587**	294
	70,171	125,682

At the balance sheet date, the Group had a concentration of credit risk as 79% (31 December 2013: 86%) of the total trade receivables were due from the Group's five largest customers and 37% (31 December 2013: 33%) of the total trade receivables was due from the Group's largest customer.

14. Cash and cash equivalents

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Cash at banks and in hand	**261,644**	281,958
Short-term bank deposits	**208,314**	148,744
	469,958	430,702

15. Trade and other payables

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Trade payables	**3,628**	4,332
Other payables and accruals	**12,581**	10,240
	16,209	14,572

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

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Aged 0 – 30 days	**3,539**	4,131
Aged 31 – 90 days	**1**	48
Aged 91 – 180 days	**5**	–
Aged 181 days – 1 year	**2**	31
Aged over 1 year	**81**	122
	3,628	4,332

16. Commitments

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

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Property, plant, equipment	**164**	–
	164	–

The Group did not have any capital commitments authorised but not contracted at 30 June 2014 and 31 December 2013.

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

	As at 30 June 2014 (Unaudited) HK$'000		As at 31 December 2013 (Audited) HK$'000	
	Properties	**Transmission lines**	Properties	Transmission lines
Not later than 1 year	**4,212**	**2,331**	5,431	1,806
Later than 1 year and not later than 5 years	**1,727**	**–**	942	–
	5,939	**2,331**	6,373	1,806

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.

17. 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.

(b) Transactions with related parties

The Group entered into the following related party transactions:

		For the six months ended 30 June	
		2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Sales	(i)	**422**	545
Licensing income	(ii)	**33**	33
Rental expenses of properties	(iii)	**166**	166

Notes:

(i) Sales to related parties mainly represent rendering service of CRM. The selling prices are determined based on the prevailing prices 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 a related party, Talent Information Engineering Co., Ltd., at a price set on a mutually agreed basis.

17. Related party transaction (Continued)

(c) Balances with related parties

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

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Amounts due from related parties		
– trade	**62**	80

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

(d) Key management compensation

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

	For the six months ended 30 June	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Wages, salaries and other benefits	**3,757**	3,617
Contribution to retirement benefit schemes	**196**	197
	3,953	3,814

The remuneration is included in "employee benefits expenses" (see note 7(b)).

18. Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2014.

19. Comparative figures

The comparative figures represent figures for the period ended 30 June 2013. Certain items in these comparative figures have been reclassified to conform with the current period's presentation to facilitate comparison.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

pwc

羅兵咸永道

To the Board of Directors of International Elite Ltd.
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 20, which comprises the condensed consolidated balance sheet of International Elite Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2014

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group is a CRM outsourcing service provider with business focus in Hong Kong, Macau and the PRC markets. CRM is a process of providing services to customers with the use of communication and computer networks. Services provided by the Group are classified into inbound and outbound services. During the period 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, the Group is also engaged in the research and development, production and sales of Radio-Frequency Subscriber Identity Module ("RF-SIM") products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau.

Financial Review

Revenue of the Group for the six months ended 30 June 2014 amounted to approximately HK$124,642,000, representing a decrease of approximately 22% as compared to that of the Last Corresponding Period. There was an approximately 11% decrease in revenue contributed by CRM service business and an approximately 11% decrease in revenue contributed by RF-SIM business.

Revenue from inbound services, outbound services and RF-SIM business accounted for approximately 56%, 33% and 11% of the Group's total revenue for the six months ended 30 June 2014 respectively. The gross profit margins of the inbound services, outbound services and RF-SIM business for the six months ended 30 June 2014 were approximately 20%, 20% and 38% respectively.

The gross profit of the Group for the six months ended 30 June 2014 was approximately HK$28,060,000, representing a decrease of approximately 43% as compared to that of the Last Corresponding Period. The gross profit margin decreased from approximately 31% to approximately 23% for the six months ended 30 June 2014. The gross profit of CRM service business for the six months ended 30 June 2014 was approximately HK$22,630,000, which was decreased by approximately HK$8,831,000 as compared to that of the Last Corresponding Period and accounted for approximately 18% of the decrease in gross profit of the Group. The gross profit margin of CRM service business decreased from approximately 24% to approximately 20%. The decrease in gross profit margin of CRM service business was mainly attributable to the increase in wages per operator. The gross profit of RF-SIM business for the six months ended 30 June 2014 was approximately HK$5,430,000, which was decreased by approximately HK$12,639,000 as compared to that of the Last Corresponding Period and accounted for approximately 25% of the decrease in gross profit of the Group. The gross profit margin of RF-SIM business decreased from approximately 57% to approximately 38%. The decrease in gross profit margin of RF-SIM business was mainly due to the reduction of unit selling price of RF-SIM products.

The Group's profit attributable to equity holders of the Company for the six months ended 30 June 2014 was approximately HK$3,000,000, while the Group's profit attributable to equity holders of the Company for the six months ended 30 June 2013 was approximately HK$18,078,000. The significant decrease in profit attributable to equity holders of the Company for the six months ended 30 June 2014 was mainly attributable to a significant decrease in sales of the RF-SIM products and a drop in revenue from the provision of CRM services as compared to those in the six months ended 30 June 2013.

CRM Service Business

Business Review

Customers in Telecommunications Industry

During the period under review, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. There was a decrease in revenue of the Group from telecommunications service providers for the six months ended 30 June 2014 of approximately 17% as compared to that of the Last Corresponding Period.

Customers in Non-Telecommunications Industries

During the period under review, the Group continued to develop its non-telecommunications customer base for CRM business and has successfully acquired service contract from Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司). The Group negotiated actively with potential customers in various industries such as finance, broadcast communication, social welfare, food and beverage, slimming and beauty shops, education and information technology.

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. Both new and established customers have built up a consolidated customer base of the Group and have witnessed the achievement of the Group's development in non-telecommunication industries.

Multi-Skill Training

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

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

CRM Service Centers

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

Customer	Service	Contract date
Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司)	Hotline Service	June 2014

Awards and Certification

In July 2014, China's Best Customer Service Appraisal Committee conferred the "Best Outsourcing Service Provider in China" award to China Elite.

Internet CRM

During the period under review, the Group continued to provide the Internet CRM service named as Intelligent Internet Chat Application ("iChat") service, to the established telecommunications service providers as well as customers in non-telecomunications industries. 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 of the Group.

Prospects

China strives its main efforts to cultivate services outsourcing industry and the CRM services provided by the Group is one of the essential expressions of that. According to the domestic commerce operation situation announcement issued by China's Ministry of Commerce for the six months ended 30 June 2014, contract amount of services outsourcing industry has increased by 35.3% compared to that of the same period of last year, in which the services outsourcing business is expanding to the high-end level. With the promising services outsourcing industry environment in China, the management believes that the Group will increase its penetration in the China market and the possibility of developing non-telecommunications markets.

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 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 decline on RF-SIM sales in the first half of 2014. The effect of Near Field Communication ("NFC") handset deployment from all of the 3 mobile operators in China continues to impact RF-SIM sales.

Apart from RF-SIM products, the main product of the Group based on proprietary technology, the Group continues its strategy to expand its product portfolio by developing NFC-SIM, a solution that is compatible to NFC standard, and Certificate Authority-SIM ("CA-SIM"), an innovative Online-to-Offline ("O2O") product that connects online Internet services and offline retailer POS.

Marketing Strategy

The Group will continue to keep its marketing strategy to deploy its RF-SIM, NFC-SIM & CA-SIM products to closed loop applications in China through well-established channels including SIM card vendors, system integrators as well as service aggregator companies.

With the growing demand for Smart City as well as O2O solutions in China, the Group is exploring the possibility to market CA-SIM to provincial governments in China for Smart City initiatives.

The Group continues to explore international markets through co-operation with overseas system integrators and service operators. However, there was not much progress due to the long sales cycle as well as different business environments as compared to China.

Product Development

The Group has launched its first NFC-SIM (13.56MHz) product in June 2014, and will launch CA-SIM (Bluetooth 4.0) products starting from third quarter of 2014.

NFC-SIM is a SIM card with 13.56MHz RF communication developed as an alternative solution to NFC handset technology for mobile payment applications that brings mobile operators benefits of lower cost and easier to deploy over NFC handset solution. The Group will continue to launch additional NFC-SIM products in the second half of 2014 to further increase the number of applicable handset models in the market.

CA-SIM is a SIM card with Bluetooth 4.0 communication and is an innovative idea to connect both the online Internet world and the offline physical world seamlessly. It is developed as an O2O solution for Smart City initiatives as well as Internet of Things (IOT) applications.

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.

Prospects

A report from Enfodesk, a research company in China, revealed that markets for both online and offline mobile payment services in China continued to grow in 2013, and there showed a trend that mobile payment for both online and offline markets started to merge together. This brings growing demands for O2O solutions and it is a great opportunity for the Group to deploy the new CA-SIM products.

On the other hand, 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 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 surplus cash is deposited at banks to facilitate extra operation expenditure or investment. Management makes financial forecast on a regular basis. As at 30 June 2014, 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 not applicable. As at 30 June 2014, the Group's balance of cash and deposits was approximately HK$469,958,000, which was attributable to the proceeds from the IPO and cashflow from operations.

Liquidity and Financial Position

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Cash at banks and in hand	**261,644**	281,958
Short-term bank deposits	**208,314**	148,744
Total cash and deposits	**469,958**	430,702

The Group normally finances its operations with internally generated cash flows. Cash position increased by approximately HK$39,256,000 during the six months ended 30 June 2014.

The current ratio was 32.53 as at 30 June 2014, which is lower than 34.81 as at 31 December 2013. The quick ratio was 30.16 as at 30 June 2014, which is lower than 32.68 as at 31 December 2013.

Foreign Exchange Rate Risk

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

Asset Mortgage

The Group has no outstanding asset mortgage as at 30 June 2014.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2014.

Significant Acquisition, Disposal or Investment

As at 30 June 2014, 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 period under review.

Capital Commitments

As at 30 June 2014, there were approximately HK$164,000 capital commitments contracted and not provided for in the financial statement (31 December 2013: nil).

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. 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 condensed consolidated financial information.

Staff and Remuneration Policy

As at 30 June 2014, the Group had 2,457 employees (31 December 2013: 2,584 employees). Among them, 2,440 employees worked in the PRC, 15 employees worked in Hong Kong and 2 employees worked in Macau.

Breakdown of the Group's staff by function as at 30 June 2014 is as follows:

Function	As at 30 June 2014	As at 31 December 2013
Management	**16**	17
Operation	**2,230**	2,344
Financial, administration, and human resources	**87**	96
Sales and marketing	**10**	6
Research and development	**84**	90
Repairs and maintenance	**30**	31
Total	**2,457**	2,584

The total staff remuneration including Directors' remuneration paid by the Group for the six months ended 30 June 2014 was approximately HK$94,252,000 (Last Corresponding Period: approximately HK$105,490,000). The remuneration paid to the staff, including the 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 housing fund, social insurance and medical insurance. We believe that at International Elite Ltd., our employees are our most valuable asset.

OTHER INFORMATION

Disclosure Under Chapter 13 of the Rules of Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")

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

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014. No interim dividend was paid in respect of the six months ended 30 June 2013.

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

As at 30 June 2014, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporation within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the 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 5)	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. Sheng 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 30 June 2014, 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 30 June 2014, 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:

Interests in ordinary shares of the Company – long position

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 30 June 2014, 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.

Directors' and Chief Executives' Right to Acquire Shares or Debentures

Save as disclosed in this report, during the period under review, there was no right 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.

Share Options Scheme

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 the date of this report, no option has been granted under the Share Option Scheme.

Model Code for Directors' Securities Transactions

The Company has adopted its own code of conduct which is not 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 six months ended 30 June 2014.

Purchase, Sale, Redemption or Cancellation of the Company's Listed Securities or Redeemable Securities

During the six months ended 30 June 2014, 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 six months ended 30 June 2014, 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 the Prospectus and below, during the six months ended 30 June 2014 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–Hong Kong Telecom Ltd., 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.

Compliance with Code on Corporate Governance Practices

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied 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 during the six months ended 30 June 2014 except for the deviation 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.

Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the requirements of the CG Code. 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 the chairman of the audit committee.

The audit committee of the Company has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2014 and is of the opinion that the unaudited consolidated interim results complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

Review of Interim Results

The consolidated interim results for the six months ended 30 June 2014 have not been audited, but have been reviewed, by the Group's external auditors, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and International Accounting Standard 34, "Interim Financial Reporting".

By order of the Board
International Elite Ltd.
LI KIN SHING
Chairman

Hong Kong, 26 August 2014

As at the date of this report, the executive Directors are Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa, and Mr. Li Wen and the independent non-executive Directors are Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. Liu Chun Bao.