
IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.



INTERNATIONAL ELITE LTD.

精英國際有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares: 228,000,000 Shares (subject to the Over-allotment Option)
Placing Price: HK\$1.36 per Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%)
Nominal Value: HK\$0.01 each
Stock Code: 8313

Sole Sponsor, Sole Bookrunner and Sole Lead Manager

**Daiwa Securities
SMBC**

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified under the section headed “Documents delivered to the Registrar of Companies and Available for Inspection” in Appendix VII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prospective investors of the Placing should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to the Company given by the Lead Manager (for itself and on behalf of the other Underwriters) upon the occurrence of any of the events set out under the sub-section headed “Grounds for termination” in the section headed “Underwriting” in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

11 October 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET

The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at *www.hkgem.com* in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE OF THE PLACING

2007
(Note 1)

Announcement of level of indication of interest in the Placing to be published on the GEM website at <i>www.hkgem.com</i> and the Company's website <i>www.iel.hk</i> on or before	15 October (Note 4)
Allotment of Placing Shares on or before	15 October (Note 4)
Despatch of share certificates for the Placing Shares on or before (Note 2)	15 October (Note 4)
Dealings in the Shares on GEM to commence on (Note 3)	16 October (Note 4)

Notes:

- (1) *All times and dates refer to Hong Kong time and date, except as otherwise stated.*
- (2) *The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before 15 October 2007 for credit to the relevant CCASS participants' or investor participants' stock accounts designated by the Lead Manager (for itself and on behalf of the other Underwriters), the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued.*
- (3) *For details of the structure of the Placing, including conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" of this prospectus.*
- (4) *If there is any change of the above expected timetable, a separate announcement will be made by the Company.*

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You should rely only on the information contained in this prospectus to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents, affiliates or representatives or any other party involved in the Placing.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

The Group is a customer relationship management (“CRM”) outsourcing service provider focusing on the Hong Kong, Macau and the PRC markets. CRM is the process of providing services to customers using the communication and computer networks. The Group provides inbound and outbound services to sizable companies, in particular, established telecommunications service providers in the region. The market for CRM outsourcing service has over time shown a promising trend to extend to other industries. Beyond the more traditional CRM services tailored for telecommunications service providers, the Group has expanded its range of services to become an increasingly important player in telesales, market research and customer referral services for a large variety of customers. The Group seeks to further enhance its services by actively co-operating with its customers in developing new marketing strategies and business models.

The principal business of the Group covers the following two business 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 and BIS services. BIS service is a personalized message taking service provided by the Group to the service subscribers of the Group’s customers. Calls are answered by human operators of the Group who then transmit the messages left by the callers to the service subscriber’s mobile phone via SMS. Subscribers may also call the CRM service centre to check and leave messages, or set up reminder services.
- **Outbound services:** The Group offers outbound services which comprise telesales services and market research services. Through telesales services, the Group’s operators promote products and services to potential and existing subscribers via unsolicited phone calls (cold calls) on a person-to-person basis. For market research services, the Group’s operators conduct surveys on behalf of its customers over the telephone, efficiently collecting feedback on services and products, suggestions for improvement and potential complaints.

For each of the two years ended 31 December 2006 and the five months ended 31 May 2007, the Group’s turnover was approximately HK\$83.43 million, HK\$149.86 million and HK\$74.92 million respectively.

The following table shows the turnover by business segment of the Group, expressed as a percentage contribution to total turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007:

	Year ended 31 December				Five months ended 31 May	
	2005		2006		2007	
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Inbound services	59.98	71.89	103.31	68.94	42.63	56.90
Outbound services	23.45	28.11	46.55	31.06	32.29	43.10
Total	<u>83.43</u>	<u>100</u>	<u>149.86</u>	<u>100</u>	<u>74.92</u>	<u>100</u>

SUMMARY

The Group has three CRM service centres located in Guangdong Province, the PRC, with a total seating capacity of approximately 4,100 seats. The Group is one of the largest CRM outsourcing service providers in the PRC in terms of seating capacity. In line with the industry's practice, seating capacity is a commonly used parameter and a suitable measure of the operation scale of a CRM service centre.

The Group's services have been accredited with a number of awards and recognitions during the Track Record Period and as at the Latest Practicable Date. In June 2005, the Group was awarded the "Best Outsourcing Call Centre (Guangdong) 2004 – 2005 (廣東省最佳外包呼叫中心獎 2004-2005)" award by the Guangdong Information Industry Association Customer Service Professional Committee (廣東省信息協會客戶服務專業委員會). Moreover, in July 2006, the Group was accredited with the "Best Outsourcing Call Centre in China 2005 – 2006 (中國最佳外包呼叫中心獎 2005-2006)" award by China's Best Customer Service Appraisal Committee (中國最佳客戶服務評選組委會). The Group was again awarded with the same award in July 2007, for the year 2006 – 2007. In September 2007, the Group was accredited with the "“Ten Years of China Call Center” Industry Development Contribution Award (“中國呼叫中心十年” 產業發展傑出成就獎)" by the China Call Center & Customer Relations Management Association (中國電子商會呼叫中心與客戶關係管理專業委員會), the Call Center Occupational Standards Committee of the Ministry of Information Industry (中國信息產業部呼叫中心標準指導委員會) and CCM World. One of the prerequisites for any candidate intending to participate in the "Best Outsourcing Call Centre in China" award is that it should have a seating capacity of over 200 seats. As the seating capacity is a prerequisite and an important criterion for evaluation in the competition and the Group's seating capacity is far beyond the threshold set by the awarding organisation, the Directors are of the view that the award suggests that the Group is one of the largest CRM outsourcing service providers in the PRC in terms of seating capacity.

The Directors believe that the Group will benefit from the anticipated growth in the demand of CRM outsourcing services from companies in the telecommunications and other service-oriented industries. The Directors plan to leverage the Group's leading position in the PRC market to gain market share in the country and capture new market opportunities.

COMPETITIVE ADVANTAGES

The Directors believe that the success of the Group is attributable to the following competitive advantages:

Economies of scale

The Group's total seating capacity of approximately 4,100 seats secures its leading position in the PRC. With the current scale of its CRM service centre operations, the Group is competitive among CRM outsourcing service providers in Hong Kong, Macau and the PRC.

The Group achieves economies of scale by superior efficiency and fluidity of service. The Group employs a proprietary system that optimises the diversion of calls in queue to the next available operator, thereby minimises the caller's wait time and maximises the quantity of calls processed without compromising the Group's quality of services. Such economies of scale contribute to lower cost of operation, which in turn gives the Group a competitive edge in the telecommunications service industry through competitive price structure.

Trilingual capability in the provision of services

As a provider of CRM outsourcing services to major companies in Hong Kong, Macau and the PRC, it is essential for the Group's operators to possess trilingual capabilities, namely Cantonese, Mandarin and English. As such, Guangdong Province is the appropriate choice for recruiting operators

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who command fluent Cantonese and Mandarin, as there is a large population who fulfills this language requirement. The Directors believe that the Group's CRM outsourcing service centres in the Guangdong Province place the Group in a uniquely advantageous position which cannot be easily challenged by other competitors in the industry operating in other provinces in the PRC.

In addition to the geographic advantage over its competitors that can offer services in only one of the dominant Chinese dialects, the Group has through careful investment and time nurtured a team of operators who is able to provide services in English to cater for those customers who require such capabilities, and add value to other customers to whom such facility might be optional. The Directors thus believe that the Group's position as one of the leaders in providing CRM outsourcing services, especially to telecommunications service providers will continue to persist.

Experienced management team

The Group's experienced management team consists of members of high calibre and qualifications. For details of the Group's management team, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus. This ensures the smooth and continual running of the Group's operations and gives the Group a competitive edge over its competitors, by effectively maintaining the Group's goodwill and reputation. The established reputation of the Group and the management team will continue to attract new customers while retaining old customers.

Solid client base

A solid client base is one of the crucial requirements to maintaining the Group's competitive advantages in the CRM outsourcing service industry. The Group currently provides CRM outsourcing services mainly to leading telecommunications service providers in Hong Kong, Macau and the PRC, including Hutchison Telecommunications, Hutchison Global, China Unicom Guangdong, PCCW Mobile etc. Details of major agreements entered into between the Group and its customers are set out in the section headed "History and Development and Statement of Active Business Pursuits" of this prospectus. Through constant awareness of their customers' needs and the provision of high quality CRM outsourcing services that caters for their objectives, the Group has fostered long-term and mutually supportive business relationships with these telecommunications service providers. Not only do these business relationships secure the Group's existing clients, but it also leads to new clientele expansion opportunities.

Expansion of clientele

During the Track Record Period, the Group has also provided CRM outsourcing services to non-telecommunications customers, including, but not limited to, customers from the travel agency, insurance, market research, and retail industries. The Directors believe that as outsourcing of CRM services becomes an increasingly popular solution to businesses in non-telecommunications industries, a whole new dimension of business opportunities will arise.

Quality services and strong research and development capability

The Directors believe that emphasis on quality control of the Group's services, and continuous effort to keep abreast of the latest market trend and technological development, has strengthened the Group's competitiveness in the industry.

The Group's research and development department develops tailor-made software systems for the operation of CRM service centres to enhance efficiency and support the needs and requirements of its customers. Details of the Group's existing systems are set out in the paragraph headed "Research and Development" under the section headed "Business" of this prospectus.

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BUSINESS OBJECTIVES

The Group aspires to become the leading integrated CRM outsourcing service provider for the full range of service intensive industries in the PRC through the achievement of the following business objectives:

- expansion of the Group's geographical coverage in the PRC through the setting up of new CRM service centres and/or acquisition of existing small to medium sized CRM service centres;
- broadening of the Group's customer base to telecommunications service providers beyond Guangdong Province, the PRC, and to companies in the non-telecommunications industry; and
- extension of the Group's existing businesses by introducing a full spectrum of customised and differentiated services, such as Internet CRM services, to its customers.

BUSINESS STRATEGIES

The Group intends to implement key strategic initiatives to achieve the above business objectives in accordance with the schedule as set out in the paragraph headed "Business Plan" in the section headed "Business Objectives and Strategies" of this prospectus. The key strategic initiatives which the Group plans to implement in the future are as follows:

Expansion of seating capacity

Currently the Group operates three CRM service centres in Guangzhou, the PRC, providing a total seating capacity of approximately 4,100 seats. As outsourcing has become the market trend, the Group plans to further expand its business and increase the Group's seating capacity to over 10,000 seats by having additional CRM service centres in the PRC through (i) the setting up of two additional CRM service centres, and/or (ii) acquisitions of small to medium sized CRM service centres in the southern, north-eastern and/or other regions in the PRC in which the Group currently has no service sites. The Group has strategically chosen the north-eastern region in the PRC as the location of its next service site as the Group considers it will not only help to extend its geographical coverage to north-eastern provinces but the presence of Korean and Japanese speaking residents in the region will be of particular advantage when the Group enters the Korean and Japanese markets if opportunities arise. By acquiring CRM service centres in other regions of the PRC, the Group also intends to expand its geographical coverage in the PRC and provide CRM outsourcing services to customers in other provinces, one such customer being China Unicom with whom the Group shall continue to have a business relationship. At present, no specific CRM service centre has been identified for acquisition.

Expansion of customer base and markets

The Group plans to continuously broaden its customer base within the telecommunications industry in which the Group possesses expertise, experience and reputation. Currently, the Group serves China Unicom, one of the leading telecommunications service providers in the PRC. The Group intends to seek more business opportunities with China Unicom for the provision of CRM outsourcing services in provinces other than the Guangdong Province, the PRC. In order to further broaden its customer base in the PRC, the Group will participate in the bidding of CRM outsourcing service contracts from China Mobile, a leading telecommunications service provider in the PRC if opportunities arise in the future. The Group is also seeking further opportunities to co-operate with other telecommunications service providers in Hong Kong and other overseas countries, including Japan, Korea, Taiwan and Canada.

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In addition to maintaining a stable growth of the Group's CRM outsourcing business within the telecommunications industry, the Group also seeks to develop a customer base in other industries. With the increasing recognition of the importance of CRM, it is anticipated that demand for quality CRM outsourcing services from various other industries, including finance (banks, insurance companies, securities houses, investment funds houses), Internet, travel, medical/health, market research, retail industries will increase. Currently, the Group provides CRM outsourcing services to travel, insurance, health care and information technology companies and intends to further broaden its customer base to other industries. The Group has been in contact with several non-telecommunications companies and the Directors believe that there are good chances of co-operation with these companies in the near future after the new service sites are ready for operation. Furthermore, the Group's sales and marketing department is also actively seeking opportunities to co-operate with non-telecommunications companies through various exhibitions and forums held as mentioned in the sub-section headed "Sales and Marketing" under the "Business" section of this prospectus.

The Group also plans to expand its business into overseas markets. The Group entered into a service agreement for the provision of telemarketing services with Times Telecom at the end of 2006. The Directors believe that the Group can enter into overseas markets ahead of other CRM outsourcing service providers in the PRC and thus getting the first bite of these markets.

Continuous improvement of services to existing customers

The Group seeks to consolidate and strengthen its existing customer base through continuous improvement of its services. As telecommunications service providers seek to transform their business model to providers of comprehensive information and value-added services, the Group plans to play an active role in their transformation by utilising its technical and service advantages, experience and know-how in the CRM outsourcing industry to assist in the business development of its customers, thereby becoming an indispensable supplier to such business operations.

The Directors believe that the Group's initiatives will allow it to offer its customers a complete spectrum of high quality customised and differentiated services that will position the Group as the leading integrated CRM outsourcing service provider to its existing customers and to potential customers in both telecommunications and non-telecommunications industries.

Provision of new services

To maintain a competitive edge over other competitors in the industry, the Group is aware of the constant need to catch up with modern technology and provide innovative services to its customers. The Group is therefore constantly developing new services for its existing and potential customers.

The Group intends to launch a new super secretarial service which is based on the existing BIS service. The new super secretarial service is targeted mainly at the high end subscribers of the telecommunications customers of the Group and has more advanced functions such as providing services similar to a real life secretary, for example making restaurant, air ticket and hotel reservations. Each operator for this new super secretarial service will only serve about one hundred subscribers.

As the number of Internet users has been increasing significantly in the PRC during the last couple of years, communication through the use of instant messaging systems has become a part of everyday life. The Internet also plays an important role in the marketing of products and/or services

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and has become an increasingly important channel that connects customers to businesses. The Directors believe that providing customer services through the Internet will become a significant market force in the foreseeable future.

For the future development of the Group, the Group plans to extend its provision of CRM outsourcing services from the application of telephone calls to the Internet by developing an e-channel. Preliminary plans of the Group include the use of artificial intelligence to respond to customers' enquiries via instant messaging systems. After adding the Group's artificial operator, namely “小E” (“Little E”) to its contact list, the customer can then enjoy this e-customer service free of charge. For example, if a customer wishes to find information on, for instance, “hotel Guangzhou”, all he/she has to do is to send an instant message to the artificial operator through the instant messaging system and the artificial operator will search the database and provide several choices to the customer in a user friendly language. If the artificial operator is unable to answer the customer's enquiry, the system will divert the message to a human operator, who will provide the solution to the customer. The human solution will then be added to the database of the artificial operator, thereby continually improving the system while directly increasing the service capacity.

Furthermore, this new service can also be provided through a webpage to facilitate the webpage owner, i.e. the company using the Internet to promote its products and/or services, to communicate directly with its potential customers, i.e. those browsing its webpage. For example, when a potential customer is browsing the webpage, a separate window will be opened through which the customer can contact the customer service representatives, while at the same time the company can identify the needs of the potential customers through the same window. The Group can provide the CRM outsourcing services to companies that value direct and instantaneous communication with customers.

Providing traditional CRM services i.e. handling various customer enquiries and conducting telesales through the Internet has the following benefits:

- Provides personalised customer services;
- Reduces costs over providing CRM services via telephone;
- Strengthens customer relationships; and
- Maximises sales opportunities

The Directors believe that providing CRM services through the Internet will become the future trend in the market and a focus of the Group. Through this new Internet CRM service, the Group can further broaden its customer base into non-telecommunications industries, e.g. restaurants, retail shops, travel agents, etc., thus reducing its current reliance on its telecommunications customers.

The Group intends to co-operate with a licensed instant messaging system service provider in the PRC in respect of the provision of CRM services through its instant messaging system. Under preliminary negotiations, the Group will pay an annual licence fee to the service provider. However, as at the Latest Practicable Date, the calculation basis of the licence fee has not yet been finalized.

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FINANCIAL INFORMATION

The following is a summary of the consolidated results of the Group for the periods indicated, which has been derived from, and should be read in conjunction with, the audited financial statements included in the Accountants' Report set out in Appendix I to this prospectus. These financial statements have been prepared in accordance with IFRSs.

	For the year ended 31 December		For the five months ended 31 May	
	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
Turnover	83,434	149,864	57,307	74,923
Cost of sales	(65,668)	(97,664)	(39,511)	(43,606)
Gross profit	17,766	52,200	17,796	31,317
Other revenue	99	284	148	159
Administrative expenses	(16,121)	(22,106)	(9,076)	(12,516)
Operating profit and profit before Taxation	1,744	30,378	8,868	18,960
Taxation	—	6,290	—	(2,140)
Profit for the year attributable to shareholders of the Company	<u>1,744</u>	<u>36,668</u>	<u>8,868</u>	<u>16,820</u>
Earnings per share				
—Basic and diluted earnings per share (<i>Note</i>) (HK\$)	<u>0.10</u>	<u>2.04</u>	<u>0.49</u>	<u>0.94</u>

Note:

The basic earnings per share for each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2006 and 2007 is calculated based on the profit attributable to the shareholders of the Company during the respective periods and 17,950,000 ordinary shares.

There were no dilutive potential ordinary shares during the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2006 and 2007 and, therefore, diluted earnings per share are the same as basic earnings per share for each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2006 and 2007.

FORECAST FOR THE YEAR ENDING 31 DECEMBER 2007

Forecast profit attributable to the Shareholders ⁽¹⁾	not less than HK\$54.8 million
Forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) ⁽¹⁾	not less than HK\$59.0 million
Forecast earnings per Share based on forecast profit attributable to the Shareholders	
(a) weighted average ⁽²⁾	not less than HK7.7 cents
(b) fully diluted ⁽³⁾	not less than HK5.6 cents
Forecast earnings per Share based on forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million)	
(a) weighted average ⁽⁴⁾	not less than HK8.3 cents
(b) fully diluted ⁽⁵⁾	not less than HK6.1 cents

Notes:

(1) The profit forecast for the year ending 31 December 2007 is based on the Group's audited consolidated results for the five months ended 31 May 2007, the unaudited consolidated results of the Group shown in the management accounts of the Group for the three months ended 31 August 2007 and a forecast of the consolidated results for the four months ending 31 December 2007. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix II of this prospectus.

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- (2) *The calculation of weighted average forecast earnings per Share is based on the forecast profit attributable to the Shareholders of approximately HK\$54.8 million for the year ending 31 December 2007 on the basis of the issued share capital of 708,673,973 Shares, being the weighted average number of Shares in issue during the year. The Shares to be issued under the Placing are assumed to be issued on 16 October 2007. This calculation assumes that no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.*
- (3) *The calculation of pro forma forecast earnings per Share is based on the forecast profit attributable to the Shareholders of approximately HK\$54.8 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.*
- (4) *The calculation of weighted average forecast earnings per Share is based on the forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) of approximately HK\$59.0 million for the year ending 31 December 2007 on the basis of the issued share capital of 708,673,973 Shares, being the weighted average number of Shares in issue during the year. The Shares to be issued under the Placing are assumed to be issued on 16 October 2007. This calculation assumes that no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.*
- (5) *The calculation of pro forma forecast earnings per Share is based on the forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) of approximately HK\$59.0 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.*

STATISTICS OF THE PLACING

Market capitalisation of the Shares (<i>Note 1</i>)	HK\$1,240.3 million
Pro-forma price/earnings multiple (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) (<i>Note 2</i>)	22.3 times
Pro-forma price/earnings multiple (<i>Note 3</i>)	24.3 times
Unaudited pro forma adjusted net tangible asset value per Share (<i>Note 4</i>)	HK\$0.40

Notes:

- (1) *The calculation of the market capitalisation of the Shares is based on 912,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Placing, assuming no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.*
- (2) *The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) of approximately HK\$59.0 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.*
- (3) *The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecasted earnings per Share of approximately HK\$54.8 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.*
- (4) *The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in the section headed "Unaudited pro forma adjusted consolidated net tangible assets" in Appendix III to this prospectus and on the basis of 912,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Placing, assuming no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.*

SUMMARY

SHAREHOLDING STRUCTURE AND MORATORIUM

Set out below are the respective shareholding structures of the Company immediately before and after completion of the Placing and the Capitalisation Issue but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Options and any options that may be granted under the Share Option Scheme:

Name	Date on which shareholding interest in the Company was first acquired	Number of Shares held immediately before the completion of the Placing and the Capitalisation Issue	Approximate percentage of shareholding in the Company immediately before the completion of the Placing and the Capitalisation Issue	Number of Shares to be held immediately after the completion of the Placing and the Capitalisation Issue	Approximate percentage of shareholding in the Company immediately after the completion of the Placing and the Capitalisation Issue	Approximate investment cost per Share (HK cents)	Total investment cost (HK\$)	Moratorium Period as required by the GEM Listing Rules <i>Note 5</i>
Initial Management Shareholders								
Ever Prosper <i>(Note 1)</i>	6 October 2000	35,600,100	100%	684,000,000	75%	0.052	356,001	12 months
Li Kin Shing <i>(Notes 2 and 3)</i>	N/A	35,600,100	100%	684,000,000	75%	N/A	N/A	12 months
Kwok King Wa <i>(Notes 2 and 3)</i>	N/A	35,600,100	100%	684,000,000	75%	N/A	N/A	12 months
Li Yin <i>(Notes 2 and 4)</i>	N/A	1,246,003	3.5%	23,940,000	2.625%	N/A	N/A	12 months
Public Shareholders	N/A	N/A	N/A	228,000,000	25%	Placing Price	N/A	N/A

Notes:

- (1) Ever Prosper, a company incorporated on 29 November 1994 under the laws of the BVI with limited liability, is held by Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin as to 50%, 46.5% and 3.5% respectively.
- (2) Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin are executive Directors. As each of Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin, by virtue of his/her indirect shareholding in the Company through Ever Prosper, is individually and/or collectively entitled to exercise, or control the exercise of 5% or more of the voting power at the general meetings of the Company and/or is able to directly or indirectly influence the management of the Company immediately prior to the Listing Date, each of them is therefore an Initial Management Shareholder under the GEM Listing Rules.
- (3) The Shares owned by Ever Prosper are held as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Both Mr. Li Kin Shing and Ms. Kwok King Wa are deemed to be interested in the 684,000,000 Shares under the SFO.
- (4) Ms. Li Yin holds 3.5% of the issued share capital of Ever Prosper which in turn holds 75% of the issued share capital of the Company immediately following the completion of the Placing and the Capitalisation Issue assuming that no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme. Therefore, Ms. Li will have an attributable interest of 2.625% of the issued share capital of the Company.
- (5) The moratorium period represents a period commencing on the date by reference to which disclosure of the shareholding of the Initial Management Shareholder is made in this prospectus and ending on the date which is 12 months after the Listing Date.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company has conditionally adopted the Pre-IPO Share Option Scheme on 21 September 2007, a summary of the terms and conditions of which is set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VI to this prospectus.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and provide an incentive to, the Directors, senior management and employees of the Group who have contributed to the growth of the Group and/or to the Listing. As at the Latest Practicable Date, the Company had granted 60,000,000 Pre-IPO Share Options to certain Directors, senior management and employees of the Group that entitle the grantees to be subscribers for the Shares at a price equal to the Placing Price per Share during the period from the expiry of the twelve months after the Listing

SUMMARY

Date until eighteen months from the Listing Date unless extended in writing by the board of Directors (and approved by the independent non-executive Directors). The exercise of these Pre-IPO Share Options would entitle these persons to an aggregate of 60,000,000 Shares, representing approximately 6.58% of the issued share capital of the Company immediately following the Placing, the Capitalisation Issue and assuming the Over-allotment Option or any Pre-IPO Share Options are not exercised and without taking into account of the Shares falling to be issued upon the exercise of any options that may be granted under the Share Option Scheme.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme on 21 September 2007, the purpose of which is to provide the eligible participants including, among others, the employees of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group. The principal terms of the Share Option Scheme is summarised in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

USE OF PROCEEDS

The Directors consider that net proceeds from the Placing crucial for financing the Group’s business strategies and assisting the Group’s consolidation of its position as an active player in the CRM outsourcing services market.

The Group’s future plan is to expand its business through the setting up of new CRM service centres and/or acquisition of other CRM service centres. The Directors intend to use the net proceeds from the Placing to provide fundings for the Group’s capital expenditure and business expansion. The net proceeds from the Placing, after deducting related expenses of approximately HK\$25.0 million, are estimated to amount to approximately HK\$285.0 million (assuming the Over-allotment Option is not exercised). The Directors intend to use the net proceeds as follows:

- Approximately 75.5% of the net proceeds, or approximately HK\$215.0 million, for the Group’s business expansion, including (i) the setting up of two CRM service centres, including the purchase of land and buildings or rental of premises, purchase of machinery and equipment, recruiting and training, and all other set up expenditures; and/or (ii) the acquisitions of small to medium sized CRM service centres, in the southern, the north-eastern and/or other regions in the PRC in which the Group currently has no service sites. No specific land and buildings or CRM service centres had been identified by the Group as at the Latest Practicable Date.
- Approximately 10.8% of the net proceeds, or approximately HK\$30.8 million, for the repayment of the entire outstanding non-trade balance due to related parties of the Company.
- Approximately 4.0% of the net proceeds, or approximately HK\$11.5 million, for the development of new Internet CRM services which will be a focus of the Group’s future development.
- Approximately 9.7% of the net proceeds, or approximately HK\$27.7 million, for the Group’s general working capital.

Part of the additional proceeds received from any exercise of the Over-allotment Option will firstly be allocated to the general working capital up to the level so that the total general working capital is equal to 10% of the then net proceeds, with the remaining additional proceeds to be allocated to the acquisitions of small to medium sized CRM service centres under the Group’s business expansion as mentioned above.

SUMMARY

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed as short-term deposits with licensed banks in Hong Kong.

The Directors consider that the net proceeds from the Placing together with the internal resources of the Group will be sufficient to finance the implementation of the Group's business plans as set out in the paragraph headed "Business plan" in the section headed "Business Objectives and Strategies" of this prospectus. Investors should be aware that any part of the business plans of the Group may not proceed according to the time frame as described under the above paragraph headed "Business plan" in the section headed "Business Objectives and Strategies" of this prospectus due to various factors such as delay in development and launching of new services, delay in identifying suitable sites for CRM service centres, delay in delivery of newly acquired machinery, delay in recruiting sufficiently qualified personnel, prolonged time to identify suitable businesses for mergers and acquisitions and changes in market conditions. In such circumstances, the Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan materializes.

RISK FACTORS

The Group's business is subject to a number of risk factors, the details of which are set out in the section headed "Risk Factors" of this prospectus. These risk factors can be categorised into (1) risks relating to the Group; (2) risks relating to the industry; (3) risks relating to the PRC; (4) risks relating to the Placing; and (5) risks relating to statements made in this prospectus. A summary of these risks is as follows:

RISKS RELATING TO THE GROUP

- Turnover and profit sustainability
- Reliance on major customers
- Reliance on the telecommunications industry and outsourcing policies of customers
- The Group may not be successful in expanding the Group's business into non-telecommunications industries
- The network of the Group may experience unexpected interruption or inadequacy
- Reliance on key management
- Failure to recruit and retain competent employees
- Failure of system infrastructure
- Potential service liabilities
- Infringement or misappropriation of intellectual property rights
- Inadequate protection of personal data
- The effect of the UEMO on the Group's business
- The tax obligations of the Group may be subject to changes in the PRC laws or policies

SUMMARY

- Uncertainties in implementing the contractual arrangements between the Group and customers in PRC
- Foreign exchange rate risk
- Failure to achieve business objectives
- Failure to contribute to housing fund
- Some lessors of the Group do not possess valid title to certain of the Group's leased properties
- Some of the leases of the Group in the PRC have not been properly registered
- Failure to contribute to social insurance
- The Group may not be able to pay dividends in accordance with the proposed dividend policy
- The Group may be exposed to third party liabilities arising from claims due to the nature of service and content of the information delivered by the Group in its daily operations
- The Group's transfer pricing arrangements may be challenged
- The interests of the Controlling Shareholders may differ from other Shareholders

RISKS RELATING TO THE INDUSTRY

- Rapid changes in technology
- Competition
- Changes in the regulatory environment

RISKS RELATING TO THE PRC

- Political, economic and legal environment of the PRC
- Currency conversion and exchange control
- Difficulties in seeking recognition and enforcement of foreign judgments or arbitral awards in China
- Changes in the PRC government policies in foreign investment in the PRC may adversely affect the business and results of operations of the Group
- Recurrence of Severe Acute Respiratory Syndrome (SARS) and outbreak of other epidemics and/or avian flu

SUMMARY

RISKS RELATING TO THE PLACING

- Termination of the Underwriting Agreement
- Less protection to minority shareholders under the Cayman Islands law
- Marketability and possible price and trading volume volatility of the Shares
- Dilution of Shareholders' equity interests
- Impact of granting the Pre-IPO Share Options and options under the Share Option Scheme

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

- Statistics and facts
- Accuracy of forward-looking statements

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Abacus”	AbacusChina Inc., a company incorporated in the Cayman Islands under the Companies Law on 4 February 2000 with limited liability and an Independent Third Party
“Articles”	the articles of association of the Company adopted by resolutions of its Shareholders on 8 September 2007 and amended on 8 October 2007, and as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and the Cayman Islands Companies Law” in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“BTR”	Bureau of Telecommunications Regulation in Macau which succeeds all functions of GDTTI since May 2006
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of shares to be made upon capitalisation of certain retain profits of the Company referred to in the paragraph headed “Written resolutions of the then sole Shareholder passed on 8 September 2007, 21 September 2007 and 8 October 2007” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCM World”	CCM World Group (客戶世界機構), a company incorporated in 2002 which focuses on research and development of customer care management and an Independent Third Party, further details of which including but not limited to its business and background information can be found in the sub-section headed “About CCM World” in the section headed “Industry Overview and Regulatory Overview” of this prospectus
“CCW”	China Computer World Research Company Limited (北京時代計世資訊有限公司), a company incorporated in the PRC, the publisher of CCW Report and an Independent Third Party, further details of which including but not limited to its business and background information can be found in the sub-section headed “About CCW” in the section headed “Industry Overview and Regulatory Overview” of this prospectus
“CCW Report”	the report titled “2006-2007 Research Report on China Call Centre Service Development Trend” published by CCW in March 2007

DEFINITIONS

“CEIC”	CEIC Data Company Ltd, a company incorporated on 29 June 1993 in Hong Kong with limited liability and an Independent Third Party, further details of which including but not limited to its business and background information can be found in the sub-section headed “About CEIC” in the section headed “Industry Overview and Regulatory Overview” of this prospectus
“China” or “PRC”	the People’s Republic of China, but for the purposes of this prospectus and unless otherwise indicated, excludes Hong Kong, Macau and Taiwan
“China Elite”	廣州盛華信息有限公司 (China Elite Info. Co. Limited), a company incorporated in the PRC on 18 July 2000 under the laws of the PRC with limited liability, engaged in the provision of CRM services to PRC and overseas customers of the Group and an indirect wholly-owned subsidiary of the Company
“China Elite Guangzhou Branch Company”	廣州盛華信息有限公司廣州分公司 (China Elite Info. Co. Limited Guangzhou Branch Company), a branch company of China Elite established on 7 September 2006 under the laws of the PRC, the details of which are set out in the section headed “History and Development and Statement of Active Business Pursuits” of this prospectus
“China Elite Sanshui Branch Company”	廣州盛華信息有限公司三水分公司 (China Elite Info. Co. Limited Sanshui Branch Company), a branch company of China Elite established on 10 April 2006 under the laws of the PRC, the details of which are set out in the section headed “History and Development and Statement of Active Business Pursuits” of this prospectus
“China-HK Telecom”	China-Hong Kong Telecom Ltd. (中港通電訊有限公司), a company incorporated on 5 September 2001 in Hong Kong under the Companies Ordinance with limited liability, which is mainly engaged in the business of provision of one card multiple number services and is indirectly owned as to 50% and 50% by each of Mr. Li Kin Shing and Ms. Kwok King Wa respectively, both of them are executive Directors
“China Unicom”	China Unicom Limited (中國聯通股份有限公司), a company incorporated on 9 February 2000 in Hong Kong with limited liability, the shares of which are listed on the Main Board and the New York Stock Exchange, being a telecommunications service provider, an Independent Third Party
“China Unicom Corp”	China Unicom Telecommunications Corporation (中國聯合通信有限公司), a company incorporated on 31 December 2001 in the PRC with limited liability, being a telecommunications service provider and an ultimate controlling shareholder of China Unicom, an Independent Third Party
“China Unicom Guangdong”	China Unicom Limited — Guangdong Branch, a branch company of China Unicom established in the PRC, one of the Group’s customers and an Independent Third Party

DEFINITIONS

“Company”	International Elite Ltd. (精英國際有限公司), a company incorporated in the Cayman Islands on 18 September 2000 under the Companies Law with limited liability
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company Law”	the Company Law of the PRC (Third Revision) (《中華人民共和國公司法》(第三次修正)), as adopted by the Standing Committee of the Tenth NPC on 27 October 2005 and effective as of 1 January 2006, as amended, supplemented or otherwise modified from time to time
“Connected Person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, being Ever Prosper, Mr. Li Kin Shing and Ms. Kwok King Wa
“CRM”	customer relationship management, the process of providing services to customers using the communication and computer networks. CRM service is also known as call centre service or customer care centre service in the PRC
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Daiwa Securities SMBC”, “Bookrunner” “Global Coordinator”, “Lead Manager” or “Sponsor”	Daiwa Securities SMBC Hong Kong Limited, a corporation licensed under the SFO for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“Directel HK”	Directel Communications Limited (直通電訊有限公司), a company incorporated in Hong Kong on 20 April 1995 with limited liability and is indirectly owned as to 50% and 50% by each of Mr. Li Kin Shing and Ms. Kwok King Wa respectively, both of them are executive Directors. Directel HK is an indirect wholly-owned subsidiary of Elitel
“Director(s)”	the director(s) of the Company
“Eritel”	Eritel Limited (盛華電訊有限公司), a company incorporated on 30 August 2001 in the Cayman Islands under the Companies Law with limited liability and is owned as to 50% and 50% by each of Mr. Li Kin Shing and Ms. Kwok King Wa respectively, both of them are executive Directors
“Eritel Group”	the group comprising Eritel and four wholly-owned subsidiaries namely China - HK Telecom, Directel HK, Sunward Cayman and Sunward HK
“Ever Prosper”	Ever Prosper International Limited, a company incorporated on 29 November 1994 under the laws of the BVI with limited liability and is owned by Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin as to 50%, 46.5% and 3.5% respectively

DEFINITIONS

“Fulfillment Services”	the implementation of telesales order by performing credit check on the subscriber, preparing the service agreement between the telecommunications service provider and the subscriber in addition to other documents, explaining the terms of the service agreement to the subscriber before signing and providing the SIM card to the subscriber
“GDTTI”	Office for the Development of Telecommunications and Information Technology in Macau
“GDZIL”	Guangdong Zhitong Investment Ltd. (廣東直通投資有限公司), a company incorporated in the PRC on 12 February 1999 with limited liability. During the period from 1 January 2005 to the Latest Practicable Date, Mr. Li Wang (a brother of Mr. Li Kin Shing) and Mr. Kwok King Tin (a brother of Ms. Kwok King Wa) were the registered shareholders holding 57.75% and 42.25% shareholding interests in GDZIL respectively. According to the declarations of trust dated 15 August 2005 and signed between 1) Ms. Zheng Hui, an Independent Third Party, and Mr. Li Wang; and 2) Mr. Yan Guangsong, an Independent Third Party, and Mr. Kwok King Tin, each of Mr. Li Wang and Mr. Kwok King Tin holds the 57.75% and 42.25% shareholding interests in GDZIL on trust for and on behalf of Ms. Zheng Hui and Mr. Yan Guangsong respectively from 15 August 2005 to 14 August 2010. Therefore, Ms. Zheng Hui and Mr. Yan Guangsong are the ultimate beneficial owners of GDZIL. Mr. Li Wang was the sole executive director of GDZIL during the period from 1 January 2005 to the Latest Practicable Date. GDZIL is an investment holding company which owns 90% shareholding interest in Guangdong Zhitong. Save for the fact that 1) GDZIL and its subsidiaries have certain transactions with the Group as disclosed in note 23 of the Accountants’ Report annexed as Appendix I to this prospectus; and 2) Mr. Li Kin Shing, a Controlling Shareholder and an executive Director, leases a property located in the PRC to Guangdong Zhitong as its office, GDZIL does not have any other relationship with the Group. GDZIL is an Independent Third Party
“Guangdong Zhitong”	Guangdong Zhitong Telecommunications Service Company Limited (廣東直通電訊服務有限公司), a company incorporated in the PRC on 19 January 1999 with limited liability. Guangdong Zhitong is engaged in the provision of CRM outsourcing services in the PRC. During the period from January 2005 to April 2007, Guangdong Zhitong was respectively owned as to 90% and 10% by GDZIL and Ms. Li Yin. In order to avoid holding any minority competing interest, Ms. Li Yin disposed of her 10% shareholding interest in Guangdong Zhitong to Ms. Zheng Hui, an Independent Third Party, in April 2007. Accordingly, since April 2007, Guangdong Zhitong has been owned as to 90% and 10% by GDZIL and Ms. Zheng Hui respectively. Mr. Li Wang (a brother of Mr. Li Kin Shing) was the sole executive director of Guangdong Zhitong during the period from 1 January 2005 to the Latest Practicable Date. Upon the disposal by Ms. Li Yin in April 2007, save for the fact that 1) Guangdong Zhitong, its

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holding company and fellow subsidiaries have certain transactions with the Group as disclosed in note 23 of the Accountants' Report annexed as Appendix I to this prospectus; and 2) Mr. Li Kin Shing, a Controlling Shareholder and an executive Director, leases a property located in the PRC to Guangdong Zhitong as its office, Guangdong Zhitong does not have any other relationship with the Group. Guangdong Zhitong is an Independent Third Party

“Guangzhou Zhitong”

Guangzhou Zhitong Telecommunications Limited (廣州直通電訊有限公司), a company incorporated on 11 April 2003 in the PRC with limited liability and was ultimately owned as to 50% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively during the period from January 2005 to April 2007. In April 2007, Mr. Li Kin Shing and Ms. Kwok King Wa disposed of their entire interests in Guangzhou Zhitong to Ms. Zheng Hui, an Independent Third Party. Accordingly, since April 2007, Guangzhou Zhitong has been ultimately and wholly owned by Ms. Zheng Hui. During the period from January 2005 to June 2007, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin were the directors of Guangzhou Zhitong and all of them have resigned in June 2007 when Ms. Zheng Hui, Mr. Leung Guojian and Mr. Yan Guangsong, all of them are Independent Third Parties, were appointed as the directors of Guangzhou Zhitong. Guangzhou Zhitong is principally engaged in acting as an agent for selling service plans for telecommunications service providers in the PRC. Ms. Zheng Hui, a director of Guangzhou Zhitong, is the common ultimate beneficial/controlling shareholder of GDZIL and Guangzhou Zhitong. Save for the fact that Guangzhou Zhitong has certain transactions with the Group as disclosed in note 23 of the Accountants' Report annexed as Appendix I to this prospectus, Guangzhou Zhitong does not have any other relationship with the Group. Guangzhou Zhitong is an Independent Third Party

“GEM”

the Growth Enterprise Market operated by the Stock Exchange

“GEM Listing Committee”

the listing committee of the board of directors of the Stock Exchange with responsibility for GEM

“GEM Listing Rules”

the Rules Governing the Listing of Securities on GEM

“GEM website”

<http://www.hkgem.com>, being the Internet website operated by the Stock Exchange for GEM

“Group”

the Company and its subsidiaries, or where the context so requires in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries for the time being

“HKSCC”

Hong Kong Securities Clearing Company Limited

“Honest Gain”

Honest Gain Investments Limited, an investment holding company incorporated on 5 January 1995 under the laws of the BVI with limited liability and is wholly owned by Mr. Li Yi Sheng, an Independent Third Party

DEFINITIONS

“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “HK Dollars” and cents	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HTIL”	Hutchison Telecommunications International Limited, a company incorporated in the Cayman Islands on 17 March 2004 with limited liability which is engaged in the business of providing mobile and fixed-line telecommunications services, the shares of which are listed on the Main Board and the New York Stock Exchange, an Independent Third Party
“Hutchison Global”	Hutchison Global Communications Limited, a telecommunications service provider company incorporated on 22 October 1992 in Hong Kong under the Companies Ordinance with limited liability, a wholly-owned subsidiary of HTIL, one of the Group’s customers and an Independent Third Party
“Hutchison Macau”	Hutchison Telephone (Macau) Company Limited, a telecommunications service provider company incorporated in Macau in 2000 under the laws of Macau with limited liability, a non wholly-owned subsidiary of HTIL, one of the Group’s customers and an Independent Third Party
“Hutchison Telecommunications”	Hutchison Telecommunications (Hong Kong) Limited, a company incorporated in Hong Kong on 1 August 1995 under the Companies Ordinance with limited liability and a wholly-owned subsidiary of HTIL, one of the Group’s customers and an Independent Third Party
“Independent Third Party(ies)”	a person(s) or entity(ies) who/which is/are independent of and not connected with any Directors, chief executive, Initial Management Shareholders, significant shareholders or substantial shareholders (both as defined in the GEM Listing Rules) of the Company or any of its subsidiaries and their respective associates
“Initial Management Shareholder(s)”	the initial management shareholder(s) (as defined in the GEM Listing Rules) of the Company, being Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin, more details of which are set out in the section headed “Substantial Shareholders, Significant Shareholders and Initial Management Shareholders” of this prospectus
“International Elite (Macau)”	International Elite Ltd. — Macao Commercial Offshore (精英國際有限公司-澳門離岸商業服務), a company incorporated in Macau on 7 December 2002 under the laws of Macau as a private company and a wholly owned subsidiary of the Company
“Keithick”	Keithick Profits Limited (克斯克益利有限公司), a company incorporated on 25 May 1993 under the laws of the BVI with limited liability and a wholly owned subsidiary of the Company
“Latest Practicable Date”	8 October 2007, being the latest practicable date for ascertaining certain information contained in this prospectus prior to the printing of this prospectus
“Listing”	the listing of Shares on GEM

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“Listing Date”	the date on which the trading of the Shares on GEM commences, which is expected to be 16 October 2007
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the securities market operated by the Stock Exchange under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (excluding the options market) other than GEM, which stock market continues to be operated in parallel with GEM
“MOP”	Macau Patacas, the lawful currency of Macau
“NPC”	the National People’s Congress (全國人民代表大會), the national legislative body in the PRC
“Offshore Activities”	offshore activities as defined under relevant law of Macau which refer to any economic activities dedicated to foreign markets, to be pursued exclusively with non-residents and by means of transactions in currencies other than MOP
“Over-allotment Option”	the option to be granted by the Company to the Underwriters and exercisable by Daiwa Securities SMBC, for itself and on behalf of the other Underwriters, to require the Company to issue the Over-allotment Shares to cover the over-allocation in the Placing as described in detail in the section headed “Structure and Conditions of the Placing” in this prospectus
“Over-allotment Shares”	up to an aggregate of 34,200,000 additional new Shares (in aggregate representing 15% of the Shares initially offered under the Placing) which may be allotted and issued by the Company upon the exercise of the Over-allotment Option
“PacificNet Communications”	PacificNet Communications Limited — Macao Commercial Offshore (太平洋商通電訊有限公司), a company incorporated in Macau on 6 February 2003 under the laws of Macau as a private company, a wholly-owned subsidiary of PacificNet Management and an indirect wholly-owned subsidiary of the Company
“PacificNet Management”	PacificNet Management Limited, a company incorporated on 11 April 2000 under the laws of the BVI with limited liability and a wholly-owned subsidiary of the Company. Prior to the Group’s acquisition of PacificNet Management in December 2003, PacificNet Management was an indirect wholly-owned subsidiary of PacificNet Inc.. Details of the acquisition are set out in the paragraph headed “The Subsidiaries” in the section headed “History and Development and Statement of Active Business Pursuits” of this prospectus
“PBOC”	People’s Bank of China, the central bank of the PRC
“PCCW Limited”	PCCW Limited, a company incorporated in Hong Kong on 24 April 1979 under the Companies Ordinance with limited liability, the securities of which are listed on the Main Board and with securities in the form of American depositary shares traded over the counter in the United States, an Independent Third Party

DEFINITIONS

“PCCW Mobile”	PCCW Mobile HK Limited, a company incorporated in Hong Kong on 24 November 1994 under the Companies Ordinance with limited liability, an indirect wholly-owned subsidiary of PCCW Limited and trading under the brand name of PCCW Mobile, one of the Group’s customers and an Independent Third Party. PCCW Mobile was formerly known as SUNDAY
“Placing”	the conditional placing of the Placing Shares at the Placing Price, on and subject to the terms and conditions stated in this prospectus, to selected professional, institutional and private investors as further described under the section headed “Structure and conditions of the Placing” of this prospectus
“Placing Price”	HK\$1.36 per Placing Share in Hong Kong dollars (exclusive of brokerage, the Stock Exchange trading fee, and SFC transaction levy) at which the Placing Shares are to be subscribed for pursuant to the Placing
“Placing Shares”	228,000,000 new Shares being offered by the Company for subscription under the Placing, together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 21 September 2007, a summary of the terms and conditions of which are set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VI to this prospectus
“Pre-IPO Share Options”	the options granted by the Company to certain Directors, senior management and employees of the Group prior to the Listing Date pursuant to the Pre-IPO Share Option Scheme
“Qiaoli Premises”	the second and the third floors of the building located at No. 133 Qiyi Road, Guangzhou, the PRC with an aggregate floor area of approximately 3,100 square metres
“Relevant Securities”	has the meaning as defined in Rule 13.15(4) of the GEM Listing Rules
“RMB” or ‘Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 21 September 2007, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” under the section headed “Statutory and General Information” in Appendix VI to this prospectus
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“State”	the government of the PRC

DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement dated 10 October 2007 and entered into between the Lead Manager and Ever Prosper, pursuant to which Ever Prosper agrees to lend an aggregate of up to 34,200,000 Shares to the Lead Manager on the terms set out therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary” or “Subsidiaries”	has the meaning ascribed to it in Section 2 of the Companies Ordinance
“SUNDAY”	SUNDAY o/b Mandarin Communications Limited, a company incorporated in Hong Kong under the Companies Ordinance with limited liability, one of the Group’s customers and an Independent Third Party. Mandarin Communications Limited changed its name to PCCW Mobile after it became an indirect wholly-owned subsidiary of PCCW Limited
“Sunward Cayman”	Sunward Telecom Limited, a company incorporated in the Cayman Islands on 11 January 2006 with limited liability and is indirectly owned as to 50% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively, both of them are executive Directors. Sunward Cayman is a direct wholly-owned subsidiary of Elitel
“Sunward HK”	Sunward Telecom Limited, a company incorporated in Hong Kong on 23 December 2005 with limited liability and is indirectly owned as to 50% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively, both of them are executive Directors. Sunward HK is an indirect wholly-owned subsidiary of Elitel
“TDL”	Telecom Digital Data Limited, a company incorporated in Hong Kong on 3 September 1999 under the Companies Ordinance with limited liability, one of the Group’s customers and an Independent Third Party
“Times Telecom”	Times Telecom Inc., founded in 1996, a corporation incorporated under the laws of Canada, one of the Group’s customers and an Independent Third Party
“Track Record Period”	the period comprising each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2007
“UEMO”	the Unsolicited Electronic Messages Ordinance (Chapter 593 of the Laws of Hong Kong)
“Underwriters”	the underwriters of the Placing named in the paragraph headed “Underwriters” in the section headed “Underwriting” of this prospectus
“Underwriting Agreement”	the underwriting agreement expected to be entered into on 12 October 2007 by the Company, the Initial Management Shareholders, the executive Directors, the Lead Manager and the Underwriters, particulars of which are summarized in the section headed “Underwriting” in this prospectus

DEFINITIONS

“US” or “United States”	the United States of America
“US\$”	US dollars, the lawful currency of the United States
“WFOE”	wholly foreign owned enterprise
“Winet”	Winet Engineering Limited (互動工程有限公司), a company incorporated in Hong Kong on 8 December 1999 under the Companies Ordinance with limited liability, an indirect wholly-owned subsidiary of the Company
“%”	per cent

All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.

Unless otherwise specified in this prospectus, amounts denominated in US\$ and RMB have been translated, for the purposes of illustration only, into Hong Kong dollars at the rate of HK\$7.8 = US\$1 = RMB7.8 respectively.

The exchange rates above are for reference only. No representation is made by the Group that any amounts in RMB, US\$ or Hong Kong Dollars could have been or could be converted at the above rates or at any other rates or at all.

For ease of reference, the names of the PRC established companies, governmental authorities and departments, entities and documents have been included in this prospectus in both the Chinese and English languages. In the event of inconsistency, the Chinese version in respect of such names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with the Company and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

“2G”	second generation mobile telecommunications services using wireless communication technology
“3G”	third generation mobile telecommunications services using wireless communication technology
“ACD”	Automatic Call Distribution system, a system which distributes calls to the Group’s system/operators
“Agent Navigation System”	a system used by the Group’s operators in the provision of outbound services
“BIS service(s)”	Built-in-Secretarial services, a personalized message taking service provided by the Group to certain service subscribers of the Group’s customers
“EXCEL”	a programmable telephone exchange system, which is used for allocating calls to operators, monitoring the inbound and outbound call traffic and recording the daily call summary
“IDD”	International Direct Dial
“IVRS”	Interactive Voice Response System, a computerised system with pre-recorded voice prompts enabling caller to select options, obtain information and interact with telephone operators
“SIM”	subscriber identity module
“SIM card”	subscriber identity module card
“SMS”	short messaging service, a service available on most digital mobile phones that permits the sending of short messages between mobile phones, other handheld devices and even landline telephones

RISK FACTORS

Investment in the Placing involves high risks and speculation. Before making any investment decisions in relation to the Company, prospective investors should carefully consider all information contained in this prospectus, in particular the following risk factors and special considerations associated with investing in the Company. It is possible that damage to the Company's business, financial position and operating results may arise from other risk factors and uncertainties that the Company is unaware of, or investment factors that the Company considers insignificant at present.

RISKS RELATING TO THE GROUP

Turnover and profit sustainability

The Group has undergone rapid expansion since the Group's commencement of operation in early 2000, details of the Group's history have been stated in the section headed "History and Development and Statement of Active Business Pursuits" of this prospectus. Accordingly, the Group has a limited operating history in the provision of CRM outsourcing services under its current structure and has experienced significant fluctuation in net profit during the past few years. Although the Group recorded high growth in both the turnover and net profit during the Track Record Period by recording turnover of approximately HK\$83.43 million, HK\$149.86 million and HK\$74.92 million respectively and net profit of approximately HK\$1.74 million, HK\$36.67 million and HK\$16.82 million respectively for the two years ended 31 December 2006 and the five months ended 31 May 2007, the sustainability of the Group's turnover and net profit will depend upon the ability of the Group to maintain its competitiveness in the market and to produce high quality services. There is no assurance that the Group will be able to maintain its growth at current level in coming years and in such event, the Group's performance may be adversely affected by any decrease in turnover and profit.

Reliance on major customers

The Group derives a significant portion of its turnover from the provision of services to a certain number of its key customers.

During the Track Record Period, the Group's sales to its top five customers on group basis accounted for approximately 95.20%, 99.33% and 95.36% respectively of the Group's total turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007. Besides, approximately 54.26%, 69.81% and 71.12% respectively of the Group's total turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007 were derived from the Group's largest customer group.

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In addition, some of the contracts entered into between certain of the major customers and the Group contain an exclusive clause restricting the provision of the Group's services to any companies which undertake competing business with those major customers in Hong Kong and Macau, unless (i) prior written consent has been given by those major customers or (ii) those competitors were existing customers of the Group at the time when the Group entered into contracts with those major customers. A brief summary of the restrictive clauses are set out below.

<u>Customer</u>	<u>Restriction</u>	<u>Duration</u>
Hutchison Telecommunications	The Group has undertaken not to enter into any contract, arrangement or understanding with any mobile network operator, mobile virtual network operator or any other mobile telecommunications service provider in Hong Kong or Macau for the provision of same or similar services which are provided to Hutchison Telecommunications during the duration of the agreement, except for customers which have been disclosed to Hutchison Telecommunications or prior written consent has been given.	5 years from the date of commencement of the agreement i.e. 8 April 2005 (the "Initial Term") plus automatic extension of 5 years following the expiry of the Initial Term, unless terminated in accordance with the relevant provisions of the agreement
Hutchison Global	The Group has undertaken not to enter into any contract, arrangement or understanding with any fixed network operator or any other fixed telecommunications service provider in Hong Kong or Macau for the provision of the same or similar services which are provided to Hutchison Global during the duration of the agreement, except for customers which have been disclosed to Hutchison Global or prior written consent has been given.	5 years from the date of commencement of the agreement i.e. 30 April 2005 (the "Initial Term") plus automatic extension of 5 years following the expiry of the Initial Term, unless terminated in accordance with the relevant provisions of the agreement

The Group had disclosed to Hutchison Telecommunications and Hutchison Global the list of competitors that the Group had been providing services to prior to the signing of the above contracts and it is also acknowledged by Hutchison Telecommunications and Hutchison Global that provision of services to those competitors is not a violation of the above stated restrictions. Therefore it is not necessary for the Group to obtain consent from Hutchison Telecommunications and Hutchison Global in respect of provision of services to the customers as disclosed in the said list of competitors.

Such restrictive clause will affect and restrict the Group's expansion plan in the CRM outsourcing business and acquisition of potential customers that are telecommunications operators in Hong Kong and Macau.

The Group is actively seeking business opportunities with new customers, both in telecommunications and non-telecommunications sectors as well as maintaining good relationships with its existing customers. However, the Directors anticipate that the Group will continue to derive a significant portion of its turnover from the top five customers of the Group. The Group's business, results of operations and financial position may be adversely affected should such key customers cease their business relationships with the Group.

Reliance on the telecommunications industry and outsourcing policies of customers

The Group currently derives a substantial portion of its turnover from telecommunications service providers in Hong Kong, Macau and the PRC. For the two years ended 31 December 2006 and

RISK FACTORS

the five months ended 31 May 2007, the Group derived a total of approximately 96.14%, 99.60% and 95.35% respectively of its turnover from its customers in the telecommunications industry. Demand for the services of the Group depends on the level of activities in the telecommunications industry in Hong Kong, Macau and the PRC and market competition. As part of its strategic development, the Group intends to gradually extend its business operations to provision of CRM services to non-telecommunications companies. As such, the Directors believe that the Group's reliance on the telecommunications industry will decrease accordingly.

Any trend towards an increase in competition in the telecommunications industry in Hong Kong, Macau and the PRC, particularly amongst the telecommunications service providers which are the Group's customers, may put downward pressure on prices for their products and services, and consequently on their turnover. Should this happen, these telecommunications service providers may attempt to maintain their profit margins by reducing their costs, including the CRM outsourcing fee they are willing to pay to the Group.

The Group may not be successful in expanding the Group's business into non-telecommunications industries

During the Track Record Period, the majority of the Group's turnover was generated from customers in the telecommunications industry, which accounted for approximately 96.14% in 2005, 99.60% in 2006 and 95.35% in the five months ended 31 May 2007 of the total turnover of the Group respectively. As part of its strategic development, the Group is contemplating expansion of its business into other industries. However, expansion into the non-telecommunications market may involve substantial time, cost and market uncertainty. In the event that the Group encounters problems or delays in penetrating such markets, the operations and prospects of the Group could be adversely affected.

The network of the Group may experience unexpected interruption or inadequacy

The Group's operational systems utilised by the CRM service centres are vulnerable to damage from fire, flood, power loss, telecommunications failures, computer virus, hackings and similar events. Any network interruption or inadequacy that causes interruptions in the connectivity of the system of the Group or deterioration in the quality of access to the system of the Group or failure to maintain the network and server or failure to solve such problems quickly could reduce the Group's customers' satisfaction. In addition, any security breach caused by hackings, which involve efforts to gain unauthorised access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could have a material adverse effect on the business, financial condition and results of operations. The Group maintains insurance policies covering losses relating to the systems of the Group and does not have business interruption insurance.

Reliance on key management

To a significant extent, the Group's success depends on the experience, expertise and the continuous services of the Group's executive Directors, namely, Mr. Li Kin Shing, Ms. Kwok King Wa, Ms. Li Yin, Mr. Wong Kin Wa and Mr. Li Wen. For details in relation to the executive Directors, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus.

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The Group's performance also depends on its ability to retain and motivate its key officers and employees as named in the paragraph headed "Senior Management" under the section headed "Directors, Senior Management and Staff" of this prospectus. However, there is no assurance that the Group will be able to retain the continuous services of the executive Directors and the members of the senior management. If the Group is unable to retain their services, the operations of the Group may be adversely affected, if for any reason, replacement cannot be found in a timely and commercially viable manner.

Failure to recruit and retain competent employees

The Directors believe that an integral part of its success relies on its ability to recruit and retain employees who have advanced skills in the services that the Group provides. In particular, the Group must hire and retain employees with the expertise and knowledge of the industry to maintain and continue to develop the Group's operations. The Group succeeded in recruiting competent employees during the Track Record Period. Nevertheless, there can be no assurance that the Group will be able to recruit and/or retain suitable employees in the future.

Failure of system infrastructure

The stability of the Group's services are dependent upon the Group's ability to protect its system infrastructure and equipment against damage from human error, fire, earthquakes, floods, power loss, telecommunications failure, sabotage, hackers and similar events. Any damage to or failure of the systems of the Group could result in interruptions in, or termination of the services provided for the Group's customers, which could have a material adverse effect on the Group's business, operation results and financial conditions. In addition, the Group's reputation could be materially affected.

Potential service liabilities

The Group's services may be critical to the operations of its customers' businesses. If the Group provides wrong information in delivering its services which subsequently adversely affect any of the Group's customers' businesses, the Group may incur additional costs in rectifying such errors or defending any legal proceedings and claims brought by its customers against the Group. Consequently, this may affect the Group's relationship with such customers and may result in negative publicity of the Group. The Group has no insurance cover on its service liabilities. Any defects or errors in the Group's services could result in delayed or lost turnover, adverse customer relationship, negative publicity and additional costs.

Infringement or misappropriation of intellectual property rights

The Group heavily relies on the operating systems in its daily operations which are developed by the Group's research and development department. Details of the operating systems are set out in the sub-section headed "Research and Development" under the "Business" section of this prospectus. However, the Group has not applied for registration of any intellectual property rights in the PRC, in respect of these operation systems. The Group only relies on non-disclosure of confidential information agreements provided by the Group's research and development personnel to protect the Group's intellectual property rights on the operating systems currently in use. There is no assurance that the current protection measures adopted by the Group provides adequate protection against infringement of any intellectual property rights attributable to the Group. Any unauthorised use, infringement or misappropriation of such rights by third parties may adversely affect the Group's business.

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Inadequate protection of personal data

The Group, acting as a CRM outsourcing service provider, obtains a significant amount of personal data from its customers, in particular, personal data of subscribers of the Group's telecommunications customers. Pursuant to contracts entered into between the Group and its customers and in compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Group is obliged to keep all such data confidential. In the event that there is a breach of confidentiality by the Group and data is leaked to third parties, the subscribers may take legal action against the Group's customers for loss and/or damages. In addition, the Group's customers may exercise their rights under the contract to terminate the contract and proceed to institute legal proceedings to claim damages for any loss sustained as a result of the Group's breach. Further, the contracts entered into by the Group with its customers contain general indemnity clauses which cover amongst others, such circumstances.

The Group has implemented internal control procedures to safeguard confidential data, including (1) restricted physical access to the designated working areas; (2) prohibited use of information storage devices; and (3) non-disclosure and confidentiality agreements with the Group's employees. However, there is no assurance that there will not be any leakage of personal data that may adversely affect the Group's business and reputation.

Should legal action be taken against the Group's customers, they will in turn be indemnified by the Group, pursuant to the contracts entered into between them. Given the large number of subscribers, should the subscribers of the Group's customers take action against the Group's customers, this could materially adversely affect the Group's reputation and business relations with its customers, which would in turn impact on its business operations and turnover.

The Effect of the UEMO on the Group's business

The UEMO was enacted in Hong Kong in May 2007 and shall come into force in two phases, with phase I commencing on 1 June 2007 and Phase II on a date to be decided by the Secretary for Commerce, Industry and Technology of Hong Kong and the date of which will be notified and published in the government gazette.

The UEMO governs the sending of commercial electronic messages which, for the purposes of the UEMO, include a message in any form sent over a public telecommunications service (including among others, SMS, faxes or emails) to an electronic address and includes but is not limited to a text, voice, sound, image or video message; and a message combining text, voice, sound, image or video for the purpose of advertising, promoting or offering any goods, services, business opportunities or the organizations themselves. The UEMO also governs the use of address harvesting software i.e. software which is specifically designed or marketed for use for searching the Internet or a public telecommunications network and collecting electronic addresses such as telephone numbers or email addresses in connection with or to facilitate the sending of such commercial electronic messages. The UEMO does not apply to person-to-person telemarketing calls.

The Group's current business does not involve the sending of commercial electronic messages and the Group does not use any address harvesting software. Therefore the Group's business activities are not under the scope of the UEMO. For details of the Group's existing business and systems used in its daily operations, please refer to the paragraphs headed "Services" and "Research and Development" in the section headed "Business" of this prospectus.

RISK FACTORS

Based on the Group's current business activities, the enactment of the UEMO will not impact on the Group's business. However, there can be no assurance that the Group's future business activities will not fall under the scope of the UEMO. Should this happen, the Group's operations may be adversely affected by the costs and time involved in ensuring that the Group's activities comply with the UEMO. In addition, should the Group fail to comply with the UEMO, it may be liable for fines up to HK\$100,000 for a first conviction and a fine of HK\$500,000 for subsequent convictions. This may adversely affect the business, results of operation and financial position of the Group.

The tax obligations of the Group may be subject to changes in the PRC laws or policies

On 16 March 2007, the National People's Congress of the PRC adopted a new enterprise income tax law that imposes a single uniform income tax rate of 25% on most domestic enterprises and foreign-invested enterprises. This new law will be effective as of 1 January 2008. It contemplates various transition periods and measures for existing preferential tax policies, including a grace period for as long as five years for foreign-invested enterprises which are currently entitled to a lower income tax rate and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. High-technology enterprises supported by the PRC government may be eligible for a lower income tax rate of 15%. In addition, the new law deems an enterprise established offshore but having its management organ in the PRC as a "resident enterprise" which will be subject to PRC tax on its global income. The term "management organ" has not yet been defined by the PRC government. The new enterprise income tax law empowers the State Council of the PRC to enact appropriate implementing rules and regulations. The implementation of the new law and its implementation rules which may be issued by the State Council may eliminate or significantly shorten the period in which the Group enjoys preferential tax treatment or treat the Company or any of its subsidiaries outside the PRC as a resident enterprise under the new enterprise income tax law, which would adversely affect the financial condition and results of operations of the Group. Moreover, the historical operating results of the Group may not be indicative of the operating results of the Group for future periods as a result of changes in applicable tax laws. Any significant increase in the income tax liability of the Group in the future could have a material adverse effect on the financial condition and operating results of the Group.

Uncertainties in implementing the contractual arrangements between the Group and customers in PRC

As at the Latest Practicable Date, the Group has entered into various service agreements with customers in the PRC, including China Unicom Guangdong. These contractual arrangements are governed by PRC law and provide for the resolution of disputes through either arbitration or litigation in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. If the PRC customers fails to perform its obligations under these contractual arrangements, the Group may have to rely on legal remedies under the PRC law, including seeking injunctive relief, and claiming damages. There can be no assurance that these relief would be effective.

The legal environment in the PRC may not be, however, as mature as in certain other jurisdictions. As a result, uncertainties in the PRC legal system could limit the ability of the Group to enforce these contractual arrangements.

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Foreign exchange rate risk

The Group is exposed to foreign exchange rate risk as the Group's operating expenditures are principally denominated in RMB and HK dollars but sales are principally conducted in HK dollars, RMB and US dollars. Currently, the Group has not made any arrangements to hedge against the exchange rate risk involved in the Group's operation. Accordingly, exchange rate fluctuations in the trading currencies of the Group's sales and purchases may have a material adverse impact on the business, financial condition, profitability and operations of the Group.

Since 1994, the conversion of Renminbi into foreign currencies, including HK dollars and US dollars, has been based on exchange rates set by the PBOC. The PBOC sets the exchange rates daily based on the previous day's interbank foreign exchange market rates in the PRC and the current exchange rates in the financial markets. Since then, the official exchange rate for the conversion of Renminbi to US dollars has generally been stable as it is pegged against the US dollars. On 21 July 2005, China changed its currency policy. China abandoned the peg of Renminbi against US dollars in favour of a managed float of the Renminbi based on market demand and supply with reference to a basket of currencies and their weightings. As a result, the Renminbi appreciated slightly following this change in currency policy. As the exchange rate of Renminbi is allowed to move in a managed way, there can be no assurance that the Renminbi will not further appreciate or that other measures will not be introduced to address the concerns of China's trading partners. There is also no assurance that such exchange rate will continue to remain stable in the future. Since a substantial amount of the Group's expenditures are denominated in Renminbi, any appreciation of Renminbi may subject the Group to increased costs, and any devaluation of Renminbi may adversely affect the value of its net assets, earnings and the value of dividends, if any, payable on the Shares in HK dollars.

Failure to achieve business objectives

The business objectives as set out in this prospectus are based on the existing plans and intentions of the Group which are at the initial stages. These plans and intentions are subject to risks and uncertainties inherent in various stages of development. The formulation of such plans and objectives are based on the assumptions as to the occurrence of future events (including but not limited to no material changes in the existing political, legal, fiscal, foreign trade or economic conditions in the PRC, no material changes in the bases or rates of taxation in the PRC, no significant changes in the Group's business relationship with its existing customers and suppliers), which may or may not happen. There is no assurance that the future plans of the Group will materialize, or conclude in accordance with the pre-determined timeframe, or that the objectives of the Group will be fully or partially accomplished. The Group's business, operation results and financial positions may be adversely affected in the event that the Group's future plans do not materialise and its business objectives are not achieved.

Failure to contribute to housing fund

Pursuant to (1) the "Housing Fund Management Regulation (住房公積金管理條例)" issued by the State Council of the PRC in April 1999 and subsequently amended in March 2002; and (2) the "Additional Regulation on Housing Fund Management (關於進一步加強住房公積金管理的若干規定)" issued by Guangzhou Housing Fund Management Committee in February 2007, both the employers and their employees are required to make contributions to a government administered housing fund. However, as the staff turnover of China Elite was high, it would have incurred high administrative cost and time to both China Elite and its employees to arrange housing fund registration and contribution

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for each employee. Therefore, prior to July 2006, instead of making contribution directly to the housing fund, employees were more willing to receive the Group's contribution in cash by way of housing allowance as part of their employee's salary package and the Group failed to contribute to a government administered housing fund as required by the relevant local and national requirements for housing fund. The amount paid by the Group under such housing allowance was equivalent to the amount of the Group's liability under the housing fund scheme and amounted to approximately RMB8.6 million. In 2006, as both the national and local relevant government authorities strengthened their regulation on the housing fund, China Elite has started to make the required contributions directly to the housing fund instead of paying housing allowance to its staff since July 2006.

Should the Group's employees wish to claim the housing fund from the PRC government for the amount prior to July 2006, they need to repay the housing allowances they received from the Group to the PRC government as the employer's portion of contribution. There can be no assurance that the Group's employees will not make a claim for the housing fund from the PRC government. In the event that the Group is adjudged liable for failure to contribute to the housing fund, a fine ranging from RMB10,000 to RMB50,000 may be levied on the Group.

Each of the Initial Management Shareholders has agreed to provide indemnities to cover any claims in respect of the non-payment of the housing fund together with the potential fine as required by relevant PRC laws and regulations.

The Group's PRC legal advisers are of the opinion that despite failing to make contributions directly to the government administered housing fund, the Group has paid housing allowances of an equivalent amount to its employees. Further, the Group has since July 2006 complied with the applicable PRC laws and regulations by making the required contributions and it is practically impossible to make housing fund contribution for employees who have resigned. However, a fine ranging from RMB10,000 to RMB50,000 will be payable by the Group if the Group is adjudged liable for failure to contribute to the housing fund by relevant PRC government authorities.

Some lessors of the Group do not possess valid title to certain of the Group's leased properties

As at the Latest Practicable Date, there was no defect in the title documents of the Group's leased properties except property numbered 3 as stated in the property valuation report, which is contained in Appendix IV to this prospectus. The landlord of that property does not own the real estate title certificate thereof. There is no assurance that the lessor is the rightful owner of the leased property. Each of the Initial Management Shareholders has agreed to provide indemnities to cover any loss that may arise from the invalidity of the title of the abovementioned property. If there is any invalidity of such tenancy agreement which results in relocation, the Group's operations in this premise might be temporarily adversely affected.

Some of the leases of the Group in the PRC have not been properly registered

In respect of the leases entered into by the Group with their lessors for the Group's leased properties, leases for properties numbered 2 to 4 in the property valuation report annexed as Appendix IV to this prospectus have not been properly registered by the lessors with the relevant PRC authorities as required under the PRC laws and regulations as at the Latest Practicable Date. Each of the Initial Management Shareholders has agreed to provide indemnities in favour of the Company in relation to any claims or losses arising from the non-registration of the leases. If the Group's right to occupy the properties comes into question, the Group may need to relocate elsewhere and the Group's operations in the premise concerned might be temporarily adversely affected.

Failure to contribute to social insurance

Pursuant to the applicable national laws and regulations namely “PRC Labour Law (中華人民共和國勞動法)” and “Provisional Regulation of the Collection of PRC Social Insurance (中華人民共和國社會保險徵繳暫行條例)” and local regulation namely “Social Security Annual Audit Guidance (勞動保障年審指南)” issued by the Labour and Social Security Department of the Government of Guangdong Province, companies are required to provide their employees with social insurance by paying social insurance premiums to the relevant administrative authority of the PRC Ministry of Labour and Social Security. An employer who fails to pay social insurance premiums may be ordered by the PRC Ministry of Labour and Social Security or the PRC Tax Bureau to make such payments within a stipulated time and in addition to such payments, may be liable to pay 0.2% of the outstanding payment per day, as a fine for late payment. The late payment fine is to be calculated from the date when the payment had become overdue.

Due to the rapid turnover of the Group’s employees, prior to 31 December 2006 the Group had inadvertently omitted to pay social insurance premiums as required by applicable national and local laws and regulations for some of the Group’s employees, namely its part-time employees and employees who were on probation. When the employees became permanent staff of the Group, the Group would immediately arrange social insurance contribution for them. On the other hand, as part-time employees were usually recruited for short-term projects, the number of part-time employees per month was approximately 40 for the two years ended 31 December 2006. The total potential exposures in this respect was approximately HK\$1.3 million for the two years ended 31 December 2006, all of which was related to employees who have left the Group and it is virtually impossible for the Group to pay the outstanding social insurance premiums to them.

According to the applicable laws, regulations and rules in the PRC, employees can only make claims against the Group within two years from the time they know or ought to know that their rights had been infringed. As advised by the legal advisers to the Company (as to the PRC law), the date for a person to know his/her entitled rights and benefits have been infringed is 1) the date when the person has the evidence to prove that his/her entitled rights and benefits have been infringed; or 2) the date deduced by general rules that the person should have known that his/her entitled rights and benefits have been infringed. Regarding labour disputes, the date is generally interpreted as the date when the dispute occurs. Regarding social insurance claim, an employee may argue that he/she does not know that his/her rights and benefits have been infringed during the employment period. However, the latest date for an employee to clearly know his/her entitled rights and benefits in a company should be the date when he/she resigns. Therefore, if an employee claims that he/she only knows that his/her entitled rights and benefits in a company has been infringed after he/she has been resigned, the latest date of commencement of the two-year period that the employee can make claim against the Group should be the date when the employee resigns. As the outstanding social insurance premiums are all related to employees who have left the Group on or before 31 December 2006, the Directors are of the view that the Group’s liability to repay outstanding social insurance premiums to its previous employees will probably cease after 31 December 2008. The Directors are further of the view that as the chance for the Group of repaying the social insurance premiums to its previous employees is slim, no provision is made to the consolidated income statement of the Group in respect of the Group’s liability to make social insurance premiums contribution.

Each of the Initial Management Shareholders has agreed to provide indemnities to cover any claims which may be brought against the Group by the part-time employees and employees under probation in respect of the Group’s failures to enroll them in social insurance program as required by relevant PRC laws and regulations.

RISK FACTORS

The Group has since 1 January 2007 taken out social insurance for all of its employees, including part-time employees and employees under probation, and has complied with the PRC laws and regulations relating to social insurance schemes and has timely paid social insurance premiums. As at the Latest Practicable Date, the Directors are not aware of any complaints and/or claims made by the Group's former employees against the Group in respect of social insurance. There is no assurance that the Group's former employees will not make a claim against the Group in the future after making due inquiry with the Guangzhou Social Security Fund Management Centre (廣州市社會保險基金管理中心) and the Group's results will be affected in case such claims arise.

The Group may not be able to pay dividends in accordance with the proposed dividend policy

No dividends have been paid or declared by the Company during the Track Record Period. Whilst the Company intends to make dividend payments in the future, the amount of dividends to be declared will be subject to, among other things, the full discretion of the Directors, taking into consideration the amount of earnings, financial position, cash requirements and availability, the provisions of applicable laws and regulations and other relevant factors. The dividend distribution record during the Track Record Period may not be used as reference or basis to determine the level of dividends that may be declared by the Company in the future.

The Group may be exposed to third party liabilities arising from claims due to the nature of service and content of the information delivered by the Group in its daily operations

As a CRM outsourcing service provider, the Group may face liability for negligence, misrepresentation and other claims based on the nature of service and content of the information delivered through the Group's services.

The Group could also be subject to claims based upon unauthorised use of personal data, negligence and misrepresentation during the provision of inbound customer service enquiry hotlines and telesales. By acting as an agent of the Group's customers, the Group may be held liable for misrepresentation or negligence. Third parties could assert claims against the Group for losses incurred in reliance on any erroneous information distributed by the Group. The Group may incur significant costs in investigating and defending the Group against these claims, even if they do not result in liability. These claims could have a material and adverse effect on the Group's business.

The Group's transfer pricing arrangements may be challenged

Transfer pricing refers to the prices that one member of a group of affiliated corporations charges to another member of the group for goods, services or the use of intellectual property. If two or more affiliated corporations are located in different countries or territories, the laws or regulations of each country or territory generally will require that transfer prices be the same as those charged by unrelated corporations dealing with each other at arm's length. If one or more of the countries or territories in which the affiliated corporations are located believe(s) that transfer prices were manipulated by the affiliated corporations in a way that distorts the true taxable income of the corporations, the laws of such countries or territories could require the relevant corporation to redetermine transfer prices and thereby reallocate the income of its affiliated corporations in order to reflect such income clearly. Any reallocation of income from one of the corporations of a group in a lower tax jurisdiction to an affiliated corporation in a higher tax jurisdiction could result in a higher overall tax liability to the relevant group. Moreover, if the country or territory from which the income is being reallocated does not agree with the reallocation, the same income could be subject to taxation by both countries or territories.

RISK FACTORS

The Company has adopted transfer pricing arrangements with its subsidiaries located in the PRC, Hong Kong and Macau to regulate inter-company transfers. During the Track Record Period, the Group has been carrying out its CRM service centre operations through China Elite. Some of the contracts have been sourced by the Company's subsidiaries, namely, International Elite (Macau), PacificNet Communications and Winet, who subsequently outsource their responsibilities for the provision of CRM services to China Elite through the Company. In this regard, the Group is subject to risks not faced by other companies with international operations that do not create inter-company transfers. As a result, the Group's tax position may be subject to review and possible challenge by the relevant authorities and any possible change or challenge in law.

In the event that the Group's tax position is subject to review and possible challenge by the tax authorities or there is a change in the tax policy and relevant tax laws in the PRC, Hong Kong or Macau, it may adversely affect the Group's financial position and results of operation. Pursuant to Rule 5 of the "Notice of amending 'Regulations of Tax Arrangement of Transactions Among Related Companies' by the State Administration of Taxation (國家稅務總局關於修訂〈關聯企業間業務往來稅務管理規程〉的通知)" promulgated in October 2004, any company entering into related party transactions with another company shall submit a yearly return regarding its transactions with the related companies to the supervising tax authority within 4 months after the end of the tax year. As confirmed by the Group's PRC legal advisers, China Elite has filed such yearly transfer pricing returns with its supervising tax authority, and Guangzhou Baiyun State Tax Bureau No. 2 Branch issued a certification on 10 August 2007 to certify that China Elite's reported tax loss from 2002 to 2006 was RMB2,187,128.70, RMB16,355,991.86, RMB9,965,159.66, RMB27,663,100.00 and RMB16,220,151.61 respectively and reported taxable profit for the six months ended 30 June 2007 was RMB4,179,061.15. In addition, pursuant to Rule 56 of the "Detailed Rules for the Implementation of the Laws of the PRC on the Administration of Tax Collection (中華人民共和國稅收徵收管理辦法實施細則)", tax authorities have the rights to adjust the amount of the transactions among related companies if such amount is not determined at arm's length within 3 years, or 10 years if in special case. The tax authorities shall review the tax return in 2 months after the return is filed with them and to decide whether to summon that tax payer for a tax investigation. China Elite has determined transfer prices that it believes are the same as the prices that would be charged by unrelated parties dealing with each other at arm's length as the margin analysis prepared by the Group showed that the margins of projects with transfer pricing arrangement are comparable to, the margins of projects sourced directly by China Elite from Independent Third Parties.

As confirmed by the Group's PRC legal advisers and the Directors, the supervising tax authority of China Elite did not carry out any investigations on the tax returns made by China Elite for the years from 2002 to 2006, and as at the Latest Practicable Date, there is no adjustment made by the supervising tax authority for the amount of related parties transactions of China Elite for the years from 2002 and 2006. As of the Latest Practicable Date, the Directors were not aware of any enquiry or investigation by any tax authority with respect to transfer pricing procedures carried out by the Group. However, in case the Group's transfer pricing position is challenged by relevant tax authority, as advised by the Group's legal advisers to the PRC laws, China Elite may be required to pay 0.2% of the outstanding tax per day as a fine for late payment, calculated from the date when the payment has become overdue. Furthermore, if 1) the relevant tax authority considers China Elite as avoiding tax intentionally through fact hiding or fraud; or 2) China Elite fails to pay the tax after the relevant tax authority has chased for the overdue payment, the relevant tax bureau has the right to impose a penalty of not more than 5 times of the original tax payable and filed criminal litigation against the authorised representative and direct responsible person of China Elite. The Directors have advised that in preparing the financial information, the Directors have reviewed and assessed the Group's transfer

RISK FACTORS

pricing arrangements in relation to intra-group services and considered that, although the Group is exposed to transfer pricing risk for the fact that it is possible that the PRC tax authority may challenge the Group's transfer pricing position, the Group has grounds to defend against the possible challenge. Based on the Directors' estimation and judgment, no income tax provision is considered necessary by the Group for the two years ended 31 December 2006. As advised by KPMG, the Group's reporting accountants, it has assessed the significant estimates and judgments made by the Directors as well as the legal and tax advice, including inter alia, the transfer pricing benchmarking study and analysis, obtained by the Directors in connection with the Group's transfer pricing position. KPMG is not aware of any material misstatement on the financial information based on the audit procedures performed. The Directors believe that the Group has complied with all applicable transfer pricing laws in all of the jurisdictions in which the Group operates. As advised by the Group's PRC legal advisers, there are no applicable PRC rules and regulations governing transactions among related companies other than the "Laws of the PRC on the Administration of Tax Collection (中華人民共和國稅收徵收管理法)" and the abovementioned "Notice of amending 'Regulations of Tax Arrangement of Transactions Among Related Companies' by the State Administration of Taxation (國家稅務總局關於修訂〈關聯企業間業務往來稅務管理規程〉的通知)" and "Detailed Rules for the Implementation of the Laws of the PRC on the Administration of Tax collection (中華人民共和國稅收徵收管理辦法實施細則)" and the Group does not contravene any applicable PRC laws and regulations regarding transactions among related companies. However, there can be no assurance that the Group will continue to be found to be operating in compliance with transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes to the Group's transfer pricing practices or operating procedures. Any determination of income reallocation or modification of transfer pricing laws could result in an income tax assessment on the portion of income deemed to be derived from the taxing jurisdiction that so reallocates the income or modifies its transfer pricing laws. Each of the Initial Management Shareholders has provided indemnities in favour of the Group for any losses which may arise from the Group's transfer pricing arrangements.

The interests of the Controlling Shareholders may differ from other Shareholders

Immediately following the Placing and the Capitalisation Issue, the Controlling Shareholders collectively will beneficially own 75% of the Shares (assuming no exercise of the Over-allotment Option or the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Options Scheme). The interests of the Controlling Shareholders may differ from the interests of other Shareholders.

The Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of the assets, election of Directors and other significant corporate action. In cases where their interests are aligned and they vote together, the Controlling Shareholders will also have the power to prevent or cause a change in control. Without the consent of some or all of the Controlling Shareholders, the Company may be prevented from entering into transactions that could be beneficial to the Company. In addition, such Controlling Shareholders are also the controlling shareholders and senior executive officers of certain other companies that are outside the Group. There is no assurance that the Controlling Shareholders will act completely in the interests of the Group or that conflicts of interest will be resolved in favour of the Group.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

Rapid changes in technology

The industry in which the Group operates is subject to rapid changes in technology. There can be no assurance that the Group will necessarily be able to offer the latest technology or services to its customers, nor develop the expertise, experience and resources to offer the latest technology or services required by customers on a timely and competitive basis. The Group may incur significant expense in developing services and expertise in order to closely follow the latest technology.

If the Group is not able to keep abreast of technological developments in its industry and provide its customers with the latest technological services, this may have an adverse effect on demand for its services, its results of operations and financial condition.

Competition

The Group faces increasing competition in the business areas in which it operates. The Directors expect this trend to continue and to accelerate. There is no assurance that competitors will not develop the expertise, experience and resources to provide services that offer greater competitiveness in both price and quality as compared to the services offered by the Group, or that the Group will be able to maintain and enhance its competitive edge. The Group's ability to continue its success will depend on many factors, including pricing, quality of services and technology.

Changes in the regulatory environment

As at the Latest Practicable Date, there is no legal requirement pursuant to which the Group must obtain a licence under the “Regulations on Telecommunications in the People's Republic of China (中華人民共和國電信條例)” to operate as a CRM outsourcing service provider in the PRC. In the event that the PRC government imposes any such law and /or regulations which impacts on the Group's business, the Directors will use its best endeavours to comply with such laws and / or regulations as required. However, there can be no assurance that the changes in the regulatory environment will not have an adverse effect on the Group's business and results of operation.

RISKS RELATING TO THE PRC

Political, economic and legal environment of the PRC

The Group's CRM service centres are located in Guangdong Province, the PRC, the operations of which are therefore subject to the laws and regulations prevailing in the PRC. Potential investors should note that the Group's operations may be adversely affected should there be any changes in the political, economic and legal environment in the PRC or changes in the policies or regulations in the PRC relating to the industry in which the Group operates.

Currency conversion and exchange control

At present, RMB is not freely convertible into other currencies. Pursuant to the current relevant regulations in the PRC, foreign investment enterprises are permitted to remit their profit or dividends in foreign currencies overseas or repatriate such profit or dividends after converting the same from RMB into foreign currencies through banks which are authorised to engage in foreign exchange business. Foreign investment enterprises are permitted to convert RMB into foreign currencies for items in their current accounts (including dividend payment to foreign investors) and that the control over conversion of RMB into foreign currencies for items in their capital accounts (including direct investment, loan and investment in securities) is more stringent.

RISK FACTORS

The Group's business operations are, to a significant extent, undertaken by China Elite, a wholly foreign-owned enterprise established in the PRC, which is subject to the above regulations. While the Group has not encountered any problems in the past in obtaining foreign currency in the PRC, there is no assurance that the Group will obtain sufficient foreign exchange for payment of dividends or other settlements in foreign exchange in the future.

Difficulties in seeking recognition and enforcement of foreign judgments or arbitral awards in China

A substantial part of the Group's assets are located within the PRC. Therefore, it may not be possible for investors to enforce against the Group within the territory of the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most jurisdictions. On 14 July 2006, Hong Kong and China entered into the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Region Pursuant to Choice of Court Agreements Between Parties Concerned" (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not entered into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Group's assets in China in order to seek recognition and enforcement of foreign judgments in China.

China is one of the signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"), which accordingly allows for the enforcement of arbitral awards given by the arbitral bodies of other New York Convention signatories. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention is no longer applicable for the enforcement of arbitral awards of Hong Kong in other parts of the PRC. As a result, a Memorandum of Understanding was signed on 21 June 1999 to permit reciprocal enforcement of arbitral awards between Hong Kong and the PRC. Such Memorandum of Understanding was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. Therefore, it may be difficult to seek recognition and enforcement of arbitral awards in China if the arbitral awards were given by arbitral bodies that are not signatories to the New York Convention and do not have similar arrangements under the Memorandum of Understanding between Hong Kong and the PRC.

Changes in the PRC government policies in foreign investment in the PRC may adversely affect the business and results of operations of the Group

The Group is subject to restrictions on foreign investment policies imposed by the PRC law from time to time. For instance, under the Foreign Investment Catalogue, some industries are categorized as sectors which are encouraged, restricted or prohibited for foreign investment. As the Foreign Investment Catalogue is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of the businesses of

RISK FACTORS

the Group to fall within the restricted or prohibited categories. If the Group cannot obtain approval from relevant approval authorities to engage in businesses which become prohibited or restricted for foreign investors, it may be forced to sell or restructure the businesses which have become restricted or prohibited for foreign investment. If the Group is forced to adjust the corporate structure or business line as a result of changes in government policy on foreign investment, the business, financial condition and results of operations of the Group may be materially adversely affected.

Recurrence of Severe Acute Respiratory Syndrome (SARS) and outbreak of other epidemics and/or avian flu

The PRC and other Asian countries, including Hong Kong, experienced an outbreak of SARS in early 2003, which significantly impacted on the economy of the PRC and throughout the Asia-Pacific Region. There have also been spreads of the avian flu in various areas of the PRC as well as in other Asian countries. Should there be a recurrence of SARS or an outbreak of any other epidemic, this would directly or indirectly impact on the PRC's economy, which may in turn impact on the Group and its customers. This may adversely affect the Group's business and turnover.

RISKS RELATING TO THE PLACING

Termination of the Underwriting Agreement

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate its obligations under the Underwriting Agreement by the Lead Manager (for itself and on behalf of the other Underwriters) giving notice in writing to the Company upon the occurrence of any of the events stated in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Lead Manager (acting on its behalf and the other Underwriters) terminate its obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Placing will lapse and no allocation of the Placing Shares to potential investors will be effected.

Less protection to minority shareholders under the Cayman Islands law

The Group's corporate affairs are governed by its memorandum of association and Articles, the Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong. Such differences may mean that the minority shareholders of the Group may have less protection than they would otherwise have under the laws of Hong Kong. For example, the Cayman Islands law does not provide for a statutory equivalent of section 168A of the Companies Ordinance pursuant to which shareholders who have been unfairly prejudiced by the conduct of the company's affairs are given a cause of action under the section to seek remedies against such conduct. For details please see "Summary of the Constitution of the Company and the Cayman Islands Companies Law" in Appendix V to this prospectus. As a result, the investors may not be able to seek remedies as a minority shareholder under Cayman Islands law which are otherwise available under Hong Kong law.

Marketability and possible price and trading volume volatility of the Shares

The Shares have not been traded in any open market before completion of the Placing. The Placing Price of the Shares may differ from the market price thereof and may not serve as an indicator of the price of the Shares traded on GEM in the future. There is no assurance that an active trading market of the Shares will develop or if it does develop, that it may be sustained upon its listing on GEM.

RISK FACTORS

Upon listing of the Shares on GEM, the transaction volume and market price of the Shares may be affected by various factors, including the income, profitability and cash flow of the Company, announcement of new products and/or investment plans, technology advancements, change of senior management, strategic alliance and/or acquisition, transaction volume of the Shares, development of GEM, general economic conditions and other factors. All such factors may result in significant fluctuations in the market price and/or transaction volume of the Shares. There is no assurance that such changes will not occur.

Dilution of Shareholders' equity interests

The Group may need to raise additional funds to finance the future expansion of its existing operations or new acquisitions. The Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of the Company (subject to certain exceptions) may be issued or form the subject of any agreement to issue within six months from the Listing Date. The Group may raise such funds by way of issuance of new equity or equity-linked securities of the Company other than on a pro-rata basis to existing Shareholders (e.g. rights issue) after six months from the Listing Date, in which case the percentage shareholding of the then existing Shareholders may be diluted or reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares.

Impact of granting the Pre-IPO Share Options and options under the Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme on 21 September 2007 pursuant to which Pre-IPO Share Options entitling the holders thereof to subscribe for an aggregate of 60,000,000 Shares have been granted, representing (i) approximately 6.58% of the issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options and options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option); and (ii) approximately 6.17% of the issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue and assuming that all Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme are exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option). The Company has also adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date.

The fair value of the options granted under the Pre-IPO Share Option Scheme amounted to approximately HK\$18.1 million will be amortised over a period of 12 months of vesting period and hence, there will be an impact on the Group's income statements for the year ending 31 December 2007 to the year ending 31 December 2008.

Any exercise of the Pre-IPO Share Options or options to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net assets value per Share, as a result of the increase in the number of Shares outstanding after the issuance.

Under the Hong Kong Financial Reporting Standard, the costs of the Pre-IPO Share Options granted and the options to be granted to employees under the Share Option Scheme will be charged to

RISK FACTORS

the Group's consolidated income statement over the vesting period by reference to the fair value at the date at which the Pre-IPO Share Options or the options under the Share Option Scheme are granted. As a result, the Group's profitability may be adversely affected.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts

All of the statistics relating to the economy of Hong Kong, Macau and the PRC and the telecommunications industry and most of the related facts set out in the section headed "Industry Overview and Regulatory Overview" of this prospectus have been extracted from various government official sources. Although reasonable care has been taken to ensure that such statistics and facts extracted are accurate, the Group has not carried out any independent verification on such statistics and facts. Accordingly, the Group makes no representation as to the completeness or accuracy of such statistics and facts. Due to different collection methods and other reasons, the statistics and facts extracted from various government official sources contained in this prospectus may be inaccurate and should not be unduly relied upon.

In all cases, investors should consider the weight or importance they should place on all such facts and statistics that are set out in the section headed "Industry Overview and Regulatory Overview" of this prospectus.

Accuracy of forward-looking statements

This prospectus contains certain forward-looking statements relating to the Group's plans, objectives, expectations and intentions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual performance or achievements of the Group to be materially different from the anticipated performance or achievements expressed or implied by the forward-looking statements in this prospectus. Such forward-looking statements are based on numerous assumptions as to the Group's present and future business strategies and the environment in which the Group will operate in the future. The Group's actual performance or achievements may differ materially from those discussed in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state the Group’s intentions, beliefs, expectations or predictions for the future, in particular under the sections headed “Industry Overview and Regulatory Overview”, “Business”, and “Financial Information” that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- future developments in the CRM outsourcing industry in China;
- the industry regulatory environment as well as the industry outlook in general;
- the amount and nature of, and potential for, future development of the Group’s business;
- the Group’s business strategy and plan;
- the Group’s capital expenditure plans;
- the Group’s operations and business prospects; and
- the Group’s projects under planning.

In some cases, the Group uses words such as “believe”, “seek”, “intend”, “anticipate”, “estimate”, “project”, “plan”, “potential”, “will”, “may”, “should”, “expect” and similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this prospectus, including statements regarding the Group’s strategy, plans and objectives of management for future operations, are forward-looking statements. Although the Group believes that the expectations reflected in those forward-looking statements based on currently available information are reasonable, the Group can give no assurance that those expectations will prove to be correct, and the investors are cautioned not to place undue reliance on such statements. Important factors that could cause actual results to differ materially from the Group’s expectations are disclosed under “Risk Factors” and elsewhere in this prospectus. The Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by law and the GEM Listing Rules. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the Group expects. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

CONNECTED TRANSACTIONS

Certain members of the Group have entered into and are expected to continue certain transactions, which will constitute (1) continuing connected transactions of the Company exempt from the independent Shareholders' approval requirements; or (2) non-exempt continuing connected transactions of the Company under the GEM Listing Rules upon Listing:

Continuing connected transactions exempt from the independent Shareholders' approval requirements

A. Tenancy agreements

1. Tenancy agreement between the Company and Talent Information Engineering Co. Ltd. (天龍信息工程有限公司) in respect of premises located in Hong Kong; and
2. Tenancy agreement between China Elite and Mr. Li Kin Shing in respect of premises located in the PRC.

Non-exempt continuing connected transactions

B. Service agreements

1. Service agreement between PacificNet Communications and Elitel in respect of BIS services; and
2. Service agreement between PacificNet Communications and China-HK Telecom in respect of BIS and customer hotline services.

C. Service agreement between PacificNet Communications and China-HK Telecom in respect of telesales services.

The Company has applied for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rules 20.34 and 20.35 of the GEM Listing Rules in relation to the announcement and/or independent Shareholders' approval requirements in respect of each of the above continuing connected transactions. Further details of such waiver are set out in the paragraph headed "Connected Transactions" in the section headed "Relationship with the Controlling Shareholders and Non-competition Undertakings" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

1. the information contained in the prospectus is accurate and complete in all material respects and not misleading;
2. there are no other matters the omission of which would make any statement in the prospectus misleading; and
3. all opinions expressed in the prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

PLACING SHARES ARE FULLY UNDERWRITTEN

The prospectus is published solely in connection with the Placing which is sponsored by the Sponsor. The Placing Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For more information about the Underwriters and the Placing and underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm or by his/her acquisition of the Placing Shares will be deemed to confirm that he/she is aware of the restrictions on the placing of the Placing Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a placing or public offering or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorization by the relevant regulatory authorities as an exemption therefrom.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by the Company, the Sponsor, the Underwriters, any of their respective directors, officers, employees, affiliates and/ or representatives or any other person involved in the Placing.

Japan

The Placing Shares have not been and will not be registered under the Securities and Exchange Law of Japan and have not been offered or sold and may not be offered or sold, directly or indirectly,

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or resales, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except (1) pursuant to an exemption from the registration requirements, and otherwise in compliance with the Securities and Exchange Law of Japan and (2) in compliance with any other applicable laws, regulations and governmental guidelines of Japan.

As used in this paragraph, a resident of Japan means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

United Kingdom

This prospectus has not been approved by or filed with the Financial Services Authority in the United Kingdom. This prospectus is only being distributed in the United Kingdom to and is directed only at persons in the United Kingdom who are (a) “investment professionals” falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the “FPO”); and or (b) “high net worth bodies corporate or unincorporated associations and partnerships and trustees of high value trusts”, falling within Article 49(2) of the FPO, or (c) to persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”).

This document must not be acted on or relied upon by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only in the United Kingdom to relevant persons, and will be engaged in only with such persons. This prospectus should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

The Placing Shares are not being offered or sold in the United Kingdom except to persons who are “qualified investors” as defined in Section 86(7) of the Financial Services and Markets Act 2000 as amended by the Prospectus Regulations 2005, including persons falling within Article 2.1(e)(i), (ii) or (iii) of Directive 2003/71/EC (the “Prospectus Directive”), which includes legal entities which are regulated by the FSA or entities which are not so regulated whose corporate purpose is solely to invest in securities.

Singapore

This prospectus has not been and will not be lodged with and registered by the Monetary Authority of Singapore as a prospectus under the Securities and Futures Act (Cap 289) of Singapore (the “SFA”) and the Placing Shares will be offered in Singapore pursuant to exemptions invoked under Subdivision 4, Division 1, of Part XIII of the SFA. Accordingly, this prospectus and any other offering document or material in connection with the offer of the Placing Shares may not be issued, circulated or distributed in Singapore nor may any of the Placing Shares be offered for subscription or purchase or made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than: (a) pursuant to, and in accordance with the conditions of, exemptions invoked under Subdivision 4, Division 1, of Part XIII, particularly sections 274 and 275 of the SFA and to persons to whom the Placing Shares may be offered or sold under such exemptions; or (b) otherwise pursuant to, and in accordance with the conditions of any other applicable provision of the SFA (including any re-sale restrictions under Section 276 of the SFA).

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out in the section headed “Structure and conditions of the Placing” of this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares to be issued under the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or options that may be granted under the Share Option Scheme). No part of the share or loan capital of the Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Under section 44B(1) of the Companies Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company for permission by or on behalf of the GEM Listing Committee, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(1) of the GEM Listing Rules, at all times after the Listing, the Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to, the Placing Shares, they should consult an expert. It is emphasized that none of the Company, the Directors, the Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other persons involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Placing Shares.

STAMP DUTY

Dealings in the Placing Shares registered on the Hong Kong branch register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on GEM is expected to commence on or about 16 October 2007. Shares will be traded in board lot of 2,000 Shares each.

STABILISATION AND OVER-ALLOTMENT OPTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial public offer prices of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In other jurisdictions, the stabilisation price may or may not be higher than the offer price. In connection with the Placing, Daiwa Securities SMBC (for itself and on behalf of the Underwriters) may over-allocate Shares or effect transactions with a view to support the market price of the Placing Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. In covering such over-allocations, Daiwa Securities SMBC (for itself and on behalf of the Underwriters) may exercise the Over-allotment Option no later than 30 days after the Listing Date or make (or agree, offer or attempt to make) open-market purchases in the secondary market. Daiwa Securities SMBC may also sell or agree to sell any Shares acquired in the course of any stabilisation action in order to liquidate any position that has been established by such action. Any such secondary market purchase or sale will be made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Daiwa Securities SMBC to conduct any such stabilising action which, if taken, may be discontinued at any time at the absolute discretion of Daiwa Securities SMBC and is required to be brought to an end after a limited period. The number of Shares over-allocated will not be greater than the maximum number of Over-allotment Shares, being 34,200,000 Shares, which is 15% of the Placing Shares initially available for subscription under the Placing. Pursuant to section 3 of the Price Stabilising Rules of the SFO, stabilising action may only take place, among other factors, where the total value of the Placing is not less than HK\$100 million. If Daiwa Securities SMBC decides to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the Placing. The Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on GEM.

If the Over-allotment Option is exercised in full, the aggregate number of Shares to be issued pursuant thereto will represent approximately 3.6% of the enlarged issued share capital of the Company following completion of the Placing and full exercise of the Over-allotment Option (assuming there is no exercise of the Pre-IPO Share Options or options to be granted pursuant to the Share Option Scheme). In the event that the Over-allotment Option is exercised, an announcement will be made by the Company.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Directors

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Li Kin Shing (李健誠) <i>Chief Executive Officer</i>	Penthouse, Flat A, Block 2 1 Po Shan Road Hong Kong	Chinese
Kwok King Wa (郭景華) <i>Chairman</i>	Penthouse, Flat A, Block 2 1 Po Shan Road Hong Kong	Chinese
Li Yin (李燕)	Penthouse, Flat A, Block 2 1 Po Shan Road Hong Kong	Chinese
Wong Kin Wa (黃建華)	Flat G, 35/F Kennedy Town Centre 38 Kennedy Town Praya Hong Kong	Chinese
Li Wen (李文)	Room 806, No. 4 Nanzhu Bei Street Jiang Yan Road Haizhu District Guangzhou City, China	Chinese
<i>Independent non-executive Directors</i>		
Tang Yue (唐越)	6-801, Beijing Golf Mansion 8 Chao Yang Park Xi Li Nan Qu Beijing, China	Chinese
Chen Xue Dao (陳學道)	Room 3007 No. 201 Long Kou Zhong Road Tianhe District Guangzhou City, China	Chinese
Cheung Sai Ming (張世明)	Room 2713, Hei Wo House Tai Wo Estate, Tai Po New Territories, Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Sponsor	Daiwa Securities SMBC Hong Kong Limited Level 26 One Pacific Place 88 Queensway Hong Kong
Bookrunner and Lead Manager	Daiwa Securities SMBC Hong Kong Limited Level 26 One Pacific Place 88 Queensway Hong Kong
Co-Lead Managers	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong Mega Capital (Asia) Company Limited Units 2213-2214, 22/F. Cosco Tower 183 Queen's Road Central Hong Kong UOB Kay Hian (Hong Kong) Limited 15/F AON China Building 29 Queen's Road Central Hong Kong
Co-Managers	CAF Securities Company Limited 13 th Floor Fairmont House 8 Cotton Tree Drive Central Hong Kong CIMB-GK Securities (HK) Limited 25/F Central Tower 28 Queen's Road Central Hong Kong CMB International Capital Corporation Limited 21/FL. Bank of America Tower 12 Harcourt Road Central Hong Kong Sun Hung Kai International Limited Level 12 One Pacific Place 88 Queensway Hong Kong
Legal advisers to the Company	<i>As to Hong Kong Law:</i> Li & Partners 22 nd Floor World Wide House Central Hong Kong <i>As to Cayman Islands Law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

As to PRC Law:

Shu Jin Law Firm
24th Floor
Aerospace Skyscraper
No. 4019 Shennan Road
Shenzhen
The PRC

As to Macau Law:

Rui Afonso
4th Floor, Suite B/C/D
Dynasty Plaza Building
411-417 Alameda Dr. Carlos D'Assumpcao
Macau

Legal adviser to the Sponsor and Underwriters

Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Auditors and reporting accountants

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

Property valuer

Sallmanns (Far East) Limited
22nd Floor
Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

CORPORATE INFORMATION

Registered office	Bridge Street Services Limited The Marquee Building, Suite 300, 430 West Bay Road, P.O. Box 30 691 SMB Grand Cayman, Cayman Islands, British West Indies
Head office and principal place of business in Hong Kong	Room 3809-3810, Hong Kong Plaza, 188 Connaught Road West, Hong Kong
Company secretary	Chan Wai Ching, CPA
Compliance officer	Wong Kin Wa
Qualified accountant	Chan Wai Ching, CPA
Audit committee	Tang Yue Chen Xue Dao Cheung Sai Ming
Remuneration committee	Wong Kin Wa Chen Xue Dao Cheung Sai Ming
Nomination committee	Li Kin Shing Chen Xue Dao Cheung Sai Ming
Authorised representatives	Li Kin Shing Penthouse, Flat A, Block 2 1 Po Shan Road Hong Kong Wong Kin Wa Flat G, 35 th Floor Kennedy Town Centre 38 Kennedy Town Praya Hong Kong
Principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 Grand Cayman KY1-1107 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 26 th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited — Gilman Street Branch 136 Des Voeux Road Central Hong Kong Citibank N.A. 18 th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong

CORPORATE INFORMATION

Bank of China Macau Branch
— San Ma Lou Macau Sub-branch
Avenida Almeida Ribeiro
No.13 Edificio Commercial
Nam Tung R/C
Macau

DBS Bank (Hong Kong) Ltd, Macau Branch
Nos 5 a 7E da Rua Santa Clara
Edif Ribeiro, Loja CeD Macau

Guangdong Development Bank
— Wuyang New City Branch
1st Floor
Baoxin Building
No.73 Youxin Road
Wuyang Xincheng Temple
Guangzhou
PRC

Bank of Communications
— Jichang Road Branch
No.8, Yiheng Street
Jichang Road East
Baiyun District
Guangzhou
PRC

Compliance adviser

Daiwa Securities SMBC Hong Kong Limited
Level 26
One Pacific Place
88 Queensway
Hong Kong

INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

The information presented in this section has been derived from various government official sources or extracted from publicly available sources and reports, unless otherwise indicated. The authors and compilers of reports are Independent Third Parties, and their preparations were not commissioned nor funded by the Group. Whilst the Directors believe that the information derived from various official sources may be useful to prospective investors, such information has not been prepared or independently verified by the Company, the Sponsor, the Lead Manager, the Underwriters or their respective advisers or affiliates. The Sponsor and the Directors have taken reasonable care in compilation and reproduction of the information, make no representation as to its accuracy, and accordingly, the information contained herein should not be unduly relied upon.

INDUSTRY OVERVIEW

Certain data and statistics relied on in this section have been derived and/or extracted from various governments official sources, the CCW Report, prepared by CCW and CEIC's website. The CCW Report and data obtained from CEIC's website are available to the public and can be purchased and/or subscribed to by the general public after payment of the required fee and were not commissioned by the Group. The information obtained from CCM World's website is freely available to the public.

ABOUT CCW

According to the information available from CCW's own website, CCW is a market research and consulting company founded in 2002 and is a subsidiary of the China ComputerWorld Media Group, a sino-foreign joint venture established between International Data Group, US and the Institute of Electronic Science and Technology (under the Ministry of Information Industry, the PRC). With the support from the China ComputerWorld Group and relevant government departments in the PRC, CCW has become a strong competitor in the PRC in the industry in which it operates.

CCW's headquarters are in Beijing, with various branches located in the PRC at Shanghai, Guangzhou, Shenzhen, Chengdu, Shenyang and Xi'an.

CCW's research team consists of over 70 experts and analysts, each with profound knowledge in one or more specific professional areas. CCW develops its own unique research system based on hundreds of case studies which are verified by experts in the relevant industry to guarantee the reliability and accuracy of the information and its sources.

ABOUT CEIC

CEIC was founded in 29 June 1993. According to CEIC's website (www.ceicdata.com), it provides its clients with a number of databases with economic, country and sector information on a subscription basis. CEIC implements measures to ensure accuracy and completeness of its data. It builds databases in response to market study by its data specialists and researchers. It also cultivates and leverages relationships and direct data distribution arrangements with national and regional statistical agencies and industrial data issuing organizations of each country covered.

ABOUT CCM WORLD

CCM World was founded in 2002. According to CCM World's website (www.ccmw.net), it is an independent market research and development organisation supported by the PRC government and focuses on conducting market research on CRM service, service centre and electronic marketing channels that its clients are most concerned about.

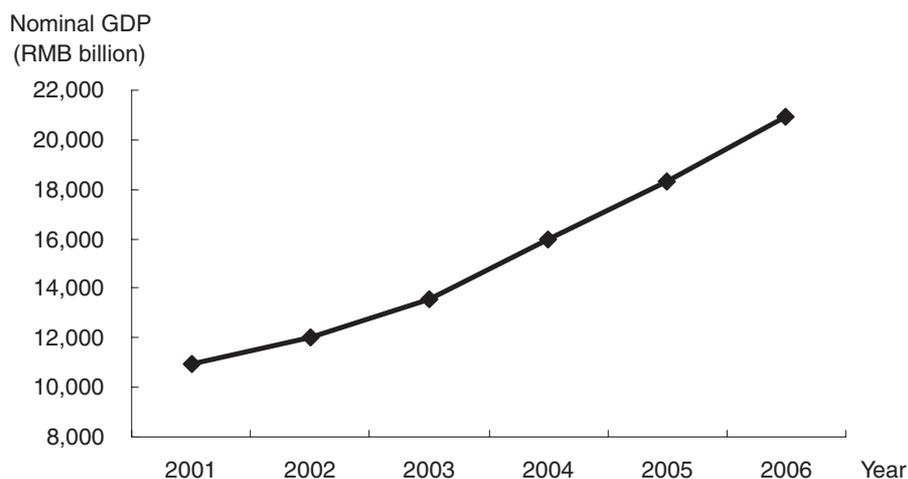
OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY IN THE PRC

Economy of the PRC

The PRC economy has grown significantly since the introduction of economic reforms in the late 1970s. According to the National Bureau of Statistics of China, the PRC recorded gross domestic product (“GDP”) of approximately RMB 20,940.7 billion in 2006. Compared to the GDP of approximately RMB 10,965.5 billion in 2001, the GDP of the PRC achieved a compound annual growth rate (“CAGR”) of approximately 13.8% during the period from 2001 to 2006.

The graph below sets out the growth on nominal GDP of the PRC in the periods from 2001 to 2006:

Nominal GDP of the PRC, 2001-2006

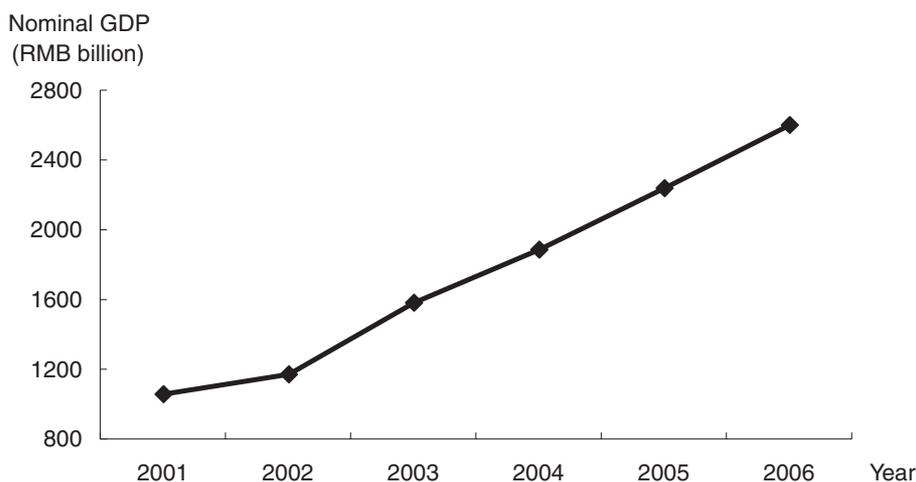


Source: CEIC (2007)

The CRM service centres and the major PRC customers of the Group are located in the Guangdong Province. In 2006, Guangdong Province achieved a GDP of approximately RMB 2,596.9 billion, compared with the GDP of approximately RMB 1,055.6 billion in 2001, attaining a CAGR of approximately 19.7%. The CAGR of the GDP of Guangdong Province outpaced the CAGR of national nominal GDP of approximately 13.8% during the same period.

The graph below shows the growth on nominal GDP of Guangdong Province during the period from 2001 to 2006:

Nominal GDP of Guangdong Province, 2001-2006



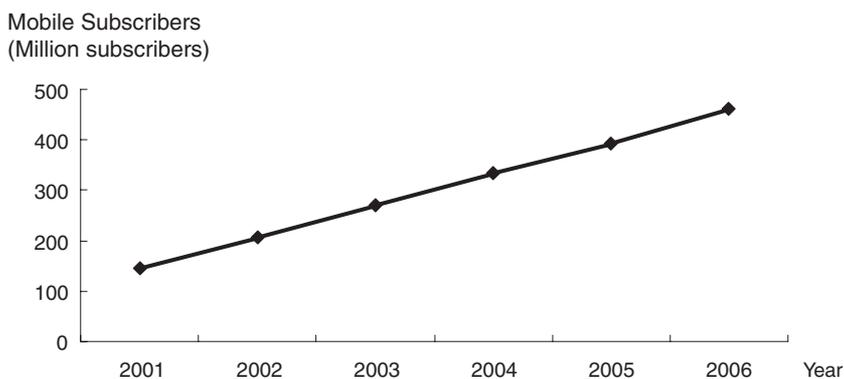
Source: CEIC (2007)

PRC Telecommunications Industry

The rapid growth of the PRC economy has stimulated the nation's development of the telecommunications industry. According to the National Bureau of Statistics of China, the number of mobile subscribers in the PRC was approximately 145.2 million in 2001. The number rose steadily to 461.1 million in 2006, which was more than three times the number in 2001.

The graph below illustrates the growth on the number of mobile subscribers in the PRC during the period from 2001 to 2006:

Number of Mobile Subscribers in the PRC, 2001-2006



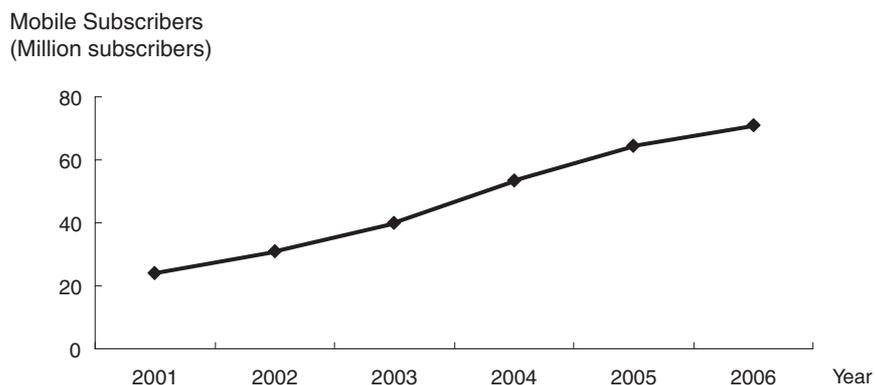
Source: National Bureau of Statistics of China (2006, 2007)

Guangdong Province's rapid economic growth has led to increasing number of mobile subscribers in this region, accounting for approximately 15.4% of the nation's total number of mobile subscribers in 2006. The number has risen from 24.2 million in 2001 to 71.2 million in 2006, achieving a CAGR of about 24.1% during this period.

INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

The graph below shows the growth on the number of mobile subscribers in Guangdong Province during the period from 2001 to 2006:

Number of Mobile Subscribers in Guangdong Province, 2001-2006

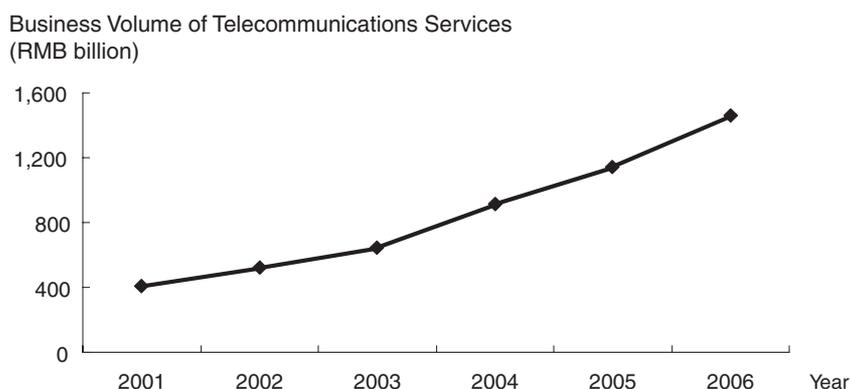


Source: Guangdong Communications Administration (2002-2007)

As a result of the rapid economic growth, expenditure on telecommunications services in the PRC also showed an upward trend, with a total business volume of telecommunications services of approximately RMB1,459.2 billion in 2006. Compared with the spending of RMB 409.9 billion in 2001, it has attained a CAGR of approximately 28.9% during the period from 2001 to 2006.

The graph below indicates the growth on the total business volume of telecommunications services in the PRC during the period from 2001 to 2006:

Business Volume of Telecommunications Services in the PRC, 2001-2006



Source: National Bureau of Statistics of China (2006, 2007)

OVERVIEW OF THE CALL CENTRE SERVICE INDUSTRY IN THE PRC

According to the CCW Report, call centre service is defined as a comprehensive information service system using the communication and computer networks to effectively provide quality, efficient and comprehensive services to customers.

History and Development

The concept of call centre outsourcing service was introduced into the PRC in the mid-1990s. Prior to 1998, telecommunications service providers were the major participants in the PRC call centre industry. Towards the end of the 1990s, companies from other industries (including but not limited to banking, securities and insurance) recognised the importance of call centre service and began utilizing call centre service in their business operations. Foreign information technology companies and prestigious local enterprises rushed into the PRC call centre service market and seating capacity of call centres increased rapidly. During the period between 2002 and mid-2006, established call centres started to operate and generate turnover at a stable pace, leading to a competitive market.

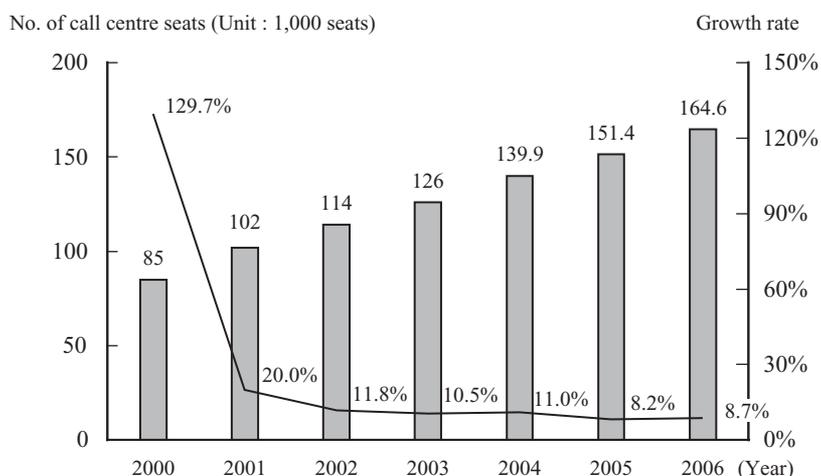
The PRC call centre service industry entered the stage of robust growth in 2006. It is expected that the call centre service industry will benefit from upcoming international events including the Beijing Olympic Games in 2008 and development of which will accelerate during the period from 2006 to 2009.

Increase in Call Centre Seats in the PRC

From 1998 to 2005, the number of call centre seats in the PRC increased significantly. According to the CCW Report, the total number of call centre seats in the PRC amounted to approximately 85,000 in 2000, representing a growth rate of approximately 130% when compared to the previous year; and in 2001, the number of call centre seats increased to approximately 102,000, representing a growth rate of approximately 20% when compared to the figure of 2000. For each of the three years from 2002 to 2004, the number of call centre seats increased steadily at a rate of over 10%.

The increase in call centre seats in the PRC slowed down in 2005 and 2006. In 2005, the call centre seats amounted to approximately 151,400, representing a growth rate of approximately 8.2% when compared to the previous year. In 2006, there were approximately 164,600 call centre seats in the PRC, representing an increase of approximately 8.7% when compared to 2005. Despite the comparatively lower growth rates in terms of call centre seats in 2005 and 2006, more industries opened their markets for call centre services, which in turn enhanced the future development of the call centre service industry in the PRC.

The diagram below illustrates the changes in the number of call centre seats in the PRC between 2000 and 2006:



Source : CCW Report (2007)

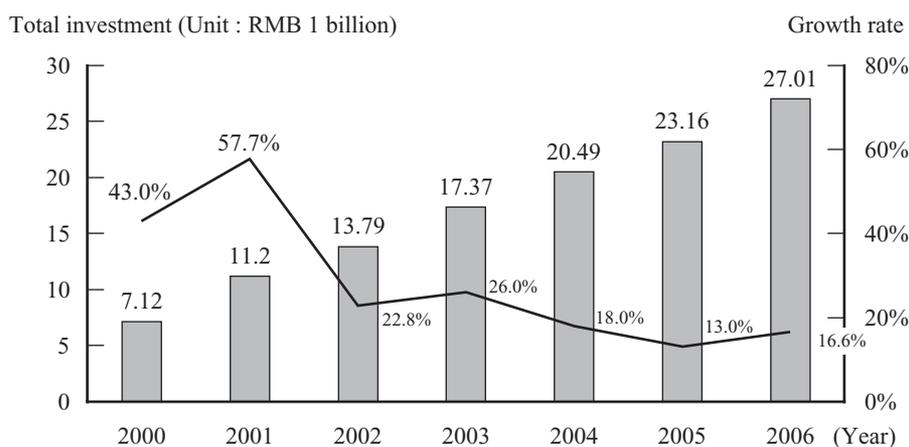
Increase in Total Investment in the PRC Call Centre Service Industry

Investment in the PRC call centre service industry has continued to grow since 2000. According to the CCW Report, the total investment in the PRC call centre service industry amounted to approximately RMB7.12 billion in 2000, while in 2006 the figure had increased to approximately RMB27.01 billion.

According to the CCW Report, for each of the years of 2000 and 2001, the growth rate in the total investment in the PRC call centre service industry surpassed 40%. Since 2002, the development of the PRC call centre service industry stabilised. The growth rates in the total investment in each of 2002 to 2004 ranged between 18% and 26%.

In 2005, the growth rate in the total investment in the PRC call centre service industry further slowed down to approximately 13% for the reasons that (i) some call centres ceased to provide call centre service as a result of inadequacy of jobs; and (ii) there has been an increasing trend in outsourcing call centre service. In 2006, along with the increase in the number of large-scale call centres in the PRC, the amount of the investment in the PRC call centre service industry recorded an increase of approximately 16.6% to approximately RMB27.01 billion.

The diagram below illustrates the changes in the total investment in the PRC call centre service industry between 2000 and 2006:



Source : CCW Report (2007)

Industry Distribution

The major industries involved in call centre services in the PRC include telecommunications, banking, insurance, finance, postal services and power industries, as well as other enterprises and governmental agencies, among which telecommunications service providers have long been ranked first, in terms of the number of seats engaged or amount invested.

According to the CCW Report, the number of call centre seats in the PRC in 2006 amounted to approximately 164,600, among which telecommunications service providers accounted for approximately 54.4% of the market share, followed by outsourcing companies with approximately 10.9%, other enterprises with approximately 8.4%, governmental agencies with approximately 7.1%, banks with approximately 5.2%, and insurance companies with approximately 3.7%. Compared with the figures for 2005, insurance companies recorded the highest growth rate of approximately 32.6%.

INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

The diagram below illustrates the industry distribution of the PRC call centre service industry in terms of number of call centre seats in 2005 and 2006:

Industry	Number of call centre seats		Approximate Growth Rate (2005 vs 2006) (%)	Percentage Share in 2006 (%)
	Year 2005 ('000)	Year 2006 ('000)		
Telecommunications	86.9	89.5	3.0%	54.4%
Banking	8.1	8.5	4.9%	5.2%
Insurance	4.6	6.1	32.6%	3.7%
Securities	0.9	1	11.1%	0.6%
Postal Service	2.9	3.3	13.8%	2.0%
Electricity	2.2	2.6	18.2%	1.6%
Government	9.9	11.7	18.2%	7.1%
Outsourcing	16.2	17.9	10.5%	10.9%
Other Enterprises	11.5	13.8	20.0%	8.4%
Others	8.2	10.2	24.4%	6.1%
Total	151.4	164.6	8.7%	100.0%

Source: CCW Report (2007)

In 2006, total investment made in the PRC call centre service industry amounted to RMB27.01 billion with an annual growth rate of approximately 16.6% when compared to 2005. Industry-wise, the total investments made by telecommunications service providers ranked first, accounting for approximately 41.4%. Banks' investment accounted for approximately 20.4%, outsourcing approximately 12.2%, other enterprises approximately 5.5%, insurance companies approximately 4.9%, and governmental agencies approximately 4.7%. Compared with the figures for 2005, investment made by insurance companies recorded the highest growth rate of approximately 39.6%, while investment made by the securities companies recorded the lowest growth rate of approximately 4.9%.

The table below illustrates the amounts invested into the PRC call centre service industry by various industries in 2005 and 2006.

Industry	Year 2005 (RMB million)	Year 2006 (RMB million)	Growth Rate (2005 vs 2006) (%)	Percentage share in 2006 (%)
Telecommunications	9,720	11,188	15.1%	41.4%
Banking	4,830	5,497	13.8%	20.4%
Insurance	950	1,326	39.6%	4.9%
Securities	103	108	4.9%	0.4%
Postal Service	167	191	14.4%	0.7%
Electricity	675	778	15.3%	2.9%
Government	1,110	1,267	14.1%	4.7%
Outsourcing	2,840	3,297	16.1%	12.2%
Consultation	510	601	17.8%	2.2%
Other Enterprises	1,190	1,488	25.0%	5.5%
Others	1,065	1,269	19.2%	4.7%
Total	23,160	27,010	16.6%	100.0%

Source: CCW Report (2007)

Dramatic Growth in Outsourcing of Call Centre Service

Outsourcing is the transfer or delegation of a company's operations and routine management of a business to an external service provider. In the early days of the call centre service industry, many companies were not familiar with the concept of outsourcing and seldom co-operated with CRM outsourcing service providers due to the lack of confidence in such partnership. Thus the development in the call centre service industry was rather stagnant. However, in view of the gradual success of the CRM outsourcing service industry, companies are now willing to accept this new business concept and are marching into the CRM outsourcing business. The call centre service outsourcing industry grew dramatically, becoming a standard business practice for both small and large scale companies. According to CCM World¹, 90% of the top 500 enterprises in the world are now carrying on their core businesses with the assistance of call centre service outsourcing service providers.

Some of the reasons for outsourcing include:

- Limiting capital expenditure and reducing operating costs

establishment of call centres involves a significant amount of investment. By outsourcing services to an external service provider, a company can avoid huge capital expenditure on infrastructure and facilities.

- saving manpower and training costs

the call centre industry is a labour-intensive and technology-orientated industry, which means that recruitment, training and internal management of call centres could be a big burden for many companies. By outsourcing to an external service provider, a company can save costs in manpower and training and improve efficiency.

- benefiting from the external service provider's expertise in solving problems for a variety of clients with similar requirements.

Outsourcing is encouraged by the government of the PRC. In September and October 2006, the Ministry of Commerce of the PRC promulgated four circulars in relation to service outsourcing, two of which are:

- (i) Circular of the Ministry of Commerce, the Ministry of Information Industry of the People's Republic of China, on Relevant Issues of Initiating the Accreditation Work on Cities of Service Outsourcing Base in China (商務部信息產業部關於開展“中國服務外包基地城市”認定工作有關問題的通知); and
- (ii) Circular of the Ministry of Commerce of the People's Republic of China, on Making Efforts to Accomplish the Work of Enterprises Accreditation and Market Exploitation of Service Outsourcing Program (商務部關於做好服務外包“千百十工程”企業認證和市場開拓有關工作的通知) (collectively, the “Circulars”).

According to the Circulars, during China's “Eleventh Five-Year Plan”, the Ministry of Commerce shall make efforts to build ten Chinese Cities of Service Outsourcing Base (承接服務外包的中國基地城市) with international competition capability, to procure one hundred multinational companies to outsource their services to China, and to cultivate one thousand Chinese outsourcing service enterprises with international accreditation. The State encourages and supports the outsourcing service enterprises to obtain international accreditations (including certificates of CMMI (Capability Maturity Model Integration), CMM (Capability Maturity Model), PCMM (Patient Client Management Model), information security management (ISO27001/BS7799), IT service management

¹ Source: www.ccmw.net, the website of CCM World

(ISO20000) and SAS 70 (State Auditing Standards No. 70), exploit the international market, continue the outsourcing service business and continuously promote service value. Outsourcing service enterprises refer to those having medium and long term service contracts providing service outsourcing business. After obtaining related international accreditation, outsourcing service enterprises may apply for the exploitation fund in accordance with the “Measures on Exploitation Fund” and regulations of the Circular. Service outsourcing enterprises are highly encouraged to exploit international market and provide outsourcing services to international non-PRC clients.

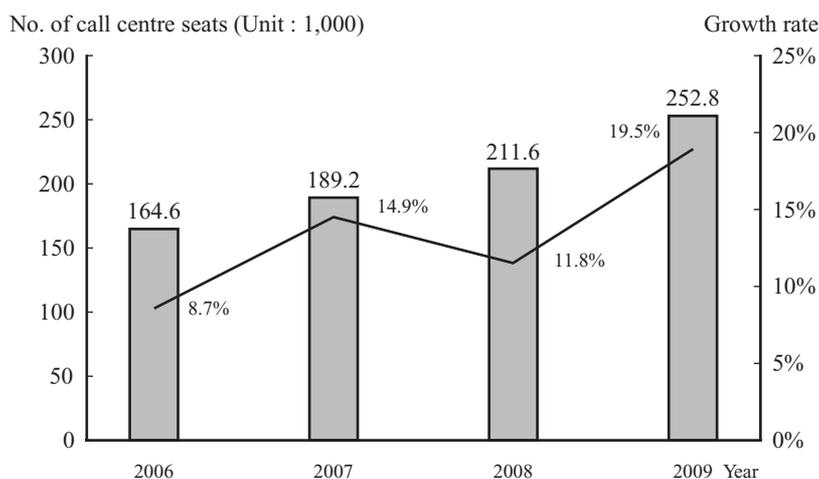
Since the Group has long been providing outsourcing services to non-PRC customers, the Directors believe that the policy mentioned above shall have a positive influence on the Group’s future development in the industry.

2007-2009 Forecast for the Development of the PRC Call Centre Service Industry

Expected Increase of Call Centre Seats

According to the CCW Report, it is expected that the PRC call centre service industry will benefit from upcoming international events including the Beijing Olympic Games in 2008 and development of which will accelerate during the period from 2006 to 2009. It is estimated that during the period from 2007 to 2009, the number of call centre seats in the PRC will increase to approximately 189,200, 211,600 and 252,800, representing an annual growth rate of approximately 14.9%, 11.8% and 19.5% respectively.

The chart below illustrates the forecast increase in the number of call centre seats in the PRC during the period from 2006 to 2009.



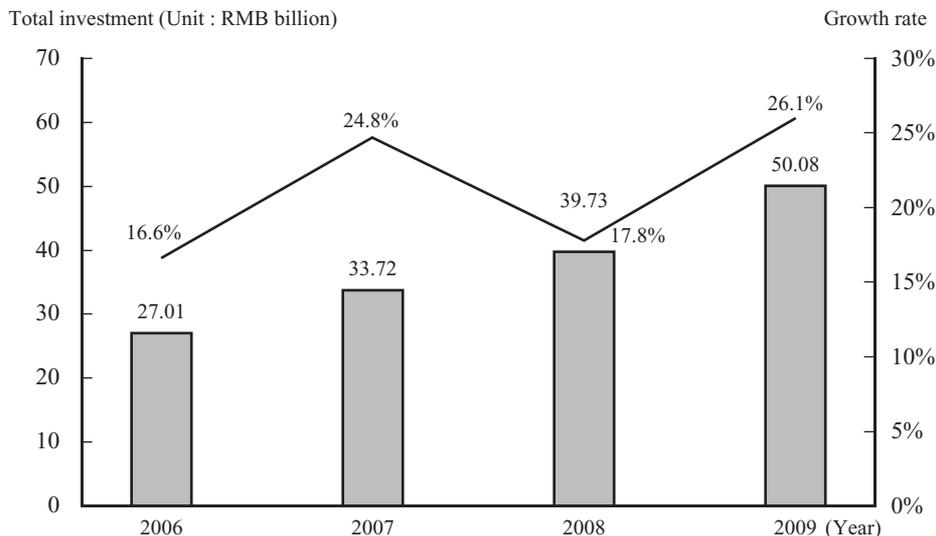
Source : CCW Report (2007)

Expected Increase in Total Investment in the PRC Call Centre Service Industry

According to the CCW Report, it is estimated that during the period from 2007 to 2009, the growth rate of investment in the PRC call centre service industry will exceed 20%. In particular, in 2007, the total investment in China’s call centre service industry will reach approximately RMB33.719 billion, representing an annual growth rate of approximately 24.8%. It is further estimated that in 2008 and 2009, the total investment amount in the PRC call centre service industry will reach approximately RMB39.727 billion and RMB50.083 billion respectively, representing an annual growth rate of approximately 17.8% and 26.1% respectively.

INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

The chart below illustrates the forecast growth in investment in the PRC call centre service industry during the period from 2006 to 2009.



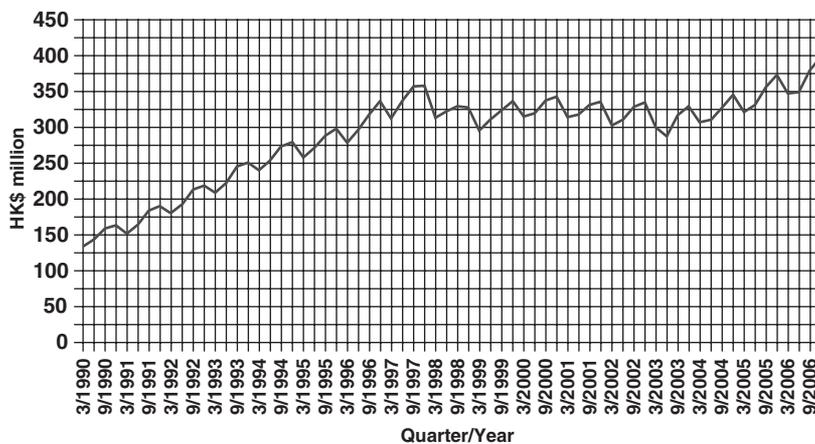
Source : CCW Report (2007)

OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY IN HONG KONG

Economy of Hong Kong

Economic activity in Hong Kong has experienced a steady growth during the Track Record Period, according to recent official statistics from the Census and Statistics Department. The chart below shows an increase in GDP in Hong Kong during the period from 1990 to 2006.

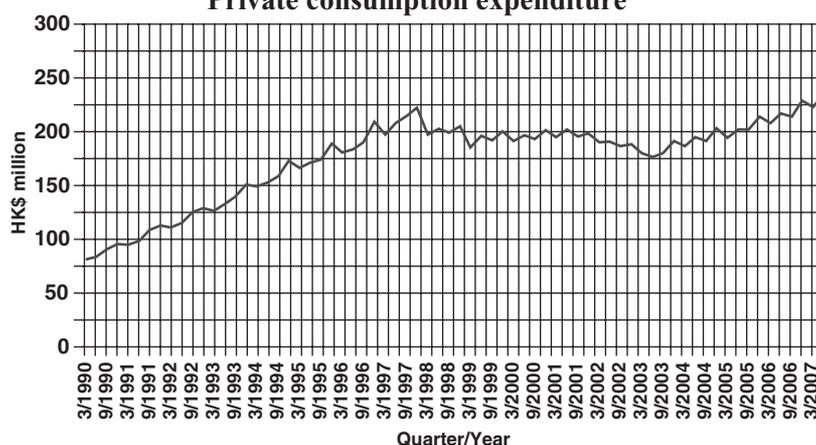
Gross Domestic Product (GDP) At current market prices



Source: Census and Statistics Department, the Government of the HKSAR (2007)

As at the Latest Practicable Date, GDP by expenditure increased by approximately 7%² in real terms in the fourth quarter of 2006 over a year earlier, compared with approximately 6.7% increase in the third quarter of 2006. As a whole, GDP recorded a growth of approximately 6.8% over 2005. Private consumption expenditure also grew by approximately 5.8% in the fourth quarter of 2006 over 2005 and as a whole, increased by approximately 5.1% over 2005³. With increased expenditure, consumers are spending more on goods and services, which may benefit the development of the call centre service industry and the sectors that they serve. The chart below shows the increase in private consumption expenditure in Hong Kong during the period from 1990 to 2006.

Main expenditure components of GDP
At current market prices
Private consumption expenditure



Source: Census and Statistics Department, the Government of the HKSAR (2007)

Based on the above figures, the outlook for businesses in Hong Kong continues to look promising especially with the support of the thriving Mainland economy. It is expected that the Hong Kong economy will attain solid and broad-based growth of approximately 4.5% to approximately 5.5% in 2007.⁴ If the forecast is realized, then prospects for businesses will continue to thrive in Hong Kong.

Telecommunications Industry of Hong Kong

Hong Kong has an advanced telecommunications infrastructure enabling businesses and consumers in Hong Kong to enjoy sophisticated communications services. With continuing developments in the telecommunications industry, Hong Kong now has one of the highest penetration rates in mobile services and an increasing penetration rate in fixed line services. Hong Kong's telecommunications industry, among others, is one of the industries in Hong Kong that outsources its call centre services operations to external call centre service providers. As the telecommunications industry continues to prosper, this could have an impact on the development of call centre outsourcing service providers.

Some major developments in the telecommunications industry in Hong Kong include:

- the liberalization of the fixed line market in January 2003, and therefore more fixed line telecommunications operators were licensed to provide services, increasing competition in the market

² Census and Statistics Department, the Government of the HKSAR, data released on 23 March 2007

³ Census and Statistics Department, the Government of the HKSAR, data released on 28 February 2007

⁴ Economic Analysis Division, The Government of the Hong Kong SAR, 28 February 2007

INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

- the signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)
- the launch of 3G service in Hong Kong by Hutchison 3G Hong Kong Limited in 2004
- the launch of 3G service in Hong Kong by Sunday 3G (Hong Kong) Limited in June 2005

There has been steady growth in the telecommunications industry over the past two years. According to the Hong Kong Government's statistics set out below, the development of Hong Kong telecommunications industry is strong, with a significant increase in the number of fixed line and mobile subscriber penetration rates.

	2005 (‘000)	2006 (‘000)
Total Hong Kong population ⁵	6,837.8	6,900.7
Fixed line penetration rate	54.8% ⁶	92% ⁷
Mobile subscriber penetration rate	120.2% ⁸	136.9% ⁹
2.5G and 3G mobile subscribers	1,679.1 ¹⁰	2,206.6 ¹¹

Sources:

- ⁵ *Census and Statistics Department, the Government of the Hong Kong Special Administrative Region, latest revision date 22.02.2007*
- ⁶ *Communications and Technology Branch, Commerce, Industry and Technology Bureau, the Government of the Hong Kong Special Administrative Region, latest revision date 15.11.2005*
- ⁷ *Office of the Telecommunications Authority, the Government of the Hong Kong Special Administrative Region, latest revision date 12.03.2007*
- ⁸ *Communications and Technology Branch, Commerce, Industry and Technology Bureau, the Government of the Hong Kong Special Administrative Region, latest revision date 15.11.2005*
- ⁹ *Office of the Telecommunications Authority, the Government of the Hong Kong Special Administrative Region, latest revision date 12.03.2007*
- ¹⁰ *Communications and Technology Branch, Commerce, Industry and Technology Bureau, the Government of the Hong Kong Special Administrative Region, latest revision date 15.11.2005*
- ¹¹ *Office of the Telecommunications Authority, the Government of the Hong Kong Special Administrative Region, latest revision date 12.03.2007*

With such rates of penetration, telecommunications service providers are serving more mobile and fixed line subscribers, with the latest figures of mobile service subscribers reaching 8.9 million¹², one of the highest penetration rates in the world.

The high mobile subscriber and fixed line penetration rates in Hong Kong show that the demand for mobile phones and fixed lines in Hong Kong continues to remain high. With increasing growth in the use of telecommunication services, the demand for call centre services is likely to increase. This would significantly impact on the Group's business and turnover as the Group's existing major customers are major telecommunications service providers. It is also anticipated that the call centre service industry would expand to other major telecommunications service providers which have not outsourced their call centre operations. The Directors are confident that the Group will be able to take such opportunities to expand its customer base and at the same time retain its existing customers.

The Directors believe that as Hong Kong's economy continues to grow, there are more people and households using mobile and fixed line services, as shown by recent statistics. If such rates continue to grow, the need for Hong Kong telecommunications service providers to outsource their call centre operations is likely to increase. There are no official government statistics in relation to the number of call centre outsourcing service providers in Hong Kong and their business activities, which may be an indicator that the service industry is shifting to the PRC, where operation and labour costs are low.

¹² *Source: The Hong Kong Trade Development Council, 4 December 2006*

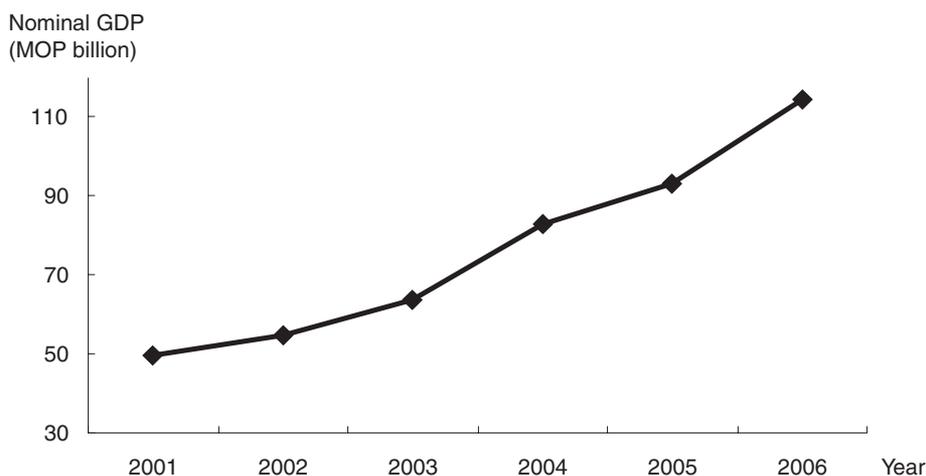
OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY IN MACAU

Economy of Macau

The Group's business in Macau constitutes an important driver for the Group's future growth. The Macau economy experienced a noticeable growth in the past few years. GDP of Macau was approximately MOP 114 billion in 2006, compared with GDP of approximately MOP 50 billion in 2001, achieving a CAGR of approximately 17.9%.

The graph below illustrates the growth in nominal GDP of Macau in the periods from 2001 to 2006.

Nominal GDP in Macau, 2001-2006



Source: CEIC (2007)

Telecommunications industry of Macau

Upon the establishment of the Macau Special Administrative Region of the PRC in 1999, the Macau government began liberalising the telecommunications industry. In June 2000, the Macau government established a regulator, GDTTI, which is responsible for determining telecommunications regulations, policies and directives. GDTTI has since May 2006 been succeeded by the BTR.

The following table provides an overview of the telecommunications industry of Macau as at 31 December 2006.

Population	513,400
Fixed-lines	176,665
Mobile subscribers	636,347
Mobile penetration (%)	124%

Sources : Statistics and Census Services, Macau; BTR (2007)

INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

As at 31 December 2006, there were approximately 636,347 mobile subscribers in Macau, representing an increase of approximately 19.44% as compared to approximately 532,758 subscribers as of 31 December 2005. The number of fixed telephone lines in Macau increased by approximately 1.3% from approximately 174,400 as at 31 December 2005 to approximately 176,700 as at 31 December 2006. The following table illustrates the growth trend of the mobile and fixed telephone line telecommunications industry in Macau:

	As of 31 December 2005	As of 31 December 2006	Growth rate (%)
Mobile Subscribers	532,758	636,347	19.44%
Number of fixed telephone lines	174,389	176,665	1.31%

Sources : Statistics and Census Services, Macau; BTR (2007)

REGULATORY FRAMEWORK GOVERNING THE INDUSTRY IN THE PRC

Pursuant to the Telecommunication Regulations of the PRC (中華人民共和國電信條例) promulgated and implemented by the State Council on 25 September 2000, telecommunications service providers must obtain telecommunications operator licenses issued by the information industry authority of the State Council or administrative authorities in charge of telecommunications in the respective provinces, autonomous regions and municipalities in accordance with their category of services. Pursuant to the Telecommunications Services Classification Catalogue (電信業務分類目錄) (the “Classification Catalogue”), telecommunications services include, among others, “call centre” services, which refer to the services in which the call centre is contracted by a company or institution to build information database by collection, processing and storage of data and using the call centre system connected to public switched telephone network or Internet and database technology so as to provide business consulting, information consulting and data query related to the company or institution through public communication networks such as fixed network, mobile network and Internet. Call centre services also include the use of the call centre’s operator hiring (話務員座席出租) service offered by call centres which provide telecommunication resources including but not limited to telephone numbers, telephone lines, operating systems and business development. In the course of the Group’s business operations, the Group does not own or use any allocated or exclusive telecommunications resources. As all of the Group’s customers are service providers (which include but not limited to telecommunications service providers), none of the Group’s customers are the end-users of the telecommunications services offered by the Group’s customers. In the provision of CRM services, the Group’s customers provide the Group with the information database and systems to enable the Group to perform the required CRM services.

The Group’s provision of CRM services, including the supply of physical seats (物理座席), is not the same as the operator hiring (話務員座席出租) service, a form of call centre service, as the Group only supplies the physical seats (物理座席) and the human resources needed for such seats whereas the operator hiring (話務員座席出租) service also includes the provision of telecommunication resources such as telephone numbers, telephone lines, operating systems and business development. The Company’s PRC legal advisers are of the opinion that general office equipment, office premises and computers as mentioned in some of the service agreements entered into between the Group and its customers do not fall under the category of telecommunication resources as described under the Classification Catalogue.

Therefore, the Group’s PRC legal adviser is of the opinion that the business operations of China Elite, which is, provision of CRM outsourcing services, does not fall into the ambit of

INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

telecommunications services under the Classification Catalogue. It is therefore unnecessary for China Elite to obtain any licence in order to comply with the applicable PRC laws and regulations.

China Elite, one of the Group's major subsidiaries, obtained the following approvals and licenses relating to its business operation:

- (1) The Certificate of Approval for the Establishment of Enterprises with Foreign Investment in the People's Republic of China (中華人民共和國 外商投資企業批准證書) numbered "Shang Wai Zi Yue Wai Zi Zheng Zi [2003] 0019" (商外資粵外資証字 [2003] 0019 號) from the Government of Guangzhou City, which is valid for 15 years;
- (2) The Business License (企業法人營業執照) numbered "Qi Du Yue Sui Zong Zi No. 006069" (企獨粵穗總字第 006069 號) from the Guangzhou Administration for Industry and Commerce, which will be expired on 18 July 2015;
- (3) The Certificate of Organization Bar Code in the People's Republic of China (中華人民共和國組織機構代碼證) numbered 72375580-2, the validity period of which is from 23 August 2004 to 23 August 2008;
- (4) The Certificate of Registration of Foreign Currencies for Enterprises with Foreign Investment (外商投資企業外匯登記證) numbered 440000020253 from the Guangdong Administration for Foreign Currencies dated 12 March 2002, which is valid for 15 years;
- (5) The Certificate of Registration of Finance for Enterprises with Foreign Investment (外商投資企業財政登記證) numbered 4401110497 from the Guangdong Finance Bureau dated 28 April 2006, which will be expired on 18 July 2015;
- (6) The Certificate of Registration of Tax (稅務登記證) numbered "Yue Guo Shui Zi 440111723755802" (粵國稅字 440111723755802 號) from the Guangzhou National Tax Bureau dated 16 November 2006, which is permanently valid;
- (7) The Certificate of Registration of Tax (稅務登記證) numbered "Yue Di Shui Zi 440111723755802" (粵地稅字 440111723755802 號) from the Guangzhou Local Tax Bureau dated 2 December 2006, which is permanently valid;

Pursuant to the "Notice of the United Yearly Check for Enterprises with Foreign Investment" (關於對外商投資企業實行聯合年檢的通知) published by various authorities in the PRC, China Elite, being a Foreign Investment Enterprise, is the subject of the united yearly check. On 29 June 2007, China Elite finished such yearly check, and the approvals and licenses it currently holds are all legal and valid.

The Group's PRC legal adviser confirms that (i) the Group has obtained all necessary approvals and licenses for the operation of its business; (ii) the approvals obtained are valid as at the Latest Practicable Date; and (iii) except for items 6 and 7 above, renewals are required for such approvals or licenses, but there are no foreseeable difficulties for the Group to renew such approvals upon expiry. In addition, the Directors confirmed that the Group has complied with all relevant PRC laws and regulations during the Track Record Period.

REGULATORY FRAMEWORK GOVERNING THE INDUSTRY IN HONG KONG AND MACAU

Hong Kong

The telecommunications industry in Hong Kong is governed by the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) and the Office of the Telecommunications

INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

Authority (OFTA) of Hong Kong. As at the Latest Practicable Date, there are no regulations pursuant to which the Group must obtain any approvals and/or licences to carry on its existing scope of business. However, as part of the Group's future business plans to expand its existing business, the Group may enter into dealership agreements with its existing and/or new customers to provide services other than CRM outsourcing services, as a dealer. In such circumstances, the Group must apply to OFTA for a radio dealers licence, pursuant to the Telecommunications Ordinance. In anticipation of provision of such services, Winet has already applied to OFTA for a radio dealers licence and was granted the radio dealers licence on 20 April 2007.

Under the radio dealers licence, Winet is entitled to possess and deal in the course of trade or business in apparatus or material for radiotelecommunications or any component parts thereof in its registered office at Rooms 3813-15, 38/F., Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

In May 2007, the UEMO was enacted and shall come into force in two phases, with phase I commencing on 1 June 2007 and phase II on a date to be decided by the Secretary for Commerce, Industry and Technology of Hong Kong and the date of which will be notified and published in the government gazette.

The UEMO governs the sending of commercial electronic messages which, for the purposes of the UEMO, include a message in any form sent over a public telecommunications service (including among others, SMS, faxes or emails) to an electronic address and includes but is not limited to a text, voice, sound, image or video message; and a message combining text, voice, sound, image or video for the purpose of advertising, promoting or offering any goods, services, business opportunities or the organizations themselves. The UEMO also governs the use of address harvesting software i.e. software which is specifically designed or marketed for use for searching the Internet or a public telecommunications network and collecting electronic addresses such as telephone numbers or email addresses in connection with or to facilitate the sending of such commercial electronic messages. The UEMO does not apply to person-to-person telemarketing calls.

The Group's current business does not involve the sending of commercial electronic messages and the Group does not use any address harvesting software. Therefore, the Group's business activities are not covered by the scope of the UEMO. As confirmed by the Group's Hong Kong legal adviser, based on the Group's current business activities, the enactment of the UEMO will not impact on the Group's business.

Macau

The telecommunications industry in Macau is governed by the Basic Telecommunications Law (Law No.14/2001 of Macau) and Bureau of Telecommunications Regulation in Macau (BTR). As at the Latest Practicable Date, there are no regulations pursuant to which the Group must obtain any approvals and/or licences to carry on its existing scope of business.

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

HISTORY AND DEVELOPMENT

Corporate History

The Company

The Company was incorporated under the name of China Elite Cyber Information Limited (盛華數碼信息有限公司) as an exempted company in the Cayman Islands on 18 September 2000. On 6 October 2000, Mr. Li Kin Shing, through its then wholly-owned company, Ever Prosper, subscribed for 1 share of US\$0.01 each in the capital of the Company, representing 100% interest in the Company.

On 3 August 2001, pursuant to a special resolution passed by the then sole shareholder of the Company, the Company effected a split of its authorised share capital by setting it at US\$50,000.00 divided into 500,000,000 shares of US\$0.0001 each. In the meantime, it was further resolved that the Company would repurchase 82,050,000 shares of US\$0.0001 each from Ever Prosper. Upon completion of the aforesaid stock split and stock repurchase, Ever Prosper held 17,950,000 shares of US\$0.0001 each. On the same date, the Company changed its name to China Elite Limited.

To further develop the business of the Group, the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) dated 27 September 2001 with Ever Prosper and Abacus. Pursuant to the Share Purchase Agreement, Ever Prosper transferred its 100% interest in the Company to Abacus in consideration of the 17,525,708 new shares of US\$0.0001 each of Abacus (representing approximately 71% of the then enlarged issued share capital of Abacus) (the “Abacus Shares”). Abacus agreed to transfer its entire interest in the Company to Ever Prosper if it was unable to contribute significant growth to the Group’s business. The Company was then wholly owned by Abacus upon completion of the share exchange. To the best knowledge of the Directors, at the time of entering into of the Share Purchase Agreement, Abacus was wholly owned by UTStarcom, Inc., a listed company in US. Apart from holding less than 0.01% shareholding interest in UTStarcom, Inc. by Mr. Li Kin Shing, the Group and each of the Directors did not have any relationship with UTStarcom, Inc. by that time. Subsequently, on 11 December 2001, the Company changed its name to International Elite Holdings, Ltd. (精英控股有限公司).

Pursuant to the share exchange agreement (the “**Share Exchange Agreement**”) dated 17 April 2002 between Ever Prosper and Abacus, Abacus transferred to Ever Prosper its then entire shareholding interest in the Company and in consideration, Ever Prosper transferred the Abacus Shares to Abacus as Abacus was unable to contribute significant growth to the Group’s business as previously agreed. The Company became a wholly-owned subsidiary of Ever Prosper upon completion of the transactions under the Share Exchange Agreement. On 24 June 2002, the Company changed its name to International Elite Ltd. (精英國際有限公司).

On 8 September 2007, the authorised share capital of the Company was increased by HK\$40,000,000 by the creation of 4,000,000,000 Shares of HK\$0.01 each. On the same date, the Company allotted and issued 1,400,100 Shares of HK\$0.01 each at par to Ever Prosper (the “New Issue”), and in turn, the Company repurchased all 17,950,000 shares of US\$0.0001 each previously held by Ever Prosper at a price of HK\$14,001 in aggregate which was paid out of the proceeds of the New Issue.

On 8 September 2007, the authorised but unissued share capital of Company was diminished by the cancellation of all unissued shares of US\$0.0001 each in the share capital of the Company.

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

On 8 September 2007, the Company allotted and issued 34,200,000 Shares of HK\$0.01 each at par to Ever Prosper. Upon completion of the said share allotment and issue, Ever Prosper held 35,600,100 Shares of HK\$0.01 each, representing 100% of the issued share capital of the Company.

The Subsidiaries

As at the Latest Practicable Date, the Company has six (6) directly and indirectly wholly owned subsidiaries incorporated in the BVI, PRC, Hong Kong and Macau respectively. Details of each subsidiary are set forth as follows:

1. *Keithick*

Keithick was incorporated in the BVI as a limited liability company on 25 May 1993. As at the date of incorporation, the authorised share capital of Keithick was US\$50,000 divided into 50,000 shares of US\$1.00 each. On 1 June 1993, one share of Keithick was issued to its then sole shareholder, Mr. Li Kin Shing. On 14 May 2001, Mr. Li Kin Shing transferred his entire shareholding interest in Keithick to the Company at a consideration of US\$1, which is the nominal value of the one share. On 16 September 2002, Keithick was registered as an overseas company in Hong Kong.

2. *China Elite*

On 7 July 2000, the Ministry of Foreign Trade and Economic Cooperation Guangzhou Branch (“MOFTEC Guangzhou”) issued an approval number “Sui Wai Jing Mao Ye [2000] 175” (穗外經貿業[2000]175號) and approved the establishment of China Elite. Having obtained a business license number “Qi Du Yue Sui Zong Zi No.006069” (企獨粵穗總字第006069號) from the Guangzhou Administration for Industry and Commerce (廣州市工商行政管理局) (“Guangzhou AIC”) dated 18 July 2000, China Elite was duly established in the PRC as a sino-foreign cooperative joint venture between Keithick and Guangdong Zhitong. At that time, Guangdong Zhitong was owned as to 10% by Ms. Li Yin, an executive Director, and 90% by GDZIL. To avoid holding any minority competing interest in Guangdong Zhitong which is also engaged in the business of provision of CRM outsourcing services, in April 2007, Ms. Li Yin disposed of her 10% shareholding interest in Guangdong Zhitong to Ms. Zheng Hui, an Independent Third Party, for nil consideration. The consideration was determined with reference to the net asset value of Guangdong Zhitong. Based on the audited accounts of Guangdong Zhitong for the year ended 31 December 2006, Guangdong Zhitong had net liabilities of approximately RMB1.9 million. Save for the fact that 1) GDZIL (a company which Ms. Zheng Hui is beneficially interested in 57.75% of the shareholding interest), the subsidiaries of GDZIL (including Guangdong Zhitong) and Guangzhou Zhitong (a company which is indirectly wholly owned by Ms. Zheng Hui) have certain transactions with the Group as disclosed in note 23 to the Accountants’ Report annexed as Appendix I to this prospectus; and 2) Mr. Li Kin Shing, a Controlling Shareholder and an executive Director, leases a property located in the PRC to Guangdong Zhitong as its office, to the best knowledge of the Directors and based on the certified independence undertaking signed by Ms. Zheng Hui, Ms. Zheng Hui is an Independent Third Party who is not connected and has no other business relationship with the Group, its Controlling Shareholders, Directors, employees or any of their respective associates as at the Latest Practicable Date.

In accordance with the cooperative joint venture contract entered into between Keithick and Guangdong Zhitong, the total amount of investment and the registered capital of China Elite was

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

HK\$5,000,000, which shall be fully contributed by Keithick in cash while Guangdong Zhitong shall provide equipment and operation premises of corresponding value. The board of directors of China Elite shall consist of three directors of which, one shall be nominated by Guangdong Zhitong and two shall be nominated by Keithick. The joint venture period is 15 years, but can be shortened by agreement. China Elite should pay RMB500,000 per annum to Guangdong Zhitong during the joint venture period and Keithick is entitled to the remaining profits and is responsible for all liabilities, losses and management risks. According to the capital verification report dated 24 August 2000 issued by Guangdong Huayue Certified Public Accountants Ltd. (廣東華粵會計師事務所有限公司), as of 23 August 2000, Keithick made a total capital contribution of HK\$5,000,000 in cash, representing its entire capital commitment. China Elite operates the Group's CRM service centres and provides CRM services to the Group's customers in Hong Kong, Macau and the PRC.

On 1 March 2002, a resolution was passed by the board of directors of China Elite to increase the total investment amount and registered capital of China Elite from HK\$5,000,000 to HK\$12,000,000. On 5 March 2002, a supplemental agreement was entered into between Guangdong Zhitong and Keithick, under which the parties agreed to increase the total amount of investment and registered capital of China Elite from HK\$5,000,000 to HK\$12,000,000. The said supplemental agreement was approved by MOFTEC Guangzhou with the approval number "Sui Wai Jing Mao Zi [2002] 233" (穗外經貿資[2002]233號) and took effect on 13 May 2002. According to the capital verification report dated 7 June 2002 issued by Guangdong Yudong Certified Public Accountants (廣東旭東會計師事務所有限公司), as of 27 May 2002, Keithick made an additional capital contribution of HK\$7,000,000 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$12,000,000, representing its entire capital commitment.

On 16 December 2002, resolutions were passed by the board of directors of China Elite to (i) approve the change of legal status of China Elite from a sino-foreign cooperative joint venture to a wholly foreign owned enterprise upon Guangdong Zhitong's disposal of its entire interest in China Elite to Keithick; and (ii) increase the total investment amount and registered capital of China Elite from HK\$12,000,000 to HK\$20,000,000, which were then approved by MOFTEC Guangzhou pursuant to the approval number "Sui Wai Jing Mao Zi [2003]35" (穗外經貿資[2003]35號) issued on 27 January 2003. On 27 January 2003, pursuant to a share transfer agreement entered into between Guangdong Zhitong and Keithick dated 16 December 2002, Guangdong Zhitong transferred, without consideration, its entire investment rights, interests, debts and liabilities in China Elite to Keithick. The main reason for such transfer is due to the decrease in demand for paging services towards the end of 2002, therefore, Guangdong Zhitong was not optimistic about the future development of China Elite. After the share transfer, the legal status of China Elite was changed from a sino-foreign cooperative joint venture to a wholly foreign owned enterprise. According to the capital verification report dated 18 August 2003 issued by Guangdong Qimingxing Certified Public Accountants (廣東啟明星會計師事務所有限公司), as of 22 July 2003, Keithick made an additional capital contribution of HK\$8,000,000 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$20,000,000, representing its entire capital commitment.

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On 20 October 2003, a resolution of the board of directors of China Elite was passed to increase the share capital of China Elite from HK\$20,000,000 to HK\$35,000,000, which was then approved by MOFTEC Guangzhou of Baiyun district pursuant to the approval number “Sui Wai Jing Mao Zi [2003]154” (穗外經貿資[2003]154號) issued on 5 November 2003. The additional capital contribution of HK\$15,000,000 was injected in five instalments as detailed below:-

According to the capital verification report dated 1 December 2003 issued by Guangdong Yuexin Certified Public Accountants Co., Ltd. (廣東粵信會計師事務所有限公司), as of 20 November 2003, Keithick made an additional capital contribution of HK\$1,200,000 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$21,200,000.

According to the capital verification report dated 8 January 2004 issued by Guangdong Yuexin Certified Public Accountants Co., Ltd. (廣東粵信會計師事務所有限公司), as of 22 December 2003, Keithick made an additional capital contribution of HK\$1,300,000 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$22,500,000.

According to the capital verification report dated 25 April 2004 issued by Guangdong Qimingxing Certified Public Accountants (廣東啟明星會計師事務所有限公司), as of 18 March 2004, Keithick made an additional capital contribution of HK\$3,800,000 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$26,300,000.

According to the capital verification report dated 25 June 2004 issued by Guangdong Qimingxing Certified Public Accountants (廣東啟明星會計師事務所有限公司), as of 15 June 2004, Keithick made an additional capital contribution of HK\$3,583,568.08 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$29,883,568.08.

According to the capital verification report dated 29 October 2004 issued by Guangdong Qimingxing Certified Public Accountants (廣東啟明星會計師事務所有限公司), as of 21 October 2004, Keithick made an additional capital contribution of HK\$5,116,431.92 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$35,000,000, representing its entire capital commitment.

On 12 March 2005, a resolution of the board of directors of China Elite was passed to increase the total investment amount and registered capital of China Elite from HK\$35,000,000 to HK\$45,000,000, which was then approved by MOFTEC Guangzhou of Baiyun district pursuant to the approval number “Sui Yun Wai Jing Mao Ye [2005]039” (穗雲外經貿業[2005]039號) issued on 22 March 2005.

According to the capital verification report dated 17 June 2005 issued by Guangdong Qimingxing Certified Public Accountants (廣東啟明星會計師事務所有限公司), as of 31 May 2005, Keithick made an additional capital contribution of HK\$10,000,000 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$45,000,000, representing its entire capital commitment.

On 24 August 2005, a resolution of the board of directors of China Elite was passed to increase the total investment amount and registered capital of China Elite from HK\$45,000,000 to HK\$64,000,000, which was then approved by MOFTEC Guangzhou of Baiyun district pursuant to the approval number “Sui Yun Wai Jing Mao Ye [2005]152” (穗雲外經貿業[2005]152號) issued on 5 September 2005.

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According to the capital verification report dated 17 November 2005 issued by Guangdong Qimingxing Certified Public Accountants (廣東啟明星會計師事務所有限公司), as of 2 November 2005, Keithick made an additional capital contribution of HK\$19,000,000 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$64,000,000, representing its entire capital commitment.

On 31 March 2006, a resolution of the board of directors of China Elite was passed to increase the share capital of China Elite from HK\$64,000,000 to HK\$94,000,000, which was then approved by MOFTEC Guangzhou of Baiyun district pursuant to the approval number “Sui Yun Wai Jing Mao Ye [2006]37” (穗雲外經貿業[2006]37號) issued on 5 April 2006.

According to the capital verification report dated 28 August 2006 issued by Guangdong Qimingxing Certified Public Accountants (廣東啟明星會計師事務所有限公司), as of 8 August 2006, Keithick made an additional capital contribution of HK\$30,000,000 in cash. Following such increase in registered capital, Keithick made a total capital contribution of HK\$94,000,000, representing its entire capital commitment.

The total investment amount and registered capital of China Elite remained unchanged as at the Latest Practicable Date. As Keithick was wholly owned by the Company throughout the Track Record Period, the source of funding for the capital injections in China Elite by Keithick during the Track Record Period included shareholders’ loan from the Company, which in turn is financed by amount due to related parties of the Company, and cash inflow from operating activities generated by members of the Group other than China Elite.

China Elite established two branch companies in Guangzhou and Sanshui, Guangdong Province in 2006 respectively, the details of which are set out as follows:

- (a) China Elite Sanshui Branch Company was established in Sanshui, Fushan, Guangdong Province on 10 April 2006. Its scope of business includes the research, development and provision of service in relation to the network technology of information and communications system, technology service in relation to data communications system, design and development of computer softwares, provision of customer information service to commercial institutions (excluding Internet cafes), data processing and consulting service.
- (b) China Elite Guangzhou Branch Company was established in Guangzhou, Guangdong Province on 7 September 2006. Its scope of business includes the research, development and provision of service in relation to the network technology of information and communications system, technology service in relation to data communications system, design and development of computer softwares, provision of customer information service to commercial institutions (excluding Internet cafes), data processing and consulting service.

3. *Winet*

Winet was incorporated in Hong Kong as a limited liability company on 8 December 1999. On 26 January 2000, each of Mr. Li Kin Shing and Keithick subscribed one share in the capital of Winet at nominal value of HK\$1.00 respectively. Mr. Li Kin Shing held the one share in the capital of Winet as trustee on behalf of Keithick. On 22 March 2007, Mr. Li Kin Shing transferred the one share he held in Winet to Keithick. Upon completion of the share transfer, Winet was 100% held by Keithick.

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4. International Elite (Macau)

International Elite (Macau) was incorporated as a private company in Macau on 7 December 2002 and obtained the Certificate of Authorisation of Offshore Service on 13 January 2003. The initial registered capital of International Elite (Macau) was MOP25,000, which was contributed by the Company in full in cash. International Elite (Macau) is engaged in the provision of customer support to call centre outsourcing services. As the target markets and target customers of International Elite (Macau) are respectively non-Macau areas (e.g. Hong Kong and the PRC) and non-Macau residents and the transactions are conducted in currencies other than MOP, the economic activities engaged by International Elite (Macau) are defined as Offshore Activities under the relevant law of Macau. In April 2003, the registered capital of International Elite (Macau) was increased to MOP100,000, with all the additional registered capital being contributed by the Company in cash. The registered capital of International Elite (Macau) remained unchanged as at the Latest Practicable Date.

5. PacificNet Management

PacificNet Management was incorporated in the BVI as a limited liability company on 11 April 2000. As at the date of its incorporation, the authorised share capital of PacificNet Management was US\$50,000 divided into 50,000 shares of US\$1.00 each.

On 31 December 2003, a sale and purchase agreement was entered into by and among the Company, PacificNet Strategic Investment Holdings Limited (a wholly owned subsidiary of PacificNet Inc., the shares of which are listed on the Nasdaq Global Market), PacificNet Inc., PacificNet Management, Mr. Li Kin Shing, Ms. Kwok King Wa, Mr. Li Wang (a brother of Mr. Li Kin Shing), Ms. Li Yin and Mr. Li Yi Sheng (an Independent Third Party), pursuant to which the Company agreed to purchase from PacificNet Strategic Investment Holdings Limited, and PacificNet Strategic Investment Holdings Limited agreed to sell to the Company, 50 shares of PacificNet Management (representing 100% of the then issued share capital of PacificNet Management) at a consideration of MOP50,100. Upon completion of the share transfer, the Company held 100% shareholding interest in PacificNet Management, and PacificNet Inc. has no relationship with PacificNet Management and PacificNet Communications.

According to the annual reports of PacificNet Inc. for the year ended 31 December 2003 and 31 December 2006, Mr. Li Kin Shing held 1,150,000 shares, representing approximately 18.66% of the then share capital in PacificNet Inc., and 600,000 warrants in respect of shares in PacificNet Inc. at the time of the sale and purchase agreement (as mentioned in the previous paragraph), and held 1,150,000 shares, representing approximately 9.97% of the then share capital in PacificNet Inc. as at 31 December 2006, respectively.

6. PacificNet Communications

PacificNet Communications was incorporated in Macau as a private company on 6 February 2003 and obtained the Certificate of Authorisation of Offshore Service on 17 February 2003. At the time of its incorporation, PacificNet Communications was owned as to 50.1% by PacificNet Management, 22.5% by Mr. Li Kin Shing, 22.5% by Ms. Kwok King Wa, 1.7% by Mr. Li Wang (a brother of Mr. Li Kin Shing), 1.7% by Ms. Li Yin and 1.5% by Mr. Li Yi Sheng (an Independent Third Party) respectively. PacificNet Communications is engaged in the provision of customer support to call centre outsourcing services. As the target markets and target customers of PacificNet Communications

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

are respectively non-Macau areas (e.g. Hong Kong and the PRC) and non-Macau residents and the transactions are conducted in currencies other than MOP, the economic activities engaged by PacificNet Communications are defined as Offshore Activities under the relevant law of Macau.

In December 2003, Mr. Li Kin Shing, Ms. Kwok King Wa, Mr. Li Wang, Ms. Li Yin and Mr. Li Yi Sheng transferred all the shares held by them in PacificNet Communications to Honest Gain at a consideration representing the total nominal value of the shares of MOP49,900. Subsequent to the share transfer, PacificNet Management held 50.1% shareholding while Honest Gain held 49.9% shareholding of PacificNet Communications. At the time of the said share transfer, Honest Gain was held by Mr. Li Kin Shing, Ms. Kwok King Wa, Mr. Li Wang, Ms. Li Yin and Mr. Li Yi Sheng as to 45%, 45%, 3.5%, 3.5% and 3% respectively. In September 2006, Ms. Kwok King Wa, Mr. Li Wang, Ms. Li Yin and Mr. Li Kin Shing transferred their respective shareholdings in Honest Gain to Mr. Li Yi Sheng. As at the Latest Practicable Date, Honest Gain was held as to 100% by Mr. Li Yi Sheng, an Independent Third Party.

On 22 September 2004, Honest Gain transferred its 49.9% shareholding of PacificNet Communications to PacificNet Management at a consideration of MOP49,900, representing the total nominal value of the shares. Subsequent to the share transfer, PacificNet Management held the entire 100% shareholding of PacificNet Communications.

Milestones of the Group

Mr. Li Kin Shing, an executive Director and the chief executive officer of the Company, possesses more than 19 years of experience in the telecommunications industry. He was the founder and general manager of 81st Army Paging Company (八一尋呼台) and China-HK Telecom, the Directors believe the latter of which was the first company to provide one card multiple number services between Hong Kong and the PRC.

The Group started to engage in the provision of CRM outsourcing services mainly for telecommunications service providers when Mr. Li Kin Shing and Keithick acquired the entire share capital of Winet in January 2000.

In July 2000, China Elite was established as a sino-foreign contractual joint venture in the PRC between the Group and Guangdong Zhitong to provide CRM outsourcing services in the PRC.

The Group established its first CRM service centre in Guangzhou, with operations commencing in July 2000, with a maximum seating capacity of approximately 2,650.

The Group commenced its CRM outsourcing services in 2000 by providing customer hotlines services to Telecom Service Ltd., which was previously a subsidiary of TDL. The Group subsequently entered into various customer messaging service deeds with TDL for telephone answering and message forwarding services which included among others, inbound directory query services, customer hotline services and secretarial services.

On 27 December 2002, the Group entered into a service agreement with PCCW Mobile in respect of the provision of BIS services to the subscribers of PCCW Mobile in Hong Kong for a period of three years, subject to annual renewal thereafter. The Group has subsequently secured the renewal of this service agreement. For details, please refer to the paragraph headed “Customers” in the section headed “Business” of this prospectus.

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In February 2003, PacificNet Communications was incorporated in Macau in order to take advantage of Macau's well-developed and relatively low cost infrastructure.

In November 2004, China Elite obtained the ISO9001 certification for the provision of call centre services including marketing research, sales promotion and after-sale services for customers.

In 2005, the Group established its second CRM service centre in Guangzhou with a seating capacity of about 250 seats.

On 24 February 2005, the Group entered into a service agreement with Hutchison Global in respect of the provision of CRM outsourcing services (including but not limited to telesales services and/or hotline services) in relation to the telecommunications services offered by Hutchison Global from time to time, for a period of 1 year, subject to automatic extension of two successive years. Pursuant to the service agreement, the Group is responsible for providing the necessary premises facilities, office and computer telephony integration equipment, and staff required for the operation of the CRM service centres.

On 22 March 2005, the Group entered into another service agreement with Hutchison Global in respect of the provision of managed customer services solution (including but not limited to the handling of inbound customer services hotline, order entry service and inbound telesales services) to Hutchison Global and its affiliate which carries on any telecommunications, telesales, and/or related value added services business(es) in Hong Kong for a period of 5 years (the "Initial Term") plus automatic extension of 5 years following the expiry of the Initial Term, unless otherwise terminated in accordance with the relevant provisions of the agreement.

On 22 March 2005, the Group entered into a service agreement with Hutchison Telecommunications in respect of the provision of managed customer services solution (including but not limited to the handling of inbound customer services hotline, inbound and outbound telesales and order entry service) to Hutchison Telecommunications and its affiliate which carries on any telecommunications, teleservices, and/or related value added services business(es) in Hong Kong and/or Macau for a period of 5 years (the "Initial Term") plus automatic extension of 5 years following the expiry of the Initial Term, unless otherwise terminated in accordance with the relevant provisions of the agreement.

On 20 May 2005, the Group entered into a service agreement with Hutchison Telecommunications in respect of the provision of BIS services to the subscribers of Hutchison Telecommunications or its affiliate which carries on any telecommunications, teleservices, and/or related value added services business(es) in Hong Kong and Macau for a period of 3 years and shall continue for successive periods of one year term until terminated by either party.

In June 2005, the Group was awarded the "Best Outsourcing Call Centre (Guangdong) 2004 – 2005 (廣東省最佳外包呼叫中心獎 2004-2005)" award by the Guangdong Information Industry Association Customer Service Professional Committee (廣東省信息協會客戶服務專業委員會).

On 14 September 2005, the Group entered into a service agreement with China Unicom Guangdong in respect of the provision of inbound services (including the handling of customer services hotline, BIS services and telesales services) to China Unicom Guangdong for a period of 5 years.

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

In July 2006, the Group was accredited with the “Best Outsourcing Call Centre in China 2005 – 2006 (中國最佳外包呼叫中心獎 2005-2006)” award by China’s Best Customer Service Appraisal Committee (中國最佳客戶服務評選組委會).

On 28 July 2006, China Elite entered into a lease agreement with Guangzhou Jianwei Enterprise Company Limited (廣州市建緯實業有限公司), an Independent Third Party, pursuant to which China Elite rented the Qiaoli Premises with a maximum seating capacity of about 1,200 as the Group’s third CRM service centre.

In November of 2006, the Group’s third CRM service centre at Qiaoli Premises commenced operation, increasing the Group’s total seating capacity from approximately 2,900 to approximately 4,100.

In July 2007, the Group was yet again awarded with “Best Outsourcing Call Centre in China 2006 – 2007 (中國最佳外包呼叫中心獎 2006-2007)” award by China’s Best Customer Service Appraisal Committee (中國最佳客戶服務評選組委會), for the second year running.

In September 2007, the Group was accredited with the ““Ten Years of China Call Center” Industry Development Contribution Award (“中國呼叫中心十年” 產業發展傑出成就獎)” by the China Call Center & Customer Relations Management Association (中國電子商會呼叫中心與客戶關係管理專業委員會), the Call Center Occupational Standards Committee of the Ministry of Information Industry (中國信息產業部呼叫中心標準指導委員會) and CCM World.

Having accumulated years of experience in providing CRM outsourcing services, the Group has developed into one of the leading CRM outsourcing service providers in the PRC, especially in Guangdong Province, with a total seating capacity of about approximately 4,100.

STATEMENT OF ACTIVE BUSINESS PURSUITS

The following is a review of the Group’s operations for the two years ended 31 December 2006 and the period from 1 January 2007 to the Latest Practicable Date.

For the year ended 31 December 2005

Business Operations

In 2005, the Group secured the following contracts with major telecommunications service providers in Hong Kong and the PRC, significantly increasing the business operations of the Group:

- Agreement for provision of CRM outsourcing services with Hutchison Global dated 24 February 2005, with regard to the provision of CRM services in relation to telesales activities and / or hotline services for customers of Hutchison Global;
- Managed Services Agreement — customer services with Hutchison Global dated 22 March 2005, with regard to the provision of managed services which include, inter alia, inbound customer services enquiry hotline and inbound telesales;
- Managed Services Agreement — customer services with Hutchison Telecommunications dated 22 March 2005, with regard to the provision of managed services which include, inter alia, inbound customer services enquiry hotline, inbound / outbound telesales and 24 hours paging services hotline;

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

- BIS Services Agreement with Hutchison Telecommunications dated 20 May 2005, with regard to the provision of BIS services to the subscribers of Hutchison Telecommunications and its affiliates;
- Agreements with China Unicom Guangdong in August and September 2005, with regard to the provision of CRM outsourcing services, including inbound customer services enquiry hotlines, BIS services and outbound telesales services;
- Agreement with China Unicom Macau Limited dated 18 October 2005 with regard to the provision of inbound customer services enquiry hotlines; and
- Incentive Agreement with Hutchison Telecommunications dated 5 December 2005 with regard to the provision of telesales of Hutchison Telecommunications' voice and value-added 2G services plans.

Due to the business expansion of the Group in 2005, the Group established its second CRM service centre in Guangzhou, the PRC with a seating capacity of approximately 250 seats, and commenced operation during the same year.

Sales and Marketing Activities

In order to promote the Group's services, senior management and marketing personnel of the Group actively approached potential customers as well as participating in industry related exhibitions and forums. The Group participated in the following events:

- the Third China (Guangzhou) International Forum for Call Centres (第三屆中國(廣州)呼叫中心國際論壇 2004-2005) held on 28 and 29 June 2005. It was on this occasion the Group was awarded the "Best Outsourcing Call Centre (Guangdong) Award for 2004-2005 (廣東省最佳外包呼叫中心獎 2004-2005)" award by the Guangdong Information Industry Association Customer Service Professional Committee (廣東省信息協會客戶服務專業委員會); and
- the "Help Children to Escape from a Silent World" Day (「讓孩子走出無聲的世界」日), a charity event held in June 2005. This event was attended by the Group's volunteer team who, by giving presents, love and warmth to those in need, hopes to strengthen the Group's image not only among the industry but also among the local community.

Recruitment and Facilities

Pursuant to the contracts entered into by the Group as set out in the paragraph headed "Business Operations" in this sub-section headed "Statement of Active Business Pursuits", the Group rapidly expanded its workforce to support business growth and satisfy the increasing demands from the Group's large scale customers. The Group carried out mass recruitment of employees in 2005, increasing the number of employees to approximately 3,733 as at 31 December 2005, with approximately 3,614 operators being directly responsible for the provision of CRM outsourcing services.

Turnover and Net Profit

Turnover and net profit of the Group were approximately HK\$83.43 million and HK\$1.74 million respectively.

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

Awards

The Group was awarded “The Best Outsourcing Call Centre (Guangdong) 2004-2005 (廣東省最佳外包呼叫中心獎 2004-2005)” award by the Guangdong Information Industry Association Customer Service Professional Committee (廣東省信息協會客戶服務專業委員會).

For the year ended 31 December 2006

Business Operations

The Group continued to provide CRM outsourcing services to China Unicom Guangdong and Hutchison Telecommunications pursuant to the following agreements:

- Telesales agreement with China Unicom Guangdong in January 2006 for sales and marketing of pre-paid mobile services, “Ru Yi” (「如意」) services;
- Agreement with China Unicom Guangdong dated 31 July 2006 for the provision of inbound customer services hotlines; and
- Revamp Commission Scheme for Contract Sales with Hutchison Telecommunications dated 31 December 2006.

With a view to expanding its business to non-telecommunications companies and overseas companies, the Group entered into the following agreements with other customers:

- Agreement with an insurance company in July 2006 for the provision of real-time call transfer from its target customers to its call centre in respect of insurance plans;
- Service agreement with Times Telecom on 14 September 2006 for telemarketing services in respect of promotion of mobile phone services to subscribers in Canada;
- Agreement with a software company on 18 December 2006 for telemarketing services in respect of promotion of high technology software products; and
- Agreement with a hardware company on 21 December 2006 for telemarketing services in respect of promotion of high technology hardware products.

Corporate Development

China Elite established two branch companies in Guangzhou and Sanshui, Guangdong Province, the PRC in 2006 respectively, the details of which are set out as follows:-

- (c) China Elite Sanshui Branch Company was established in Sanshui, Fushan, Guangdong Province, the PRC on 10 April 2006. Its scope of business includes the research, development and provision of services in relation to the network technology of information and communications system, technology service in relation to data communications system, design and development of computer softwares, provision of customer information service to commercial institutions (excluding Internet cafes), data processing and consulting service; and
- (d) China Elite Guangzhou Branch Company was established in Guangzhou, Guangdong Province, the PRC on 7 September 2006. Its scope of business includes the research, development and provision of services in relation to the network technology of information and communications system, technology service in relation to data

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communications system, design and development of computer softwares, provision of customer information service to commercial institutions (excluding Internet cafes), data processing and consulting service.

Sales and Marketing Activities

In order to promote the Group's services, senior management and marketing personnel of the Group actively approached potential customers as well as participating in industry related exhibitions and forums. The Group participated in the following events:

- A forum for the promotion of mobile phones on 23 April 2006. The Group took this opportunity to raise the Group's profile among the industry by exchanging and sharing its ideas and views with other industry players.
- The 2005-2006 award ceremony for China's Best Customer Service Contest (中國最佳客戶服務評選獎典禮) on 6 July 2006. The Group was awarded the "Best Outsourcing Call Centre in China 2005-2006 (中國最佳外包呼叫中心獎 2005-2006)" award on this occasion.
- The ITU Telecom World 2006, held at Hong Kong's AsiaWorld Expo on 4 December 2006. The Group, led by Mr. Li Kin Shing, headed to the event with a goal to meet and introduce itself to other players in the industry from all around the world. The Group exchanged views and ideas with other telecommunications companies including China Mobile.

Recruitment and Facilities

- As at 31 December 2006, the Group had approximately 3,461 employees, with approximately 3,339 operators being directly responsible for the provision of CRM outsourcing services, a decrease from the number of operators in 2005 due to improved efficiency in operator management.
- The Group leased two floors of the building located at No. 133 Qiyi Road, in the city centre of Guangzhou, for its third CRM service centre increasing the total seating capacity of the Group to about 4,100 seats.

Turnover and Net Profit

Turnover and net profit of the Group were approximately HK\$149.86 million and HK\$36.67 million, representing an approximate of 79.62% and 2,007.47% increase from 2005 respectively.

Awards

The Group won the "Best Outsourcing Call Centre in China 2005-2006 (中國最佳外包呼叫中心獎 2005-2006)" award by the China's Best Customer Service Appraisal Committee (中國最佳客戶服務評選組委會).

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

For the period from 1 January 2007 to the Latest Practicable Date

Business Operations

The Group has recently entered into the following contracts:

- Dealership agreement with Hutchison Macau dated 1 March 2007 for the promotion and sales of mobile phones and mobile network services;
- Agreement with Guangzhou Ai Che Information and Technology Company Limited (廣州愛車信息科技有限公司) dated 25 April 2007 for the provision of CRM outsourcing services in relation to telesales services;
- Agreement for provision of CRM outsourcing services with Hutchison Global dated 1 May 2007, with regard to the provision of CRM services in relation to telesales activities/or hotline services for customers of Hutchison Global;
- Service agreement with Somewell International Limited dated 21 May 2007 for the provision of CRM outsourcing services in relation to telesales services;
- Agreement with Guangzhou Yue Yi Ceremonial Services Company Limited (廣州粵藝禮儀服務有限公司) dated 25 May 2007 for the provision of CRM outsourcing services in relation to customer hotline and telesales services;
- Agreement with Guangzhou Wang Tai Health Care Products Company Limited (廣州王胎保健品有限公司) dated 25 May 2007 for the provision of CRM outsourcing services in relation to telesales services;
- Agreement with Guangzhou Shun Kong Medical and Health Care Equipment Operation Department (廣州市順康醫療保健器械經營部) dated 12 June 2007 for the provision of CRM outsourcing services in relation to telesales services;
- Agreement with a travel service provider dated 7 August 2007 for the provision of CRM outsourcing services in relation to air tickets and hotel booking services.

Sales and Marketing Activities

To promote the Group's services, senior management and marketing personnel of the Group participated in the following event:

- The fourth China Call Centre International Forum (第四屆中國(廣州)呼叫中心國際論壇) held on 23 January 2007. The Group's sales and marketing team took this opportunity to promote the Group among other members of the industry, sharing with them the Group's extensive management experience, the latest technology and exchanged views on strategies.

Recruitment and Facilities

As at the Latest Practicable Date, the Group had approximately 4,020 employees. Following recruitment of additional operators for the Group's third CRM service centre which commenced operation in November 2006, the number of operators increased from approximately 3,339 in 2006 to approximately 3,905 as at the Latest Practicable Date.

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

Turnover and Net Profit

Turnover and net profit of the Group were approximately HK\$74.92 million and HK\$16.82 million respectively for the five months ended 31 May 2007.

Awards

The Group, again, won the “Best Outsourcing Call Centre in China 2006-2007 (中國最佳外包呼叫中心獎 2006-2007)” award by the China’s Best Customer Service Appraisal Committee (中國最佳客戶服務評選組委會).

In September 2007, the Group was accredited with the ““Ten Years of China Call Center” Industry Development Contribution Award (“中國呼叫中心十年” 產業發展傑出成就獎)” by the China Call Center & Customer Relations Management Association (中國電子商會呼叫中心與客戶關係管理專業委員會), the Call Center Occupational Standards Committee of the Ministry of Information Industry (中國信息產業部呼叫中心標準指導委員會) and CCM World.

OVERVIEW

The Group is a CRM outsourcing service provider that focuses on the Hong Kong, Macau and the PRC markets. The traditional role that CRM outsourcing service providers play is to provide managed customer services, mainly for sizable companies who wish to outsource such services to reduce cost. The service scope of CRM outsourcing service providers today has broadened to include telemarketing of products and services and market research for companies in various other industries. The Group's strengths lie in its extensive management experience and know-how in the operation of CRM service centres. At present, the customers of the Group are primarily established telecommunications service providers mainly in Hong Kong, Macau and the PRC, for example, Hutchison Telecommunications, Hutchison Global, and China Unicom Guangdong. For the two years ended 31 December 2006 and the five months ended 31 May 2007, turnover from telecommunications service providers accounted for approximately 96.14%, 99.60% and 95.35% of the Group's turnover respectively.

Services offered by the Group are classified into two categories, namely inbound services and outbound services, which accounted for approximately 71.89% and 28.11% of the Group's turnover for the year ended 31 December 2005, approximately 68.94% and 31.06% of the Group's turnover for the year ended 31 December 2006 and approximately 56.90% and 43.10% of the Group's turnover for the five months ended 31 May 2007 respectively. Inbound services mainly refer to the provision of customer service hotlines on behalf of the Group's customers and the provision of BIS services to subscribers of the Group's telecommunications customers. For outbound services, the Group mainly conducts telesales and market research on behalf of its customers.

As at the Latest Practicable Date, the Group operated three CRM service centres in Guangzhou, the PRC with a total seating capacity of approximately 4,100 seats, making it one of the largest CRM outsourcing service providers in the PRC in terms of seating capacity. The Group's CRM service centres are strategically located in Guangzhou where the Group has access to a vast pool of Mandarin, Cantonese and English speakers from which the Group can recruit its workforce to fulfill language and other requirements of its customers. The Group had about 3,905 CRM service centre operators in total as at the Latest Practicable Date to support the operation of the three CRM service centres. Comprehensive training programmes are provided to operators to ensure the service quality of the Group.

The Group's services have been accredited with a number of awards and recognitions during the Track Record Period. In June 2005, the Group was awarded the "Best Outsourcing Call Centre (Guangdong) 2004 – 2005 (廣東省最佳外包呼叫中心獎 2004-2005)" award by the Guangdong Information Industry Association Customer Service Professional Committee (廣東省信息協會客戶服務專業委員會). Moreover, in July 2006, the Group was accredited with the "Best Outsourcing Call Centre in China 2005 – 2006 (中國最佳外包呼叫中心獎 2005-2006)" award by China Best Customer Service Appraisal Committee (中國最佳客戶服務評選組委會). The Group was again awarded with the same award in July 2007, for the year 2006 – 2007. In September 2007, the Group was accredited with the "“Ten Years of China Call Center” Industry Development Contribution Award (中國呼叫中心十年 產業發展傑出成就獎)" by the China Call Center & Customer Relations Management Association (中國電子商會呼叫中心與客戶關係管理專業委員會), the Call Center Occupational Standards Committee of the Ministry of Information Industry (中國信息產業部呼叫中心標準指導委員會) and CCM World. One of the prerequisites for any candidate intending to participate in the "Best Outsourcing Call Centre in China" award is that it should have a seating capacity of over 200 seats. As the seating capacity is a prerequisite and an important criterion for evaluation in the competition and the Group is

far beyond the threshold set by the awarding organization, the Directors are of the view that the award suggests that the Group is one of the largest CRM outsourcing service providers in the PRC in terms of seating capacity.

During the Track Record Period, the total turnover of the Group increased from approximately HK\$83.43 million in 2005 to approximately HK\$149.86 million in 2006, representing an annual growth rate of approximately 79.62%. The Group's turnover for the five months ended 31 May 2007 was approximately HK\$74.92 million. In addition, the net profit increased from approximately HK\$1.74 million in 2005 to approximately HK\$36.67 million in 2006, representing an annual growth rate of approximately 2,007.47%. The net profit of the Group for the five months ended 31 May 2007 was approximately HK\$16.82 million.

The Directors believe that the Group will benefit from the anticipated growth in the demand of CRM outsourcing services from companies in the telecommunications industry, as well as other service-oriented industries. The Directors expect to leverage on the Group's leading position in the PRC market to increase its market share in the PRC and capture new market opportunities if identified.

COMPETITIVE ADVANTAGES

The Directors believe that the success of the Group is attributable to the following competitive advantages:

Economies of scale

The Group's total seating capacity of approximately 4,100 seats secures its leading position in the PRC. With the current scale of its CRM service centre operations, the Group is competitive among other CRM outsourcing services providers in Hong Kong, Macau and the PRC.

The Group achieves economies of scale by superior efficiency and fluidity of service. The Group employs a proprietary system that optimises the diversion of calls in queue to the next available operator, thereby minimises the caller's waiting time and maximizes the quantity of calls processed without compromising the Group's quality of service. Such economies of scale contribute to lower cost of operation, which in turn gives the Group competitive edge in the telecommunications service industry through competitive price structure.

Trilingual capability in the provision of services

As a provider of CRM outsourcing services to major companies in Hong Kong, Macau and the PRC, it is essential for the Group's operators to possess trilingual capabilities, namely Cantonese, Mandarin and English. As such, Guangdong Province is the appropriate choice for recruiting operators who command fluent Cantonese and Mandarin, as there is a large population who fulfills this language requirement. The Directors believe that the Group's CRM outsourcing service centres in the Guangdong Province place the Group in a uniquely advantageous position which cannot be easily challenged by other competitors in the industry operating in other provinces in the PRC.

In addition to the geographic advantage over its competitors that can offer services in only one of the dominant Chinese dialects, the Group has through careful investment and time nurtured a team of operators who is able to provide services in English to cater for those customers who require such capabilities, and add value to other customers to whom such facility might be optional. The Directors thus believe that the Group's position as one of the leaders in providing CRM outsourcing services, especially to telecommunications service providers will continue to persist.

Experienced management team

The Group's experienced management team consists of members of high calibre and qualifications. For details of the Group's management team, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus. This ensures the smooth and continual running of the Group's operations and gives the Group a competitive edge over its competitors, by effectively, maintaining the Group's goodwill and reputation. The established reputation of the Group and the management team will continue to attract new customers while retaining old customers.

Solid client base

A solid client base is one of the crucial requirements to maintaining the Group's competitive advantages in the CRM outsourcing service industry. The Group currently provides CRM outsourcing services mainly to leading telecommunications service providers in Hong Kong, Macau and the PRC including Hutchison Telecommunications, Hutchison Global, China Unicom Guangdong, PCCW Mobile etc. Details of major agreements entered into between the Group and its customers are set out in the section headed "History and Development and Statement of Active Business Pursuits" of this prospectus. Through a constant awareness of their customers' needs and the provision of high quality CRM outsourcing services that caters for their objectives, the Group has fostered long-term and mutually supportive business relationships with these telecommunications service providers. Not only do these business relationships secure the Group's existing clients, but it also leads to new clientele expansion opportunities.

Expansion of clientele

During the Track Record Period, the Group has also provided CRM outsourcing services to non-telecommunications customers, including, but not limited to, customers from the travel agency, insurance, and retail industries. The Directors believe that as outsourcing of CRM services becomes an increasingly popular solution to businesses in non-telecommunications industries, a whole new dimension of business opportunities will arise.

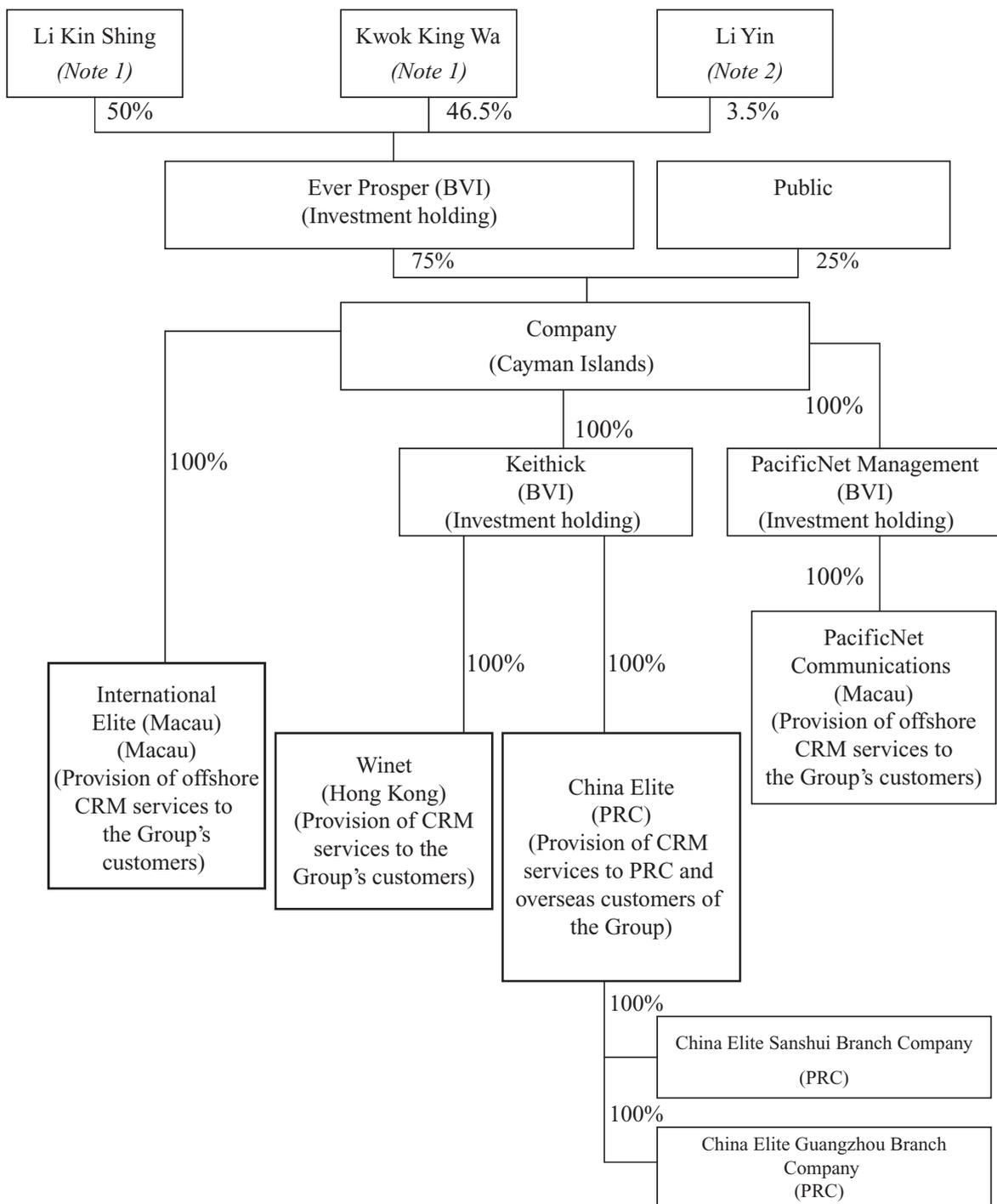
Quality services and strong research and development capability

The Directors believe that emphasis on quality control of the Group's services, and continuous effort to keep abreast of the latest market trend and technological development, has strengthened the Group's competitiveness in the industry.

The Group's research and development department develops tailor-made software systems for the operation of CRM service centres to enhance efficiency and supporting the needs and requirements of its customers. Details of the Group's existing systems are set out in the paragraph headed "Research and Development" under the section headed "Business" of this prospectus.

GROUP STRUCTURE

The following chart shows the Group's corporate and shareholding structure immediately following the completion of the Placing and the Capitalisation Issue, assuming no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, and the place of incorporation of each of the subsidiaries of the Group:



Notes:

- (1) Mr. Li Kin Shing and Ms. Kwok King Wa are executive Directors. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing.
- (2) Ms. Li Yin, an executive Director, is Mr. Li Kin Shing's sister.

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SERVICES

Services provided by the Group are classified into: inbound services and outbound services, contribution of which to the Group's turnover is set out below:

	For the year ended 31 December		For the five months ended 31 May
	2005	2006	2007
	HK\$ million	HK\$ million	HK\$ million
Inbound service	59.98	103.31	42.63
Outbound service	23.45	46.55	32.29
	<u>83.43</u>	<u>149.86</u>	<u>74.92</u>

A significant proportion of the Group's turnover were derived from customers in Hong Kong and the PRC which amounted to an aggregate of approximately 98.28%, 97.70% and 97.17% of the Group's total turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively.

For the two years ended 31 December 2006 and the five months ended 31 May 2007, the Group's customers from the telecommunications industry accounted for a total of approximately 96.14%, 99.60% and 95.35% of the Group's total turnover respectively.

Inbound services

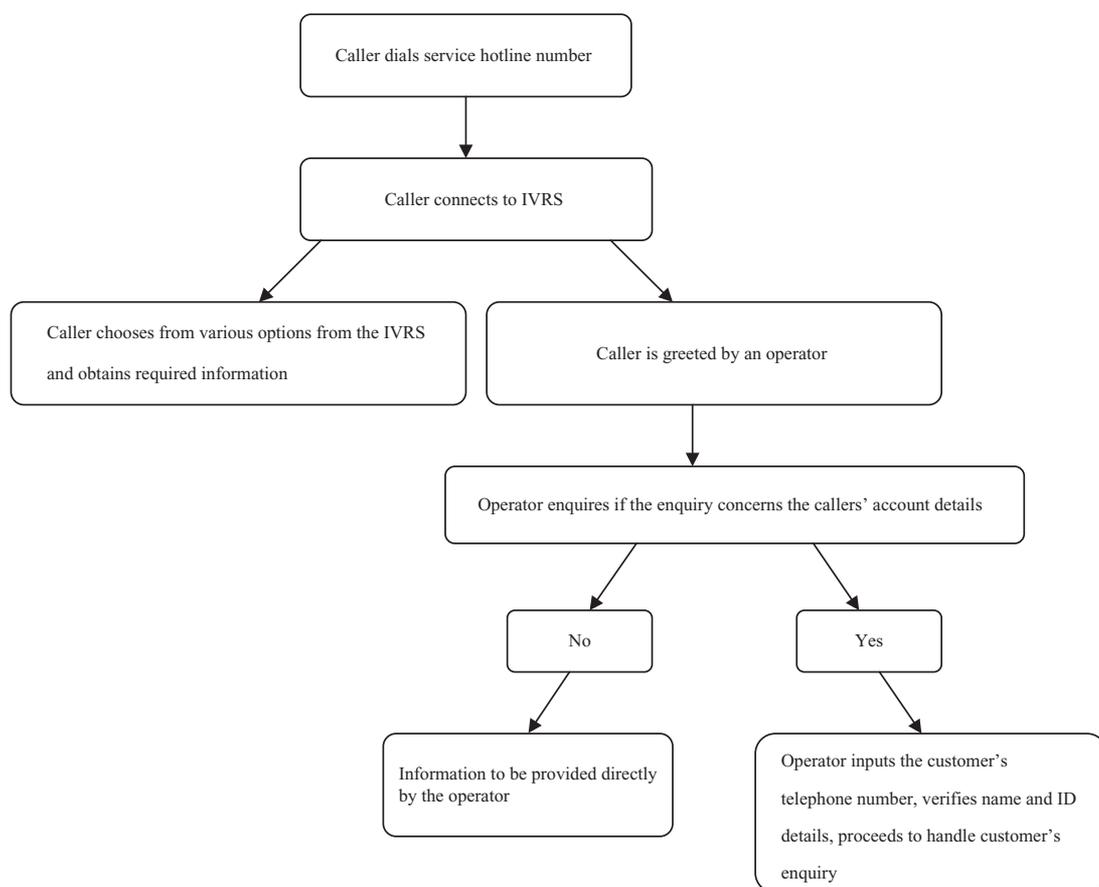
Inbound services offered by the Group are mainly divided into two categories, (i) customer service hotlines; and (ii) BIS services.

i) Customer Service Hotlines

The Group currently provides inbound services to customers which include, among others, major telecommunications service providers, retailers and travel agencies in Hong Kong, the PRC and Macau. The Group provides customer service hotlines outsourcing services in three languages, namely, Cantonese, Mandarin and English. Appropriate operators are assigned to handle calls in the language selected by the caller. Services offered by the customer service hotlines of telecommunications service providers are typically classified into sub-categories including general enquiry, technical support for handsets, broadband connection arrangement, service installation, account activation, subscriber details update including addresses and other personal details, account enquiry and account termination. With a view to increasing efficiency, the Group has separate teams to handle each of these enquiries as the knowledge and skills required for each team are different. Records of all calls are stored in a database so that the system will have the call history of that particular subscriber. This facilitates the Group to provide a better service to subscribers in subsequent calls.

The Group's turnover from the provision of customer service hotlines is derived from (i) the number of seats designated to a specific customer times a fixed rate, both of which are mutually agreed between the customer and the Group in advance; (ii) the number of incoming calls times a fixed rate, which is mutually agreed between the customers and the Group in advance; and (iii) the number of calls received over a regular period times a fixed rate, which is mutually agreed between the customer and the Group in accordance with the agreements entered into between the two parties. Besides, some of the Group's agreements with its customers contain payment terms pursuant to which the Group will be reimbursed for installation charges and monthly rental in respect of telephone services and also actual expenditures for engaging operators to perform the required services.

The process flow of the Group's inbound customer hotline services is illustrated by the diagram below.



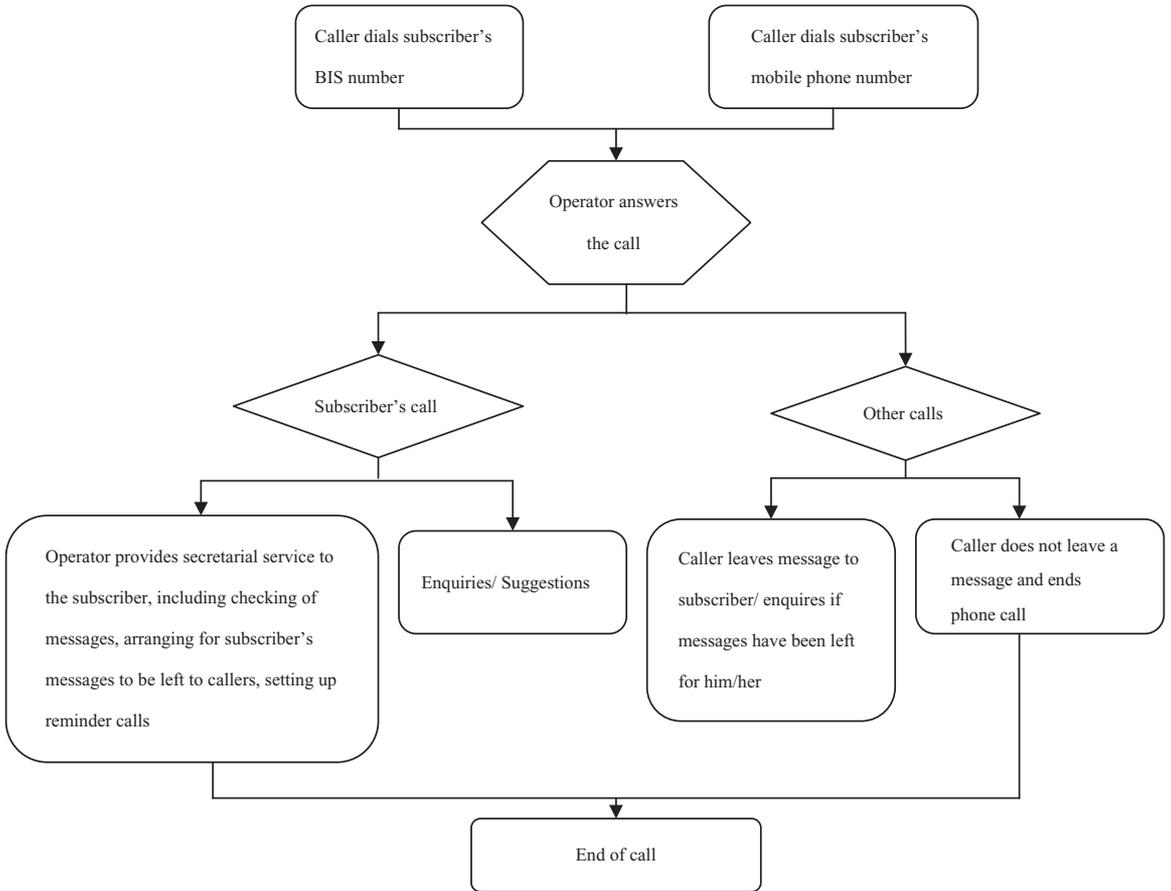
ii) BIS services

The Group provides BIS services to telecommunications service providers. BIS service is a personalised message taking service. Phone calls made to the subscribers of the BIS services are redirected to the Group's CRM service centres and answered by operators of the Group when the subscribers are unable to answer the calls. The operators will note down the messages and then send the messages to the subscriber's mobile phones via SMS. On the other hand, the subscriber may call the Group's CRM service centres to check and leave messages, and give instructions to the operator for setting up reminder services. The BIS service avoids the need for a pager as all messages can be transmitted directly to the mobile phones of the subscribers.

The Group's turnover from the provision of BIS services is derived from (i) the number of BIS service subscribers of a particular customer times a fixed rate, which is mutually agreed between the customer and the Group in advance; and (ii) the number of seats designated to a specific customer times a fixed rate, both of which are mutually agreed between the customer and the Group in advance.

In addition, the Group's turnover will also be derived by the number of calls received over a regular period times a pre-determined range of rates, which depends on the volume of calls actually received in that particular period and is mutually agreed between the customer and the Group in accordance with the agreements entered into between the two parties.

The flow chart below illustrates the steps involved in the provision of BIS service.



Outbound services

Outbound services mainly fall under two categories: (i) telesales; and (ii) market research.

i) Telesales

Through telesales services, the Group promotes products and services of the Group's customers to their respective potential and existing subscribers via unsolicited phone calls (cold calling). Separate teams are assigned to handle different projects for each of the Group's customers.

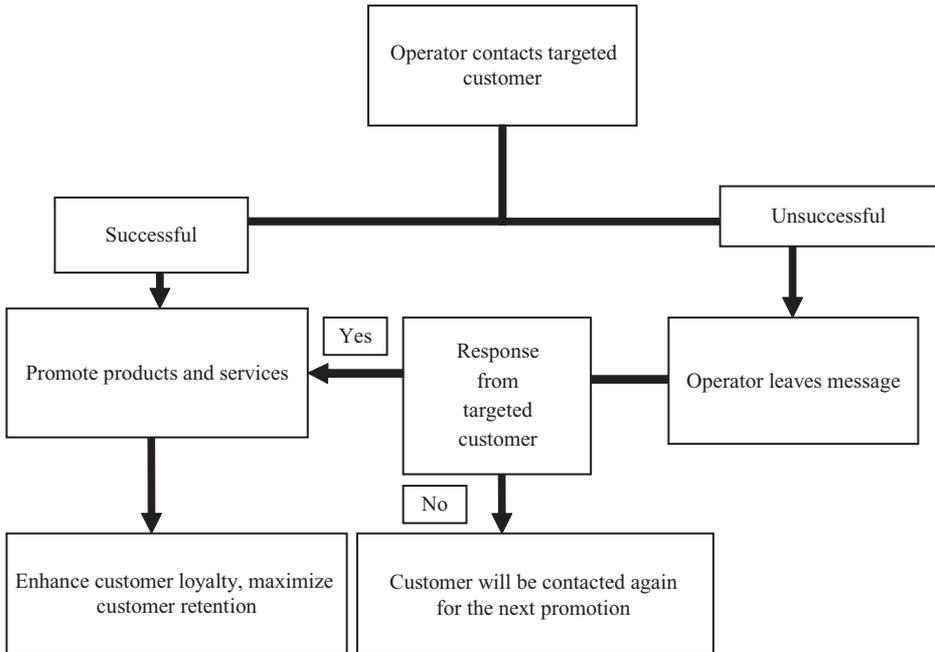
The Group is supplied with a list of telephone numbers by its customers, which is then allocated to the operators through an auto number distribution system called "Auto-dialer system", details of which are described in the paragraph headed "Research and development" in this section. In addition, the Auto-dialer system provides operators with random telephone numbers, which are used by the operators to locate potential subscribers. Once successfully connected to a potential subscriber, the operator's role is to promote the particular services and products as requested by the Group's customers during that particular period. The product promotions for the Group's telecommunications customers may include but are not limited to value-added services, latest handsets, tariff plans, IDD packages, SMS packages, ringtones, broadband services, residential and commercial fixed lines. When an order is successfully made, relevant details are logged onto the system and products/services are then dispatched/offered to new subscribers/end users.

In addition to attracting new subscribers, the Group also provides services to its customers in retaining existing subscribers before the expiry of their subscription contracts. New or privileged services and products are recommended to these existing subscribers in an attempt to retain and extend their subscriptions. A database is provided by the Group's customers to enable the operators to contact their existing subscribers. The auto-dialer system is also utilised to enhance efficiency.

The Group's turnover from telesales is derived from (i) the number of successful orders/deals for specific products and/or services marketed, times a fixed rate, which is mutually agreed under the terms of their respective agreements between the customer and the Group in advance; and (ii) the number of seats designated to the specific customer times a fixed rate, both of which are mutually agreed under the terms of their respective agreements between the customer and the Group in advance. In addition to service fees in respect of telesales services, some of the Group's agreements with its customers contain payment terms pursuant to which the Group will be reimbursed for installation charges and monthly rental in respect of telephone services and also actual expenditures for engaging operators to perform the required services.

In respect of some products and/or services successfully marketed, the Group will only be entitled to a service fee if the subscriptions are maintained by the subscribers for a specific period of time, as specified in the relevant contracts entered into between the parties. If a subscriber terminates its subscription within the specific period of time, the Group's service fees and/or commission may be clawed back by the Group's customers.

The diagram below illustrates the major steps taken by operators in telesales activities:



The Group currently provides services to various major telecommunications service providers. To maintain and preserve confidentiality of subscribers' data, the Group ensures that separate teams of operators are assigned to provide services to each of these telecommunications service providers. The Group has implemented internal control procedures to safeguard confidential data, including (1) restricted physical access to the designated working areas; (2) prohibited use of information storage devices; and (3) non-disclosure and confidentiality agreements with the Group's employees. The

subscribers of these telecommunications service providers can therefore enjoy the high quality services of the Group's operators who are familiar with the products and services of that particular telecommunications service provider. The Directors are not aware of any claim, actions or proceedings taken against the Group for leakage of subscriber's personal data by the Group to third parties.

(i) Market research

The Group also conducts surveys over the phone efficiently collecting data including feedback on services and products, suggestions and potential complaints for the Group's customers. The Group's customers can then assess consumers' responses to their services and products for future improvement and enhance customer relationship by utilising the data collected by the Group.

The Group's turnover from market research is derived from (i) the number of seats designated to the specific customer, times a fixed rate, both of which are mutually agreed between the customer and the Group in advance; (ii) the number of research successfully conducted by the operators, times a fixed rate, which is mutually agreed between the customer and the Group in advance; and (iii) the number of calls successfully connected, time a fixed rate, which is mutually agreed between the customer and the Group in advance.

AWARDS AND CERTIFICATIONS

In the past, the Group received numerous awards and certifications from various institutions for recognition of the effective management and high quality services provided by the Group. Set out below are the principal awards and certifications obtained by the Group:

<u>Date</u>	<u>Awards and certifications</u>	<u>Awarding Institution(s)</u>
December 2004	ISO 9001:2000 certificate number 1604-2004-AQ-RGC-RUA (for provision of CRM services including market research marketing and after sales service)	Det Norske Veritas
June 2005	Best Outsourcing Call Centre (Guangdong) 2004-2005 (廣東省最佳外包呼叫中心獎 2004-2005) Award	Guangdong Information Industry Association Customer Service Professional Committee (廣東省信息協會客戶服務專業委員會)
July 2006	Best Outsourcing Call Centre in China 2005-2006 (中國最佳外包呼叫中心獎 2005-2006) Award	China's Best Customer Service Appraisal Committee (中國最佳客戶服務評選組委會)
July 2007	Best Outsourcing Call Centre in China 2006-2007 (中國最佳外包呼叫中心獎 2006-2007) Award	China's Best Customer Service Appraisal Committee (中國最佳客戶服務評選組委會)
September 2007	"Ten Years of China Call Center" Industry Development Contribution Award ("中國呼叫中心十年" 產業發展傑出成就獎)	China Call Center & Customer Relations Management Association (中國電子商會呼叫中心與客戶關係管理專業委員會), the Call Center Occupational Standards Committee of the Ministry of Information Industry (中國信息產業部呼叫中心標準指導委員會) and CCM World

The Group was awarded the "Best Outsourcing Call Centre in China" for the two consecutive years from 2006 to 2007 by China's Best Customer Service Appraisal Committee. According to the Directors, the awarding institution will assess the eligibility for the award with reference to the following assessment criteria:

- outstanding contribution in the CRM industry
- a model/leader in the industry

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- highly appreciated by corporate and individual customers

The companies should also have, among others, the following pre-requisites:

- a seating capacity of over 200 workstations
- significant achievement in developing ultimate client relationship for its immediate customers
- high level of customer satisfaction
- good reputation among the industry
- good quality of service, working environment and process flow
- internal control policies and strategies
- significant growth in a number of outsourcing projects

SEATING CAPACITY

The maximum seating capacity of the Group's CRM service centres was approximately 2,900 seats, 4,100 seats and 4,100 seats respectively as at 31 December 2005, 31 December 2006 and 31 May 2007.

In assessing the utilisation rate of the seating capacity, the Directors have made the following assumptions:

- Seats of the Group can generally be divided into two categories, namely 1) dedicated seats; and 2) shared seats. Dedicated seats are workstations that are either rented on a seat basis or cannot be shared for contractual reason or otherwise. Shared seats are mainly outbound stations that can be used for multiple projects. A seat is by default considered a shared seat unless assigned to a specific project;
- A dedicated seat that is in use is considered as fully utilised by its nature;
- A shared seat, on the other hand, has a utilisation rate that is based on the number of operators assigned to it; and
- Operator to seat ratio of dedicated seats at each period end has been used as a proxy to estimate the number of operators required for shared seats at the respective period end.

Based on the above assumptions, the Group's CRM service centres had the following utilisation rates as at 31 December 2005, 31 December 2006 and 31 May 2007 respectively:

	<u>Overall</u>	<u>Dedicated seats</u>	<u>Shared seats</u>
31 December 2005	80%	100%	63%
31 December 2006	72%	100%	54%
31 May 2007	81%	100%	65%

The decrease in utilisation rate as at 31 December 2006 was mainly due to the increase in seating capacity from 2,900 seats to 4,100 seats in November 2006 as a result of the commencement of operation of the Group's third CRM service centre at Qiaoli Premises.

QUALITY CONTROL

The Directors believe that the provision of quality services is one of the key factors attributing to the Group's success. To maintain the high standard among the Group's operations and in accordance with ISO requirements, the Group has developed a set of rules and regulations for each department which should be closely followed by the respective departments and strictly enforced by the management level. The Group intends to achieve the following service standards through its continuous improvement of service quality:

- customer satisfaction rate: above 95%
- rate of answered calls: above 95%
- customer complaint rate: below 0.05%

The Group did not conduct any statistics and research on customer satisfaction level during the Track Record Period. However, in order to better understand the needs of the Group's customers, the Group plans to perform annual surveys by distributing customer satisfaction questionnaires to the Group's customers for each project handled by the Group.

The basis of determination for various rates are as follow:

- Customer satisfaction rate: total number of scores given by customers/full scores
- Rate of answered calls: number of incoming calls actually answered/total number of incoming calls
- Customer complaint rate: number of complaints received/total number of calls possessed

If the actual rates achieved are lower than expected, the Group will immediately investigate its cause and formulate strategy for remedial actions to improve its service quality and follow up regularly with customers to monitor the quality of service until the intended service standard rates are met.

The quality control measures implemented by the Group mainly include (i) orientation training before operators are formally on duty; (ii) continuous training during their services period; (iii) auto-dialer speed adjustment; and (iv) call monitoring.

For details of staff training, please see the paragraph headed "Human Resources" of this section. To maintain the Group's standard of services, the operators are required to answer incoming calls within thirty seconds. During the Track Record Period, the Group was able to answer on average 99.7% of all incoming calls, with 89.3% of those calls being answered within thirty seconds. For BIS services, the Group has achieved an average answering rate of approximately 96.2% within thirty seconds during the Track Record Period.

To ensure that the calls are made and answered efficiently and effectively, the Group has developed its own auto-dialer system and call monitoring system. For details of these two systems, please see the paragraph headed "Research and Development" of this section. Through the monitoring system, the supervisors can monitor the activities of operators as well as their standard of services including their availability, conversation manner, sense of responsibility, language ability, specialist knowledge and skills and the quality assurance team will take appropriate action as necessary to improve the operation of CRM service centres, for example adjusting the speed of the auto-dialer system in accordance with the availability of the operators. Hence, the Group can achieve optimal staffing and service level throughout its operation while at the same time maintaining its service standards.

As at the Latest Practicable Date, the ratio of the Group's supervisor to operators is about 1 to 10.

In addition, all phone calls are recorded and stored in the system for future review if necessary. The quality assurance team will randomly select phone call records from the system for quality control purposes. On average, every operator will have four calls being monitored every month by the quality assurance team.

During the Track Record Period, the Directors are not aware of any significant customer complaint of the services provided by its operators nor are they aware of any complaints from the Group's immediate customers against the work done by the Group on behalf of its immediate customers.

SYSTEM INFRASTRUCTURE

As a provider of CRM outsourcing services to companies, including telecommunications service providers, the telecommunications infrastructure and operating system used by the Group is paramount to the Group's business. The Group utilises the US designed EXCEL switchboard for its server exchange system to support its operation systems. The Group's provision of daily CRM services are mainly implemented and supported by the use of computer telephony integrated systems including the ACD system, IVR system in collaboration with operators.

ACD

The ACD system functions by combining various incoming calls from different channels into one system for distribution to the appropriate operator and/or system. The various functions of the ACD system include managing calls by allocating them into a queue, controlling call traffic, transferring of calls and conference calling. By identifying and allocating calls in the queue to idle/available operators, the ACD system effectively manages the volume of calls handled by each operator, ensuring a fair distribution of calls and reduces the waiting time for callers. The ACD system allocates its calls to operators mainly via the following ways:

- according to the number dialled by the callers i.e. hotline for technical support or customer services
- according to the choice of service chosen by the caller through the IVRS
- by prioritising privileged customers by matching the caller's number with details in the database

IVRS

IVRS plays an important part in the Group's daily operation of CRM service centres by managing and broadcasting pre-recorded information, using its interactive question and answer system to handle caller's enquiries, allowing callers to handle multiple enquiries in one phone call, redirecting calls to the appropriate operator, sorting categories of callers to ensure privileged callers are dealt with within minimal time and handled by more experienced operators.

Database Server

The Group currently uses a database server which stores and backs up information and data of the Group including particulars of operators and callers, reports and statistics. With the current speed and size of the server used by the Group, it only takes approximately 30 milliseconds to retrieve data from the server which can store up to 1,000,000 entries.

Repair and Maintenance

Maintenance and repair is crucial to the Group's business to ensure the smooth running of the Group's daily operations. As at the Latest Practicable Date, the Group's repair and maintenance department has a total of 18 employees to handle the repair and maintenance functions of the Group's operations.

The repair and maintenance department conducts daily routine checks of the systems of operation departments. When system failures or errors occur, the repair and maintenance department generally aims to fix the problem within ten minutes. The failures are classified into four grades:

- Grade A complete breakdown of the Group's systems
- Grade B partial breakdown of the Group's systems
- Grade C breakdown of one service/system only
- Grade D breakdown of one terminal / computer

In the case of system failures falling under the Grades A, B and C categories, the on duty staff will attend to the problem within five minutes from receiving the report of failure and aim to repair the system within fifteen minutes. A failure report detailing the failure must be circulated to all departments and person concerned if the failure cannot be fixed within fifteen minutes.

In the unlikely situation of a Grade A failure occurring which cannot be fixed within the set time, i.e. fifteen minutes, the Group's CRM service centre at Qiaoli Premises acts as an emergency back-up, capable of handling 30% of the calls diverted from the Group's other CRM service centres.

During the Track Record Period, the Group has been able to maintain a stable and smooth running of the operating systems and has not experienced Grade A failure, and the Group has not experienced any system failure that would require the activation of the emergency back-up system at Qiaoli Premises since its commencement of operation in November 2006.

Monitoring of the Group's services

Operators' seats are categorised according to the seniority and job responsibilities of the operators. Whereas junior operators use the ACD system, team leaders and supervisors are assigned seats which enable them to monitor overall operations and call traffic of the junior operators.

Voice logged records and reports are provided by the Group to its customers on a regular basis so that the customers can monitor the Group's services and decide whether specific quality requirements are met.

Major customers of the Group may occasionally second a small number of their management staff to station at the CRM service centres of the Group to oversee the operations.

CUSTOMERS**Customer base**

The Group has a strong customer base with a majority of its customers being well known and established listed companies in Hong Kong and the PRC and a broad range of industries including telecommunications, financial services, travel agency, retail and market research. For the Track Record Period and as at the Latest Practicable Date, the Group's major customers are telecommunications

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service providers including Hutchison Telecommunications, Hutchison Global, PCCW Mobile, China Unicom Guangdong and TDL. Turnover from telecommunication service providers accounted for approximately 96.14%, 99.60% and 95.35% respectively of the Group's total turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007.

The followings illustrate the number of Group's customers for inbound and outbound services for each of the two years ended 31 December 2006 and the five months ended 31 May 2007:

	For the year ended 31 December		For the five months ended 31 May
	2005	2006	2007
Inbound	30	30	15
Outbound	6	7	12

In 2005 and 2006, as part of the expansion plan, the Group explored certain new customers with relatively smaller business size. However, due to the limitation in business size and working capital, it is not uncommon for those small scale customers to change their CRM outsourcing policies regularly in order to accommodate their business development. Therefore, there is a decrease in the number of customers requiring inbound services in the five months ended 31 May 2007, all of them being small scale customers. As a result, the Directors are not aware of any significant adverse impact on the Group's business due to the decrease in the number of customers requiring inbound services.

On the other hand, as the gross profit margin of outbound services is relatively higher, the Group has gradually put more effort in developing business with customers for outbound services. Therefore, the Group has entered into more new telesales agreements at the end of 2006 and during the five months ended 31 May 2007. As a result, the number of such customers of the Group increased in the five months ended 31 May 2007.

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A summary of major service agreements signed with major customers during the Track Record Period and up to the Latest Practicable Date is set out below:

Name of major customers	Services provided	Provision of services provided by the Group to the customers on an exclusive basis/country <i>Note 1</i>	Commencement date	Duration of service agreement
Hutchison Global <i>(Note 2)</i>	Inbound telephone enquiries for residential and business fixed line and broadband services, telesales for IDD services	Yes/Hong Kong <i>(Note 5)</i>	3 January 2005	1 year plus automatic extension of 2 years
Hutchison Telecommunications (and Hutchison Macau) <i>(Notes 3, 4)</i>	Inbound 24 hours customer services enquiry, inbound/outbound telemarketing services, 24 hours paging services hotline, order entry services	Yes/Hong Kong and Macau <i>(Note 6)</i>	8 April 2005	5 years plus automatic extension of 5 years, unless otherwise terminated in accordance with the relevant provisions of the agreement
Hutchison Global <i>(Note 3)</i>	Inbound customer services enquiries and outbound telesales	Yes/Hong Kong and Macau <i>(Note 5)</i>	30 April 2005	5 years plus automatic extension of 5 years, unless otherwise terminated in accordance with the relevant provisions of the agreement
Hutchison Telecommunications	BIS services	No	20 May 2005	3 years plus successive periods of one year unless terminated in accordance with the relevant provision of the agreement
China Unicom Guangdong	Inbound and outbound services and Chinese secretarial services	No	1 August 2005	5 years
China Unicom Macau Limited	Inbound 24 hours customer services hotlines	No	18 October 2005	1 year
PCCW Mobile	BIS services	No	27 December 2005	3 years
Hutchison Macau	Telesales	No	1 March 2007	1 year

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Notes:

- (1) *Exclusive clause here represents services provided by the Group to these customers on an exclusive basis, meaning the Group cannot provide services to competitors of these customers unless i) with the prior consent of these customers; or ii) the competitors were disclosed as existing customers of the Group at the time of entering into these agreements.*
- (2) *A subsidiary of HTIL.*
- (3) *Letters of credit have been given by the Group in favour of Hutchison Global and Hutchison Telecommunications, each in the amount of HK\$10 million as a condition precedent to these agreements.*
- (4) *As security to secure the performance of the Group's obligations under this agreement, Mr. Li Kin Shing, an Initial Management Shareholder and a Controlling Shareholder, mortgaged his own property in favour of Hutchison Telecommunications. For further details in relation to the property, please see the paragraph headed "Non-exempt continuing connected transactions" in the section headed "Relationship with the shareholders of the Company and non-competition undertaking" of this prospectus. The property has since been released and replaced with two further letters of credit each in the amount of HK\$10 million issued and to be issued by the Group in favour of Hutchison Telecommunications.*
- (5) *The Group has undertaken not to enter into any contract, arrangement or understanding with any fixed network operator or any other fixed telecommunications service provider in Hong Kong or Macau for the provision of same or similar services which are provided to Hutchison Global during the duration of the agreement, except for customers which have been disclosed to Hutchison Global or prior written consent has been given.*
- (6) *The Group has undertaken not to enter into any contract, arrangement or understanding with any mobile network operator, mobile virtual network operator or any other mobile telecommunications service provider in Hong Kong or Macau for the provision of same or similar services which are provided to Hutchison Telecommunications during the duration of the agreement, except for customers which have been disclosed to Hutchison Telecommunications or prior written consent has been given.*

The Group's sales to its top five customers on group basis accounted for approximately 95.20%, 99.33% and 95.36% respectively of the Group's total turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007. Besides, approximately 54.26%, 69.81% and 71.12% respectively of the Group's total turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007 was derived by the Group's largest customer group.

For the two years ended 31 December 2006 and the five months ended 31 May 2007, the Group's sales to Elitel Group was approximately HK\$1.44 million, HK\$4.81 million and HK\$4.42 million respectively, representing approximately 1.73%, 3.21% and 5.89% of the Group's turnover in the respective period. Elitel Group was one of the Group's five largest customers during the Track Record Period. As Elitel Group is owned as to 50% respectively by Mr. Li Kin Shing and Ms. Kwok King Wa, Elitel Group is a connected person of the Company in accordance with the GEM Listing Rules. Elitel, together with two of its wholly owned subsidiaries namely China-HK Telecom and Directel HK, is principally engaged in the provision of one card multiple number services through the bundling and repackaging of services of some mobile network operators, in particular the integration of two or more phone numbers in different territories. China-HK Telecom is a registered mobile virtual network operator licensee under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). As at 31 December 2006, Elitel Group had a total subscriber size (including both postpaid subscribers and prepaid subscribers) of approximately 50,000 subscribers.

For the two years ended 31 December 2006 and the five months ended 31 May 2007, the Group's sales to related parties was approximately HK\$2.33 million, HK\$5.07 million and HK\$4.44 million respectively.

Save as above, none of the Directors, the substantial Shareholders or the Initial Management Shareholders or any Shareholders (who to the knowledge of the Directors own more than 5% of the issued share capital of the Company) immediately following completion of the Placing and the Capitalisation Issue or their respective associates, had any interests in any of the Group's five largest customers during the Track Record Period.

In order to reduce reliance on the telecommunications industry, the Group plans to gradually extend its services to other business sectors. Currently, the Group manages inbound customer service

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hotlines for a leading retail supermarket chain in Hong Kong and also assists in promoting insurance products through referring customers to the insurance company's customer service hotlines. For the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2007, the turnover generated by the Group in respect of services provided to non-telecommunications customers was approximately HK\$3.22 million, HK\$0.60 million and HK\$3.48 million, accounting for approximately 3.86%, 0.40% and 4.65% of the Group's total turnover for the respective years.

Payment terms

Payments made by the customers are made in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 December 2005, approximately 94.10%, 5.90% and nil of the Group's turnover was settled in Hong Kong dollars, Renminbi and US dollars respectively. For the year ended 31 December 2006, approximately 90.08%, 9.92% and nil of the Group's turnover was settled in Hong Kong dollars, Renminbi and US dollars respectively. For the five months ended 31 May 2007, approximately 90.19%, 9.80% and 0.01% of the Group's turnover was settled in Hong Kong dollars, Renminbi and US dollars respectively.

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. Subject to negotiation, credit terms could be 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. In general, payments are made by cheques and telegraphic transfers.

The Group's overall debtors' turnover days (average trade receivables/turnover x 365 days) were approximately 72.28 days, 72.51 days and 78.88 days for the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively, which were higher than the credit terms as stated in the contracts. Since the major customers of the Group are large scale telecommunications operators in Hong Kong and the PRC, the internal procedures for settling the Group's bills are relatively more complicated and therefore take a relatively longer time for settlement. Instead of settling the bills before the due date, it is common for these large sized telecommunications operators to settle the bills about 1.5 to 2 months after the invoice dates. Therefore, the majority of the Group's trade receivables balance was aged within 3 months. In consideration of the creditability of the Group's customers, the Group has elected to extend the credit terms accordingly. The practice of settlement within 3 months is considered acceptable under this condition. The Directors confirm that the Group did not experience any significant difficulty in collecting debts from its customers during the Track Record Period.

SUPPLIERS

The Group rents international private telephone lines and purchases facilities, equipment, computer hardwares, softwares and accessories from its suppliers. For each of the two financial years ended 31 December 2006 and the five months ended 31 May 2007, the Group's top five suppliers on group basis for the respective years/period accounted for approximately 43.91%, 43.77% and 66.33% of the Group's total purchases; whereas the purchases from the Group's largest supplier on group basis attributed to approximately 11.23%, 13.64% and 30.48% respectively of the total purchases.

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None of the Directors, the substantial Shareholders or the Initial Management Shareholders or any Shareholders (who to the knowledge of the Directors own more than 5% of the issued share capital of the Company) immediately following the completion of the Placing and the Capitalisation Issue or their respective associates had any interest in any of the Group's top five suppliers during the Track Record Period.

Payments made by the Group for settlement of purchases with suppliers are made in Hong Kong dollars, Renminbi and MOP. For the financial year ended 31 December 2005, approximately 41.36%, 58.64% and nil of the Group's total purchases were settled in Hong Kong dollars, Renminbi and MOP respectively. For the financial year ended 31 December 2006, approximately 40.51%, 59.49% and nil of the Group's total purchases were settled in Hong Kong dollars, Renminbi and MOP respectively. For the five months ended 31 May 2007, approximately 57.45%, 42.5% and 0.05% of the Group's total purchases were settled in Hong Kong dollars, Renminbi and MOP respectively.

In general, purchases are made in cash on delivery or on an open account with a credit period of up to 90 days which will be settled by cheques or by telegraphic transfer. During the Track Record Period, the Directors were not aware of the Group having any difficulty in sourcing equipment or telephone lines required for its operation.

SALES AND MARKETING

Sales

The Group mainly provides inbound and outbound CRM services to its customers in Hong Kong, Macau and the PRC. The table below sets out the analysis of the Group's turnover by business segment for the two years ended 31 December 2006 and the five months ended 31 May 2007:

	Year ended 31 December				Five months ended 31 May	
	2005		2006		2007	
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Inbound	59.98	71.89	103.31	68.94	42.63	56.90
Outbound	23.45	28.11	46.55	31.06	32.29	43.10
Total	<u>83.43</u>	<u>100</u>	<u>149.86</u>	<u>100</u>	<u>74.92</u>	<u>100</u>

The table below sets out the analysis of the Group's turnover by geographical locations of its customers for the two years ended 31 December 2006 and the five months ended 31 May 2007:

	Year ended 31 December				Five months ended 31 May	
	2005		2006		2007	
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Hong Kong	77.07	92.38	131.54	87.78	65.46	87.37
PRC	4.92	5.90	14.87	9.92	7.34	9.80
Macau	1.44	1.72	3.45	2.30	2.12	2.83
Total	<u>83.43</u>	<u>100</u>	<u>149.86</u>	<u>100</u>	<u>74.92</u>	<u>100</u>

Marketing

The Group puts significant emphasis on customer satisfaction and constantly strives to better understand the needs of its customers. Besides serving the customers in the telecommunications

industry, the Group plans to broaden its customer base to other industries as well. As at the Latest Practicable Date, the Group's sales and marketing department employed a total of 30 staff in Hong Kong, Macau and the PRC.

The Directors fully appreciate the importance of maintaining good relationships with the Group's customers. It is the Group's strategy to establish good customer relationships by visiting the customers regularly. The Group's sales and marketing team visits the Group's customers on a regular basis and, during their visits, they will identify the problems faced by the customers and make appropriate recommendations to solve the problems. The Group's customers also pay visits to the Group from time to time to inspect the Group's facilities and discuss with the Group's management in relation to their newly launched products and services. The Group believes that good and trusting customer relationships can be built up through such visits and considers that strong customer relationship is one of the Group's key success factors.

The Group actively participates in exhibitions and forums held for the CRM industry, with the goal of maintaining its position in the industry and seeking business opportunities.

HUMAN RESOURCES

Provision of CRM outsourcing services is labour intensive. The Directors believe that employees are the most valuable assets of the Group, and are critical in maintaining its market position and competitiveness in the industry. In order to maintain its strong position in the CRM outsourcing industry and to continue providing high quality and stable service to its customers, the Group puts strong emphasis in the recruitment and the retention of its competent employees.

The responsibility of the recruitment, training and management of employees falls mainly on the human resources department. As at the Latest Practicable Date, the Group's human resources department has 19 full-time staff in Guangzhou, the PRC.

Recruitment

The main objective of recruitment is to ensure there is sufficient staff to manage the Group's provision of CRM outsourcing services. Recruitment of new employees is made through the following channels:

- (1) recruitment websites;
- (2) public recruitment day;
- (3) job advertisements;
- (4) career day at tertiary institutions; and
- (5) referral from existing employees.

Furthermore, the Group maintains two permanent recruitment counters in two of its three CRM service centres and a recruitment telephone hotline.

Training

The Directors see staff training as one of the vital ingredients to the success of the Group's business. The Group provides employees with various training programmes according to their job

nature and needs for the different projects they are assigned to. The training normally lasts from four or five days for outbound services to one month for inbound services.

There are mainly three types of training provided to the employees:

- (1) orientation training;
- (2) on-the-job training; and
- (3) customer service skills and psychological training.

In addition to the in-house training provided by the Group itself, the Group's customers also organizes seminars for the Group's employees in relation to the most up-dated market information and knowledge and the customers' specific requirements. The Group will also send employees at supervisory level for external training courses in Hong Kong, Macau and Guangzhou, the PRC.

The Group requires all employees to pass the necessary assessment following the training courses before they can commence work. The assessment is conducted by the Group and occasionally, by the Group's customers as well.

Retaining of Staff

The turnover rate in the CRM outsourcing services industry is generally higher than other industries due to its business nature. In order to provide constantly high quality CRM outsourcing services for the customers, the Group places great importance on efforts to retain its employees.

The Group provides compensation packages consisting of salary and benefits, including pensions and social benefits, meal allowances and accommodation at reduced rate to its employees. Furthermore, the Group also organises various employee activities and awards outstanding employees with free travel packages.

If an employee intends to resign, the human resources department will arrange a one on one meeting in an effort to retain him/her in the Group. If however the employee decides to leave the Group, an exit interview is conducted to ascertain the employee's reasons for leaving so as to enable the Group to fully understand the needs of its employees, thereby keeping the Group's turnover rate at a minimal level.

The employee turnover rate of the Group remained at an average monthly rate of approximately 5.7% and 5.2% respectively during the Track Record Period. Currently, more than 43.5% of the Group's employees have worked in the Group for over 3 years, whereas 13.4% have worked for over 5 years, thus providing a fairly stable supply of human resources to the Group.

Staff benefits

The Group provides various types of benefits to its staff. For details of the benefits, please refer to the subsection headed "Applicable labour laws and regulations and benefits" under the paragraph headed "Staff of the Group" of the section headed "Directors, Senior Management and Staff" of this prospectus.

To ensure compliance with the applicable laws and regulations the Group has in place procedures which include designating staff of the human resources department to prepare monthly detailed contribution schedules in respect of PRC housing fund and social insurance contributions which will then be received and approved by the human resources manager. Regular checks will be

made by the Group's account manager to ensure completeness and accuracy of the information. In addition, the Group has assigned the manager of the human resources department to formulate and implement measures to ensure compliance. The human resources manager has around 10 years of experience in human resources management and has gained such experience from various companies in the PRC. He has graduated from Nanjing University of Science and Technology majoring in human resources management and has obtained a national qualification certificate on human resources management (人力資源管理師職業資格証 (國家二級)).

RESEARCH AND DEVELOPMENT

The Group places great emphasis on the enhancement of its existing operating systems and the development of new systems, as the Directors believe that continuous research and development are critical in maintaining its market position and competitiveness in the industry.

The research and development department is mainly responsible for the upgrading of the existing operating systems and the designing of new systems tailor made for the Group's CRM outsourcing services. As at the Latest Practicable Date, the Group's research and development department employed 17 full-time staff in Guangzhou, the PRC with industry experience ranging from 1 to 13 years. Among the research and development staff, 16 of them possess post-secondary qualification.

The research and development department works closely with the operation department and other departments in the Group. The frontline staff in the business department will pass the most recent market information, market trend and customer feedback to the research and development department for them to upgrade the Group's existing operating systems and to develop new systems to meet the needs of the business department. Other departments in the Group will also seek help from the research and development department whenever necessary.

Since the incorporation of the Group, the research and development department has developed several operating systems which are heavily relied upon in the Group's daily operation.

Research expenditure is recognised in the income statement as and when incurred. Development expenditure relating to specific projects with commercial viability and for which there is a clear indication of the marketability of the products being developed is carried forward as an intangible asset. Such expenditure is amortised over the period in which the benefits are expected to be derived commencing in the period in which the related sales are first made. Development expenditure that does not meet the above criteria is expensed as incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period.

Since the operating systems of the Group are self developed, no purchase cost of systems has been capitalized as intangible assets. Besides, expenses of the research and development department during the Track Record Period can neither be related to specific projects with commercial viability nor for the production of new or substantially improved systems. Therefore, expenses of the research and development department were fully expensed as operating expenses when incurred. As a result, no research and development expenditure was recorded by the Group during the Track Record Period.

Agent Navigation System

There will be one Agent Navigation System for each outbound service project. When the operator starts the system, guidelines and instructions appear on the screen guiding them what to say

next and how to respond to the customer's needs. This user friendly system shortens the training time for operators and minimizes the chances of making mistakes during the conversation between the operator and the customer.

The Agent Navigation System enables both automatic dialling and manual dialling by the operators. It classifies status of customers into different categories including but not limited to "in the course of interview", "pending interview", "already interviewed—second interview necessary" and "already interviewed—second interview not necessary". All conversations between the operators and customers are recorded by the system. The system is also able to generate statistical reports including but not limited to daily, weekly and overall reports for a particular project and other customerised reports.

Auto-dialer System

The Auto-dialer system was self developed by the Group to assist in the Group's daily operations, its main purpose being to support and facilitate the services provided by the Group's operators such as the performance of outbound calls. Its functions include automatic dialling of calls and allocation of such calls to the Group's operators and generating statistical reports, details of which are set out below.

This system automatically dials one lot of random numbers at the same time. If the call is answered, the system will pass the call to an operator who is available. If the call cannot be connected, the system will store that number and dial again in another time block until the call is answered. This increases the number of successful calls in one single time block and keeps the operator's idle time to the minimum. Hence, outbound services will be more effective and efficient.

The Auto-dialer system is able to retrieve specific lots of numbers stored in the system in respect of different projects. Details regarding status of outgoing calls such as number of pending outgoing calls and number of calls being made are displayed on the screen of the operator's computer. The system is able to initiate or stop automatic dialling based on the availability of operators in a particular time block. If a call is connected, the system will either pass the same to an operator or to the IVRS according to the configuration settings. The system is also able to generate statistical reports regarding successful rates of outgoing calls and other customerised reports.

The telephone numbers provided by the Auto-dialer are randomly selected from the pool of numbers which are sourced from 1) lists provided by the corresponding customer of a particular CRM project; or 2) derived from the telephone numbering plans publicly disclosed on the website of Office of the Telecommunications Authority (in relations to Hong Kong numbers only). In relation to telephone numbers provided by the corresponding customer of a particular CRM project, the numbers are usually derived from numbering plans obtained by the Group's telecommunications customers in Hong Kong. Upon successful application for the numbering plans, each telecommunications service provider will be allocated the first three digits of the telephone numbers for fixed line and mobile services by OFTA. The remaining 5 digits of the telephone number are to be combined by the telecommunication service providers themselves according to their own systems and the new 8 digit individual telephone numbers are then assigned to operators or end customers. Telecommunications service providers are required to observe the relevant codes of practice and statements issued by the Telecommunications Authority in relation to assignment of such individual telephone numbers. As the telephone numbers are not derived from searching the Internet or public telecommunications network, the Auto-dialer system and the numbers derived from it, would not come under the scope of the UEMO regarding the use of "harvesting software", details of which are set out in this section and the sections

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headed “Risk Factors” and “Industry Overview and Regulatory Overview” of this prospectus. The Directors believe that the use of such numbers provided by the Group’s customers in performing outbound services are not derived from sources which would be in breach of the UEMO. As confirmed by the Group’s Hong Kong, PRC and Macau legal advisers, the use of randomly generated telephone numbers complies with the prevailing laws, rules and regulations in Hong Kong, the PRC and Macau respectively.

Further, given that the UEMO came into force in June 2007, the Directors confirm that they would from now on require their customers to provide undertakings in the service agreements that the telephone numbers they would provide to the Group do not violate the UEMO. The Directors also confirm that the Group will not enter into any agreements with their customers in the event they believe that there is contravention of the UEMO.

Monitoring System

In order to control the efficiency of inbound and outbound services, each supervisor will have the monitoring system installed in his/her computer. This system shows the start time, end time, the responding phone number and the calling operator’s ID of the current call made by each operator under his/her supervision. The monitoring system is also able to detect the amount of time used by each operator on each call and can therefore alert supervisors to any problems the operator may be experiencing with a particular customer if the call duration is long. It also enables the supervisor to listen to the call if necessary. The screen refreshes automatically every four seconds to let the supervisor know the instant availability of the operators, and then he/she can adjust the speed of the Auto-dialer System mentioned above to suit the current situation.

The average time spent on each call is approximately three minutes. In anticipation of complaints or verification of orders, all phone calls are recorded and stored onto the system. The recording system keeps records of the call duration, date of the call, the caller’s telephone number and the responsible operator.

INSURANCE

The Group maintains comprehensive property insurance against losses or damages of the Group’s properties. The Group also maintains public liability insurance against losses and personal injuries of the Group’s customers and any other third parties, and group insurance for its staff against any personal injuries caused by accidents. The Directors are of the view that the Group’s insurance coverage is adequate for its operation.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the Group has registered the following trademarks in the PRC:

<u>Trademark</u>	<u>Date of Registration</u>	<u>Trade Mark Registration Number</u>	<u>Class</u>
盛华	28 June 2002	1799217	38
	28 October 2002	1946573	35
	7 March 2003	3000147	38
精英服务精英	21 November 2003	3044259	38

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As at the Latest Practicable Date, the Group has also registered the following domain names:

<u>Domain Name</u>	<u>Registration Date</u>
cn-elite.com <i>(Note)</i>	14 July 2000
iel.hk <i>(Note)</i>	29 June 2007

Note: Contents in these domains do not form part of this prospectus.

For more details, please refer to the paragraph headed “Intellectual Property Rights of the Group” in Appendix VI of this prospectus.

As at the Latest Practicable Date, the Group has not given any consent or otherwise granted to any other party for the right to use any trademarks owned by the Group. The Directors confirm that there has been no infringement or misappropriation of intellectual property right of the Group’s operating systems by third parties, and vice versa during the Track Record Period.

COMPETITION

Although there are numerous CRM outsourcing services providers in the PRC, barriers may preclude new comers from entering into the CRM outsourcing services industry. These may include the lack of capable staff, knowledge and experience in the industry, and the absence of strong business relationships with customers. The Directors, however, are confident that these barriers do not affect the Group and that the Group will continue to maintain its competitive advantages, as demonstrated by (i) the certification of ISO 9001:2000; (ii) accreditations from customers on the stability and quality of the Group’s services; (iii) the Group’s experienced management team in the industry; and (iv) the established business relationships with its customers, including the leading telecommunications service providers in Hong Kong, Macau and the PRC.

UEMO

In May 2007, the UEMO was enacted and shall come into force in two phases with phase I commencing on 1 June 2007 and Phase II on a date to be decided by the Secretary for Commerce, Industry and Technology of the HKSAR and the date of which will be notified and published in the government gazette.

The UEMO governs the sending of commercial electronic messages which for the purposes of the UEMO include a message in any form sent over a public telecommunications service (including among others, SMS, faxes or emails) to an electronic address and includes but is not limited to a text, voice, sound, image or video message; and a message combining text, voice, sound, image or video for the purpose of advertising, promoting or offering any goods, services, business opportunities or the organizations themselves. The UEMO also governs the use of address harvesting software i.e. software which is specifically designed or marketed for use for searching the Internet or a public telecommunications network and collecting electronic addresses such as telephone numbers or email addresses in connection with or to facilitate the sending of such commercial electronic messages. The UEMO does not apply to person-to-person telemarketing calls.

The Group’s current business does not involve the sending of commercial electronic messages and the Group does not use any harvesting software. Systems used by the Group in its current business are set out in the sub-section headed “Research and Development” of this section of the Prospectus. Therefore, the Group’s current business scope is not covered by and subject to the provisions of the UEMO. As confirmed by the Group’s Hong Kong legal adviser, based on the Group’s current business activities, the enactment of the UEMO will not impact on the Group’s business.

PROPERTIES

The Group currently operates its business at various properties in the PRC, Hong Kong and Macau which are mainly used for the Group's CRM service centres, offices and staff quarters. All the seven properties used by the Group are leased properties, with four leased properties located in the PRC, one in Hong Kong and two in Macau. As at the Latest Practicable Date, the Group does not own any property. Further particulars of the properties in the PRC, Hong Kong and Macau and details of the leases entered into between the Group and the respective lessors are set out in the section headed "Property valuation" in Appendix IV annexed to this prospectus.

Properties in the PRC

Real Estate Title Certificates

Among the four properties leased by the Group for its operations in Guangzhou and Foshan, the PRC, lessor of property numbered 3 in the property valuation report annexed as Appendix IV to this prospectus ("**Property 3**"), has failed to provide the relevant real estate title certificate certifying his ownership of the property.

The Directors confirm that Property 3 is not significant to the overall business activities of the Group and the absence of the real estate title certificate in respect of the property will not have a material adverse effect on the Group's business, for the following reason:-

- Property 3 is used as the Group's second CRM service centre (which has a seating capacity of approximately 250 seats). In comparison with the other two CRM service centres operated by the Group, the turnover derived from this centre is not material as it only accounted for approximately 1.4%, 5.7% and 6.1% respectively of the Group's turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007.

However, in order to ensure the smooth running of the Group's business and minimise any interruption which may be caused as a result of this lease, the Directors have the following plan to remedy the above situation:

- As detailed in the section headed "Business objectives and strategies" of this prospectus, the Group plans to set up a new CRM service centre in the southern region of the PRC and operation is expected to commence by the end of 2007. Therefore, the Group will relocate its operations in the second CRM service centre to the new CRM service centre upon expiry of the lease agreement in January 2008.

PRC Legal Opinion

As the lessor obtained his ownership in property 3 through a court decision, the lessor has strong evidence to show his ownership in the property. The Group's PRC legal advisers are therefore of the view that the absence of a valid real estate title certificate will not directly affect the validity of the relevant lease and there is no illegal use of the relevant property.

Indemnity

To further protect the interests of the Company, the Initial Management Shareholders have agreed to provide indemnity in favour of the Company in relation to any claims or losses arising from the defect in title of Property 3 or relocation costs that may be incurred, pursuant to the deed of indemnity dated 10 October 2007.

Registration of leases

In respect of the leases entered into by the Group with their lessors for the Group's leased properties, leases for properties numbered 2 to 4 in the property valuation report annexed as Appendix IV to this prospectus have not been properly registered by the lessors with the relevant PRC authorities as required under the PRC laws and regulations. For the two years ended 31 December 2006 and the five months ended 31 May 2007, the turnover derived from properties numbered 2 to 4 accounted for approximately 52.7%, 60.3% and 70.0% respectively of the Group's total turnover.

Registration for the lease of property numbered 2 is expected to be carried out by Mr. Li Kin Shing as the lessor within three months from 8 October 2007, the date of the lease. Save for property numbered 2, lessors in respect of properties numbered 3 and 4 are not willing to perform the relevant registration procedures. The responsibility of registration falls on the lessors and not the lessees. The lease for property numbered 5 in the property valuation report annexed as Appendix IV to this prospectus has been duly registered.

As disclosed above, the Group intends to relocate its operations in Property 3 to the new CRM service centre in the southern region of the PRC, and not to renew the lease agreement upon its expiry in January 2008. For property numbered 4, the Directors will consider to relocating its operations in property numbered 4 to other property with proper title upon the expiry of the lease agreement, i.e. 15 November 2008.

PRC Legal Opinion

The Group's PRC legal advisers are of the view that as registration of the leases are regulated by the local PRC government authorities, non-registration of the leases will not affect the legality of the leases. Moreover, it is the responsibility for the lessors to register the leases and the lessees are not subject to any penalty for the non-registration of the leases. Therefore, the Directors are of the view that the non-registration of the leases will not have a material adverse effect on the Group's business.

Indemnity

Pursuant to the deed of indemnity dated 10 October 2007, each of the Initial Management Shareholders has agreed to provide indemnity in favour of the Company in relation to any claims or losses arising from the non-registration of the leases.

Save as disclosed above and in the property valuation report set out in Appendix IV to this prospectus, the Directors are not aware of any defects in title of any of the properties set out in the property valuation report.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKINGS

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group entered into certain related party transactions, details of which are set out in note 23 headed “Material related party transactions” to the accountants’ report set out in Appendix I to this prospectus.

NON-COMPETITION UNDERTAKING

In connection with the Placing, each of the Initial Management Shareholders (collectively, the “Covenantors” and each a “Covenantor”) entered into a deed of non-competition undertaking with the Company on 10 October 2007 pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with the Company that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their associates (other than members of the Group):

- (i) not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on his/her/its own account or with each other or in conjunction with or on behalf of any person or company, any business which will or may compete with the business then engaged and from time to time engaged by the Group in the PRC, Hong Kong, Macau or anywhere else (the “Restricted Business”);
- (ii) not solicit any of the Group’s existing or then existing employees for employment by him/it and his/her/its associates (other than members of the Group); and
- (iii) not, without the Company’s consent, make use of any information pertaining to the business of the Group which may have come to his/her/its knowledge in his/her/its capacity as the controlling Shareholder or Director (as the case may be) or their respective associates for the purpose of competing with the Restricted Business.

The above restrictions do not apply in the following cases:-

- (i) each of the Covenantors and their respective associates (excluding members of the Group) may hold securities of any company which conducts or is engaged in any Restricted Business provided that (a) such securities are listed on a 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 9.97% shareholding in PacificNet Inc. as at 31 December 2006. The Company has agreed that Mr. Li Kin Shing can hold such shares.

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

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

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- (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 competing 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 favourable terms being acceptable to the Company provided that the Covenantors shall not proceed, and shall procure their associates not to proceed, with such opportunity should the Company decline to accept such offer; and
- (vii) each of the Covenantors agrees to indemnify the Company from and against any and all losses, damages and costs which loss, damage or cost is resulted from any failure to comply with the terms of the deed of non-competition by the Covenantors or any of their respective associates.

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

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The independent non-executive Directors will review, at least on an annual basis, the compliance with the deed of non-competition undertaking by the Convenantors, and if applicable, the options, pre-emptive rights or first rights of refusals provided by the Convenantors on its existing or future competing businesses.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Financial independence

On the basis of the following reasons, the Directors consider that the Group can operate independently from the Controlling Shareholders from a financial perspective:

- part of the proceeds from the Listing will be used to settle all non-trade balances. For further details, please refer to the paragraph headed “Use of proceeds” in the section headed “Business objectives and strategies” of this prospectus.
- the Controlling Shareholders do not intend to grant any loan, guarantee or financial assistance to the Group after Listing.
- the mortgage given by Mr. Li Kin Shing, a Controlling Shareholder, in favour of Hutchison Telecommunications in respect of a premises which the Group uses as its offices and CRM service centre has been released and replaced by letters of credit issued and to be issued by the Group in favour of Hutchison Telecommunications. For further details please see the paragraph headed “PRC Tenancy Agreement” in this section.

Operational Independence

Independent access to sources of suppliers

- The Group’s major suppliers are telecommunications operators and computer equipment providers, which are all accessible independently from the Controlling Shareholders.

Independence of production/operation capabilities/clientele

- In respect of the property numbered 1 in the property valuation report annexed as Appendix IV to this Prospectus, the premises is mainly used as the Group’s headquarters in Hong Kong for administrative purposes only and can be easily relocated. The Directors are of the view that the Group’s business does not rely on these premises.
- Pursuant to the tenancy agreement entered into between Mr. Li Kin Shing, a Controlling Shareholder, and China Elite in respect of property numbered 2 in the property valuation report annexed as Appendix IV to this prospectus, China Elite has the option to renew the tenancy agreement for a further term of three years upon its expiry as well as the pre-emption right to acquire the premises during the term of the tenancy. The Group has therefore secured the use of such premises up to 31 December 2012 independent from the influence of the Controlling Shareholders. For further details please see the paragraph headed “PRC Tenancy Agreement” in this section. Further, as mentioned in the section “Business Objectives and Strategies” of this prospectus, the Group has plans to set up two additional CRM service centres in the PRC. After operation has commenced in the two CRM service centres, reliance of the Group’s operation will be significantly decreased.
- All of the Group’s operating equipments and facilities such as computers, headphones, servers and exchange systems are owned by the Group.

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- During the Track Record Period, the Group had established its own customer bases and negotiated and concluded service agreements independently with customers, a majority of whom are large scale telecommunications service providers in Hong Kong, Macau and the PRC which are independent from the Group and the Controlling Shareholders. The Group's turnover during the Track Record Period was mainly derived from those customers, whereas the total turnover derived from related parties accounted for approximately 2.8%, 3.4% and 5.9% respectively of the Group's total turnover for each of the two years ended 31 December 2006 and the five months ended 31 May 2007.
- Other than the Controlling Shareholders, most of the Group's executive Directors together with the Group's senior management are also experienced in the industry and have developed long term relationship with the Group's existing customers.
- For potential new customers, the Group has established its own sales and marketing team which is able to operate independently from the Controlling Shareholders and their respective associates. The sales and marketing team will identify potential customers by themselves through attending various industry exhibitions. They will then contact and negotiate with the potential customers identified under the supervision of Ms. Li Yin, the chief operation officer of the Group. Besides, the Group has made arrangement to ensure that all contact information, communication records, and service agreements remain in the sole possession of the Group.
- Save as disclosed in the paragraph "Competing Interests" in this section of the Prospectus, none of the Controlling Shareholders and their respective associates have any business or interest which competes or may compete with the business of the Group. Therefore, there is no conflict of interests for the Group to access customers of other companies owned by the Controlling Shareholders.

Management Independence

The Board

To ensure that the Group can operate independently of the Controlling Shareholders, corporate governance measures have been adopted. The Board comprises eight Directors, which include five executive Directors, namely Mr. Li Kin Shing and Ms. Kwok King Wa who are both Controlling Shareholders, Ms. Li Yin, Mr. Wong Kin Wa and Mr. Li Wen, and three independent non-executive Directors, namely Mr. Tang Yue, Mr. Chen Xue Dao and Mr. Cheung Sai Ming. All of the Directors are experienced and capable of monitoring the operation of the Group independent from the Controlling Shareholders and safeguard the interests of the Shareholders. For details of the Directors, please see the section headed "Directors, Senior Management and Staff" of this prospectus. In the event there are conflicts of interests for approving a proposed transaction due to the dual positions of a Director as both directors of the Company and that particular company, pursuant to the relevant provisions of the Articles, the relevant Director shall be absent from the Board meeting and abstain from voting (nor be counted in the quorum) in the resolution(s) of the Board approving such transaction subject to a few exceptions, and shall not attend the shareholders' meetings at which such transaction is proposed.

There may be circumstances when three out of five executive Directors will have to abstain from voting due to potential conflict of interest. However, the other two executive Directors, namely

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Mr. Wong Kin Wa and Mr. Li Wen, are still entitled to vote during the board meetings. Both Mr. Wong and Mr. Li have extensive experience in the operation of CRM outsourcing business and possess relevant industry knowledge to discharge their duties.

In addition, as disclosed in the section headed “Directors, Senior Management and Staff” of this prospectus, (1) Mr. Chen Xue Dao was appointed as the head of Guangdong Communications Administration (廣東省通信管理局) in 2001 and is currently a member of various telecommunications related committees in the PRC; and (2) Mr. Tang Yue was an independent director, a member of compensation committee and audit committee of PacificNet, Inc. between 2003 to 2004 and is the co-founder and director of eLong, Inc., both being listed companies in the US. As confirmed by Mr. Tang Yue, he did not have any executive role in PacificNet, Inc. Directors are of the view that a majority of the independent non-executive Directors, as a whole, possess useful and relevant experience in terms of dealing matters with the Group’s customers (mainly large-scale telecommunications service providers) and the similar services involved (i.e. CRM services) and therefore are qualified to discharge their duties.

According to the service agreements entered into between the Company and the executive Directors, each of the executive Directors has undertaken to the Group, among other things, that he or she will not, without any prior written approval from the Board, (i) accept any position of a company whose business may directly or indirectly compete with the Group’s business or be engaged in any business which may directly or indirectly compete with the Group’s business; or (ii) solicit any employee of the Group or induce them to leave the Group or solicit any customers of the Group, during the term and within the six months after termination of his or her service agreement.

Committees

The Group has (1) audit committee; (2) remuneration committee; and (3) nomination committee. Each committee consists of a majority of independent non-executive Directors, to monitor the operation of the Group.

The audit committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group whereas the remuneration committee’s role is to ensure that the Directors are properly remunerated without being influenced by the fact they may be the Controlling Shareholders or other reasons. The nomination committee ensures that only persons with capability and relevant experience are appointed as Directors to avoid the appointment of individuals who may affect the independence of the Board.

Senior Management

The Group is also managed by senior management who can work and carry on the business of the Group independently from the Controlling Shareholders. For details of the Group’s senior management, please see the section headed “Directors, Senior Management and Staff” of this Prospectus.

Non-competition undertaking with the Controlling Shareholders

The Initial Management Shareholders (as the Covenantors) have entered into a deed of non-competition undertaking with the Company and its subsidiaries. For details, please refer to the paragraph headed “Non-competition undertaking” in this section of the prospectus.

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CONNECTED TRANSACTIONS

During the Track Record Period, the following transactions have been conducted by the Group and the Connected Persons as described below. These transactions have been conducted, and will be carried out in the ordinary and usual course of business of the Group, and on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned.

Pursuant to Chapter 20 of the GEM Listing Rules, each of the following continuing connected transactions as described below will constitute (1) continuing connected transactions of the Company exempt from the independent Shareholders' approval requirements; or (2) non-exempt continuing connected transactions of the Company upon Listing:

Continuing connected transactions exempt from the independent Shareholders' approval requirements

A. Tenancy agreements

1. Tenancy agreement between the Company and Talent Information Engineering Co. Ltd. (天龍信息工程有限公司) in respect of premises located in Hong Kong; and
2. Tenancy agreement between China Elite and Mr. Li Kin Shing in respect of premises located in the PRC.

Non-exempt continuing connected transactions

B. Service agreements

1. Service agreement between PacificNet Communications and Elitel in respect of BIS services; and
2. Service agreement between PacificNet Communications and China-HK Telecom in respect of BIS and customer hotline services.

- #### C. Service agreement between PacificNet Communications and China-HK Telecom in respect of telesales services.

Continuing connected transactions exempt from the independent Shareholders' approval requirements

A. Tenancy Agreements

1. HK Tenancy Agreement

A tenancy agreement (the "**HK Tenancy Agreement**") was entered into between Talent Information Engineering Co. Ltd. (天龍信息工程有限公司) ("Talent Information") as landlord and the Company as tenant in respect of the premises located at Room 3809-3810 Hong Kong Plaza, 188 Connaught Road West, Hong Kong (the "**Hong Kong Premises**"), being property numbered 1 as referred to in the property valuation report as set out in Appendix IV to this prospectus, with an aggregate gross floor area of approximately 147.44 square metres on 8 October 2007 for a term commencing on 8 October 2007 and expiring on 31 December 2009. The property is used as the office for the Group's operation in Hong Kong.

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Talent Information is a property holding company and indirectly held as to 100% by Ms. Kwok King Wa, an executive Director, chairman, an Initial Management Shareholder and a substantial Shareholder. According to the GEM Listing Rules, Talent Information is an associate of Ms. Kwok King Wa, thus a Connected Person.

As Talent Information is a Connected Person, the HK Tenancy Agreement will constitute a continuing connected transaction of the Company under Rule 20.14 of the GEM Listing Rules.

Historical transaction value

For the two years ended 31 December 2006 and the five months ended 31 May 2007, the rent paid by the Group in respect of the Hong Kong Premises amounted to nil, nil and HK\$64,000 respectively.

Annual caps

Pursuant to the HK Tenancy Agreement, the annual rent for the Hong Kong Premises during the tenure of the HK Tenancy Agreement is HK\$168,000, payable by the Company in advance on or before the 1st day of each calendar month. The annual rent payable to Talent Information was determined at arm's length negotiation between the parties to the HK Tenancy Agreement. The independent property valuer of the Company, Sallmanns (Far East) Limited, has also confirmed that the terms of the HK Tenancy Agreement are fair and reasonable and the rental payment under the HK Tenancy Agreement reflects the prevailing market rate. The Directors consider that the HK Tenancy Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

2. *PRC Tenancy Agreement*

A tenancy agreement (the “**PRC Tenancy Agreement**”, together with the HK Tenancy Agreement, the “**Tenancy Agreements**”) was entered into between Mr. Li Kin Shing as landlord and China Elite as tenant in respect of the premises located at 1st to 7th Floor, Tianlong Building except Unit B on Level 4, No. 67, Tangxinxi Street, Tangxin Industrial Zone, Xinshi Town, Baiyun District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市白雲區新市鎮棠溪工業區棠新西街67號天龍大廈1-7層(4樓B室單位除外)), being property numbered 2 as referred to in the property valuation report as set out in Appendix IV to this prospectus, with an aggregate gross floor area of approximately 6,094 square metres (the “**PRC Premises**”) on 8 October 2007. On 20 May 2005, Mr. Li Kin Shing and Hutchison Telecommunications entered into a mortgage (房地產抵押合同) pursuant to which Mr. Li Kin Shing mortgaged the PRC Premises to Hutchison Telecommunications to secure the performance of the CRM services provided by the Group under the “Managed Services Agreement — Customer Services” entered into between, among others, the Company and Hutchison Telecommunications on 22 March 2005. On 10 August 2007, the said mortgage has been released by Hutchison Telecommunications and is replaced by further letters of credit issued and to be issued by the Group in favour of Hutchison Telecommunications. The PRC Premises is used as one of the Group's CRM service centres and offices.

Mr. Li Kin Shing is an executive Director, chief executive officer, an Initial Management Shareholder and a substantial Shareholder and thus a Connected Person. China Elite is an indirect wholly-owned subsidiary of the Company. As Mr. Li Kin Shing is a Connected Person, the PRC Tenancy Agreement will constitute a continuing connected transaction of the Company under Rule 20.14 of the GEM Listing Rules.

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Pursuant to the PRC Tenancy Agreement, Mr. Li Kin Shing agreed to lease the PRC Premises to China Elite as offices and CRM service centres for a term commencing on 8 October 2007 and expiring on 31 December 2009. Under the terms of the PRC Tenancy Agreement, China Elite has the right to exercise the option to renew the PRC Tenancy Agreement for a further term of three years upon the expiry of the lease, in accordance with the terms of the PRC Tenancy Agreement. During the tenure of the PRC Tenancy Agreement, China Elite has the preemption right to acquire the PRC Premises from Mr. Li Kin Shing at fair value of the PRC Premises to be determined by an independent property valuer.

Historical transaction value

For the two years ended 31 December 2006 and the five months ended 31 May 2007, the rent paid by the Group amounted to nil, nil and HK\$0.39 million respectively.

Annual caps

Pursuant to the PRC Tenancy Agreement, the annual rent for the PRC Premises during the tenure of the PRC Tenancy Agreement is RMB1,020,000 (equivalent to approximately HK\$1,020,000), payable by China Elite before the 15th day of each calendar month. The annual rent payable to Mr. Li Kin Shing was determined as a result of arm's length negotiation between the parties to the PRC Tenancy Agreement. The independent property valuer of the Company, Sallmanns (Far East) Limited, has also confirmed that the terms of the PRC Tenancy Agreement are fair and reasonable and the rental payment under the PRC Tenancy Agreement reflects the prevailing market rate. The Directors consider that the PRC Tenancy Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

Pursuant to Rules 20.25 and 20.26 of the GEM Listing Rules, the transactions under the HK Tenancy Agreement and the PRC Tenancy Agreement have been aggregated. On an annual basis, the aggregate rent payable by the Group to Talent Information and Mr. Li Kin Shing under the Tenancy Agreements for each of the three years ending 31 December 2009 is RMB1,188,000 (equivalent to approximately HK\$1,188,000) respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 19 of the GEM Listing Rules, where applicable, in respect of the Tenancy Agreements is, on an annual basis, less than 2.5%. As such, the transactions under the Tenancy Agreements shall constitute non-exempt continuing connected transactions of the Company under Rule 20.34(1) of the GEM Listing Rules and are subject to the reporting and announcement requirements, but are exempted from the independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Non-exempt continuing connected transactions

B. Service Agreements

The Group currently provides, and will continue to provide, BIS and/or customer hotline services to the subscribers of Elitel's customers and China-HK Telecom.

1. Elitel Service Agreement

On 8 October 2007, Elitel and PacificNet Communications entered into a service agreement (the "Elitel Service Agreement") pursuant to which PacificNet Communications agreed to provide subscribers of Elitel's customers with BIS services. Elitel's major customers are mobile network

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operators that provide repackaged one card multiple number services under their own brands. PacificNet Communications may delegate its duties and responsibilities under the Elitel Service Agreement to other members of the Group. The term of the Elitel Service Agreement is for the period from 8 October 2007 to 31 December 2009.

Elitel is held as to 50% by Mr. Li Kin Shing, and 50% by Ms. Kwok King Wa respectively. Mr. Li Kin Shing is an executive Director, chief executive officer, an Initial Management Shareholder and a substantial Shareholder while Ms. Kwok King Wa is an executive Director, chairman, an Initial Management Shareholder and a substantial Shareholder. According to the GEM Listing Rules, Elitel is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a Connected Person. Elitel, together with its wholly owned subsidiaries namely China-HK Telecom and Directel HK, is principally engaged in the provision of one card multiple number services mainly across Hong Kong and the PRC. PacificNet Communications is an indirect wholly-owned subsidiary of the Company.

As Elitel is a Connected Person, the Elitel Service Agreement will constitute a continuing connected transaction of the Company under Rule 20.14 of the GEM Listing Rules.

The fees payable for the services provided by the Group are determined on the number of subscribers using the BIS service on the last day of each calendar month times a fixed rate, which is agreed between the Group and Elitel. The terms offered by the Group to Elitel under the Elitel Service Agreement are no more favourable than those offered by the Group to independent customers of the Group in the ordinary course of business.

Historical transaction value

For the two years ended 31 December 2006 and the five months ended 31 May 2007, the fees charged by the Group for the provision of BIS service to Elitel's customers amounted to approximately HK\$0.87 million, HK\$0.77 million and HK\$0.28 million respectively. During the Track Record Period, the Group did not enter into any service agreement with Elitel. The Directors confirm that the terms and conditions of the services to be provided to Elitel after Listing will be similar to those during the Track Record Period and no significant changes in terms and conditions were noted during the Track Record Period.

Annual caps

The proposed cap amounts of the fees to be charged by the Group for the provision of services under the Elitel Service Agreement in each of the three years ending 31 December 2009 are HK\$710,000, HK\$690,000 and HK\$690,000 respectively. Such proposed cap amounts are determined based on the extent and volume of the services that the Group will provide to Elitel's customers and the price charged by the Group to other Independent Third Parties for similar services provided, which is expected to slightly decline with expected decrease in demand of BIS services in the next three years ending 31 December 2009 as it is anticipated that Elitel's customers will not be increasing their resources in the promotion of one card multiple number services. The Directors consider that the cap amounts were arrived at after due and careful consideration.

2. *China-HK Telecom Service Agreement*

On 8 October 2007, China-HK Telecom and PacificNet Communications entered into a service agreement (the "**China-HK Telecom Service Agreement**", together with the Elitel Service

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Agreement, the “**Service Agreements**”) pursuant to which PacificNet Communications agreed to provide subscribers of China-HK Telecom with BIS and customer hotline services. PacificNet Communications may delegate its duties and responsibilities under the China-HK Telecom Service Agreement to other members of the Group. The term of the China-HK Telecom Service Agreement is for the period from 8 October 2007 to 31 December 2009.

China-HK Telecom is held as to 50% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is an executive Director, chief executive officer, an Initial Management Shareholder and a substantial Shareholder while Ms. Kwok King Wa is an executive Director, chairman, an Initial Management Shareholder and a substantial Shareholder, and thus both of them are Connected Persons. According to the GEM Listing Rules, China-HK Telecom is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and a Connected Person. PacificNet Communication is an indirect wholly-owned subsidiary of the Company.

As China-HK Telecom is a Connected Person, the China-HK Telecom Service Agreement will constitute a continuing connected transaction of the Company under Rule 20.14 of the GEM Listing Rules.

The fees payable for the services provided by PacificNet Communications are determined on the basis of (i) in respect of BIS service, the number of subscribers using the BIS service on the last day of each calendar month times a fixed rate, which is agreed between the Group and China-HK Telecom; and (ii) in respect of customer hotline services, the number of seats required for each particular project times a fixed rate, which is agreed between the Group and China-HK Telecom. The terms offered by PacificNet Communications to China-HK Telecom under the China-HK Telecom Service Agreement are no more favourable than those offered by the Group to independent customers of the Group in the ordinary course of business.

Historical transaction value

For the two years ended 31 December 2006 and the five months ended 31 May 2007, the fees charged by the Group for the provision of such services to China-HK Telecom amounted to nil, approximately HK\$0.37 million and approximately HK\$0.44 million respectively. During the Track Record Period, the Group did not enter into any service agreement with China-HK Telecom. The Directors confirm that the terms and conditions of the services to be provided to China-HK Telecom after Listing will be similar to those during the Track Record Period and no significant changes in terms and conditions were noted during the Track Record Period.

Annual caps

The proposed cap amounts of the total amount receivable by the Group from China-HK Telecom for services rendered under the China-HK Telecom Service Agreement in each of the three years ending 31 December 2009 are HK\$2.60 million, HK\$7.71 million and HK\$14.71 million respectively. The proposed cap amounts are determined based on the extent and volume of the services that the Group will provide to the customers of China-HK Telecom and the price charged by the Group to other Independent Third Parties for similar services provided. China-HK Telecom plans to substantially develop its prepaid card services with higher market potential and plans to launch the new one card two numbers services across China and Macau in the second half of 2007. In view of the above, it is expected that the customer base of China-HK Telecom will grow significantly throughout

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the three years ending 31 December 2009 which will lead to a growing demand for both customer hotline and BIS services of the Group. The Directors consider that the cap amounts were arrived at after due and careful consideration.

Pursuant to Rules 20.25 and 20.26 of the GEM Listing Rules, the transactions under the Elitel Service Agreement and the China-HK Telecom Service Agreement have been aggregated. It is anticipated that on an annual basis, the aggregate fees to be charged by the Group for the provision of BIS and/or customer hotline services under the Service Agreements for each of the three years ending 31 December 2009 are HK\$3.31 million, HK\$8.40 million and HK\$15.40 million respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 19 of the GEM Listing Rules, where applicable, in respect of the Service Agreements is, on an annual basis, higher than 2.5%. As such, the transactions under the Service Agreements shall constitute non-exempt continuing connected transactions of the Company under the GEM Listing Rules and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

C. China-HK Telecom Telesales Agreement

The Group currently provides, and will continue to provide telesales services to China-HK Telecom.

On 8 October 2007, China-HK Telecom and PacificNet Communications entered into a telesales services agreement (the “**China-HK Telecom Telesales Agreement**”) pursuant to which PacificNet Communications agreed to provide telesales service to China-HK Telecom. PacificNet Communications may delegate its duties and responsibilities under the China-HK Telecom Telesales Agreement including but not limited to provision of telesales service to other members of the Group. The term of the China-HK Telecom Telesales Agreement is for the period from 8 October 2007 to 31 December 2009.

China-HK Telecom is held as to 50% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is an executive Director, chief executive officer, an Initial Management Shareholder and a substantial Shareholder while Ms. Kwok King Wa is an executive Director, chairman, an Initial Management Shareholder and a substantial Shareholder, and thus both of them are Connected Persons. According to the GEM Listing Rules, China-HK Telecom is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a Connected Person. PacificNet Communications is an indirect wholly-owned subsidiary of the Company.

As China-HK Telecom is a Connected Person, the China-HK Telecom Telesales Agreement will constitute a continuing connected transaction of the Company under Rule 20.14 of the GEM Listing Rules.

The fees payable by China-HK Telecom to PacificNet Communications in respect of the telesales services are derived from the number of successful orders/deals for specific products and/or services marketed, times a fixed rate, of which are mutually agreed between China-HK Telecom and PacificNet Communications. The Directors consider that the China-HK Telecom Telesales Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

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Historical transaction value

For the two years ended 31 December 2006 and the five months ended 31 May 2007, fees charged by the Group for the provision of the telesales services to China-HK Telecom amounted to nil, approximately HK\$3.10 million and HK\$3.70 million respectively. During the Track Record Period, the Group did not enter into any service agreement with China-HK Telecom. The Directors confirm that the terms and conditions of the services to be provided to China-HK Telecom after Listing will be similar to those during the Track Record Period and no significant changes in terms and conditions were noted during the Track Record Period.

Annual caps

The proposed cap amounts of the fees receivable by the Group for the telesales services under the China-HK Telecom Telesales Service Agreement in each of the three years ending 31 December 2009 are HK\$9.97 million, HK\$11.90 million and HK\$12.79 million respectively. The proposed cap amounts are determined based on the extent and volume of the services that the Group will provide to the customers of China-HK Telecom and the price charged by the Group to other Independent Third Parties for similar services provided. In August 2006, China-HK Telecom entered into a dealership agreement with a non-wholly owned subsidiary of Hutchison Telecommunications in respect of the provision of telesales services and Fulfillment Services to such non-wholly owned subsidiary of Hutchison Telecommunications for its 2G and 3G mobile services in Hong Kong. China-HK Telecom then outsourced the telesales services to the Group and performed the Fulfillment Services by itself. The Group has been gradually deploying more resources and expects to allocate additional number of workstations for this telesales project after the new CRM service centre at the southern region has commenced operation. Based on the Group's past experience, it is expected that the Group will be able to secure an increasing number of new 2G subscribers for Hutchison Telecommunications per month for the three years ending 31 December 2009. In addition, in view of the growing potential of Hong Kong 3G market, the Group plans to deploy more resources to secure more new 3G subscribers for Hutchison Telecommunications from the second half of 2007 and expects to achieve a substantial growth in 3G subscribers for the year ending 31 December 2008 and remain steady for the year ending 31 December 2009. The average commission earned for each successful order of 3G subscriber is much higher than 2G subscriber.

The expected cap amounts of the transactions under the China-HK Telecom Telesales Agreement for each of the three years ending 31 December 2009 exceed HK10,000,000 and each of the percentage ratios (other than the profits ratio) under Chapter 19 of the GEM Listing Rules, where applicable, in respect of the transactions under the China-HK Telecom Telesales Agreement is, on an annual basis, higher than 2.5%. As such, the transactions under the China-HK Telecom Telesales Agreement will constitute non-exempt continuing connected transactions of the Company under Rule 20.35 of the GEM Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

WAIVER FROM STRICT COMPLIANCE OF THE GEM LISTING RULES

The Company has applied for, and the Stock Exchange has granted to the Company, a waiver with respect to (i) the continuing connected transactions as referred to in paragraph A above from the announcement requirements under Rule 20.47 of the GEM Listing Rules; and (ii) the continuing connected transactions as referred to in paragraphs B and C above from both the announcement

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKINGS

requirements under Rule 20.47 of the GEM Listing Rules and the independent Shareholders' approval requirements under Rule 20.48 of the GEM Listing Rules, provided that the said continuing connected transactions are conducted in compliance with the conditions (including the respective proposed cap amounts) imposed by the Stock Exchange.

The table summarises the continuing connected transactions of the Company as referred to in paragraphs A to C above and their respective proposed cap amounts:

<u>Continuing connected transactions</u>	Proposed cap amounts (HK\$ '000) for the year ending 31 December		
	2007	2008	2009
A. Tenancy Agreements	1,188	1,188	1,188
B. Service Agreements	3,310	8,400	15,400
C. China-HK Telecom Telesales Agreement	9,970	11,900	12,790

The Directors (including the independent non-executive Directors) confirm that the continuing connected transactions referred to above have been conducted and will be carried out in the ordinary course of business of the Group on normal commercial terms or, where there are insufficient comparable transactions to judge this, on terms no less favourable to the Group than those available from Independent Third Parties, which together with the proposed cap amounts are fair and reasonable and in the interests of the Shareholders and the Group as a whole. As such, the Directors (including the independent non-executive Directors) confirm that it is in the Company's interests to continue with these transactions after Listing.

The Sponsor is of the view that (i) the continuing connected transactions as referred to above for which the waiver is sought have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or, where there are insufficient comparable transactions to judge this, on terms no less favourable to the Group than those available from Independent Third Parties, and (ii) the terms and the proposed annual cap amounts of such transactions are fair and reasonable as far as the Company is concerned and are in the interests of the Shareholders and the Group as a whole.

As regards the aforementioned continuing connected transactions of the Group, in addition to other relevant provisions of the GEM Listing Rules and any conditions that may be imposed by the Stock Exchange in connection therewith, the Company is required to comply with Chapter 20 of the GEM Listing Rules, including Rules 20.35 to 20.40 of the GEM Listing Rules.

In the event that the Group enters into any new transactions or agreements with any Connected Person in the future, the Company will comply with the relevant provisions of Chapter 20 of the GEM Listing Rules. In addition, if any of the continuing connected transactions shall continue after the expiry of the current waiver and/or if the transaction amount of any of the continuing connected transactions shall exceed the expected cap amounts for each of the relevant transactions for the three years ending 31 December 2009, the Company will comply with the relevant provisions of Chapter 20 of the GEM Listing Rules.

INFORMATION ABOUT THE ELITEL GROUP

The Elitel Group comprising Elitel and four wholly-owned subsidiaries, namely China-HK Telecom, Directel HK, Sunward Cayman and Sunward HK. Through Elitel, China-HK Telecom and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKINGS

Directel HK, the Elitel Group is principally engaged in the provision of one card multiple number services mainly in Hong Kong and the PRC. The service involves the integration of two or more phone numbers in different territories into one SIM card. The target customers of the Elitel Group include both 1) mobile network operators that provide repackaged one card multiple number services under their own brands; and 2) retail consumers, with Elitel mainly targeting at the former and China-HK Telecom and Directel HK targeting at the latter. The infrastructure of the Elitel Group involves telecommunications platforms and gateways that enable the provision of one card multiple number services. Sunward Cayman and Sunward HK are principally engaged in the provision of telecommunications value-added services but are currently inactive in business.

The Group is principally engaged in the provision of CRM outsourcing services in the PRC, Hong Kong and Macau with its major customers being telecommunications service providers and other service-oriented companies. The infrastructure of the Group consists of CRM service centres that are designed to efficiently host a substantial number of telephone service operators.

Accordingly, the Directors believe that as the principal business activities and services/ provided by the Group and that of the Elitel Group are different, there is no competition between the Group and the Elitel Group and it is unlikely that there will be competition in the future. The Sponsor, having discussed with the Directors, agree with the views adopted by the Directors.

The Directors confirm that Elitel Group, upon the request of its customers, has to provide telesales and BIS services supplementary to its core business. The Directors further confirm that, based on the unaudited consolidated management accounts of the Elitel Group, turnover from the provision of telesales and BIS services roughly accounted for less than 20% of the Elitel Group's total turnover for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively.

COMPETING INTERESTS

Save as disclosed below, none of the business or interest of the Directors, Initial Management Shareholders and substantial Shareholders and their respective associates competes or may compete with the business of the Group nor has any other conflicts of interest which any such person has or may have with the Group.

PacificNet Inc.

Based on the annual report of PacificNet Inc. for the year ended 31 December 2006, Mr. Li Kin Shing, a Controlling Shareholder and an Initial Management Shareholder, acquired 1,150,000 Shares in PacificNet Inc. in September 2003, representing approximately 9.97% shareholding in PacificNet Inc. as at 31 December 2006.

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

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKINGS

The Directors confirm that Mr. Li Kin Shing has no absolute right to appoint a director in PacificNet Inc.. As Mr. Li Kin Shing holds no board representation or management position and only holds a 9.97% minority interest in PacificNet Inc., it is highly unlikely that Mr. Li Kin Shing's interest in PacificNet Inc. would influence the decision-making of the board of directors or management of PacificNet Inc. As such, the Directors are of the view that the Group's business will not be materially and adversely impacted as a result of Mr. Li Kin Shing's shareholding interest in PacificNet Inc.

As at the Latest Practicable Date, Mr. Li confirmed that he currently had no intention to inject his interest in PacificNet Inc. into the Group. Mr. Li Kin Shing has also confirmed that he has no intention to increase his shareholding in PacificNet Inc..

Nevertheless, the Initial Management Shareholders (including Mr. Li Kin Shing) (as 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 opportunities that is or may involve in 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. For further details of the deed of non-competition undertaking, please refer to the paragraph headed "Non-competition undertaking" in this section.

BUSINESS OBJECTIVES AND STRATEGIES

BUSINESS OBJECTIVES

The mission of the Group is to become one of the largest CRM outsourcing service provider for the PRC and the Group aspires to achieve the following business objectives:

- expansion of the Group's geographical coverage through the setting up of new CRM service centres and/or acquisition of existing small to medium sized CRM service centres in the PRC;
- expansion of the Group's customer base to telecommunications service providers beyond Guangdong Province, the PRC and to companies in the non-telecommunications industries; and
- to expand the Group's existing services by introducing new services to its customers such as Internet CRM services.

BUSINESS STRATEGIES

The Group intends to implement key strategic initiatives to achieve the above business objectives in accordance with the schedule as set out in the paragraph headed "Business Plan" in this section. The key strategic initiatives which the Group plans to implement in the future are as follows:

Expansion of seating capacity

Currently the Group operates three CRM service centres in Guangzhou, the PRC, providing a total seating capacity of approximately 4,100 seats. As outsourcing has become the market trend, the Group plans to further expand its business and increase the Group's seating capacity to over 10,000 seats by having additional CRM service centres in the PRC through (i) the setting up of two additional CRM service centres, and/or (ii) acquisitions of small to medium sized CRM service centres in the southern, north-eastern and/or other regions in the PRC in which the Group currently has no service sites. The Group has strategically chosen the north-eastern region in the PRC as the location of its next service site to expand its business as the Group considers it will not only help to extend its geographical coverage but the presence of Korean and Japanese speaking residents in the north-eastern region may be of particular advantage when the Group enters the Korean and Japanese markets if opportunities arise. By acquiring CRM service centres in other regions of the PRC, the Group also intends to expand its geographical coverage in the PRC and provide CRM outsourcing services to customers in other provinces, one such customer being China Unicom with whom the Group shall continue to have a business relationship. At present, no specific CRM service centre has been identified for acquisition.

Expansion of customer base and markets

The Group plans to continuously broaden its customer base within the telecommunications industry in which the Group possesses expertise, experience and knowledge. Currently, the Group serves China Unicom, one of the leading telecommunications service providers in the PRC. The Group intends to seek more business opportunities with China Unicom for the provisions of CRM outsourcing services in the PRC other than the Guangdong Province, the PRC. In order to further broaden its customer base in the PRC, if opportunities arise in the future, the Group will participate in the bidding of CRM outsourcing service contracts from China Mobile, another leading telecommunications service provider in the PRC. The Group is also seeking further opportunities to co-operate with other telecommunications service providers in Hong Kong and other overseas countries, including Japan, Korea, Taiwan and Canada.

BUSINESS OBJECTIVES AND STRATEGIES

In addition to maintaining a stable growth of the Group's CRM outsourcing business within the telecommunications industry, the Group also seeks to develop a customer base in other industries. With the increasing recognition of the importance of CRM, it is anticipated that demand for quality CRM outsourcing services from various other industries, including finance (banks, insurance companies, securities houses, investment funds houses), Internet, travel, medical/health, market research, retail industries, etc will increase. Currently, the Group provides CRM outsourcing services to travel, insurance, health care and information technology companies and intends to further broaden its customer base to other industries. The Group has been in contact with several non-telecommunications companies and the Directors believe that there are good chances of co-operation with these companies in the near future after the new service sites are ready for operation. Furthermore, the Group's sales and marketing department is also actively seeking opportunities to co-operate with non-telecommunications companies through various exhibitions and forums held as mentioned in the sub-section headed "Sales and Marketing" under the "Business" section of this prospectus.

The Group also plans to expand its business into overseas markets. The Group entered into a service agreement for provision of telemarketing services with Times Telecom at the end of 2006. The Directors hope that the Group can enter into overseas markets ahead of other CRM outsourcing service providers in the PRC and thus getting the first bite of these markets.

Continuous improvement of services to existing customers

The Group seeks to consolidate and strengthen its existing customer base through continuous improvement of its services. As telecommunications service providers seek to transform their business model to providers of comprehensive information and value-added services, the Group plans to play an active role in their transformation by utilising its technical and service advantages, experience and know-how in the CRM outsourcing industry to assist in the business development of its customers, thereby becoming an indispensable supplier to such business operations.

The Directors believe that the Group's initiatives will allow it to offer its customers a complete spectrum of high quality customised and differentiated services that will position the Group as the leading integrated CRM outsourcing service provider to its existing customers and to potential customers in both telecommunications and non-telecommunications industries.

Provision of new services

To maintain a competitive edge over other competitors in the industry, the Group is aware of the constant need to catch up with modern technology and provide innovative services to its customers. The Group is therefore constantly developing new services for its existing and potential customers.

The Group intends to launch a new super secretarial service which is based on the existing BIS services. The new super secretarial service is targeted mainly at the high end subscribers of the telecommunications customers of the Group. Each operator will only serve about one hundred subscribers, and he/she will provide services similar to a real life secretary, such as making restaurant, air ticket and hotel reservations.

As the number of Internet users has been increasing significantly in the PRC during the last couple of years, communication through the use of instant messaging systems has become a part of everyday life. The Internet also plays an important role in the marketing of products and/or

BUSINESS OBJECTIVES AND STRATEGIES

services and has become an increasingly important channels that connects customers to businesses. The Directors believe that providing customer services through the Internet will become a significant market trend in the foreseeable future.

For the future development of the Group, the Group plans to extend its provision of CRM outsourcing services from the application of telephone calls to the Internet by developing an e-channel. Preliminary plans of the Group include the use of artificial intelligence to respond to customers' enquiries via instant messaging systems. After adding the Group's artificial operator, namely “小E ” (“Little E”) to its contact list, the customer can then enjoy this e-customer service free of charge. For example, if a customer wishes to find information on, for instance, “hotel Guangzhou”, all he/she has to do is to send an instant message to the artificial operator through the instant messaging system and the artificial operator will search the database and provide several choices to the customer in a user friendly language. If the artificial operator is unable to answer the customer's enquiry, the system will divert the message to a human operator, who will provide the solution to the customer. The human solution will then be added to the database of the artificial operator, thereby continually improving the system while directly increasing the service capacity.

Furthermore, this new service can also be provided through a webpage to facilitate the webpage owner, i.e. the company using the Internet to promote its products and/or services, to communicate directly with its potential customers, i.e. those browsing its webpage. For example, when a potential customer is browsing the webpage, a separate window will be opened through which the customer can contact the customer service representatives while at the same time the company can identify the needs of its potential customers through the same window. The Group can provide the CRM outsourcing services to companies that value direct and instantaneous communication with customers.

Providing traditional CRM customer services i.e. handling various customer enquiries and conducting telesales through the Internet has the following benefits:

- Provides personalised customer services;
- Reduces costs over providing CRM services via telephones;
- Strengthens customer relationships; and
- Maximises sales opportunities

The Directors believe that providing customer services through the Internet will become the future trend in the market and a focus of the Group. Through this new Internet CRM service, the Group can further broaden its customer base into non-telecommunications industries, e.g. restaurants, retail shops, travel agents, etc., thus reducing its current reliance on its telecommunications customers.

The Group intends to co-operate with a licensed instant messaging system service provider in the PRC in respect of the provision of CRM services through its instant messaging system. Under preliminary negotiation, the Group will pay an annual licence fee to the service provider. However, as at the Latest Practicable Date, the calculation basis of the licence fee has not yet been finalized.

BASES AND ASSUMPTIONS

The Directors have assessed the potential of the CRM outsourcing services market and have formulated the above corporate strategies and business plans to achieve the Group's business objectives on the bases of (i) past market trend; (ii) anticipated market demand; and (iii) future growth

BUSINESS OBJECTIVES AND STRATEGIES

of its services based on the Directors' experience and knowledge. The Directors have made the following principal assumptions in making such assessment and formulation:

General assumptions

- (1) The Group is not materially adversely affected by any change in existing government policies or political, legal (including changes in legislations or regulations or rules), fiscal market, or economic conditions in the Cayman Islands, the PRC, Hong Kong and Macau in which the Group carries on business.
- (2) The Group is not materially adversely affected by any change in bases or rates of taxation or duties in the PRC or in any other places in which the Group operates or is incorporated.
- (3) The Group is not materially adversely affected by any change in inflation rates, interest rates or exchange rates from those currently prevailing.

Specific assumptions

- (1) The Placing will be completed in accordance with and as described in the section headed "Structure of the Placing" of this prospectus.
- (2) The Group is not adversely affected by any of the risk factors set out in the section headed "Risk factors" of this prospectus.
- (3) There will be increasing demand for the Group's services.
- (4) The Group will not encounter any significant difficulty in recruiting and retaining sufficiently qualified personnel.
- (5) The Group will not encounter any significant problems or disruptions adversely affecting its operations or business objectives in any ways, including but not limited to:
 - failure in the Group's operation system for whatever reasons;
 - serious accidents, natural and political disasters, labour disputes, or litigation affecting the operation of the Group; and
 - any other force majeure events.

BUSINESS PLAN

In light of the Group's objectives as described above, the Group has formulated the following business plan to implement its strategies:

Expansion of seating capacity

From the Latest Practicable Date to 31 December 2007

In the south and north-eastern regions of the PRC, set up and commence operation of new CRM service centres through 1) the acquisition or rental of suitable land and buildings; and/or 2) the acquisition of suitable small to medium sized CRM service centres.

Purchase computers, machinery and equipment and carry out renovation of the new CRM service centres.

Recruit and train operators for the new CRM service centres.

For the six months ending 30 June 2008

Identify suitable small to medium sized CRM service centres in other regions which the Group currently has no service sites.

Continue to purchase computers, machinery and equipment for the new CRM service centres.

Continue to recruit and train new operators to optimize utilisation rate of the seating capacity of the newly set-up CRM service centres.

For the six months ending 31 December 2008

Negotiate with identified centres.

Carry out maintenance on the existing computers, machinery and equipment to optimise the operating efficiency.

Provide intensive training to all the operators to improve their operating efficiency.

For the six months ending 30 June 2009

Carry out acquisitions under reasonable terms and conditions.

Purchase new machinery and equipment and carry out renovation of the newly acquired CRM service centres.

Recruit and train operators for the newly acquired CRM service centres.

For the six months ending 31 December 2009

Commence operation of the newly acquired CRM service centre.

Upgrade computers, machinery and equipment in existing CRM service centres currently operated by the Group.

Continue to recruit and train new operators to optimise utilisation rate of the seating capacity of the newly acquired CRM service centres.

BUSINESS OBJECTIVES AND STRATEGIES

Expansion of customer base and markets

From the Latest Practicable Date to 31 December 2007

Further develop relationships with non-telecommunications companies.

Reinforce the Group's relationships with existing overseas telecommunications customers (including overseas companies in Canada) for aggressively expanding the Group's overseas business markets.

For the six months ending 30 June 2008

Further cooperate with non-telecommunications companies (including but not limited to the insurance, medical and pharmaceutical as well as marketing research sectors).

Expand business in regions (such as Japan, Korea, Taiwan and Canada) outside China.

For the six months ending 31 December 2008

Further cooperate with other non-telecommunications companies (including but not limited to the aviation sector).

Continuously expand business in regions (such as Japan, Korea, Taiwan and Canada) outside China.

For the six months ending 30 June 2009

Further cooperate with other non-telecommunications companies (including but not limited to travel agencies, hotels and the retail sector).

Reinforce relationships with overseas telecommunications customers, expand overseas client base into non-telecommunications market and continuously develop other overseas markets.

For the six months ending 31 December 2009

Consolidate cooperation relationship with customers and explore further clientele cooperation opportunities.

Reinforce relationships with overseas telecommunications customers, expand overseas client base into non-telecommunications market and continuously develop other overseas markets.

Continuous improvement of services to existing customers

From the Latest Practicable Date to 31 December 2007

Execute various business expansion strategies and cooperate with China Unicom in marketing CRM outsourcing services in regions outside Guangdong Province.

For the six months ending 30 June 2008

Increase the number of subscribers of telecommunications customers and build up customer resources through the application of CRM services for providing customers with new value-added service items.

For the six months ending 31 December 2008

Reinforce relationships with telecommunications operators, strive to serve more telecommunications customers and enhance customers' service satisfaction and loyalty with the use of the Group's new value-added service.

For the six months ending 30 June 2009

Through the cooperation with telecommunications customers and aggressive development of non-telecommunications customers as well as the support of data analysis, establish more comprehensive value-added services needed in everyday life.

For the six months ending 31 December 2009

With the support of data research and analysis, provide personalized value-added service in line with the preferences of general subscribers.

Provision of new services

From the Latest Practicable Date to 31 December 2007

Carry out research on technology and platform for various new Internet-based CRM services.

For the six months ending 30 June 2008

Launch a new super secretarial service and carry out research and development on technology for supporting the Group's new services.

Launch a “小E” (“Little E”) e-channel service and enhance capability for system programming and input, and database.

Launch Internet-based conventional CRM customer services, improve Internet-based customer services, deal with technology involved therein and continue to develop new services.

For the six months ending 31 December 2008

Continuously develop the new super secretarial service and also carry out maintenance of product technology, implement marketing plan to attract customers.

Continuously develop the “小E” (“Little E”) e-channel service, improve system programming and input, and database as well as implement marketing activities to arouse publicity of products.

Reinforce Internet-based conventional CRM services, improve technology maintenance for Internet-based customer services, develop and retain Internet-based CRM customers.

For the six months ending 30 June 2009

Explore and retain customers of the new super secretarial service, arouse publicity in the consumer market and develop value-added services for products.

Expand the system database on the “小E” (“Little E”) e-channel service, implement marketing activities to arouse publicity and development of value-added services for products.

Reinforce Internet-based CRM services, improve technology maintenance for Internet-based customer services, develop and retain Internet-based CRM customers and set up a customer database.

For the six months ending 31 December 2009

Explore and retain customers of the new super secretarial service and launch new value-added services for products.

Explore and retain customers of the “小E” (“Little E”) e-channel service, expand the system database and promote value-added services for products.

Reinforce Internet-based CRM customer services, improve technology maintenance for Internet-based customer services on an ongoing basis, develop and retain Internet-based CRM customers, expand the customer database and carry out value-added sales with further use of customer resources.

BUSINESS OBJECTIVES AND STRATEGIES

USE OF PROCEEDS

The Directors consider that net proceeds from the Placing are crucial for financing the Group's business strategies and assisting the Group to consolidate its position as an active player in the CRM outsourcing services market.

The Group's future plan is to expand its business through the setting up of new CRM service centres and/or acquisition of other CRM service centres. At present, there is no definite plan or timetable for the Group's business expansion. The Directors intend to use the net proceeds of the Placing to provide fundings for the Group's capital expenditure and business expansion. The net proceeds of the Placing, after deducting related expenses of approximately HK\$25.0 million, are estimated to amount to approximately HK\$285.0 million (assuming the Over-allotment Option is not exercised). It is at present intended that the net proceeds will be applied as follows:

- Approximately 75.5% of the net proceeds, or approximately HK\$215.0 million, for the Group's business expansion, including i) the setting up of two CRM service centres; and/or ii) the acquisitions of small to medium sized CRM service centres in the PRC, in the southern, the north-east and/or other regions of the PRC in which the Group currently has no service sites.
 - (i) Setting up of a CRM service centre in the southern region of the PRC
 - approximately HK\$81 million for the acquisition of land and buildings for the CRM service centre, which is expected to occupy an area of over 12,000 square metres. However, no specific land and buildings had been identified by the Group as at the Latest Practicable Date;
 - approximately HK\$30 million for the renovation and furnishing of the CRM service centre, including approximately 5,000 work stations; and
 - approximately HK\$28 million for the purchase of equipment and facilities including exchange system, server, central network server cluster, personal computers etc.
 - (ii) Setting up of a CRM service centre in the north-eastern region of the PRC
 - approximately HK\$19 million for the acquisition of land and buildings for the CRM service centre, which is expected to occupy an area of over 5,000 square metres. However, no specific land and buildings had been identified by the Group as at the Latest Practicable Date;
 - approximately HK\$14 million for the purchase of equipments and facilities including exchange system, server, central network server cluster, personal computers etc.; and
 - approximately HK\$11 million for the renovation and furnishing of the CRM service centre, including approximately 2,000 work stations.
 - (iii) Acquisition of small to medium sized CRM service centres
 - approximately HK\$32 million for the acquisition of small to medium sized CRM service centres. However, the Group has not identified any suitable small to medium sized CRM service centres for acquisition as at the Latest Practicable Date;

BUSINESS OBJECTIVES AND STRATEGIES

- approximately 10.8% of the net proceeds, or approximately HK\$30.8 million, for the repayment of the entire outstanding non-trade balance due to related parties of the Company;
- approximately 4.0% of the net proceeds, or approximately HK\$11.5 million, for the development of new Internet CRM services which will be the focus of the Group's future development; and
- approximately 9.7% of the net proceeds, or approximately HK\$27.7 million, for the Group's general working capital.

For the period from the Latest Practicable Date to 31 December 2009, the Group's net proceeds from Placing will be used as follows:

	From the Latest Practicable Date to 31 December 2007	For the six months ending 30 June 2008	For the six months ending 31 December 2008	For the six months ending 30 June 2009	For the six months ending 31 December 2009	Total
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)
Set up of new CRM service centres in the Southern and Northeastern region						
— Acquisition of land and building	99.7	—	—	—	—	99.7
— Purchase of equipment and facilities	42.0	—	—	—	—	42.0
— Renovation and furnishing	41.3	—	—	—	—	41.3
Acquisition of small to medium sized CRM service centers	—	—	—	16.0	16.0	32.0
Repayment of non-trade balance due to related parties of the Company	30.8	—	—	—	—	30.8
Development of new Internet CRM services	—	2.4	2.4	3.3	3.4	11.5
General working capital	—	6.9	6.9	6.9	7.0	27.7
Total	213.8	9.3	9.3	26.2	26.4	285.0

Part of the additional proceeds received from any exercise of the Over-allotment Option will firstly be allocated to the general working capital up to the level so that the total general working capital is equal to 10% of the then net proceeds, with the remaining additional proceeds to be allocated to the acquisitions of small to medium sized CRM service centres under the Group's business expansion as mentioned above.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed as short-term deposits with licensed banks in Hong Kong.

The Directors consider that the net proceeds from the Placing together with the internal resources of the Group will be sufficient to finance the implementation of the Group's business plans as set out in the paragraph headed "Business plan" in the section headed "Business Objectives and Strategies" of this prospectus. Investors should be aware that any part of the business plans of the Group may not proceed

BUSINESS OBJECTIVES AND STRATEGIES

according to the time frame as described under the above paragraph headed “Business plan” in the section headed “Business Objectives and Strategies” of this prospectus due to various factors such as delay in development and launching of new services, delay in identifying suitable sites for CRM service centres, delay in delivery of newly acquired machinery, delay in recruiting sufficiently qualified personnel, prolonged time to identify suitable businesses for mergers and acquisitions and changes in market conditions. In such circumstances, the Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan materializes.

BOARD OF DIRECTORS**Executive Directors**

Mr. Li Kin Shing (李健誠先生), aged 49, is an executive Director and chief executive officer of the Company. He is responsible for the overall strategic planning and direction of the Group. Mr. Li has over 19 years of experience in the telecommunications industry. He has been a director of the Company since its establishment in 2000. Mr. Li was the chief executive officer and president of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, US, whose shares are displayed on the Over the Counter Bulletin Board when he resigned from these positions on 2 February 2007. He is the spouse of Ms. Kwok King Wa (郭景華), an executive Director and the elder brother of Ms. Li Yin (李燕), an executive Director. Save as disclosed herein, Mr. Li has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Ms. Kwok King Wa (郭景華女士), aged 50, is an executive Director and the chairman of the Company. She is responsible for the Group's overall management, corporate planning and business development. Ms. Kwok has over 11 years of experience in the telecommunications industry. She has been the director of the Company since 2000. She is the spouse of Mr. Li Kin Shing (李健誠), an executive Director and chief executive officer of the Company. Ms. Kwok has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Ms. Li Yin (李燕女士), aged 33, 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 7 years of experience in the telecommunications industry. She has been the assistant to the general manager of the Company since 2000. She is the sister of Mr. Li Kin Shing (李健誠), an executive Director and chief executive officer of the Company. Ms. Li has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Wong Kin Wa (黃建華先生), aged 39, is an executive Director and the chief financial 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 10 years of finance and marketing experience, in particular in the telecommunications industry in Hong Kong and Macau. Before joining the Group, he was the manager of China-Hong Kong Telelink Company Limited from 1997 to 1999. Mr. Wong joined Denway Motors Limited (駿威汽車有限公司) (previously known as Denway Investment Limited), a company whose shares are listed on the Main Board of the Stock Exchange, as the vice general manager of the Accounts Department in 1993. Mr. Wong has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Li Wen (李文先生), aged 44, is an executive Director and the deputy general manager of the Company. Mr. Li is responsible for overseeing the overall management of the Group's marketing activities. Mr. Li holds a bachelor degree in Electronic Engineering from Xi'an Electronic and Technology University (西安電子科技大學) and an Executive Master of Business Administration from Sun Yat Sen University (中山大學). He also holds the qualification as an engineer granted by 機械電子工業部 (Ministry of Mechanical and Electrical Industry). Mr. Li has over 20 years of experience in electronic industry. Mr. Li joined the Group in 2000. Mr. Li has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Independent Non-executive Directors

Mr. Tang Yue (唐越先生), aged 36, was appointed as an independent non-executive Director in September 2007. Mr. Tang was the co-founder of eLong, Inc., an online travel service company in the PRC. From 2001 to 2006, Mr. Tang served as Chairman and CEO of eLong Inc., and in similar key executive positions at its predecessor company from 1999 to 2001. A wholly-owned subsidiary of eLong, Inc., namely 藝龍網信息技術(北京)有限公司 (eLongNet Information Technology (Beijing) Co., Ltd.) (“eLong Net”), is a customer of the Group during the Track Record Period and as at the Latest Practicable Date. For the two years ended 31 December 2006 and the five months ended 31 May 2007, turnover of the Group from eLong Net was approximately HK\$46,737, HK\$10,224 and HK\$255 respectively. As of 31 May 2007, Mr. Tang was beneficially interested in 1,438,748 ordinary shares in eLong Inc., representing approximately 6.5% of the then issued ordinary shares of eLong Inc. and an aggregate of 3,212,500 ordinary shares in eLong Inc. issuable upon the exercise of options beneficially interested by Mr. Tang. Prior to founding eLong, Mr. Tang held various positions in the financial services industry in the United States from 1993 to 1999. On 30 December 2002, Mr. Tang was appointed as a director of PacificNet, Inc., a company incorporated in the State of Delaware and listed on the Nasdaq Global Market in the US. He later resigned from this directorship in PacificNet, Inc. in 2004. Mr. Tang is a co-founder of Blue Ridge China, a private equity fund formed in 2006 that invests in companies in the PRC. Mr. Tang is currently (i) a non-executive director of eLong, Inc., a limited liability company incorporated in BVI and continued in the Cayman Islands, whose shares are listed on the Nasdaq Global Market in the US; and (ii) a non-executive director of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, US, whose shares are displayed on the Over the Counter Bulletin Board. Mr. Tang studied at Nanjing University in the PRC and received a bachelor’s degree from Concordia College in the US. Save as disclosed herein, Mr. Tang has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Chen Xue Dao (陳學道先生), aged 65, was appointed as an independent non-executive Director in September 2007. Mr. Chen obtained a bachelor degree in Cable Communications from Beijing University of Posts and Telecommunications in 1967. Mr. Chen was appointed as the head of Guangdong Communications Administration (廣東省通信管理局) in 2001. Mr. Chen is currently a member of Political Consultative Committee of the PRC (Guangdong Province), member of the Telecommunications Technology Committee of the Ministry of Information Industry of the PRC (中國信息產業部通信科學技術委員會), member of the Economic Specialists in the Telecommunications Committee of the Ministry of Information Industry of the PRC (中國信息產業部電信經濟專家委員會), fellow member of the China Institute of Communications (中國通信學會), chairman of the Guangdong Institute of Communications (廣東省通信學會), Honorary chairman of Guangdong Communication Industry Association (廣東省通信行業協會) and Honorary chairman of Guangdong Internet Society (廣東省互聯網協會). Mr. Chen also holds the qualification of a senior engineer at Professor grade, and he has been granted the special subsidy by the State Council of the PRC for his prominent contributions to engineering science since 1992. Mr. Chen has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Cheung Sai Ming (張世明先生), aged 32, was appointed as an independent non-executive Director in September 2007. Mr. Cheung is a certified public accountant of Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Cheung obtained a bachelor degree of arts in accountancy and finance from the Heriot-Watt University in 2006. He has extensive experience in auditing and accounting. He has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

SENIOR MANAGEMENT

Mr. Zhang Lan (張嵐先生), aged 47, joined the Group in 2002 as Deputy General Manager of the Company overseeing the Company's technology department. Mr. Zhang graduated with a bachelor degree in Telecommunications from Shanghai Railway College in 1982 and possesses over 20 years of experience in the telecommunications technology industry. Mr. Zhang has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Ms. Chan Wai Ching (陳惠貞女士), aged 45, is the Company's Qualified Accountant and Company Secretary. Ms. Chan has 24 years of experience in accounting, and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan holds a Post-Experience Certificate in Accountancy obtained from The Hong Kong Polytechnic University.

Ms. Xuan Jing Shan (禰靜珊女士), aged 38, joined the Group in 1999 and is the finance manager of the Group. Ms. Xuan worked as the accounts manager in 廣州天龍信息工程公司 (Guangzhou Talent Information Engineering Company Limited) from 1992 to 1999. She has 11 years of experience in the finance field. Ms. Xuan graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) with a diploma in Financial Accounting in 1992. Ms. Xuan has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Ms. Lin Yuan Yi (林原翼女士), aged 32, 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 13 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 (台山磐石電視大學) with a Diploma in Pedagogic English in 1994. Ms. Lin has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Ms. Peng Jian Tao (彭健濤女士), aged 32, 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 10 years of experience in customer relationship management. Prior to joining the Group, Ms. Peng worked for a telecommunications service provider for 7 years. Ms. Peng obtained a Certificate in Administrative Management from the University of Macau (澳門大學) in 2000. Ms. Peng has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Chan Wai Ching is the Company Secretary and Qualified Accountant of the Company. Details of the qualification and experience of Ms. Chan are set out in the paragraph headed "Senior management" in this section.

COMPLIANCE ADVISER

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

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the prospectus; and
- (4) where the Stock Exchange makes an inquiry of the Company concerning unusual movements in the price or trading volume of the Company.

AUDIT COMMITTEE

The Company has established an audit committee in September 2007 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising the three independent non-executive Directors and Mr. Cheung Sai Ming has been appointed as the chairman of the audit committee.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in September 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The remuneration committee comprises one executive Director, namely, Mr. Wong Kin Wa and two independent non-executive Directors, namely Mr. Chen Xue Dao, and Mr. Cheung Sai Ming with Mr. Wong Kin Wa being 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.

NOMINATION COMMITTEE

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

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF OF THE GROUP

Staff

Breakdowns of the Group's staff by functions and regions as at 31 December 2005 and 2006 and the Latest Practicable Date are as follows:

<u>Functions</u>	As at 31 December		Latest Practicable Date
	2005	2006	
Management	3	4	5
Business	3,614	3,339	3,905
Financial and administration and human resources	73	63	45
Sales and marketing	4	6	30
Research and development	15	19	17
Repairs and maintenance	24	30	18
	3,733	3,461	4,020
	As at 31 December		Latest Practicable Date
	2005	2006	
<u>Regions</u>			
The PRC	3,727	3,453	4,011
Hong Kong	4	6	7
Macau	2	2	2
	3,733	3,461	4,020

Staff Relations

As at the Latest Practicable Date, the Group has not experienced any significant problems with its employees or disruptions to its business as a result of labour disputes. The Directors believe that the Group maintains a good working relationship with its employees.

Applicable labour laws and regulations and benefits

PRC

The Group provides its employees with compensation packages consisting of salary and benefits, including pensions and social benefits, such as various defined contribution retirement plans, social insurance and housing funds schemes organized by the PRC government in accordance with the relevant national and local labour and social security laws and regulations. Contributions made to such plans and schemes are calculated based on a certain percentage of the payroll costs of the eligible employees.

Under applicable laws and regulations in the PRC, both the employers and their employees should contribute to a government administered housing fund. As the staff turnover of China Elite was high, it would incur high administrative cost and time to both China Elite and its employees to arrange housing fund registration and contribution for each employee. Therefore, prior to July 2006, instead of making contribution directly to the housing fund, employees were more willing to receive the Group's contribution in cash by way of housing allowance as part of their employee's salary package. The amount paid by the Group under such housing allowance was equivalent to the amount of the Group's liability under the housing fund scheme and amounted to approximately RMB8.6 million. In 2006, as both the national and local relevant government authorities strengthened their regulation on the housing fund, China Elite has started to make the required contributions directly to the housing fund

instead of paying housing allowance to its staff since July 2006. Should the Group's employees wish to claim the housing fund from the PRC government for the amount prior to July 2006, they need to repay the housing allowances they received from the Group to the PRC government as the employer's portion of contribution. In the event that the Group is adjudged liable for failure to contribute to the housing fund, a fine ranging from RMB10,000 to RMB50,000 may be levied on the Group. As at the Latest Practicable Date, the Directors are not aware of any claims from any employee, or any action taken by any relevant government authority, in respect of the failure to contribute to housing fund. The Group's PRC legal advisers are of the opinion that despite failing to make contributions directly to the government administered housing fund, the Group has paid housing allowances of an equivalent amount to its employees. Further, the Group has since July 2006 complied with the applicable PRC law and regulations by making the required contributions directly to the housing fund and it is practically impossible to make housing fund contribution for employees who have resigned. The Group's PRC legal advisers are of the opinion that save for the possible fine ranging from RMB10,000 to RMB50,000 as mentioned above, the risk involved in respect of the failure to make housing fund contribution prior to July 2006 is low and will not materially and adversely affect the Group's financial position and business operations. Besides, each of the Initial Management Shareholders has agreed to provide indemnities to cover any claims in respect of the non-payment of the housing fund together with the potential fine as required by relevant PRC laws and regulations.

Furthermore, due to the rapid turnover of the Group's employees, the Group had inadvertently omitted to pay social insurance premiums for some of the Group's employees, namely its part-time employees and employees who were still on probation. When the employees became permanent staff of the Group, the Group immediately arranged social insurance contribution for them. On the other hand, as part-time employees were usually recruited for short-term projects, the number of part-time employees per month was approximately 40 for the two years ended 31 December 2006. The total potential exposures in this respect was approximately HK\$1.3 million for the two years ended 31 December 2006, all of which was related to employees who have left the Group. It is virtually impossible for the Group to pay the outstanding social insurance premiums to them.

An employer who fails to pay social insurance premiums may be ordered by the PRC Ministry of Labour and Social Security or the PRC Tax Bureau to make such payments within a stipulated time and in addition to such payments, may be liable to pay 0.2% of the outstanding payment per day, as a fine for late payment. The late payment fine is to be calculated from the date when the payment had become overdue. The Group has since 1 January 2007 taken out social insurance for all of its employees, including part-time employees and employees under probation, and has made timely social insurance premiums. As at the Latest Practicable Date, there have been no complaints made by the Group's employees against the Group in respect of social insurance, as certified by the Guangzhou Social Security Fund Management Centre. According to applicable rules and regulations in the PRC, employees can only make claim against the Group within two years from the time they know or should have known that their rights have been infringed. As advised by the legal advisers to the Company (as to PRC law), the date for a person to know his/her entitled rights and benefits have been infringed is 1) the date when the person has the evidence to prove that his/her entitled rights and benefits have been infringed; or 2) the date deduced by general rules that the person should have known that his/her entitled rights and benefits have been infringed. Regarding labour disputes, the date is generally interpreted as the date when the dispute occurs. Regarding social insurance claim, an employee may argue that he/she does not know that his/her rights and benefits have been infringed during the employment period. However, the latest date for an employee to know his/her entitled rights and benefits in a company clearly should be the date when he/she resigns. Therefore, if an employee claims

that he/she only knows that his/her entitled rights and benefits in a company has been infringed after he/she has resigned, the latest date of commencement of the two-year period that the employee can make claim against the Group should be the date when the employee resigns. As the outstanding social insurance premiums are all related to employees who have left the Group on or before 31 December 2006, the Directors are of the view that the Group's liability to repay outstanding social insurance premiums to its previous employees will probably cease after 31 December 2008. The Group's PRC legal advisers are of the opinion that the risk involved is low and will not materially and adversely affect the Group's business operations. Besides, each of the Initial Management Shareholders has agreed to provide indemnities to cover any claims which may be brought against the Group by the part-time employees and employees under probation in respect of the Group's failure to enroll them on the social insurance program as required by the relevant PRC laws and regulations.

To ensure compliance with the applicable laws and regulations the Group has in place procedures which include designating staff of the human resources department to prepare monthly detailed contribution schedules in respect of housing fund and social insurance contributions which will then be received and approved by the human resources manager. Regular checks will be made by the Group's account manager to ensure completeness and accuracy of the information. In addition the Group has assigned the manager of the human resources department to formulate and implement measures to ensure compliance. The human resources manager has around 10 years of experience in human resources management and has gained such experience from various companies in the PRC. He has graduated from Nanjing University of Science and Technology majoring in human resources management and has obtained a national qualification certificate on human resources management (人力資源管理師職業資格証(國家二級)).

Save as disclosed herein above, the Directors confirm that the Group is in compliance with the current applicable labour laws and regulations. The Company has undertaken that it will pursue itself and its subsidiaries to make promptly contribution in respect of housing fund and social insurance in accordance with the applicable local and national laws, regulations and policies.

Hong Kong

Under the applicable labour laws in Hong Kong, the Group is required to:

- take out insurance policies to cover their liabilities under the Employees' Compensation Ordinance (Chapter 282 of the laws of Hong Kong) and under the common law for the work injuries of its employees;
- provide basic protection under the Employment Ordinance (Chapter 57 of the laws of Hong Kong) to its employees, including among others, payment of wages and statutory holidays, sickness allowance and severance payment;
- enroll all employees (both full-time and part-time) in the Registered Schemes as defined under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) (the "MPF Ordinance").

A mandatory provident fund scheme (the "Registered Scheme") registered under the MPF Ordinance has been set up by the Group which is available to all Hong Kong employees, details of which are set out in the accountants' report in Appendix I to this prospectus. The Group made contributions to the Registered Scheme in compliance with the MPF Ordinance during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The Directors confirm that the Group has complied with the above applicable Hong Kong labour laws, during the Track Record Period and as at the Latest Practicable Date.

To ensure compliance with the applicable laws and regulations, the Group has designated staff to be responsible for compliance in Hong Kong.

Mr. Wong Kin Wa, the chief financial officer of the Group, is responsible for monitoring human resources related matters in Hong Kong. Mr. Wong has over 10 years of finance and marketing experience. A designated staff is responsible for preparing a monthly detailed MPF contribution schedule, which is then reviewed and approved by Mr. Wong Kin Wa before making such contributions to the fund manager. In addition, Mr. Wong Kin Wa will regularly review the employee compensation policy of the Group to ensure it is valid and sufficient to cover the Group's liabilities under the applicable laws of Hong Kong for the Group's employees in Hong Kong.

Macau

The applicable labour legislations of Macau are set out as follows:

- 6th of June—Decree Law No. 29/98/M (approval of social security regime);
- 4th of August—Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases);
- 22nd of May—Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishments);
- 18th of February—Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);
- 27th of July—Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights);
- 3rd of April—Decree Law No. 24/89/M (Labour Relations, Juridical System); and
- 14th of June—Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work).

As statutory requirement under the laws of Macau, the Group has participated and contributed to the mandatory social security funds and has purchased compulsory industrial accident insurance for its Macau employees in accordance with the relevant applicable legislations.

To ensure compliance with the applicable laws and regulations, the Group has designated staff to be responsible for compliance in Macau.

Ms. Lao Sio Leng, is responsible for monitoring human resources related matters in Macau. Ms. Lao has over 30 years of experience in accounting. Similar to the practice in Hong Kong, a designated staff is responsible for preparing a monthly detailed social security funds contribution schedule, which is then reviewed and approved by Ms. Lao before making such contributions. In addition, Ms. Lao will regularly review the industrial accident insurance policy of the Group to ensure it is valid and sufficient to cover the Group's liabilities under the applicable Macau laws for the Group's employees in Macau.

The Group does not have any non-compliance records in respect of safety matters in the PRC, Hong Kong and Macau.

SUBSTANTIAL SHAREHOLDERS, SIGNIFICANT SHAREHOLDERS AND INITIAL MANAGEMENT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Placing and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme), the following persons/entities will have interests and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be directly or indirectly interested in 10% or more of the voting power at general meetings of the Company:

Name	Capacity/ Nature of Interest	Number of Shares held immediately after the Placing and the Capitalisation Issue	Position	Approximate percentage of shareholding in the Company immediately after the Placing and the Capitalisation Issue
Ever Prosper (<i>Note 1</i>) . . .	Beneficial owner	684,000,000 (<i>Note 2, 3</i>)	Long	75%
Ever Prosper (<i>Note 1</i>) . . .	Beneficial owner	34,200,000 (<i>Note 4</i>)	Short	3.75%
Mr. Li Kin Shing	Interest of controlled corporation	684,000,000 (<i>Note 2</i>)	Long	75%
Mr. Li Kin Shing	Interest of controlled corporation	34,200,000 (<i>Note 4</i>)	Short	3.75%
Mr. Li Kin Shing	Beneficial owner	20,000,000 (<i>Note 5</i>)	Long	2.193%
Ms. Kwok King Wa	Interest of controlled corporation	684,000,000 (<i>Note 3</i>)	Long	75%
Ms. Kwok King Wa	Interest of controlled corporation	34,200,000 (<i>Note 4</i>)	Short	3.75%
Ms. Kwok King Wa	Beneficial owner	18,550,000 (<i>Note 5</i>)	Long	2.034%

Notes:

- (1) Ever Prosper, a company incorporated on 29 November 1994 under the laws of the BVI with limited liability, held by Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin as to 50%, 46.5% and 3.5% respectively.
- (2) The 684,000,000 Shares are owned by Ever Prosper which is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 684,000,000 Shares under the SFO.
- (3) The 684,000,000 Shares are owned by Ever Prosper which is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 684,000,000 Shares under the SFO.
- (4) Ever Prosper and Daiwa Securities SMBC entered into the Stock Borrowing Agreement pursuant to which Ever Prosper agreed to lend up to 34,200,000 Shares to Daiwa Securities SMBC for the purpose of facilitating settlement of any over-allocations in connection with the Placing. Ever Prosper is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, each of Mr. Li Kin Shing and Ms. Kwok King Wa is deemed to have a short position of the Shares in which Ever Prosper has a short position.
- (5) Such interest in Shares is held pursuant to the Pre-IPO Share Options, details of which are set out in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix VI to this prospectus.

SUBSTANTIAL SHAREHOLDERS, SIGNIFICANT SHAREHOLDERS AND INITIAL MANAGEMENT SHAREHOLDERS

INITIAL MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Placing and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme), the following persons individually and/or collectively are entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practical matter, to direct or influence the management of the Company immediately prior to the date of this prospectus and/or immediately prior to the Listing Date and are therefore regarded as Initial Management Shareholders under the GEM Listing Rules:

Name	Capacity/Nature of Interest	Number of Shares held immediately after the Placing and the Capitalisation Issue	Position	Approximate percentage of shareholding in the Company immediately after the Placing and the Capitalisation Issue
Ever Prosper (<i>Note 1</i>) . . .	Beneficial owner	684,000,000 (<i>Note 3, 4</i>)	Long	75%
Ever Prosper (<i>Note 1</i>) . . .	Beneficial owner	34,200,000 (<i>Note 5</i>)	Short	3.75%
Mr. Li Kin Shing (<i>Note 2</i>)	Interest of controlled corporation	684,000,000 (<i>Note 3</i>)	Long	75%
Mr. Li Kin Shing (<i>Note 2</i>)	Interest of controlled corporation	34,200,000 (<i>Note 5</i>)	Short	3.75%
Mr. Li Kin Shing (<i>Note 2</i>)	Beneficial owner	20,000,000 (<i>Note 7</i>)	Long	2.193%
Ms. Kwok King Wa (<i>Note 2</i>)	Interest of controlled corporation	684,000,000 (<i>Note 4</i>)	Long	75%
Ms. Kwok King Wa (<i>Note 2</i>)	Interest of controlled corporation	34,200,000 (<i>Note 5</i>)	Short	3.75%
Ms. Kwok King Wa (<i>Note 2</i>)	Beneficial owner	18,550,000 (<i>Note 7</i>)	Long	2.034%
Ms. Li Yin (<i>Note 2</i>)	Corporate	23,940,000 (<i>Note 6</i>)	Long	2.625%
Ms. Li Yin (<i>Note 2</i>)	Corporate	1,197,000 (<i>Note 5</i>)	Short	0.131%
Ms. Li Yin (<i>Note 2</i>)	Beneficial owner	12,600,000 (<i>Note 7</i>)	Long	1.382%

Notes:

- (1) Ever Prosper, a company incorporated on 29 November 1994 under the laws of the BVI with limited liability, held by Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin as to 50%, 46.5% and 3.5% respectively.
- (2) Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin are executive Directors. As each of Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin, by virtue of his/her indirect shareholding in the Company through Ever Prosper, is individually and/or collectively entitled to exercise, or control the exercise of 5% or more of the voting power at the general meetings of the Company and/or is able to directly or indirectly influence the management of the Company immediately prior to the Listing Date, each of them is therefore an Initial Management Shareholder under the GEM Listing Rules.
- (3) The 684,000,000 Shares are owned by Ever Prosper which is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 684,000,000 Shares under the SFO.
- (4) The 684,000,000 Shares are owned by Ever Prosper which is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 684,000,000 Shares under the SFO.
- (5) Ever Prosper and Daiwa Securities SMBC entered into the Stock Borrowing Agreement pursuant to which Ever Prosper agreed to lend up to 34,200,000 Shares to Daiwa Securities SMBC for the purpose of facilitating settlement of any over-allocations in connection with the Placing. Ever Prosper is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, each of Mr. Li Kin Shing and Ms. Kwok King Wa is deemed to have a short position of the Shares in which Ever Prosper has a short position. Ms. Li Yin holds 3.5% of the issued share capital of Ever Prosper which will have a short position of 3.75% of the issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue. Therefore she will have an attributable interest of 0.131% of the short position of the issued share capital of the Company.
- (6) Ms. Li Yin holds 3.5% of the issued share capital of Ever Prosper which will hold 75% of the issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue. Therefore, she will have an attributable interest of 2.625% of the issued share capital of the Company.
- (7) Such interest in Shares is held pursuant to the Pre-IPO Share Option, details of which are set out in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix VI to this prospectus.

SUBSTANTIAL SHAREHOLDERS, SIGNIFICANT SHAREHOLDERS AND INITIAL MANAGEMENT SHAREHOLDERS

SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, save for the persons disclosed under the paragraphs headed “Substantial Shareholders” and “Initial Management Shareholders” in this section above, there are no other persons who will immediately following completion of the Placing and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme) be directly or indirectly interested in 5% or more of the voting power at the general meetings of the Company and are therefore regarded as significant shareholders of the Company under the GEM Listing Rules.

UNDERTAKING

Each of the Initial Management Shareholders has undertaken with the Company, the Sponsor, the Underwriters and the Stock Exchange that, *inter alia*, during the date of this prospectus and ending on the date which is 12 months following the Listing Date:

- (a) he, she or it will not, save as provided in Rule 13.18 of the GEM Listing Rules, (i) dispose of (nor enter into any agreement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of his, her or its respective direct or indirect interests in the Relevant Securities; or (ii) otherwise create (nor enter into any agreement to sell, transfer or dispose of) nor permit the registered holder to create (or to enter into any agreement to create) any options, rights, interests or encumbrances in respect of any such interest;
- (b) he, she or it will place in escrow, with an escrow agent acceptable to the Stock Exchange, the Relevant Securities owned (or deemed interested) by him, her or it on terms acceptable to the Stock Exchange;
- (c) in the event that he, she or it pledges or charges any direct or indirect interest in the Relevant Securities under the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to the GEM Listing Rules, he, she or it must inform the Company immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any of his, her or its interests in the Relevant Securities under sub-paragraph (c) above, he, she or it must inform the Company immediately in the event that he, she or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Securities affected.

In addition, each of Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin has undertaken to the Stock Exchange, the Company and the Sponsor not to dispose of (or enter into any agreement to dispose of) his or her direct interest in Ever Prosper during the period commencing on the date by reference to which disclosure of his or her shareholding in Ever Prosper is made in this prospectus and ending on the date which is 12 months from the Listing Date.

ESCROW ARRANGEMENTS

Each of the Initial Management Shareholders has undertaken to the Company, the Sponsor, the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange that he/she/it shall place in escrow, with an escrow agent acceptable to the Stock Exchange, his/her/its Relevant Securities during the period commencing on the date by reference to which disclosure of his/her/its shareholding in the Group is made in this prospectus and ending on the date which is 12 months from the Listing Date on terms acceptable to the Stock Exchange.

SHARE CAPITAL

The registered share capital of the Company, issued or to be issued, fully paid or credited as fully paid are as follows:

<i>Authorised:</i>	HK\$
<u>4,000,000,000</u> Shares	<u>40,000,000</u>

Shares issued or to be issued, fully paid or credited as fully paid:

35,600,100 Shares in issue at the date of this prospectus	356,001
648,399,900 Shares issued pursuant to the Capitalisation Issue	6,483,999
228,000,000 Shares to be issued in the Placing (assuming the Over-allotment Option is not exercised) (<i>Note</i>)	<u>2,280,000</u>

Total Shares issued and to be issued upon completion of the Placing (assuming the Over-allotment Option is not exercised):

<u>912,000,000</u> Shares (<i>Note</i>)	<u>9,120,000</u>
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Note: If the Over-allotment Option is exercised in full, 34,200,000 additional Shares will be issued resulting in a total issued share capital of 946,200,000 Shares with an aggregate nominal value of HK\$9,462,000.

Assumptions

This above table assumes the Placing and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto is made as described herein.

It takes no account of any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued under the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or purchase of Shares granted to Directors or any Shares which may be bought back by the Company pursuant to the general mandate given to the Directors for the repurchase of Shares as referred to below or otherwise.

Minimum public float

Pursuant to Rule 11.23(1) of the GEM Listing Rules, at the time of listing of the Shares on GEM and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

Ranking

The Placing Shares will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of the prospectus save for the Capitalisation Issue.

SHARE CAPITAL

General mandate to issue Shares

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not more than:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue but excluding Shares to be issued pursuant to the exercise of the Over-allotment Option; and
- (b) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements or the exercise of the Pre-IPO Share Options and options to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

General mandate to repurchase Shares

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of the Company in issue following the completion of the Placing and Capitalisation Issue but excluding any Shares to be issued under the Over-allotment Option.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Repurchase by the Company of its own Shares” in Appendix VI to this prospectus.

The general mandates to issue and repurchase Shares will expire:

- at the conclusion of the next annual general meeting of the Company;
- at the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of Cayman Islands or the Bye-laws to be held; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

whichever is the earliest.

For further details of these general mandates, please refer to the paragraphs headed “Written resolutions of the then sole Shareholder of the Company passed on 8 September 2007, 21 September 2007 and 8 October 2007” and “Repurchase by the Company of its own Shares” in Appendix VI to this prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TRADING RECORD

Investors should read the following discussion and analysis in conjunction with the audited financial statements of the Group, including notes thereto, as set forth in Appendix I “Accountants’ report” to this prospectus. The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Overview of the Group’s operations

The Group is one of the largest CRM outsourcing service providers in the PRC in terms of seating capacity. The Group has more than 7 years of experience in providing CRM outsourcing services in the PRC. Major customers of the Group are sizable companies, including established telecommunications service providers in Hong Kong, Macau and the PRC.

As at the Latest Practicable Date, the Group had three CRM service centres located in Guangdong Province, the PRC, with a total seating capacity of approximately 4,100 seats. As one of the leaders in the CRM outsourcing service industry in the PRC, the Directors believe that the Group will benefit from the anticipated growth in the demand of CRM outsourcing services from companies in the telecommunications industry, as well as other service-oriented industries. The Directors expect to leverage the Group’s leading position in the PRC market to increase its market share in the PRC and capture new market opportunities if identified.

BASIS OF PRESENTATION

The financial information set out in the Accountants’ Report, a copy of which is set out in Appendix I to this prospectus, including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the Track Record Period and the consolidated balance sheets of the Group as at 31 December 2005 and 2006 and 31 May 2007, have been prepared on a consolidated basis based on the audited financial statements and, where appropriate, unaudited management accounts of the Group, after making such adjustments as appropriate to comply with IFRS.

Critical Accounting Policies

The methods, estimates and judgements the Directors use in applying the Group’s accounting policies have a significant impact on the Group’s operating results. Some of the accounting policies require the Group to make difficult and subjective judgements, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies that the Directors believe are both important to the presentation of the Group’s financial results and involve a need to make estimates about the effect of matters that are inherently uncertain. The Group also has other policies that the Directors consider to be key accounting policies. However, since these policies do not generally require the Directors to make estimates or judgements that are difficult or subjective, they are not discussed below.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) CRM services

CRM services comprise inbound service which includes customer hotline services and BIS service, a personalised message taking service, and outbound service which includes telesales service and market research.

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Revenue is recognised when the services have been provided and the Group has obtained the right to demand payment of the consideration. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or when the amount of revenue and the costs incurred or to be incurred in respect of the services cannot be measured reliably.

(ii) Interest income

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

Property plant and equipment

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

Cost comprises direct cost at construction including the capitalisation of staff cost on the application development and equipment assembly on respective property, plant and equipment. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. These costs, which are not eligible for capitalisation under accounting standards, are recognised as expenses under staff costs in the period in which they are incurred.

(ii) Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

(iii) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(iv) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses.

Construction in progress is transferred to property, plant equipment when it is substantially ready for its intended use. No depreciation is provided against construction in progress.

Impairment of trade and other receivables

Trade and other receivables that are stated at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists may have decreased.

- property, plant and equipment
- investment in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit.)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Trade receivable and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

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- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

No provision has been made for Hong Kong profits tax as the Group had no assessable profit arising in or derived from Hong Kong during the Track Record Period.

The Company is incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands, namely Keithick and PacificNet Management, are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from payment of the British Virgin Islands income tax.

The Company's subsidiaries established in Macau, namely International Elite (Macau) and PacificNet Communications, are incorporated under the Commercial Code and regulations on offshore activities of Macau and, accordingly, are exempted from payment of the Macau income tax.

The applicable tax rate of China Elite was 33% throughout the Track Record Period. China Elite had no assessable profit for the two years ended 31 December 2006 and its accumulated tax losses brought forward from 31 December 2006 were sufficient to offset its assessable profit for the five months ended 31 May 2007.

TRADING RECORD

The table below summarises the audited results of the Group for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 and the unaudited results for the five months ended 31 May 2006. The financial information should be read in conjunction with the accountants' report, the text of which is set out in Appendix I to this prospectus.

Income Statements

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Turnover	83,434	149,864	57,307	74,923
Cost of sales	(65,668)	(97,664)	(39,511)	(43,606)
Gross profit	<u>17,766</u>	<u>52,200</u>	<u>17,796</u>	<u>31,317</u>
Other revenue	99	284	148	159
Administrative expenses	(16,121)	(22,106)	(9,076)	(12,516)
Operating profit and profit before taxation	1,744	30,378	8,868	18,960
Taxation	—	6,290	—	(2,140)
Profit for the year attributable to shareholders of the Company	<u>1,744</u>	<u>36,668</u>	<u>8,868</u>	<u>16,820</u>
Earnings per share				
—Basic and diluted earnings per share (Note) (HK\$)	<u>0.10</u>	<u>2.04</u>	<u>0.49</u>	<u>0.94</u>

Note: The basic earnings per share for each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2006 and 2007 is calculated based on the profit attributable to the shareholders of the Company during the respective periods and 17,950,000 ordinary Shares.

There were no dilutive potential ordinary shares during the two years ended 31 December 2006 and the five months ended 31 May 2006 and 31 May 2007 and, therefore, diluted earnings per share are the same as basic earnings per share for each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2006 and 31 May 2007.

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Factors affecting the Group's results of operations and financial condition

The Group's results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

I. Ability of the Group to maintain competitiveness in the market

The competition in the industry is keen and the substantiality of the financial results of the Group is highly dependent on its ability to maintain its competitiveness in the market and to produce high quality services.

II. Reliance on major customers

The top five customers of the Group on group basis accounted for approximately 95.20%, approximately 99.33% and approximately 95.36% of the Group's total turnover for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively. The Group expects that a significant portion of its turnover will still be derived from its top five customers. The Group's business, results of operations and financial position may be adversely affected should such existing key customers cease its business relationships with the Group.

III. Service mix

Services provided by the Group are divided into inbound services and outbound services. Inbound services can be further classified into two categories (i) customer hotline service; and (ii) BIS services. Outbound services mainly fall under two categories (i) telesales; and (ii) market research. Inbound services represented approximately 71.89%, approximately 68.94% and approximately 56.90% of the Group's turnover for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively. Outbound services accounted for approximately 28.11%, approximately 31.06% and approximately 43.10% of the Group's turnover for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively.

IV. Geographical mix

The Group's turnover by geographical regions is based on the geographical location of customers:

	For the year ended 31 December				For the five months ended 31 May			
	2005		2006		2006		2007	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	4,921	5.90	14,874	9.92	4,724	8.24	7,339	9.80
Hong Kong	77,068	92.38	131,538	87.78	51,067	89.11	65,461	87.37
Macau	1,445	1.72	3,452	2.30	1,516	2.65	2,123	2.83
	<u>83,434</u>	<u>100</u>	<u>149,864</u>	<u>100</u>	<u>57,307</u>	<u>100</u>	<u>74,923</u>	<u>100</u>

The Group's major business activities are located in the PRC, Hong Kong and Macau respectively. Hong Kong is the major market for the Group's business. PRC and Macau have contributed more to the Group's turnover mainly due to higher business volume with China Unicom Guangdong and China Unicom Macau Limited in 2006.

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V. Cost of Sales

The Group's costs of sales principally comprise line rental expenses and staff costs.

The tables below sets out the breakdown of its costs of sales during the two years ended 31 December 2006 and the five months ended 31 May 2006 and 31 May 2007:

Cost of Sales Breakdown	For the year ended 31 December				For the five months ended 31 May			
	2005		2006		2006		2007	
	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%
Line rental expenses	5,080	7.74	6,085	6.23	2,287	5.79	2,999	6.88
Staff costs	53,054	80.79	86,191	88.25	35,725	90.42	39,263	90.04
Depreciation and amortization	2,651	4.04	2,625	2.69	669	1.69	802	1.84
Others	4,883	7.43	2,763	2.83	830	2.10	542	1.24
	<u>65,668</u>	<u>100</u>	<u>97,664</u>	<u>100</u>	<u>39,511</u>	<u>100</u>	<u>43,606</u>	<u>100</u>

(i) Line rental expenses

For each of the two years ended 31 December 2006 and the five months ended 31 May 2007, line rental expenses represented approximately 7.74%, approximately 6.23% and approximately 6.88% of the Group's costs of sales respectively. However, as a percentage of turnover, such line rental expenses represented approximately 6.09%, approximately 4.06% and approximately 4.00% of the Group's turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007 respectively. The line rental expenses were considered as fixed cost in nature. Comparing with 2005, the telephone lines were more effectively utilised in 2006 and the five months ended 31 May 2007 due to the increase in business volume. In other words, the excess line capacity decreased as utilisation increases. As a result, each dollar spent on line rental has contributed higher turnover, which led to a lower percentage of line rental expenses to turnover of the Group in 2006 and the five months ended 31 May 2007.

(ii) Staff costs

For each of the two years ended 31 December 2006 and the five months ended 31 May 2007, staff costs represented approximately 80.79%, approximately 88.25% and approximately 90.04% of the Group's costs of sales respectively. The Group's business with large scale customers such as Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong started around mid-2005 and therefore the Group has gradually recruited more operators for business expansion since mid-2005. As a result, the basic salary costs of operators incurred by the Group in 2006 and the five months ended 31 May 2007 was much higher than the previous corresponding year/period. Besides, with the increase in the turnover from telesales services as a result of i) the improvement in selling skills of its operators, and ii) the entering into of more telesales contracts with its customers, higher commission to operators was incurred in 2006 and the five months ended 31 May 2007 than the previous corresponding year/period.

VI. Revenue recognition

The Group is subject to clawback provisions pursuant to certain telesales projects under the dealership agreement entered into with Hutchison Macau in March 2007. A portion of the Group's monthly commission for a particular telesales project under that agreement will be recognised as revenue. The Group recognised revenue which is probable to be received by reference to subscriber termination rate provided by Hutchison Macau as the Group currently has no sufficient historical data.

Taking into consideration that the Group's operators may not be experienced enough with a particular project, the Group will apply the highest historical monthly subscriber termination rate initially. During the month, the receivable from Hutchison Macau which exceeds the recognised revenue will be recorded as advance income. The recognised revenue is subject to monthly review and any revenue previously considered as not probable to be received which becomes probable to be received will be recognised as revenue of the Group from advance income in the current period.

VII. Transfer Pricing

China Elite is responsible for the operation of the Group's CRM service centres. Besides providing CRM outsourcing services to its direct customers (i.e. customers who are directly sourced by and entered into service agreements with China Elite itself), China Elite also provides CRM outsourcing services to other Group's companies, which therefore constitute intra-group related party transactions within the Group.

For typical intra-group related party transactions within the Group, PacificNet Communications, International Elite (Macau) or Winet first enter into service contracts with customers and then outsource their responsibilities for the provision of CRM services to the Company. The Company then subsequently further subcontracts the CRM services to China Elite. In other words, either PacificNet Communications, International Elite (Macau) or Winet is the contracting company in each intra-group related party transaction within the Group and China Elite is the ultimate service provider. This ensures optimal benefits for the Group's business operations as each subsidiary of the Group has its own responsibilities and roles to fulfill and the Group can efficiently and effectively put its resources to the best uses. The followings illustrate the principal responsibilities of each subsidiary of the Group:

PacificNet Management and Keithick

PacificNet Management and Keithick are investment holding companies.

PacificNet Communications, International Elite (Macau) and Winet

PacificNet Communications commenced operation in February 2003 and its place of operation is Macau. International Elite (Macau) commenced operation in January 2003 and its place of operation is Macau. Winet commenced operation in January 2000 and its place of operation is Hong Kong.

PacificNet Communications, International Elite (Macau) and Winet are primarily responsible for business development, marketing, customers negotiation, contracts signing, maintenance of relationship with customers, provision of equipment and maintenance of service network. Therefore, they are exposed to certain level of market and credit risk.

The Company

The Company commenced operation in October 2000 and it does not have a fixed place of operation. The Company is a management company and is mainly responsible for monitoring the service quality, assessing the feasibility of the business module, setting up quality testing standards and evaluating the results, discussing and solving problems on how to improve the quality of customer services and monitoring progress and implementation of projects. Therefore, the Company is exposed to risk associated with quality control.

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China Elite

China Elite commenced operation in July 2000 and its place of operation is the PRC. China Elite is the operator of the Group's CRM service centres and is therefore mainly responsible for recruitment, training, provision of work premises; maintaining operating system and service equipment, software design, provision of customer services including retention of existing customers, marketing of value-added services, issuing payment reminders, customer upgrading, termination of service, customer account reactivation, and cooperation with customers to launch new marketing activities; providing ideas to customers to cope with increasing changes in technology, human resources management, safety and security measures, project management, quality monitoring and improving service quality. In intra-group related party transactions, China Elite has limited exposure to market and operating risks.

The Directors have confirmed that there was no explicit transfer pricing policy for the intra-group related party transactions during the two years ended 31 December 2006. The Group allocated the revenue among the subsidiaries according to respective responsibilities and risks bore.

Since 1 January 2007, the management has adopted the cost plus method in calculating the service charge payable by Company to China Elite. Under the cost plus method, the revenue of China Elite is computed by its relevant cost base plus an arm's length mark-up. As the transaction prices are often set and agreed upfront, under the cost plus method in setting the transfer prices, China Elite can only use budgeted expenses as the cost base including:

- standard labour cost;
- budgeted general and administrative expenses; and
- budgeted seat costs/expenses.

The full cost mark up ratio adopted by the Group was derived with reference to a transfer pricing benchmarking study and the Directors are thus of the view that the full cost mark-up ratio adopted by the Group is within the comparable profit range.

Besides, Winet and the Company have purchased service equipments for the CRM service centres of China Elite. Winet has also leased certain telephone lines from telecommunications operators for China Elite. The abovementioned equipments and telephone lines have been provided to China Elite free of charge.

Any changes in the transfer pricing arrangement will have a potential effect on the tax position of the Group.

Margin Analysis

The following table summarises a breakdown of the Group's gross profit margins for the two years ended 31 December 2006 and the five months ended 31 May 2006 and 31 May 2007:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	%	%	(unaudited) %	%
Gross profit margin	21.29	34.83	31.05	41.80

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The increase in the gross profit margin was mainly attributable to the followings:

- The staff costs in 2005 accounted for approximately 63.59% of the turnover and fell to equal approximately 57.51% of the turnover in 2006 and approximately 52.40% of the turnover in the five months ended 31 May 2007. In order to ensure the quality of services, the Group recruited more staff as buffer to ensure a sufficient supply of operators taking into account that the staff turnover rate in 2005 was high in its first year of expansion to provide CRM outsourcing services to large scale customers. Since 2006, due to improvement in staff turnover rate (total number of resigned permanent staff and trainees during a period divided by the total number of staff as at the period end) and staff efficiency, the Group has gradually been able to reduce its number of buffer staff and increase the turnover contribution of each operator. As a result, the percentage of staff costs to turnover lowered, which contributed to an approximately 6.08% widening of gross profit margin in 2006 and a further approximately 5.11% widening of gross profit margin in the five months ended 31 May 2007;
- As discussed in the paragraph head “Cost of Sales” in this section, the line rental cost lowered from approximately 6.09% in 2005 to approximately 4.06% in 2006 and approximately 4.00% in the five months ended 31 May 2007 of the turnover, resulting in an approximately 2.03% widening of the gross profit margin in 2006 and a further approximately 0.06% widening in gross profit margin in the five months ended 31 May 2007; and
- Other expense included in cost of sales was also at the accented level of approximately 9.03% of the turnover in 2005 due to the Group’s expansion in the same year. Better internal control in 2006 combined with a large sales base caused major decrease in the item to approximately 3.59% of the turnover in 2006 and approximately 1.79% of the turnover in the five months ended 31 May 2007, accounting for an approximately 5.44% widening of gross profit margin in 2006 and a further approximately 1.80% widening in gross profit margin in the five months ended 31 May 2007.

The following table summarises the Group’s net profit margin before tax and net profit margin after tax for the two years ended 31 December 2006 and the five months ended 31 May 2006 and 31 May 2007:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	%	%	%	%
Net profit margin before tax	2.09	20.27	15.47	25.31
Net profit margin after tax	2.09	24.47	15.47	22.45

The Group’s net profit margin before tax has increased due to the improvement in the gross profit margin as discussed before and a better cost control. The improvement in net profit margin after tax in 2006 was also attributable to the improvement in net profit margin before tax as discussed above and the recognition of deferred tax assets of approximately HK\$ 6.29 million in 2006.

DISCUSSION OF PERFORMANCE ON A PERIOD AGAINST PERIOD BASIS

Year ended 31 December 2006 compared to year ended 31 December 2005

Turnover

The Group’s turnover for the year ended 31 December 2006 was approximately HK\$149.86 million, representing approximately 1.8 times of that in 2005 of approximately HK\$83.43 million.

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Inbound services accounted for approximately 71.89% and approximately 68.94% of the Group's turnover for the two years ended 31 December 2006, with amount increased from approximately HK\$59.98 million in 2005 to approximately HK\$103.31 million in 2006, representing an increase of approximately 72.24%. Regarding outbound services, it accounted for approximately 28.11% and approximately 31.06% of the Group's turnover for the two years ended 31 December 2006, with amount increased from approximately HK\$23.45 million in 2005 to approximately HK\$46.55 million in 2006, representing an increase of approximately 98.51%. The Group signed CRM outsourcing contracts with Hutchison Telecommunications and Hutchison Global in March 2005 and China Unicom Guangdong in August 2005, all the three of them are large customers to the Group's business. As the turnover from them accounted for the whole year in 2006 as compared to part of the year in 2005, together with the growth in business volume with them and the expansion of the Group's business with other customers in both the telecommunications and non-telecommunications industries, the Group experienced a high turnover growth of approximately 79.62% in 2006. Comparing with inbound services, outbound services experienced a higher turnover growth, which was mainly due to i) the improvement in selling skills of its operators; and ii) the entering into of more telesales contracts with customers in both telecommunications and non-telecommunications industries as compared to inbound services.

Hong Kong was the Group's major market for its business. Approximately 92.38% and approximately 87.78% of the Group's turnover for the year ended 31 December 2005 and 2006 respectively were from Hong Kong. However, more business has shifted to the PRC and Macau. Contribution of the Group's turnover from the PRC has increased from approximately 5.90% in 2005 to approximately 9.92% in 2006 mainly due to more business with China Unicom Guangdong in 2006. Approximately 1.72% and approximately 2.30% of the Group's turnover in 2005 and 2006, were from Macau respectively and the increase in the contribution to the Group's turnover by Macau was mainly due to a higher business volume with the China Unicom Macau Limited in 2006.

Cost of sales

The Group's cost of sales for the year ended 31 December 2006 was approximately HK\$97.66 million, representing approximately 1.5 times of that in 2005 of approximately HK\$ 65.67 million. The increase in cost of sales was mainly attributable to the increase in staff costs as a result of more operators have been employed for the Group's business expansion since mid-2005. However, the growth rate was lower than that of the increase in the Group's turnover as a result of the improvement in operational efficiency and staff turnover rate and the adoption of a tighter cost control measures by the Group.

Gross profit

The Group's gross profit for the year ended 31 December 2006 was approximately HK\$ 52.20 million, representing approximately 2.9 times of that in 2005 of approximately HK\$17.77 million. This was primarily attributable to the increase in the turnover and gross profit margin as discussed before.

Administrative expenses

The Group's administrative expenses principally comprise staff costs, general administration, depreciation, taxes other than income tax and operating lease charges.

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The tables below sets out the breakdown of its administrative expenses during the two years ended 31 December 2006:

Administrative Expenses Breakdown	For the year ended 31 December			
	2005		2006	
	HK\$'000	%	HK\$'000	%
Staff costs	5,234	32.47	6,379	28.86
General administration	4,622	28.67	6,626	29.97
Depreciation	3,747	23.24	4,746	21.47
Taxes other than income tax	1,398	8.67	3,090	13.98
Operating lease charges	1,120	6.95	1,265	5.72
	16,121	100	22,106	100

(i) Staff costs

For the two years ended 31 December 2006, staff costs represented approximately 32.47% and approximately 28.86% of the Group's administrative expenses respectively. The increase in staff costs from approximately HK\$5.23 million in 2005 to approximately HK\$6.38 million in 2006 was mainly due to the increase in the number of headcount for administrative staff to support the expansion of the Group.

(ii) General administration expenses

General administration expenses mainly represent utilities expenses, recruitment expenses, entertainment expenses, postal expenses, printing expenses, audit fees, consultancy fees, professional fees and other office administrative expenses. For the two years ended 31 December 2006, general administration expenses represented approximately 28.67% and approximately 29.97% of the Group's administrative expenses respectively. The increase in general administration expenses from approximately HK\$4.62 million in 2005 to approximately HK\$6.63 million in 2006 was mainly due to the increase in business size of the Group and therefore more administrative expenses were incurred to support the growth. However, as a result of the tight control measures implemented by the Group, the percentage of general administration expenses to turnover decreased from approximately 5.53% in 2005 to approximately 4.42% in 2006.

(iii) Depreciation expenses

Depreciation expenses represented approximately 23.24% and approximately 21.47% respectively of the Group's administrative expenses for the two years ended 31 December 2006. Depreciation expenses increased from approximately HK\$3.75 million in 2005 to approximately HK\$4.75 million in 2006, which was mainly due to the addition of more property, plant and equipment during the year to accommodate the expansion plan of the Group, especially for the set up of the Group's third CRM service centre at Qiaoli Premises.

(iv) Taxes other than income tax

The balance mainly comprised business tax which was calculated based on the turnover of the Group's PRC subsidiary. Taxes other than income tax accounted for approximately 8.67% and approximately 13.98% respectively of the Group's administrative expenses for the two years ended 31 December 2006. The increase in taxes other than income tax was in line with the growth in the Group's business operation in the PRC.

(v) Operating lease charges

Operating lease charges represented approximately 6.95% and approximately 5.72% respectively of the Group's administrative expenses for the two years ended 31 December 2006. The increase in operating lease charges in 2006 was mainly due to the rental charges for the Group's third CRM service centre at Qiaoli Premises.

Profit before taxation

The Group's profit before taxation for the year ended 31 December 2006 was approximately HK\$ 30.38 million, representing approximately 17 times of that in 2005 of approximately HK\$1.74 million. This was primarily attributable to the increase in the gross profit as discussed above and the improvement in operational and administrative efficiency.

Taxation

The Group had an income tax credit of approximately HK\$ 6.29 million in the year ended 31 December 2006, as a result of the recognition of deferred tax asset for tax loss brought forwards from the PRC operation of the Group not recognised in previous years.

China Elite suffered loss during 2005 and 2006 and had no assessable profit due to the substantial start-up and inefficient cost, details of which are set out as follows:

In 2005, the Group entered into contracts with Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong and commenced large scale projects, namely "Hutchison Project" and "Unicom Project" respectively, for the provision of CRM services to the subscribers of Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong respectively. In order to cope with the increased business operations and customers' requirements, at the beginning of the abovementioned projects, China Elite had to provide a considerable amount of equipment and facilities, and spent substantial costs on recruitment, training and retaining of operators as well as improving work efficiency. Details of such costs are as follows:

Recruitment

To attract suitable operators, China Elite incurred substantial costs in recruitment.

Training

China Elite is responsible for the training of its operators. The training system of China Elite includes pre-job qualification training, comprehensive and intensive on-the-job training as well as continuous improvement training.

Costs for high staff turnover

Human resources cost for China Elite is incurred throughout the recruitment, training and work process. The staff turnover rate before training was around 33%, while the staff turnover rate during training was around 31% in 2005 and 2006.

China Elite also had an average monthly staff turnover rate of approximately 5.68% and 5.2% respectively for each of the two years ended 31 December 2006.

The Directors are of the view that extra cost due to staff turnover should be borne by China Elite.

Efficiency

The Hutchison Project was initially for the provision of customer service hotlines and extended to BIS services and telesales subsequently. China Elite therefore had to employ approximately 1.9 to 2.5 times of budgeted operators to ensure the quality of its services before the operators became familiar with the services. China Elite had employed similar strategy for the Unicom Project which commenced in 2005.

Being the principal service provider in the Group and under the arm's length transaction principle, China Elite bore additional operator staff costs in order to meet customers' requirements in respect of service quality and establish the foundation for long-term development.

Fixed costs

As a company engaged in the provision of CRM services, China Elite's costs and expenses are mainly personnel-related costs which accounted for over 80% of the total costs for the two years ended 31 December 2006. Staff turnover and fluctuation of labour price in the market have critical impact to the costs of China Elite.

In addition, China Elite's depreciation costs of fixed assets are relatively high since it needs to provide services by utilising a large number of computers and communication equipments. Therefore, the repair and maintenance and upgrade of fixed assets also have significant impacts on its costs. China Elite's fixed costs (e.g. administrative cost including the salaries of management staff and depreciation cost etc.) accounted for approximately 23% to 25% of its total costs during the two years ended 31 December 2006.

Summary

At the initial operating period, China Elite devoted a great amount of human resources and capital to maintain service quality and the confidence of its customers. The start-up costs (e.g. recruitment and training costs, etc.) have greatly impacted on China Elite's profitability. Furthermore, as China Elite is the principal service provider of the Group, the management is of the view that the start-up costs incurred during this period should be borne by China Elite rather than transferred to related parties according to the arm's length principle. For the two years ended 31 December 2006, the total staff cost of China Elite was approximately RMB59.6 million and RMB90.9 million respectively based on the PRC audited accounts of China Elite. The Directors are of the view that special negative commercial and operational factors as discussed above would justify the unsatisfactory financial performance of China Elite during the two years ended 31 December 2006, which was the start up periods of the Group's large scale business expansion, and defend the transfer pricing arrangement between China Elite and other members of the Group against the possible tax authority's challenge.

As at 1 January 2005 and 1 January 2006, the reported tax loss brought forwards by China Elite was approximately RMB28.51 million and RMB56.17 million respectively. If the reported tax losses brought forward of China Elite is challenged by the relevant tax bureau, the amount being challenged might not be used to cover the possible adjusted taxable profit (if any) as a result of the transfer pricing arrangement and the future taxable profit of China Elite and China Elite may be required to pay the tax involved. However, taking into account that each of the Initial Management

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Shareholders will provide indemnities in favour of the Group for any losses which may arise from the Group's transfer pricing arrangements, the Sponsor concurs with the Directors' view that the potential challenge by relevant tax bureau will not have a material adverse impact on the operation and financial position of the Group.

In case the Group's transfer pricing position is challenged by relevant tax authority, as advised by the Group's legal advisers to the PRC laws, China Elite may be required to pay 0.2% of the outstanding tax per day as a fine for late payment, calculated from the date when the payment has become overdue, in case the Group's transfer pricing position is challenged by relevant tax authority. Furthermore, if 1) the relevant tax authority considers China Elite as avoiding tax intentionally through fact hiding or fraud; or 2) China Elite fails to pay the tax after the relevant tax authority has chased for the overdue payment, the relevant tax bureau has the right to impose a penalty of not more than 5 times of the original tax payable and filed criminal litigation against the authorised representative and direct responsible person of China Elite.

The Directors have advised that in preparing the financial information, the Directors have reviewed and assessed the Group's transfer pricing arrangements in relation to intra-group services and considered that, although the Group is exposed to transfer pricing risk for the fact that it is possible that the PRC tax authority may challenge the Group's transfer pricing position, the Group has grounds to defend against the possible challenge. Based on the Directors' estimation and judgment, no income tax provision is considered necessary by the Group for the two years ended 31 December 2006. As advised by KPMG, the Group's reporting accountants, it has assessed the significant estimates and judgments made by the Directors as well as the legal and tax advice, including inter alia, the transfer pricing benchmarking study and analysis, obtained by the Directors in connection with the Group's transfer pricing position. KPMG is not aware of any material misstatement on the financial information based on the audit procedures performed.

No provision has been made for Hong Kong profit tax and PRC income tax as there is no assessable profit during the two years ended 31 December 2006.

Besides, since the Macau subsidiaries are incorporated under the Commercial Code and regulations on offshore activities of Macau and are only engaged in Offshore Activities, profit arising from such activities is exempted from income complementary tax (may also be known as profit tax) according to the relevant law of Macau. The Group's subsidiaries in the Cayman Islands and BVI are also exempted from income tax under applicable laws and regulations. The major components of income tax credit for the Track Record Period are as follows:

	For the year ended 31 December	
	2005	2006
	HK\$'000	HK\$'000
Current income tax charge	—	—
Deferred income tax	—	(6,290)
Income tax credit reported in the income statement	—	(6,290)

The effective tax rates (taxation/profit before taxation) of the Group for the year ended 31 December 2005 and 2006 were nil and (20.71)% respectively.

Profit for the year attributable to shareholders of the Company

The Group's net profit attributable to shareholders of the Company increased by approximately 2,007.47% from approximately HK\$1.74 million in the year ended 31 December 2005 to

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approximately HK\$36.67 million in the year ended 31 December 2006. The increase in profit for the year attributable to shareholders of the Company was mainly due to the increase in profit before taxation as discussed above and the recognition of income tax credit.

Dividends

The Group did not declare any dividend for the year ended 31 December 2005 and 2006.

Five months ended 31 May 2007 compared to five months ended 31 May 2006 (unaudited)

Turnover

The Group's turnover increased by approximately 30.73% from approximately HK\$57.31 million for the five months ended 31 May 2006 (unaudited) to approximately HK\$74.92 million for the five months ended 31 May 2007. Inbound services represented approximately 70.52% and approximately 56.90% of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively, with amount increased to approximately HK\$42.63 million for the five months ended 31 May 2007, representing a growth rate of approximately 5.49% in comparison with the corresponding period of last year. Regarding outbound services, it accounted for approximately 29.48% and approximately 43.10% of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 2007 respectively, with amount increased to approximately HK\$32.29 million for the five months ended 31 May 2007, representing an increase of approximately 91.18%. The total turnover for the five months ended 31 May 2007 has increased compared to that for the five months ended 31 May 2006, mainly attributable to the growth in business volume with the existing customers such as Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong and the continuous expansion of the Group's clientele. The outbound services grew at a faster pace compared to that of the inbound services, mainly attributable to i) more outbound services contracts have been entered into with customers in both telecommunications industries and non-telecommunications industries as compared to inbound services; and ii) the improvement in selling skills of the Group's operators.

The Group's turnover from Hong Kong accounted for approximately 89.11% and approximately 87.37% of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. During the five months ended 31 May 2007, more business has shifted to the PRC and Macau. The PRC contributed to approximately 8.24% and approximately 9.80% of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. The increase in the contribution of the Group's turnover from the PRC was mainly attributed to the higher business volume with China Unicom Guangdong for the five months ended 31 May 2007. Approximately 2.65% and approximately 2.83% respectively of the Group's turnover for the five months ended 31 May 2006 (unaudited) and 31 May 2007 were from Macau.

Cost of sales

The Group's cost of sales for the five months ended 31 May 2006 (unaudited) and 31 May 2007 were approximately HK\$39.51 million and approximately HK\$43.61 million respectively, representing an increase of approximately 10.38%.

Gross profit

The Group's gross profit increased by 75.96% from HK\$17.80 million for the five months ended 31 May 2006 (unaudited) to HK\$31.32 million for the five months ended 31 May 2007. This was primarily as a result of the increase in the turnover and gross profit margin as discussed before.

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Administrative expenses

The table below sets out the breakdown of its administrative expenses for the 5 months ended 31 May 2006 (unaudited) and 31 May 2007:

	For the five months ended 31 May			
	2006		2007	
	HK\$'000 (unaudited)	%	HK\$'000	%
Administrative Expenses Breakdown				
Staff costs	2,202	24.26	2,395	19.14
General administration	2,819	31.06	3,255	26.00
Depreciation	2,177	23.99	3,142	25.10
Taxes other than income tax	1,121	12.35	1,855	14.82
Operating lease charges	757	8.34	1,869	14.94
	9,076	100%	12,516	100%

(i) Staff costs

Staff costs accounted for approximately 24.26% and approximately 19.14% of the Group's administrative expenses for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. The staff costs for the five months ended 31 May 2007 increased mainly due to the increase in the administrative staff for the recruitment of operators to cope with the business expansion.

(ii) General administration expenses

The general administration expenses increased from approximately HK\$2.82 million for the five months ended 31 May 2006 (unaudited) to approximately HK\$3.26 million for the five months ended 31 May 2007. It accounted for approximately 31.06% and approximately 26.00% of the Group's administrative expenses for the five months ended 31 May 2006 (unaudited) and 2007 respectively. The increase in the general administration expenses was mainly due to the continual expansion in the operation of the Group and more administrative expenses were incurred to support the business growth.

(iii) Depreciation expenses

Depreciation expenses represented approximately 23.99% and approximately 25.10% respectively of the Group's administrative expenses for the five months ended 31 May 2006 (unaudited) and 2007. The increase in depreciation expenses from approximately HK\$2.18 million for the five months ended 31 May 2006 (unaudited) to approximately HK\$3.14 million for the five months ended 31 May 2007 was mainly due to the setup of the Group's third CRM service centre at Qiaoli Premises in 2006.

(iv) Taxes other than income tax

Taxes other than income tax represented approximately 12.35% and approximately 14.82% of the Group's administrative expenses for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. The increase in taxes other than income tax was mainly due to the growth in the Group's business operation in the PRC.

(v) Operating lease charges

Operating lease charges accounted for approximately 8.34% and approximately 14.94% of the Group's administrative expenses for the five month ended 31 May 2006 (unaudited) and 31 May

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2007 respectively. The increase in operating lease charges in 2007 was mainly due to the lease for the Group's third CRM Centre at the Qiaoli Premises in the second half of 2006. Moreover, since 1 January 2007, instead of using the properties at nil consideration, the Group has started to pay rent at market value for the Hong Kong Premises and PRC Premises, both properties are leased from Connected Persons. For details, please refer to the section headed "Relationship with the controlling shareholders and non-competition undertakings" of this prospectus.

Profit before taxation

The Group's profit before taxation was approximately HK\$8.87 million and approximately HK\$18.96 million for the five months ended 31 May 2006 (unaudited) and 31 May 2007 respectively. This was primarily due to the increase in the gross profit as discussed above and the improvement in operational and administrative efficiency.

Taxation

The Group had an income tax expenses of approximately HK\$2.14 million for the five months ended 31 May 2007. During the five months ended 31 May 2007, China Elite recorded assessable profit of approximately RMB3.26 million ("2007 Assessable Profit"). As China Elite recorded deferred tax assets of approximately HK\$6.29 million in 2006 based on the then reported tax loss available and the forecasted profit of China Elite for the two years ending 31 December 2008, the tax on the 2007 Assessable Profit (approximately HK\$1.12 million) has been recognised as income tax expenses in the consolidated income statement and deducted against the deferred tax assets in the consolidated balance sheet. Besides, as a result of the reduction in income tax rate of the Group's PRC subsidiary from 33% to 25% effective from 1 January 2008 pursuant to the united enterprise income tax law passed on 16 March 2007, approximately HK\$1.02 million of the deferred tax assets recognised in 2006 has been derecognised and expensed during the five months ended 31 May 2007. Based on the above, a total of approximately HK\$2.14 million (the sum of HK\$1.12 million and HK\$1.02 million) of income tax expense was recorded during the five months ended 31 May 2007. As at 1 January 2007, the reported tax loss brought forward by China Elite was approximately RMB 72.39 million. No provision has been made for PRC profit tax for the five months ended 31 May 2006 (unaudited) as there was no assessable profit. No provision has been made for Hong Kong profit tax for the five months ended 31 May 2006 (unaudited) and the five months ended 31 May 2007 respectively as there was no assessable profit. Besides, since the Macau subsidiaries are incorporated under the commercial code and regulations on offshore activities of Macau and are only engaged in Offshore Activities, profit arising from such activities is exempted from income complementary tax (may also be known as profit tax) according to the relevant law of Macau. The Group's subsidiaries in the Cayman Islands and BVI are also exempted from income tax under applicable laws and regulations. The major components of income tax expense for the five months ended 31 May 2006 (unaudited) and 31 May 2007 are as follows:

	For the five months ended 31 May	
	2006	2007
	HK\$'000	HK\$'000
	(unaudited)	
Deferred tax		
Change in tax rate	—	1,016
Origination and reversal of temporary differences	—	1,124
Income tax expenses reported in the income statement	—	2,140

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The effective tax rate (taxation/profit before taxation) of the Group for the five months ended 31 May 2006 (unaudited) and 31 May 2007 were nil and approximately 11.29% respectively.

Profit for the year attributable to shareholders of the Company

The Group's net profit attributable to shareholders of the Company increased by approximately 89.63% from approximately HK\$8.87 million for the five months ended 31 May 2006 (unaudited) to approximately HK\$16.82 million for the five months ended 31 May 2007. The increase in profit for the year attributable to shareholders of the Company was mainly due to the increase in profit before taxation as discussed above.

Dividends

The Group did not declare any dividend for the five months ended 31 May 2006 (unaudited) and 2007.

Analysis of Financial Position

The following table illustrates major balance sheet items and key financial ratios of the Group during the two years ended 31 December 2006 and the five months ended 31 May 2007.

Balance Sheet

	<u>As at 31 December</u>		<u>As at 31 May</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current assets			
Property, plant and equipment	24,431	29,545	27,370
Deferred tax assets	—	6,290	4,150
Total non-current assets	<u>24,431</u>	<u>35,835</u>	<u>31,520</u>
Current assets			
Trade and other receivables	30,175	50,097	48,900
Cash and cash equivalents	33,990	34,064	41,167
Total current assets	<u>64,165</u>	<u>84,161</u>	<u>90,067</u>
Current liabilities			
Trade and other payables	66,321	59,318	43,202
Total current liabilities	<u>66,321</u>	<u>59,318</u>	<u>43,202</u>
Net current (liabilities)/assets	<u>(2,156)</u>	<u>24,843</u>	<u>46,865</u>
Total assets less current liabilities	<u>22,275</u>	<u>60,678</u>	<u>78,385</u>
Net assets	<u>22,275</u>	<u>60,678</u>	<u>78,385</u>
Equity			
Share capital	14	14	14
Reserves	22,261	60,664	78,371
Total equity	<u>22,275</u>	<u>60,678</u>	<u>78,385</u>

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Key Financial Ratios

	As at 31 December		As at 31 May
	2005	2006	2007
Current Ratio ⁽¹⁾	96.75%	141.88%	208.48%
Debtor turnover days ⁽²⁾	72.28 days	72.51 days	78.88 days
Creditor turnover days ⁽³⁾	45.84 days	49.08 days	38.02 days

(1) *Current asset/Current liabilities x 100%*

(2) *Average trade receivables/Turnover x 365 days*

(3) *Average trade payables/Cost of sales x 365 days*

ANALYSIS OF MAJOR BALANCE SHEET ITEMS AND FINANCIAL RATIOS

Capital Expenditures and Investment

Property, Plant and Equipment

The Group's property, plant and equipment was slightly decreased by approximately HK\$2.18 million from approximately HK\$29.55 million as at 31 December 2006 to approximately HK\$27.37 million as at 31 May 2007, mainly due to the depreciation for the five months ended 31 May 2007. The Group's property, plant and equipment has substantially increased by approximately HK\$5.12 million from approximately HK\$24.43 million in 2005 to approximately HK\$29.55 million in 2006, mainly as a result of the additions of approximately HK\$11.43 million worth of leasehold improvement and facilities and office equipment, offset by the depreciation charge of approximately HK\$7.10 million in 2006. The addition of fixed assets was attributable to the set up of the Group's third CRM service centre at Qiaoli Premises in November 2006.

Working Capital

The Directors are of the opinion that, taking into account the net proceeds of the Placing (further details are set out in the section headed "Business Objectives and Strategies" for more information) and other financing sources, the Group has sufficient working capital currently and for the period ending 12 months from the date of this prospectus.

Current Ratios

The Group was undergoing large scale expansion in 2005 and 2006, especially in 2005 when the Group started to provide services to Hutchison Telecommunications, Hutchison Global and China Unicom Guangdong. As a result, the Group purchased more facilities and equipments and incurred leasehold improvement costs for rearranging existing and setting up new CRM service centres. Besides, in 2005, one of the Group's major customers in group basis made an one off advance payment of approximately HK\$8.00 million to the Group to support its expansion in the first year of the outsourcing contract. The Group first recorded the payment as "Trade and other payables" and used the amount to set off against the accounts receivables incurred afterwards. Therefore, the Group recorded a relatively large payables balance at the year end of 2005, causing the Group to have a low current ratio of approximately 96.75%. In 2006, due to the increase in business size, the Group had generated more working capital. Together with the set off of the advance payment against the accounts receivables recognised in 2006, the Group had an improvement in current ratio to approximately 141.88% as at 31 December 2006. Current ratio further increased to approximately 208.48% as at 31 May 2007 as more working capital was available to the Group due to the decrease in capital expenditure and continuous improvement in business performance.

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Trade and Other Receivables

Turnover of Trade Receivables

The following table sets forth a summary of average trade receivables turnover for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May
	2005	2006	2007
Turnover of trade receivable (days) ⁽¹⁾	72.28 days	72.51 days	78.88days

Note 1: Average trade receivables equal trade receivables at the beginning of the year plus trade receivables at the end of the year and divided by 2. Turnover of trade receivables (in days) equal average trade receivables divided by turnover and multiplied by 365 days.

The Group's debtors' turnover days for each of the two years ended 31 December 2006 and the five months ended 31 May 2007 were higher than the credit terms as stated in the contracts. Since the major customers of the Group are large scale telecommunications operators in Hong Kong and the PRC, the top five customers on group basis accounted for approximately 95%, 99% and 95% of the Group's turnover for the two years ended 31 December 2006 and the five months ended 31 May 2007. The internal procedures for settling the Group's bills are relatively more complicated and therefore take a relatively longer time for settlement. Instead of settling the bills before the due date, it is common for these large sized telecommunications operators to settle the bills around 1.5 to 2 months after the invoice dates. Therefore, the majority of the Group's trade receivables balance was aged within 3 months.

In consideration of the creditability of the Group's customers, the Group has elected to extend the credit terms accordingly. The practice of settlement within 3 months is considered acceptable under this condition. As most of the Group's customers are sizable telecommunications operators, the credit risk of the Group is relatively low.

A small minority of customers has historically settled beyond the 3 month period. Due to the good relationship between the Group and these customers, and to the relatively insignificant amounts involved, the Group has tolerated the behavior to promote a mutually supportive business relationship.

Aging analysis of Trade Receivables

The following table sets forth a summary of average age of the Group's trade receivables for the periods indicated:

	31 December		31 May
	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000
<i>Age of Trade Receivable</i>			
0 – 1 month	14,981	18,670	18,444
1 – 3 months	5,814	12,588	19,950
3 – 6 months	1,717	2,283	1,382
6 – 12 months	725	2,763	102
12 – 24 months	—	—	1,542
Total	23,237	36,304	41,420

Trade receivables as at 31 December 2005, 31 December 2006 and 31 May 2007 were approximately HK\$23.24 million, approximately HK\$36.30 million and approximately HK\$41.42 million respectively. The increase in the trade receivables was mainly attributable to the increase in

FINANCIAL INFORMATION

turnover. Included in the balance of trade receivables as at 31 December 2005, 31 December 2006 and 31 May 2007, there were approximately HK\$ 2.80 million, approximately HK\$ 4.04 million and approximately HK\$2.44 million respectively relating to the trade receivables from related companies, primarily attributable to Guangzhou Zhitong. Up to the Latest Practicable Date, all the outstanding receivables due from Guangzhou Zhitong as at 31 May 2007 had been settled. Guangzhou Zhitong was initially indirectly owned as to 50% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Although Guangzhou Zhitong is currently not engaged in the provision of CRM outsourcing services, its business licence states that its business scope includes provision of CRM services. In order to prevent any potential competing interest, Mr. Li Kin Shing and Ms. Kwok King Wa disposed their respective entire indirect interests in Guangzhou Zhitong to Ms. Zheng Hui, an Independent Third Party, in April 2007 at a total consideration of HK\$9.5 million. The consideration was determined with reference to the net assets value of Guangzhou Zhitong. Based on the audited accounts of Guangzhou Zhitong for the year ended 31 December 2006, the net assets value of Guangzhou Zhitong as at 31 December 2006 was approximately RMB8.9 million. Pursuant to the disposal agreement, the consideration will be settled in five equal instalments. The first instalment should be made within 120 days from the date of the disposal agreement (i.e. 1 April 2007) while the remaining four instalments should be made in two months interval afterward. The first instalment of HK\$1.9 million has been fully settled by Ms. Zheng by cash in July 2007. Due to the abovementioned disposal of interest in April 2007 and the resignation as the only two directors in June 2007 by Mr. Li Kin Shing and Ms. Kwok King Wa, Guangzhou Zhitong was regarded as a related party of the Company in the Accountants' Report set forth in Appendix I to this prospectus during the Track Record Period but ceased to be a connected person (as defined under the GEM Listing Rules) of the Company.

As at 31 May 2007, approximately HK\$1.64 million of the total trade receivables was aged between 6 months and 2 years, which was mainly due to the slow moving receivables with Guangzhou Zhitong.

As at 31 August 2007, approximately 85.15% of the trade receivable i.e. HK\$35.27 million as at 31 May 2007 had been settled.

The Group has not provided any provision for bad and doubtful debts as at 31 December 2005, 31 December 2006 and 31 May 2007.

Prepayments, deposits and other receivables

The Group's balance of total prepayments, deposits and other receivables increased by approximately HK\$ 6.85 million, from approximately HK\$6.94 million in 2005 to approximately HK\$13.79 million in 2006, primarily attributed to the increase in amount due from related companies and shareholders from approximately HK\$6.35 million in 2005 to approximately HK\$11.74 million in 2006.

Total prepayment, deposits and other receivables decreased by approximately HK\$6.31 million, from approximately HK\$13.79 million as at 31 December 2006 to approximately HK\$7.48 million as at 31 May 2007, mainly due to the full settlement of amount due from shareholder and related companies of approximately HK\$11.74 million during the five months ended 31 May 2007. However, for the deposits, prepayments and other receivables due from third parties, the balance increased from approximately HK\$2.05 million as at 31 December 2006 to approximately HK\$7.48 million as at 31 May 2007, mainly due to the prepayments paid to professional parties for the preparation of Listing.

As at the Latest Practicable Date, there is no outstanding non-trade receivables balance due from related companies and shareholders.

FINANCIAL INFORMATION

Trade and Other Payables

Trade Payables

The following table sets forth the Group's turnover of trade payables for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May
	2005	2006	2007
Turnover of trade payables (days) ⁽¹⁾	45.84 days	49.08 days	38.02 days

Note 1: Average trade payables equal trade payables at the beginning of the year plus trade payables at the end of the year and divided by 2. Turnover of trade payables (in days) equal average trade payables divided by cost of sales and multiplied by 365.

The trade payables turnover days remained stable as at each of 31 December 2005 and 31 December 2006. The trade payable turnover days decreased for the five months ended 31 May 2007, mainly attributable to a faster repayment to suppliers during the period.

Average Age of Trade Payables

The following table sets forth the average age of trade payables for the periods indicated:

	As at 31 December		As at 31 May
	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000
<i>Age of Trade Payables</i>			
Due within 3 months or on demand	14,016	12,250	9,553

The Group's trade payables were mainly related to amounts due to suppliers for the rentals of telephone lines, the purchase of facilities equipment and advances from customers. The decrease in trade payables balance in 2006 was mainly attributable to the transfer of advances received from customers to turnover upon the provision of services by the Group in 2006. The Group has received a total of approximately HK\$8 million one off advance from customers in 2005. The trade payables balance further decreased to approximately HK\$9.55 million as at 31 May 2007, mainly due to 1) the decrease in the capital expenditure; and 2) the prompt repayment to suppliers during the period. Included in the balance of trade payables as at 31 December 2005, 31 December 2006 and 31 May 2007, approximately HK\$ 50,000, HK\$ 0.1 million and HK\$ 0.45 million were due to shareholders and related companies respectively.

Other payables

The other payables balances were approximately HK\$ 52.31 million, approximately HK\$47.07 million and approximately HK\$ 33.65 million as at 31 December 2005, 31 December 2006 and 31 May 2007 respectively. Those balances were mainly related to the cash advances from shareholders and related companies. The decrease in the other payables balance was mainly attributable to the payment of balance due to the shareholders and related companies by the Group in 2006 and the five months ended 31 May 2007.

The outstanding non-trade balances due to related parties of the Company of approximately HK\$30.8 million as at the Latest Practicable Date will be fully settled by the proceeds from the Placing immediately before the Listing.

FINANCIAL INFORMATION

Contingent liabilities and capital commitments

The Group had no significant contingent liabilities as at 31 May 2007. The capital commitments of the Group as at 31 May 2007 was nil.

Liquidity and Capital Resources

The Group has historically met its working capital and other capital requirements mainly from cash inflow from operating and financing activities.

Net Current Assets/Liabilities

The Group had net current liabilities of approximately HK\$2.16 million as at 31 December 2005 and the current ratio, which is the ratio of current assets to current liabilities, was approximately 96.75%. As at 31 May 2007 and 31 December 2006, the Group had net current assets of approximately HK\$46.87 million and approximately HK\$24.84 million respectively and a current ratio of approximately 208.48% and approximately 141.88%. The following table summarizes the details of the Group's current assets and liabilities as at 31 December 2006 and 31 May 2007:

	<u>As at 31 December 2006</u>	<u>As at 31 May 2007</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Current assets		
Trade and other receivables	50,097	48,900
Cash and cash equivalents	34,064	41,167
	84,161	90,067
Current liabilities		
Trade and other payables	59,318	43,202
	59,318	43,202
Net current assets	<u>24,843</u>	<u>46,865</u>

Cash Flows

The following discussion is based on the cash flow statements of the Group for the two years ended 31 December 2006 and the five months ended 31 May 2006 (unaudited) and 31 May 2007. The following table summarizes the Group's cash flows for each of the two years ended 31 December 2006 and the five months ended 31 May 2006 (unaudited) and 31 May 2007 :

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	2,988	20,831	(1,607)	10,662
Net cash (outflow)/inflow from investing activities	(14,800)	(15,526)	(1,871)	9,646
Net cash inflow/(outflow) from financing activities	9,092	(5,785)	1,727	(12,001)
Cash and cash equivalent at end of year/period	13,597	13,032	11,801	21,167
Fixed deposits held as security for letters of credit	20,393	21,032	20,642	20,000

As at 31 May 2007, the Group had cash and cash equivalent of approximately HK\$21.17 million and reported a net cash inflow from operating activities of approximately HK\$10.66 million for the five months ended 31 May 2007.

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Operating Activities

Net cash outflow from operating activities for the five months ended 31 May 2006 (unaudited) of approximately HK\$1.61 million has changed to net cash inflow from operating activities of approximately HK\$10.66 million for the five months ended 31 May 2007, mainly attributable to the growth in profit before taxation which was approximately HK\$8.87 million and HK\$18.96 million for the five months ended 31 May 2006 (unaudited) and 2007 respectively. Net cash inflow from operating activities increased by approximately HK\$17.84 million from approximately HK\$2.99 million for the year ended 31 December 2005 to approximately HK\$20.83 million for the year ended 31 December 2006. This was evidenced by the growth in profit before taxation which was approximately HK\$1.74 million and approximately HK\$30.38 million for the two financial years ended 31 December 2006 respectively.

Investing Activities

Net cash outflow from investing activities of approximately HK\$1.87 million for the five months ended 31 May 2006 (unaudited) has turned to net cash inflow of approximately HK\$9.65 million for the five months ended 31 May 2007. This is evidenced by the repayments received from related parties of approximately HK\$11.82 million for the five months ended 31 May 2007. Net cash outflow from investing activities increased by approximately HK\$0.73 million from approximately HK\$14.80 million for the year ended 31 December 2005 to approximately HK\$15.53 million for the year ended 31 December 2006. The increase in net cash outflow of approximately HK\$0.73 million was primarily attributed to the increase in the advance made to related parties in 2006.

Financing Activities

Net cash inflow of financing activities of approximately HK\$1.73 million for the five months ended 31 May 2006 (unaudited) changed into a net cash outflow of approximately HK\$12.00 million for the five months ended 31 May 2007. This was resulted from the repayments made to related parties of approximately HK\$13.42 million for the five months ended 31 May 2007. Net cash inflow from financing activities decreased by approximately HK\$14.88 million from a net cash inflow of approximately HK\$9.09 million for the year ended 31 December 2005 to a net cash outflow of approximately HK\$5.79 million for the year ended 31 December 2006. The decrease in cash inflow of approximately HK\$14.88 million was primarily attributable to the net repayment made to related parties.

Market Risks

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. Normally, the Group does not obtain collateral from customers.

As at 31 May 2007, the Group has a certain concentration of credit risk as 37% (2006: 30%; 2005: 28%) and 88% (2006: 88%; 2005: 85%) of the total trade receivables was due from the largest customer group and five largest customer groups respectively.

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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.

Foreign Currency Risk

The Group's reporting currency is Hong Kong dollar.

The Group has certain foreign currency sales, which expose the Group to foreign currency risk. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arises.

Profit forecast for the year ending 31 December 2007

Forecast profit attributable to shareholders of the Company ⁽¹⁾	not less than HK\$54.8 million
Forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) ⁽¹⁾	not less than HK\$59.0 million
Forecast earnings per Share based on forecast profit attributable to the shareholders of the Company	
(a) weighted average ⁽²⁾	not less than HK7.7 cents
(b) fully diluted ⁽³⁾	not less than HK5.6 cents
Forecast earnings per Share based on forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million)	
(a) weighted average ⁽⁴⁾	not less than HK8.3 cents
(b) fully diluted ⁽⁵⁾	not less than HK6.1 cents

Notes:

- (1) The profit forecast for the year ending 31 December 2007 is based on the Group's audited consolidated results for the five month ended 31 May 2007, the unaudited consolidated results of the Group shown in the management accounts of the Group for the three months ended 31 August 2007 and a forecast of the consolidated results for the four months ending 31 December 2007. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix II.
- (2) The calculation of weighted average forecast earnings per Share is based on the forecast profit attributable to the Shareholders of approximately HK\$54.8 million for the year ending 31 December 2007 on the basis of the issued share capital of 708,673,973 Shares, being the weighted average number of Shares in issue during the year. The Shares to be issued under the Placing are assumed to be issued on 16 October 2007. This calculation assumes no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.
- (3) The calculation of pro forma forecast earnings per Share is based on the forecast profit attributable to the Shareholders of approximately HK\$54.8 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (4) The calculation of weighted average forecast earnings per Share is based on the forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) of approximately HK\$59.0 million for the year ending 31 December 2007 on the basis of the issued share capital of 708,673,973 Shares, being the weighted average number of Shares in issue during the year. The Shares to be issued under the Placing are assumed to be issued on 16 October 2007. This calculation assumes no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.
- (5) The calculation of pro forma forecast earnings per Share is based on the forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) of approximately HK\$59.0 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

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DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

PROPERTY INTERESTS

Particulars of the Group's property interests are set out in Appendix IV to this prospectus. Sallmanns (Far East) Limited has valued the property interests of the Group as at 31 July 2007. The text of its letter, summary of valuations and the valuation certificates are set out in Appendix IV to this prospectus.

According to the valuation by Sallmanns (Far East) Limited, the Group has interests in 7 lease agreements, with 1 lease agreement in Hong Kong, 4 lease agreements in PRC and 2 lease agreements in Macau. All of these lease agreements of the Group have no commercial value.

DIVIDEND POLICY

The Group did not declare any dividend for the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2007 respectively.

The Directors expect that in future, interim and final dividends (if any) will be paid in or about September and April of each year respectively. However, any decision to pay such dividends will be made at the discretion of the Board and will be based on the general business and financial conditions, the Group's earnings, cash flow, financial condition, capital requirements and any other conditions that the Board deems relevant. Should dividends be declared, the holders of the shares will share proportionately, on a per Share basis, all dividends and other distributions declared by the board of Directors after the listing of the Shares on GEM. For holders of the Shares, cash dividend payments, if any, shall be declared by the Board and paid in Hong Kong dollars. The declaration, payment, and amount of dividends will be subject to the discretion of the Directors and will be dependent on the provisions of relevant laws and all other relevant factors. Future dividend payments will also depend upon the availability of dividends received from the Company's subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Company's subsidiary may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Group may enter into in the future. There can be no assurance that the Group will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Group in the future.

DIRECTORS' REMUNERATION

During the Track Record Period, Mr. Li Kin Shing and Ms. Kwok King Wa were the only directors of the Group. As no service contracts were entered into between each of Mr. Li Kin Shing and Ms. Kwok King Wa and the Group, no remuneration was paid to Mr. Li Kin Shing and Ms. Kwok King Wa during the Track Record Period.

FINANCIAL INFORMATION

For the three years ending 31 December 2009, the total directors' remuneration payable determined with reference to service contracts signed with the Directors and the required statutory contribution to relevant retirement schemes if necessary, is expected to amount to approximately HK\$1,357,450, HK\$3,209,125 and HK\$3,209,125 respectively, excluding management bonuses which are payable at the Company's discretion. For the three years ending 31 December 2009, all the Directors (including independent non-executive Directors) will be remunerated with Directors' fees. In addition to Directors' fees, all the executive Directors will also be remunerated with salaries except for the year ending 31 December 2007. For the year ending 31 December 2007, only Ms. Li Yin and Mr. Wong Kin Wa will be remunerated with salaries as the other executive Directors have voluntarily forgone their salaries. As a result, there is a significant increase in the amount payable for directors' remuneration for the year ending 31 December 2008 as compared to the amount payable for the year ending 31 December 2007. For more details, please refer to the paragraph headed "Further Information about the Directors, Senior Management and Staff" in Appendix VI to this Prospectus.

Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 May 2007 comprises the historical audited consolidated net tangible assets of the Group as at 31 May 2007, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and the adjustments described below.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the audited consolidated net tangible assets of the Group as at 31 May 2007 as if the Placing had occurred on 31 May 2007.

The unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group.

Audited consolidated net tangible assets as at 31 May 2007⁽¹⁾	Estimated net proceeds from the Placing⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share⁽³⁾
HK\$'000	HK\$'000	HK\$'000	HK\$
<u>78,385</u>	<u>285,080</u>	<u>363,465</u>	<u>0.40</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to the Shareholders of the Company as of 31 May 2007 are extracted from the Accountants' Report set forth in Appendix I to this prospectus.*
- (2) The estimated net proceeds from the Placing are based on the Placing Price, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.*
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to item 2 above and on the basis that 912,000,000 Shares are in issue.*

NO MATERIAL ADVERSE CHANGE

The Directors confirm that they have performed sufficient due diligence on the Group to ensure that, up to the date of this prospectus, there has been no material adverse change in the financial position or prospects of the Group since 31 May 2007 (being the date to which the latest audited financial statements of the Group have been made up) and there is no event since 31 May 2007 which would materially and adversely affect the information shown in Appendix I "Accountants' Report" to this prospectus.

INDEBTEDNESS

As at 31 August 2007, the Group had capital commitments amounted to approximately HK\$0.36 million which were contracted for construction in progress and lease commitments amounted to approximately HK\$0.18 million. The Group did not have any significant contingent liabilities as at 31 August 2007. The Directors have confirmed that apart from intra-group liabilities, as at the close of business on 31 August 2007, the Group did not have outstanding loan capital issues and outstanding or agreed to be issues, bank overdrafts, loans or similar indebtedness and liabilities under acceptances, debentures, mortgages, charges, acceptance credits, finance leases or hire purchase, commitments, guarantees or other material contingent liabilities.

DISTRIBUTABLE RESERVE

As at 31 May 2007, the total reserve of the Company available for distribution to the Shareholders was approximately HK\$41 million.

SPONSOR'S INTERESTS

SPONSOR'S INTEREST IN THE COMPANY

Neither Daiwa Securities SMBC nor its associates expect to obtain any material benefit as a result of the successful outcome of the Placing, other than the following: (i) by way of underwriting commissions to be paid to Daiwa Securities SMBC or its associates for acting as one of the Underwriters pursuant to the Underwriting Agreement; (ii) the advisory and documentation fees to be paid to Daiwa Securities SMBC as sponsor of the Placing; (iii) by way of a compliance adviser agreement entered into between Daiwa Securities SMBC and the Company and dated 10 October 2007 pursuant to which Daiwa Securities SMBC is appointed as the compliance adviser of the Company until the date on which the Company distributes the annual report for the second full financial year commencing after the Listing Date in accordance with Rule 18.03 of the GEM Listing Rules, unless terminated earlier pursuant to the terms thereof, and the Company shall pay an agreed fee to Daiwa Securities SMBC for its provision of such services; and (iv) certain associates of Daiwa Securities SMBC whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the Shares after the listing of the Shares on GEM.

CORPORATE INVESTORS

THE CORPORATE PLACING

As part of the Placing, the Company and the Lead Manager have entered into corporate investor agreements with the following corporate investors (the “Corporate Investors”), which have agreed to acquire an aggregate of approximately US\$10 million worth of the Shares at the Placing Price. Based on the exchange rate of US\$1 to HK\$7.7, the total number of Shares acquired by the Corporate Investors would be approximately 56,616,000 (rounded down to the nearest whole board lot of 2,000 Shares for each of the Corporate Investors), representing approximately 24.83% of the Placing Shares or approximately 6.21% of the total number of Shares upon completion of the Placing (assuming the Over-allotment Option is not exercised and without taking into account of the Shares falling to be issued upon the exercise of any Pre-IPO Share Options or any options that may be granted under the Share Option Scheme).

The Placing Shares to be placed to each of the Corporate Investors will not be affected by any exercise of the Over-allotment Option to be granted by the Company to the Lead Manager (for itself and on behalf of the Underwriters).

OUR CORPORATE INVESTORS

Below sets out a brief description of the Corporate Investors:

Softbank China Venture Capital

Softbank China Venture Capital (“SBCVC”) has agreed to acquire such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased for US\$3 million at the Placing Price.

SBCVC is a venture capital firm in the PRC whose principal business is to invest in companies in different industries, including broadband/Internet services, wireless, digital media, software, IC design, consumer devices and services, medical devices, new materials and energy technologies.

Based on the exchange rate of US\$1 to HK\$7.7, the total number of Shares that SBCVC would acquire would be approximately 16,984,000 Shares, which represents approximately 7.45% of the Placing Shares or approximately 1.86% of the total number of Shares upon completion of the Placing (assuming the Over-allotment Option is not exercised and without taking into account of the Shares falling to be issued upon the exercise of any Pre-IPO Share Options or any options that may be granted under the Share Option Scheme).

Dubai Ventures Limited

Dubai Ventures Limited (“DVL”) has agreed to acquire such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased for US\$7 million at the Placing Price.

DVL, a subsidiary of the Dubai Investment Group Limited, is an investment holding company based in Dubai, the United Arab Emirates.

Based on the exchange rate of US\$1 to HK\$7.7, the total number of Shares that DVL would acquire would be approximately 39,632,000 Shares, which represents approximately 17.38% of the Placing Shares or approximately 4.35% of the total number of Shares upon completion of the Placing (assuming the Over-allotment Option is not exercised and without taking into account of the Shares

CORPORATE INVESTORS

falling to be issued upon the exercise of any Pre-IPO Share Options or any options that may be granted under the Share Option Scheme).

The Directors confirm that none of the Corporate Investors and their respective ultimate beneficial owner(s) is a connected person (as defined in the GEM Listing Rules) of the Company and will not become a connected person as a result of the Placing. The Directors further confirm that other than being Shareholders upon completion of the Placing, none of the Corporate Investors has any business relationship with the Group.

CONDITIONS PRECEDENT

The Corporate Investors' obligation to acquire the Shares is conditional only upon: (i) the Underwriting Agreement being entered into and becoming unconditional no later than the date and time as specified thereon; and (ii) the Underwriting Agreement having not been terminated.

RESTRICTIONS ON DISPOSALS BY THE CORPORATE INVESTORS

Each Corporate Investor has covenanted and undertaken that it will not, directly or indirectly, dispose of or enter into any arrangement to dispose of the Shares subscribed pursuant to the Placing during a period of 6 months following the Listing Date, other than transfers to any of its wholly-owned subsidiaries or to the wholly-owned subsidiaries of the holding company of the Corporate Investor and on the basis that the transferee will be subject to the restriction on disposals imposed on it during a period of six months following the Listing Date.

UNDERWRITING

UNDERWRITERS

Daiwa Securities SMBC
Guotai Junan Securities (Hong Kong) Limited
Mega Capital (Asia) Company Limited
UOB Kay Hian (Hong Kong) Limited
CAF Securities Company Limited
CIMB-GK Securities (HK) Limited
CMB International Capital Corporation Limited
Sun Hung Kai International Limited

UNDERWRITING ARRANGEMENT AND EXPENSES

The Underwriting Agreement

In connection with the Placing, it is expected that the Company will enter into the Underwriting Agreement, amongst other parties, with the Underwriters. Under the Underwriting Agreement, subject to the conditions set out therein, the Underwriters would severally agree to procure subscribers for, or failing which, to themselves subscribe as principal for, the Placing Shares being offered pursuant to the Placing. The Underwriting Agreement may be terminated for the reasons set out in “Grounds For Termination” below. Potential investors shall be reminded that in the event that the Underwriting Agreement is not entered into or the Placing Price is not agreed or if the Underwriters exercise their termination rights as referred to below, the Placing will not proceed.

The Company intends to grant to Daiwa Securities SMBC (for itself and on behalf of the Underwriters) the Over-allotment Option, exercisable by Daiwa Securities SMBC (for itself and on behalf of the Underwriters), to require the Company to issue up to an aggregate of 34,200,000 additional Shares, representing 15% of the Shares initially offered under the Placing, to cover over-allocations in the Placing, if any.

The Over-allotment Option will expire on the date which is 30 days after the Listing Date. Please refer to the paragraph headed “Over-allotment Option” in the section headed “Structure and Conditions of the Placing” of this prospectus for further details.

GROUND FOR TERMINATION

The obligations of the Underwriters under the Underwriting Agreement is subject to termination by notice in writing from Daiwa Securities SMBC (for itself and on behalf of the Underwriters) to the Company if, at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares commence on the GEM (which is expected to be on Tuesday, 16 October 2007):

- (a) there shall develop, occur or come into force:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the PRC or Hong Kong or Macau or any other jurisdiction(s) relevant to the Company and its subsidiaries; or

UNDERWRITING

- (ii) any adverse change (whether or not permanent) in Hong Kong, the PRC, Asia, national, regional, international, financial, military, industrial or economic, conditions or prospects, stock market, fiscal or, political conditions regulatory or market conditions and matters and/or disasters; or
- (iii) without prejudice to sub-paragraph (i) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the GEM due to exceptional financial circumstances or otherwise; or
- (iv) any event, or series of events, beyond the control of the Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident); or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the British Virgin Islands, the Cayman Islands, the PRC or Macau or any other jurisdiction to which any member of the Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of Daiwa Securities SMBC (for itself and on behalf of the Underwriters) would or might adversely affect any member of the Group or its present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of the Group being threatened or instituted against any member of the Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States of America or by the European Union (or any member thereof) on Taiwan, the PRC, Hong Kong or Macau;

and any such event, in the sole and absolute opinion of Daiwa Securities SMBC (for itself and on behalf of the Underwriters):-

- (i) has or is likely to have material adverse effect on the business or financial conditions or prospects of the Group or which may be expected to adversely affect the business or financial condition or prospects of the Group; or
 - (ii) has or may have a material adverse effect on the Placing, or makes it inadvisable or inexpedient to proceed with the Placing;
- (b) there comes to the notice of Daiwa Securities SMBC (for itself and on behalf of the Underwriters) any matter or event showing any of the representations and warranties contained in the Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate or, if repeated immediately after the occurrences thereof, would be untrue or inaccurate in any respect considered by Daiwa Securities SMBC (for itself and on behalf of the Underwriters) in its sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on the Company or the covenantors under the Underwriting Agreement not to have been complied with in any respect considered by Daiwa Securities SMBC (for itself and on behalf of the Underwriters) in its sole and absolute opinion to be material in the overall context of the Placing; or
- (c) there comes to the notice of Daiwa Securities SMBC (for itself and on behalf of the Underwriters) any breach on the part of the Company or any of the covenantors of any provisions of the Underwriting Agreement in any respect which is considered by Daiwa Securities SMBC (for itself and on behalf of the Underwriters) to be material in the overall context of the Placing; or

UNDERWRITING

- (d) any statement contained in this prospectus, the submissions, documents or information provided to Daiwa Securities SMBC (for itself and on behalf of the Underwriters), the Stock Exchange, the legal adviser to Daiwa Securities SMBC and the Underwriters and any other parties involved in the Placing which in the sole and absolute opinion of Daiwa Securities SMBC (for itself and on behalf of the Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
- (e) matters have arisen or have been discovered which would, if this prospectus was to be issued at that time, constitute, in the sole and absolute opinion of Daiwa Securities SMBC (for itself and on behalf of the Underwriters), a material omission of such information; or
- (f) there is any adverse change in the business or in the financial or trading position or prospects of the Group which in the sole and absolute opinion of Daiwa Securities SMBC (for itself and on behalf of the Underwriters) is material in the overall context of the Placing; or
- (g) there comes to the notice of Daiwa Securities SMBC or any of the Underwriters any information, matter or event which in the sole and absolute opinion of Daiwa Securities SMBC (for itself and on behalf of the Underwriters):
 - (i) is inconsistent in any respect with any information contained in the Director's Declaration, Undertaking and Acknowledgement (Form 6A) given by each of the Directors pursuant to the Placing; or
 - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of the Group.

UNDERTAKINGS

Each of Ever Prosper and the executive Directors is expected to undertake to Daiwa Securities SMBC and the Underwriters that:

- (a) he/she/it will, and will procure that his/her/its associates will, comply with all applicable restrictions and requirements under the GEM Listing Rules on the disposal by him/her/it, or by any registered holder on his/her/its behalf, of any Shares or other securities of the Company in respect of which he/she/it is, or is shown in this prospectus to be, the beneficial owner (directly or indirectly);
- (b) during the period commencing from the date of the Underwriting Agreement up to and excluding the first anniversary of the Listing Date, neither he/she/it nor any of his/her/its associates or companies controlled by him/her/it has any present intention of disposing of any of Shares or other securities of the Company in respect of which he/she/it is, or is shown in this prospectus to be, the beneficial owner (directly or indirectly);
- (c) without the prior written consent of Daiwa Securities SMBC (for himself/herself/itself and on behalf of the Underwriters) and subject always to the provisions of the GEM Listing Rules, he/she/it will not, directly or indirectly, and will procure that none of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall, offer for sale, sell, transfer, contract to sell or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any charges, pledges or encumbrances or other third party rights over), or announce any intention to dispose of, any of the share capital or any other securities of the Company (including any interest in a company which, directly or indirectly, holds any such share capital or other securities of the Company) which are of

UNDERWRITING

the same class as, or convertible or exchangeable for, or which carry a right to subscribe, purchase or acquire, or represent the right to receive, any such Shares or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Shares, in respect of which he/she/it is the beneficial owner (directly or indirectly) and/or which are registered in its name, from the date of this prospectus up to and including the date falling twelve months from the Listing Date.

Each of the Initial Management Shareholders has undertaken with the Company, the Sponsor, the Underwriters and the Stock Exchange that, *inter alia*, during the date of this prospectus and ending on the date which is 12 months following the Listing Date:

- (a) he, she or it will not, save as provided in Rule 13.18 of the GEM Listing Rules, (i) dispose of (nor enter into any agreement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of his, her or its respective direct or indirect interests in the Relevant Securities; or (ii) otherwise create (nor enter into any agreement to sell, transfer or dispose of) nor permit the registered holder to create (or to enter into any agreement to create) any options, rights, interests or encumbrances in respect of any such interest;
- (b) he, she or it will place in escrow, with an escrow agent acceptable to the Stock Exchange, the Relevant Securities owned (or deemed interested) by him, her or it on terms acceptable to the Stock Exchange;
- (c) in the event that he, she or it pledges or charges any direct or indirect interest in the Relevant Securities under the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to the GEM Listing Rules, he, she or it must inform the Company immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any of his, her or its interests in the Relevant Securities under sub-paragraph (c) above, he, she or it must inform the Company immediately in the event that he, she or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Securities affected.

The Company will inform the Stock Exchange as soon as it has been informed of any of the above matters by any of the Initial Management Shareholders and will, where required by the GEM Listing Rules, disclose such matters by way of announcement as soon as reasonably practicable after being so informed by any of the executive Directors or the Initial Management Shareholders.

The Company is expected to undertake with the Underwriters that it will not, and each of Ever Prosper and the Executive Directors is expected to undertake to each of the Underwriters to procure that the Company will not, without the prior written consent of Daiwa Securities SMBC (for itself and on behalf of the Underwriters) (such consent not to be unreasonably withheld) and subject always to the provisions of the GEM Listing Rules, within six months after the Listing Date, offer, allot or issue or agree to allot or issue, purchase, grant or agree to grant any option, right or warrant over, or otherwise dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exercisable or exchangeable for such Shares or other equity securities of the Company (whether or not of a class already listed) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequence of subscription for such Shares or of ownership of such securities, in cash or otherwise or announce any intention to do so

UNDERWRITING

except in all cases, for the issue of Shares or securities pursuant to an agreement entered into before the commencement of dealing, the material terms of which have been disclosed in this prospectus in connection with the Placing, or pursuant to the Placing and the Over-allotment Option.

COMMISSION AND EXPENSES

The Underwriters are expected to receive a commission of 3.0% of the aggregate Placing Price of all the Placing Shares. Daiwa Securities SMBC will, in addition, receive an advisory and documentation fee as the Sponsor to the Placing. The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Placing, are currently estimated to be approximately HK\$25.0 million in aggregate, assuming the Over-allotment Option is not exercised, which will be borne by the Company.

UNDERWRITERS' INTERESTS IN THE COMPANY

Save as disclosed in this prospectus and as contemplated pursuant to the Underwriting Agreement, none of the Underwriters has any shareholding in any member of the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price is HK\$1.36 per Placing Share. Subscribers, when subscribing for the Shares, shall pay the Placing Price plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy, representing a total of approximately HK\$2,747.44 for every board lot of 2,000 Shares.

The level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the GEM website at *www.hkgem.com* and the Company's website at *www.iel.hk* at or before 9:00 a.m. Monday, 15 October 2007.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

- (1) the GEM Listing Committee granting listing of and permission to deal in the Shares to be issued as described in this prospectus; and
- (2) the obligations of the Underwriters under the Underwriting Agreement becoming and remaining unconditional (including if relevant, as a result of the waiver of any condition(s) by Daiwa Securities SMBC (for itself and on behalf of the Underwriters)), and such obligations not having been terminated in accordance with the terms of the Underwriting Agreement, in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived by Daiwa Securities SMBC (for itself and on behalf of the Underwriters) on or before the day which is the 30th day after the date of this prospectus, the Placing shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Placing will be caused to be published by the Company on the GEM website on the next day after such lapse.

THE PLACING

The Company is initially offering 228,000,000 Placing Shares for subscription by way of the Placing, representing 25% of the Company's enlarged issued share capital at the time after completing the Placing, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Placing Shares will represent approximately 27.7% of the enlarged issues share capital immediately after completion of the Placing and the exercise of the Over-allotment Option as set out in the paragraph headed "Stabilisation and Over-allotment Option" below. Subject to the terms and conditions of the Underwriting Agreement, the Placing Shares are expected to be fully underwritten by the Underwriters.

The Underwriters or agents nominated by them on behalf of the Company will conditionally place the Placing Shares at the Placing Price plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.004% SFC transaction levy with professional, institutional and private investors anticipated to have a sizeable demand for the Placing Shares. Conditionally upon complying with the relevant rules and regulations, the Placing Shares can be placed with private investors in Hong Kong. Professional and/or institutional investors generally include dealers, brokers, companies (including

STRUCTURE AND CONDITIONS OF THE PLACING

fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

STABILISATION AND OVER-ALLOTMENT OPTION

In connection with the Placing, Daiwa Securities SMBC (for itself and on behalf of the Underwriters) may over-allocate Shares or effect transactions with a view to supporting the market price of the Placing Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. In covering such over-allocations, Daiwa Securities SMBC (for itself and on behalf of the Underwriters) may exercise the Over-allotment Option no later than 30 days after the Listing Date or make (or agree, offer or attempt to make) open-market purchases in the secondary market. Daiwa Securities SMBC (for itself and on behalf of the Underwriters) may also sell or agree to sell any Shares acquired in the course of any stabilisation action in order to liquidate any position that has been established by such action. Any such secondary market purchase or sale will be made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Daiwa Securities SMBC to conduct any such stabilising action which, if taken, may be discontinued at any time at the absolute discretion of Daiwa Securities SMBC and is required to be brought to an end after a limited period. The number of Shares over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 34,200,000 Shares, which is 15% of the Placing Shares initially available for subscription under the Placing. Pursuant to section 3 of the Price Stabilising Rules, stabilising action may only take place, among other factors, where the total value of the Placing is not less than HK\$100 million. If Daiwa Securities SMBC (for itself and on behalf of the Underwriters) decides to exercise the Over-allotment Option, it will be exercised to cover over-allocations in the Placing. The Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on GEM.

If the Over-allotment Option is exercised in full, the aggregate number of Shares to be issued pursuant thereto will represent approximately 3.6% of the enlarged registered capital of the Company following completion of the Placing and full exercise of the Over-allotment Option (assuming there is no exercise of the Pre-IPO Share Options or options to be granted pursuant to the Share Option Scheme). In the event that the Over-allotment Option is exercised, an announcement will be made by the Company.

In order to cover over-allocations in the Placing, Daiwa Securities SMBC has entered into the Stock Borrowing Agreement with Ever Prosper, under which Ever Prosper has agreed to lend to Daiwa Securities SMBC up to 34,200,000 Shares, so that Daiwa Securities SMBC may use those Shares to satisfy the over-allocations. Daiwa Securities SMBC may, in its sole and absolute discretion, exercise the Over-allotment Option requiring the Company to issue and allot Shares to return the Shares borrowed to Ever Prosper up to the expiry of the Over-allotment Option, being 30 days after the Listing Date.

STRUCTURE AND CONDITIONS OF THE PLACING

The Stock Borrowing Agreement is for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option. The maximum number of Shares to be borrowed from Ever Prosper is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option. The same number of Shares borrowed will be returned to Ever Prosper and deposited with its escrow agent within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full.

Daiwa Securities SMBC may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position and the period of time for which Daiwa Securities SMBC will maintain such a position is at the discretion of Daiwa Securities SMBC and is uncertain. In the event that Daiwa Securities SMBC liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilization action cannot be taken to support the price of the Placing Shares for longer than the stabilizing period beginning on the Listing Date and ending on the 30th day after the closing date (as such term is defined in the Securities and Futures (Price Stabilizing) Rules). The stabilizing period is expected to expire on Thursday, 15 November 2007, and that after this date, when no further stabilizing action may be taken, the demand for and the price of the Shares could fall.

Within seven days after the end of the stabilization period, the Company will make a public announcement disclosing information in compliance with section 9 of and schedule 3 to the Securities and Futures (Price Stabilizing) Rules.

Investors should be aware that the price of the Shares cannot be assured to stay at or above the Placing Price by implementing any stabilizing action. Stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Placing Price, which means that stabilizing bids may be made or transactions effected a price below the price the investor has paid for the Placing Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Tuesday, 16 October 2007. The Shares will be traded in board lots of 2,000 each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

11 October 2007

The Board of Directors
International Elite Ltd.
Daiwa Securities SMBC Hong Kong Limited

Dear Sirs

We set out below our report on the Financial Information relating to International Elite Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for each of the two years ended 31 December 2005 and 2006 and the five months ended 31 May 2007 (the “Relevant Period”) and the consolidated balance sheets of the Group as at 31 December 2005 and 2006 and 31 May 2007, and the balance sheets of the Company as at 31 December 2005 and 2006 and 31 May 2007, together with a summary of significant accounting policies and other explanatory notes thereto (the “Financial Information”) for inclusion in the prospectus of the Company dated 11 October 2007 (the “Prospectus”).

The Company, formerly known as China Elite Cyber Information Limited, 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.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private limited liability companies or, if incorporated /established outside Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Public of China (“the PRC”), have substantially the same characteristics as a private company incorporated in Hong Kong. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation / establishment	Authorised / registered / paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Keithick Profits Limited (“Keithick”)	British Virgin Islands 25 March 1993	Authorised capital of US\$50,000 and paid-in capital of US\$1	100%	—	Investment holding
Winet Engineering Limited (“Winet”)	Hong Kong, PRC 8 December 1999	Authorised capital of HK\$10,000 and paid-in capital of HK\$2	—	100%	Marketing and technical support services for telecommunications companies
PacificNet Management Limited (“PacificNet Management”)	British Virgin Islands 11 April 2000	Authorised capital of US\$50,000 and paid-in capital of US\$50	100%	—	Investment holding
China Elite Information Co., Ltd. (“China Elite”)	PRC 18 July 2000	Registered and paid-in capital of HK\$94,000,000	—	100%	Service relating to information and telecommunications system network technology; data communications technology services
International Elite Limited — Macao Commercial Offshore (“International Elite Macau”)	Macau Special Administrative Region (“Macau”) of PRC 7 December 2002	Authorised and paid-in capital of Macau Patacus (“MOP”)100,000	100%	—	Call centre for customer support and back offices
PacificNet Communications Limited — Macao Commercial Offshore (“PacificNet Communications”)	Macau, PRC 17 February 2003	Authorised and paid-in capital of MOP100,000	—	100%	Call centre for customer support and back offices

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, the unaudited management accounts of the Company and its subsidiaries, on the basis set out in Section A below after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate the Financial Information to conform with the accounting policies as referred to in Section C, which are in accordance with International Financial Reporting Standards (the "IFRSs"), promulgated by the International Accounting Standards Board ("IASB").

No audited financial statements have been prepared for the Company and PacificNet Management, as these companies are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all significant transactions undertaken by these companies during the Relevant Period for the purpose of this report.

The statutory financial statements of the following subsidiaries were prepared in accordance with the relevant accounting rules and regulations applicable to their respective jurisdictions and were audited during the Relevant Period by the respective certified public accountants as indicated below:

<u>Name of subsidiary</u>	<u>Relevant accounting rules and regulations</u>	<u>Financial period</u>	<u>Auditors</u>
Keithick	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKFRSs")	Years ended 31 December 2005 and 2006	Nicholas Fung & Co. Certified Public Accountants registered in Hong Kong
Winet	HKFRSs	Years ended 31 December 2005 and 2006	Nicholas Fung & Co. Certified Public Accountants registered in Hong Kong
China Elite	Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the PRC Ministry of Finance	Years ended 31 December 2005 and 2006	Guangdong Qimingxing Certified Public Accountants Co., Ltd. registered in the PRC
International Elite Macau	Accounting principles generally accepted in Macau ("Macau GAAPs")	Years ended 31 December 2005 and 2006	Leong Kam Chun & Co. Certified Public Accountants Co., Ltd. registered in Macau
PacificNet Communications	Macau GAAPs	Years ended 31 December 2005 and 2006	Leong Kam Chun & Co. Certified Public Accountants Co., Ltd. registered in Macau

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation of the Financial Information together with the notes thereto as set out in Sections C to E below which give a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the audited financial statements or, where appropriate, unaudited management accounts of the Company and its subsidiaries for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 May 2007.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information together with the notes thereto gives a true and fair view of the consolidated results and consolidated cash flows of the Group for the Relevant Period, and of the state of affairs of the Group and the Company as at 31 December 2005 and 2006 and 31 May 2007.

Comparative financial information

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the five months ended 31 May 2006, together with the notes thereon (the "31 May 2006 Corresponding Information"), for which the directors are responsible, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the 31 May 2006 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 May 2006 Corresponding Information.

On the basis of our review of the 31 May 2006 Corresponding Information which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the five months ended 31 May 2006.

A. BASIS OF PRESENTATION

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group as set out in Sections B(1), B(4) and B(5) respectively include the consolidated results of operations and consolidated cash flows of the Group for the Relevant Period. The consolidated balance sheets of the Group and the balance sheets of the Company as at 31 December 2005 and 2006 and 31 May 2007 as set out in Sections B(2) and B(3) respectively have been prepared to present the state of affairs of the Group and the Company as at the respective dates.

The above financial information has been prepared to conform with the significant accounting policies as referred to in Section C, which are in accordance with the IFRSs, promulgated by the IASB.

No restructuring or reorganisation has been occurred during the Relevant Period.

B. FINANCIAL INFORMATION**1. Consolidated Income Statements**

for the years ended 31 December 2005 and 2006 and the five months ended 31 May 2007

(In thousands of Hong Kong dollars, except for per share information)

	Note	For the year ended 31 December		For the five months ended 31 May	
		2005	2006	2006 (unaudited)	2007
Turnover	2	83,434	149,864	57,307	74,923
Cost of Sales		<u>(65,668)</u>	<u>(97,664)</u>	<u>(39,511)</u>	<u>(43,606)</u>
		17,766	52,200	17,796	31,317
Other revenue	3	99	284	148	159
Administrative expenses		<u>(16,121)</u>	<u>(22,106)</u>	<u>(9,076)</u>	<u>(12,516)</u>
Operating profit and profit before taxation	4	1,744	30,378	8,868	18,960
Taxation	5	—	<u>6,290</u>	—	<u>(2,140)</u>
Profit for the year / period attributable to shareholders of the Company		<u>1,744</u>	<u>36,668</u>	<u>8,868</u>	<u>16,820</u>
Earnings per share					
Basic and diluted earnings per share	8	<u>HK\$ 0.10</u>	<u>HK\$ 2.04</u>	<u>HK\$ 0.49</u>	<u>HK\$ 0.94</u>

The accompanying notes form part of the Financial Information.

2. Consolidated Balance Sheets
as at 31 December 2005 and 2006 and 31 May 2007
(In thousands of Hong Kong dollars)

	<u>Note</u>	<u>At 31 December</u>		<u>At 31 May</u>
		<u>2005</u>	<u>2006</u>	<u>2007</u>
Non-current assets				
Property, plant and equipment	9	24,431	29,545	27,370
Deferred tax assets	11	—	6,290	4,150
Total non-current assets		<u>24,431</u>	<u>35,835</u>	<u>31,520</u>
Current assets				
Trade and other receivables	12	30,175	50,097	48,900
Cash at bank and in hand	13	33,990	34,064	41,167
Total current assets		<u>64,165</u>	<u>84,161</u>	<u>90,067</u>
Current liabilities				
Trade and other payables	14	66,321	59,318	43,202
Total current liabilities		<u>66,321</u>	<u>59,318</u>	<u>43,202</u>
Net current (liabilities) / assets		<u>(2,156)</u>	<u>24,843</u>	<u>46,865</u>
Total assets less current liabilities		<u>22,275</u>	<u>60,678</u>	<u>78,385</u>
Net assets		<u>22,275</u>	<u>60,678</u>	<u>78,385</u>
Equity				
Share capital	15	14	14	14
Reserves	16	22,261	60,664	78,371
Total equity		<u>22,275</u>	<u>60,678</u>	<u>78,385</u>

The accompanying notes form part of the Financial Information.

3. Balance Sheets of the Company
as at 31 December 2005 and 2006 and 31 May 2007
(In thousands of Hong Kong dollars)

	Note	At 31 December		At 31 May
		2005	2006	2007
Non-current assets				
Property, plant and equipment	9	2,971	1,951	1,527
Investment in subsidiaries	10	97	97	97
Total non-current assets		<u>3,068</u>	<u>2,048</u>	<u>1,624</u>
Current assets				
Amounts due from subsidiaries		74,437	102,167	97,139
Trade and other receivables	12	1,756	2,609	6,064
Cash at bank and in hand	13	<u>22,280</u>	<u>22,843</u>	<u>24,183</u>
Total current assets		<u>98,473</u>	<u>127,619</u>	<u>127,386</u>
Current liabilities				
Amounts due to subsidiaries		24,215	42,158	53,951
Trade and other payables	14	<u>51,991</u>	<u>47,118</u>	<u>34,143</u>
Total current liabilities		<u>76,206</u>	<u>89,276</u>	<u>88,094</u>
Net current assets		<u>22,267</u>	<u>38,343</u>	<u>39,292</u>
Total assets less current liabilities		<u>25,335</u>	<u>40,391</u>	<u>40,916</u>
Net assets		<u>25,335</u>	<u>40,391</u>	<u>40,916</u>
Equity				
Share capital	15	14	14	14
Reserves	16	<u>25,321</u>	<u>40,377</u>	<u>40,902</u>
Total equity		<u>25,335</u>	<u>40,391</u>	<u>40,916</u>

4. Consolidated Statements of Changes in Equity
for the years ended 31 December 2005 and 2006 and the five months ended 31 May 2007
(In thousands of Hong Kong dollars)

	<u>Share capital</u>	<u>Reserves</u>	<u>Total equity</u>
	<i>Note 15</i>	<i>Note 16</i>	
As at 1 January 2005	14	19,484	19,498
Net profit for the year	—	1,744	1,744
Capital contribution reserve	—	998	998
Translation reserve	—	35	35
As at 31 December 2005 and 1 January 2006	14	22,261	22,275
Net profit for the year	—	36,668	36,668
Capital contribution reserve	—	1,032	1,032
Translation reserve	—	703	703
As at 31 December 2006 and 1 January 2007	14	60,664	60,678
Net profit for the period	—	16,820	16,820
Translation reserve	—	887	887
As at 31 May 2007	<u>14</u>	<u>78,371</u>	<u>78,385</u>
Unaudited			
As at 1 January 2006	14	22,261	22,275
Net profit for the period	—	8,868	8,868
Capital contribution reserve	—	430	430
Translation reserve	—	19	19
As at 31 May 2006	<u>14</u>	<u>31,578</u>	<u>31,592</u>

The accompanying notes form part of the Financial Information.

5. Consolidated Cash Flow Statements**for the years ended 31 December 2005 and 2006 and the five months ended 31 May 2007***(In thousands of Hong Kong dollars)*

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006 (unaudited)	2007
Operating activities				
Profit before taxation	1,744	30,378	8,868	18,960
Adjustments for:				
— depreciation	5,686	7,104	2,727	3,713
— expenses recognised on fair value of free rental	998	1,032	430	—
Operating profit before changes in working capital	8,428	38,514	12,025	22,673
Increase in trade and other receivables	(12,888)	(16,422)	(7,067)	(9,561)
Increase / (decrease) in trade and other payables	7,448	(1,261)	(6,565)	(2,450)
Net cash generated from / (used in) operating activities	2,988	20,831	(1,607)	10,662

The accompanying notes form part of the Financial Information.

5. Consolidated Cash Flow Statements
for the years ended 31 December 2005 and 2006 and the five months ended
31 May 2007 (continued)
(In thousands of Hong Kong dollars)

	Note	For the year ended 31 December		For the five months ended 31 May	
		2005	2006	2006 (unaudited)	2007
Investing activities					
Payment for the purchase of property, plant and equipment		(17,053)	(12,026)	(1,201)	(1,702)
Advances made to related parties		(2,666)	(3,950)	(760)	(472)
Repayments received from related parties		4,919	450	90	11,820
Net cash (used in) / generated from investing activities		<u>(14,800)</u>	<u>(15,526)</u>	<u>(1,871)</u>	<u>9,646</u>
Financing activities					
Pledged deposits		(20,393)	(639)	(249)	1,032
Advances received from related parties		31,528	4,958	2,664	390
Repayments made to related parties		(2,043)	(10,104)	(688)	(13,423)
Net cash generated from / (used in) financing activities		<u>9,092</u>	<u>(5,785)</u>	<u>1,727</u>	<u>(12,001)</u>
Net (decrease) / increase in cash and cash equivalents		(2,720)	(480)	(1,751)	8,307
Cash and cash equivalents at 1 January	13	16,596	13,597	13,597	13,032
Effect of foreign exchange rate changes		(279)	(85)	(45)	(172)
Cash and cash equivalents at 31 December / 31 May	13	<u>13,597</u>	<u>13,032</u>	<u>11,801</u>	<u>21,167</u>

The accompanying notes form part of the Financial Information.

C. NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1. Significant accounting policies***a) Statement of compliance***

The Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), promulgated by the International Accounting Standards Board (“IASB”). IFRSs include International Accounting Standards (“IAS”) and interpretations.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the Relevant Period, the IASB issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs in the Relevant Period, except for any new standards or interpretations that are not yet effective for the Relevant Period. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Period are set out in note 26.

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of the Financial Information is set out below.

b) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is the historical cost basis, except for certain financial instruments that have been initially measured at fair value.

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment are discussed in note 20.

1. Significant accounting policies (continued)***e) Subsidiaries***

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)).

f) Property, plant and equipment

- (i) Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)).

Cost comprises direct cost at construction including the capitalisation of staff cost on the application development and equipment assembly on respective property, plant and equipment. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. These costs, which are not eligible for capitalisation under accounting standards, are recognised as expenses under staff costs in the period in which they are incurred.

- (ii) Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

- (iii) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1. Significant accounting policies (continued)***đ)Property, plant and equipment (continued)***

- (iv) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses (see note 1(h)).

Construction in progress is transferred to property, plant and equipment when it is substantially ready for its intended use. No depreciation is provided against construction in progress.

đ)Operating lease charges

Leases of assets under which the lessor has not transferred substantially all the risks and rewards of ownership are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

đ)Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)).

đ)Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

đ)Impairment of assets

- (i) Impairment of trade and other receivables

Trade and other receivables that are stated at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

1. Significant accounting policies (continued)***h) Impairment of assets (continued)*****(i) Impairment of trade and other receivables (continued)**

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists may have decreased.

— property, plant and equipment

— investments in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1. Significant accounting policies (continued)***h) Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

i) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

j) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group

1. Significant accounting policies (continued)***k)Income tax (continued)***

controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

l)Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. Significant accounting policies (continued)***(n) Revenue recognition***

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Customer relationship management (“CRM”) services

CRM services comprise inbound services which include customer hotline services and built-in secretary services, a personalised message taking services, and outbound services which include telesales services and market research services.

Revenue is recognised when the services have been provided and the Group has obtained the right to demand payment of the consideration. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or when the amount of revenue and the costs incurred or to be incurred in respect of the services cannot be measured reliably.

(ii) Interest income

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

(o) Repairs and maintenance expenditure

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

(p) Translation of foreign currencies**(i) Functional and presentation currency**

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“functional currency”). The Financial Information is presented in Hong Kong dollars (“presentation currency”).

(ii) Transactions and balances

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations for entities with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average exchange rates for the financial period. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

1. Significant accounting policies (continued)***þ) Related parties***

For the purposes of this Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

ç) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group has two segments: inbound services and outbound services.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of this Financial Information.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, borrowings, tax balances, corporate and financing expenses.

2. Turnover

The principal activity of the Group is the provision of CRM services, which included inbound services and outbound services, to companies in various service-oriented industries.

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

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	\$'000	\$'000	\$'000	\$'000
			(unaudited)	
Inbound services	59,980	103,313	40,413	42,631
Outbound services	23,454	46,551	16,894	32,292
	<u>83,434</u>	<u>149,864</u>	<u>57,307</u>	<u>74,923</u>

3. Other revenue

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	\$'000	\$'000	\$'000	\$'000
			(unaudited)	
Interest income from bank deposits	99	257	122	157
Others	—	27	26	2
	<u>99</u>	<u>284</u>	<u>148</u>	<u>159</u>

4. Profit before taxation

Profit before taxation is arrived at after charging:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	\$'000	\$'000	\$'000	\$'000
			(unaudited)	
(a) Staff costs:				
Contributions to defined contribution retirement plan	3,998	6,306	2,722	2,729
Salaries, wages and other benefits	54,289	86,264	35,572	38,930
	<u>58,287</u>	<u>92,570</u>	<u>38,294</u>	<u>41,659</u>
(b) Other items:				
Depreciation	5,686	7,104	2,727	3,713
Taxes other than income tax	1,398	3,090	1,121	1,857
Auditors' remuneration	80	83	—	—
Utilities	2,936	3,628	1,211	1,770
Repair and maintenance	663	743	293	265
Operating lease charges in respect of				
— rental of building, offices and dormitories	2,090	2,305	758	1,869
— hire of transmission lines	5,080	6,085	2,287	2,999
	<u>5,080</u>	<u>6,085</u>	<u>2,287</u>	<u>2,999</u>

5. Taxation

(i) Taxation in the income statement represents:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	\$'000	\$'000	\$'000	\$'000
Deferred tax			(unaudited)	
Origination and reversal of temporary differences	—	6,290	—	(1,124)
Change in tax rate (<i>note (ii)</i>)	—	—	—	(1,016)
	=	=	=	=
Total income tax credit/(expense)	—	6,290	—	(2,140)
	=	=	=	=

(i) Hong Kong profits tax

No provision has been made for Hong Kong profits tax as the Group had no assessable profit arising in or derived from Hong Kong during the Relevant Period. The applicable tax rate of the subsidiary in Hong Kong was 17.5% throughout the Relevant Period.

(ii) Income taxes outside Hong Kong

The Company is incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands, namely Keithick and PacificNet Management, are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from payment of the British Virgin Islands income tax.

The Company's subsidiaries established in Macau, namely International Elite Macau and PacificNet Communications, are incorporated under the Commercial Code and regulations on offshore activities of Macau and, accordingly, are exempted from payment of the Macau income tax.

The applicable tax rate of China Elite was 33% throughout the Relevant Period. China Elite had no assessable profit for the two years ended 31 December 2006 and its accumulated tax losses brought forward from 31 December 2006 were sufficient to offset its assessable profit for the five months ended 31 May 2007.

On 16 March 2007, the Fifth Session of the Tenth National People's Congress passed the united enterprise income tax law. Pursuant to the united income tax law, the income tax rate that is applicable to the subsidiary of the Group in the PRC will be reduced from 33% to 25% effective from 1 January 2008. The Group's deferred tax assets have been reduced as a result of the change in tax rate and the expected financial effect of the new income tax law has been reflected in the Group's Financial Information for the five months ended 31 May 2007.

5. Taxation (continued)

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

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	\$'000	\$'000	\$'000	\$'000
Accounting (loss)/profit before taxation for entities				
— with tax rate of 33%	(26,441)	(16,642)	(7,657)	3,407
— with tax rate of 17.5%	(247)	(1,058)	(334)	707
— with nil tax rate	28,432	48,078	16,859	14,846
Total	<u>1,744</u>	<u>30,378</u>	<u>8,868</u>	<u>18,960</u>
Tax on accounting (loss)/profit before taxation using applicable tax rates for entities				
— with tax rate of 33%	(8,726)	(5,492)	(2,527)	1,124
— with tax rate of 17.5%	(43)	(185)	(58)	124
— with nil tax rate	—	—	—	—
Tax effect of non-deductible expenses	(135)	—	—	—
Tax effect of unused tax losses not recognised	8,936	5,677	2,585	37
Effect of change in tax rate	—	—	—	1,016
Recognition of tax losses not recognised previously	—	(6,290)	—	—
Others	(32)	—	—	(161)
Income tax (credit) / expense	<u>—</u>	<u>(6,290)</u>	<u>—</u>	<u>2,140</u>

6. Directors' remuneration

Directors' remuneration is as follows:

For the year ended 31 December 2005

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
Executive director					
Li Kin Shing	—	—	—	—	—
Kwok King Wa	—	—	—	—	—
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

For the year ended 31 December 2006

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
Executive director					
Li Kin Shing	—	—	—	—	—
Kwok King Wa	—	—	—	—	—
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

For the five months ended 31 May 2006 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
Executive director					
Li Kin Shing	—	—	—	—	—
Kwok King Wa	—	—	—	—	—
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

6. Directors' remuneration (continued)

For the five months ended 31 May 2007

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
Executive director					
Li Kin Shing	—	—	—	—	—
Kwok King Wa	—	—	—	—	—
Total	—	—	—	—	—
	=	=	=	=	=

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 Relevant Period. No directors waived or agreed to waive any emoluments during the Relevant Period.

7. Individuals with highest emolument

An analysis of the five individuals with the highest emolument in the Group during the Relevant Period is as follows:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Employees	5	5	5	5
	=	=	=	=

The aggregate emoluments in respect of the five highest paid individuals are as follows:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	\$'000	\$'000	\$'000 (unaudited)	\$'000
Salaries and other emoluments	1,142	1,341	466	1,554
Employees discretionary bonuses	40	53	31	22
Retirement scheme contributions	26	50	14	23
	=	=	=	=

The emoluments of the individuals with the highest emoluments are within the following bands:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
HK\$Nil — HK\$1,000,000	5	5	5	4
HK\$1,000,000 — HK\$1,500,000	—	—	—	1
	=	=	=	=

During the Relevant Period, 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.

8. Earnings per share

The basic earnings per share for the Relevant Period are calculated based on the profit attributable to the equity shareholders of the Company during the Relevant Period and the 17,950,000 ordinary shares in issue.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share are the same as basic earnings per share for the Relevant Period.

9. Property, plant and equipment**The Group**

	Facilities equipment	Leasehold improvements	Office equipment	Vehicles and other equipment	Construction in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:						
At 1 January 2005	8,296	8,711	2,846	1,471	—	21,324
Additions	9,062	1,902	5,064	2,305	1,055	19,388
Transfer from construction in progress ("CIP")	—	735	—	—	(735)	—
Translation adjustments	196	110	83	39	6	434
At 31 December 2005 and 1 January 2006	17,554	11,458	7,993	3,815	326	41,146
Additions	3,237	223	328	19	7,623	11,430
Transfer from CIP	2,368	3,920	1,423	—	(7,711)	—
Translation adjustments	453	380	287	83	7	1,210
At 31 December 2006 and 1 January 2007	23,612	15,981	10,031	3,917	245	53,786
Additions	283	—	158	2	626	1,069
Transfer from CIP	—	339	524	4	(867)	—
Translation adjustments	370	297	307	40	5	1,019
At 31 May 2007	<u>24,265</u>	<u>16,617</u>	<u>11,020</u>	<u>3,963</u>	<u>9</u>	<u>55,874</u>
Accumulated depreciation:						
At 1 January 2005	(5,304)	(3,902)	(1,405)	(298)	—	(10,909)
Charge for the year	(2,173)	(1,993)	(981)	(539)	—	(5,686)
Translation adjustments	(55)	(46)	(14)	(5)	—	(120)
At 31 December 2005 and 1 January 2006	(7,532)	(5,941)	(2,400)	(842)	—	(16,715)
Charge for the year	(2,897)	(2,128)	(1,369)	(710)	—	(7,104)
Translation adjustments	(167)	(156)	(80)	(19)	—	(422)
At 31 December 2006 and 1 January 2007	(10,596)	(8,225)	(3,849)	(1,571)	—	(24,241)
Charge for the period	(1,414)	(1,316)	(679)	(304)	—	(3,713)
Translation adjustments	(204)	(180)	(142)	(24)	—	(550)
At 31 May 2007	<u>(12,214)</u>	<u>(9,721)</u>	<u>(4,670)</u>	<u>(1,899)</u>	<u>—</u>	<u>(28,504)</u>
Net book value:						
At 31 December 2005	<u>10,022</u>	<u>5,517</u>	<u>5,593</u>	<u>2,973</u>	<u>326</u>	<u>24,431</u>
At 31 December 2006	<u>13,016</u>	<u>7,756</u>	<u>6,182</u>	<u>2,346</u>	<u>245</u>	<u>29,545</u>
At 31 May 2007	<u>12,051</u>	<u>6,896</u>	<u>6,350</u>	<u>2,064</u>	<u>9</u>	<u>27,370</u>

9. Property, plant and equipment (continued)**The Company**

	Facilities equipment	Leasehold improvements	Other equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost:				
At 1 January 2005	—	4,643	14	4,657
Additions	<u>271</u>	<u>178</u>	<u>—</u>	<u>449</u>
At 31 December 2005 and 1 January 2006	271	4,821	14	5,106
At 31 December 2006 and 1 January 2007	<u>271</u>	<u>4,821</u>	<u>14</u>	<u>5,106</u>
At 31 May 2007	<u>271</u>	<u>4,821</u>	<u>14</u>	<u>5,106</u>
Accumulated depreciation:				
At 1 January 2005	—	(1,161)	(10)	(1,171)
Charge for the year	<u>—</u>	<u>(961)</u>	<u>(3)</u>	<u>(964)</u>
At 31 December 2005 and 1 January 2006	—	(2,122)	(13)	(2,135)
Charge for the year	<u>(54)</u>	<u>(965)</u>	<u>(1)</u>	<u>(1,020)</u>
At 31 December 2006 and 1 January 2007	(54)	(3,087)	(14)	(3,155)
Charge for the period	<u>(23)</u>	<u>(401)</u>	<u>—</u>	<u>(424)</u>
At 31 May 2007	<u>(77)</u>	<u>(3,488)</u>	<u>(14)</u>	<u>(3,579)</u>
Net book value:				
At 31 December 2005	<u>271</u>	<u>2,699</u>	<u>1</u>	<u>2,971</u>
At 31 December 2006	<u>217</u>	<u>1,734</u>	<u>—</u>	<u>1,951</u>
At 31 May 2007	<u>194</u>	<u>1,333</u>	<u>—</u>	<u>1,527</u>

10. Investment in subsidiaries

	The Company		
	At 31 December	At 31 May	
	2005	2006	2007
	\$'000	\$'000	\$'000
Unlisted shares, at cost	<u>97</u>	<u>97</u>	<u>97</u>

The class of shares held is ordinary.

11. Deferred tax assets

The component of deferred tax assets recognised in the consolidated balance sheets and the movements during the Relevant Period are as follows:

Deferred tax arising from:

	Unutilised tax loss
	\$'000
As at 1 January 2005	—
Credited to income statement	—
As at 31 December 2005 and 1 January 2006	—
Credited to income statement	6,290
As at 31 December 2006 and 1 January 2007	6,290
Charged to income statement	(2,140)
As at 31 May 2007	<u>4,150</u>

11. Deferred tax assets (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profit is probable. As at 31 December 2005 and 2006 and 31 May 2007, the Group did not recognise deferred tax assets in respect of cumulative reported tax losses amounting to approximately HK\$56 million, HK\$53 million and HK\$53 million, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses accumulated by the subsidiary in the PRC expire within five years under current tax legislation.

12. Trade and other receivables

	Note	At 31 December		At 31 May
		2005	2006	2007
		\$'000	\$'000	\$'000
The Group				
Trade receivables				
— amounts due from related companies	23(b)	2,800	4,041	2,444
— amounts due from third parties		20,437	32,263	38,976
Deposits, prepayments and other receivables				
— amounts due from shareholder and related companies	23(b)	6,349	11,743	—
— amounts due from third parties		589	2,050	7,480
		<u>30,175</u>	<u>50,097</u>	<u>48,900</u>
The Company				
Trade receivables				
— amounts due from related companies		—	31	28
— amounts due from third parties		—	—	69
Deposits, prepayments and other receivables				
— amounts due from shareholder and related companies		1,670	2,379	—
— amounts due from third parties		86	199	5,967
		<u>1,756</u>	<u>2,609</u>	<u>6,064</u>

(a) Included in trade receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date.

	At 31 December		At 31 May
	2005	2006	2007
	\$'000	\$'000	\$'000
The Group			
Aged within 1 month	14,981	18,670	18,444
Aged between 1 to 3 months	5,814	12,588	19,950
Aged between 3 to 6 months	1,717	2,283	1,382
Aged between 6 months to 1 year	725	2,763	102
Aged between 1 to 2 years	—	—	1,542
	<u>23,237</u>	<u>36,304</u>	<u>41,420</u>
The Company			
Aged within 1 month	—	31	97

All of the trade receivables (net of impairment losses for bad and doubtful debts) are expected to be received within one year. No impairment losses for bad and doubtful debts have been made in respect of trade and other receivable during the Relevant Period.

12. Trade and other receivables (continued)

- b) In general, apart from related parties, debts are due for payment upon billing or with initial credit terms of 15 to 30 days. Subject to negotiation, credit terms could be extended to three to six months for certain customers with well-established trading and payment records on a case-by-case basis.

13. Cash at bank and in hand

	At 31 December		At 31 May
	2005	2006	2007
	\$'000	\$'000	\$'000
The Group			
Fixed deposits	20,393	21,032	20,000
Cash in hand and demand deposits	13,597	13,032	21,167
Cash at bank and in hand in the consolidated balance sheets	33,990	34,064	41,167
Fixed deposits held as security for letters of credit	(20,393)	(21,032)	(20,000)
Cash and cash equivalents in the consolidated cash flow statements	13,597	13,032	21,167
The Company			
Fixed deposits as security for letters of credit	20,393	21,032	20,000
Cash in hand and demand deposits	1,887	1,811	4,183
Cash at bank and in hand in the balance sheets	22,280	22,843	24,183

14. Trade and other payables

	Note	At 31 December		At 31 May
		2005	2006	2007
		\$'000	\$'000	\$'000
The Group				
Creditors and accrued charges		9,805	11,568	8,730
Advance payments from customers		4,159	583	369
Amounts due to shareholder	23(b)	5,779	6,419	7,173
Amounts due to related companies	23(b)	46,578	40,748	26,930
		66,321	59,318	43,202
The Company				
Creditors and accrued charges		167	350	329
Advance payments from customers		165	165	165
Amounts due to shareholder		5,780	6,418	6,719
Amounts due to related companies		45,879	40,185	26,930
		51,991	47,118	34,143

14. Trade and other payables (continued)

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

	At 31 December		At 31 May
	2005	2006	2007
	\$'000	\$'000	\$'000
The Group			
Due within 3 months or on demand	<u>14,016</u>	<u>12,250</u>	<u>9,553</u>
The Company			
Due within 3 months or on demand	<u>332</u>	<u>515</u>	<u>494</u>

All of the trade payables are expected to be settled within one year.

15. Share capital

Authorised and issued share capital

	At 31 December				At 31 May	
	2005		2006		2007	
	No. of shares ('000)	\$'000	No. of shares ('000)	\$'000	No. of shares ('000)	\$'000
Authorised:						
Ordinary shares of US\$0.0001 each	<u>500,000</u>	<u>390</u>	<u>500,000</u>	<u>390</u>	<u>500,000</u>	<u>390</u>
Ordinary shares, issued and fully paid:						
At 1 January and 31 December / 31 May	<u>17,950</u>	<u>14</u>	<u>17,950</u>	<u>14</u>	<u>17,950</u>	<u>14</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

No dividend has been paid or declared by the Company during the Relevant Period.

16. Reserves

The Group

	Statutory reserve	Translation reserve	Capital contribution reserve	Retained profits	Total
	\$'000 Note (i)	\$'000	\$'000 Note 23(a)(iii)	\$'000	\$'000
As at 1 January 2005	97	(84)	3,936	15,535	19,484
Profit for the year	—	—	—	1,744	1,744
Recognised expenses on free rental from shareholder ...	—	—	998	—	998
Exchange difference on translation of financial statements of subsidiaries	—	35	—	—	35
As at 31 December 2005 and 1 January 2006	97	(49)	4,934	17,279	22,261
Profit for the year	—	—	—	36,668	36,668
Recognised expenses on free rental from shareholder ...	—	—	1,032	—	1,032
Exchange difference on translation of financial statements of subsidiaries	—	703	—	—	703
As at 31 December 2006 and 1 January 2007	97	654	5,966	53,947	60,664
Profit for the period	—	—	—	16,820	16,820
Exchange difference on translation of financial statements of subsidiaries	—	887	—	—	887
As at 31 May 2007	<u>97</u>	<u>1,541</u>	<u>5,966</u>	<u>70,767</u>	<u>78,371</u>
Unaudited					
As at 31 December 2005 and 1 January 2006	97	(49)	4,934	17,279	22,261
Profit for the period	—	—	—	8,868	8,868
Recognised expenses on free rental from shareholder ...	—	—	430	—	430
Exchange difference on translation of financial statements of subsidiaries	—	19	—	—	19
As at 31 May 2006	<u>97</u>	<u>(30)</u>	<u>5,364</u>	<u>26,147</u>	<u>31,578</u>

The Company

	Retained profits
	\$'000
As at 1 January 2005	20,515
Profit for the year	4,806
As at 31 December 2005 and 1 January 2006	25,321
Profit for the year	15,056
As at 31 December 2006 and 1 January 2007	40,377
Profit for the period	525
As at 31 May 2007	<u>40,902</u>
Unaudited	
As at 31 December 2005 and 1 January 2006	25,321
Profit for the period	3,797
As at 31 May 2006	<u>29,118</u>

16. Reserves (continued)***i) Statutory reserve***

The Group's wholly owned subsidiaries in Macau are required to transfer not less than 25% of their net profits, as determined in accordance with Commercial Code of Macau, to the statutory reserve fund until the balance reaches 50% of the registered capital. As at 1 January 2005, the balances of statutory reserve in these subsidiaries already reached 50% of their respective registered capital and no more transfer was made to the statutory reserve during the Relevant Period.

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. Transfers to this fund must be made before distributing dividends to the Company.

Pursuant to applicable PRC regulations, 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 PRC accounting regulations (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 Relevant Period.

ii) Distributable reserve

At 31 December 2005 and 2006 and 31 May 2007, the reserve available for distribution to equity shareholders of the Company was HK\$25 million, HK\$40 million and HK\$41 million, respectively.

17. Retirement benefits

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees immediately. Any unvested balance from voluntary contributions is refunded to the Group.

In accordance with the labour regulations of the PRC, the operating subsidiary of the Group in the PRC, namely China Elite, participates in defined contribution retirement schemes organised by the municipal governments for its employees. The subsidiary is required to make contributions to the government administered retirement schemes at certain rates of the basic salaries of its employees. Under these schemes, retirement benefits of the existing and retired employees are payable by the relevant authorities and the Group has no further obligations beyond the contributions.

Employees engaged by the Group outside Hong Kong and PRC are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

18. Financial instruments

The Group has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's financial assets include cash at bank and in hand, trade and other receivables. The Group's financial liabilities include trade and other payables. Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. Normally, the Group does not obtain collateral from customers.

At 31 December 2005 and 2006 and 31 May 2007, the Group had a concentration of credit risk as 85%, 88% and 88% of the total trade receivables respectively was due from the Group's five largest customers, and 28%, 30% and 37% of the total trade receivables respectively 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.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable to meet its liquidity requirements in the short and longer term.

c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Group has no material exposure to market risk for changes in interest rate.

(ii) Foreign currency risk

The Group's presentation currency is Hong Kong dollar.

18. Financial instruments (continued)

The Group has certain foreign currency sales, which expose the Group to foreign currency risk. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arises.

Ⓐ)Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital.

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

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

Ⓑ)Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial assets and liabilities. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

19. Segment reporting

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The business segment of the Group comprises:

- (i) Inbound services; and
- (ii) Outbound services.

19. Segment reporting (continued)

Year ended 31 December 2005

	<u>Inbound services</u>	<u>Outbound services</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue from external customers	59,980	23,454	83,434
Segment results	<u>18,880</u>	<u>2,739</u>	<u>21,619</u>
Unallocated income and expenses			(19,875)
Profit from operations			1,744
Taxation			—
Profit for the year			<u>1,744</u>
Depreciation for the year	<u>402</u>	<u>293</u>	
Segment assets	11,056	6,975	18,031
Unallocated assets			70,565
Total assets			<u>88,596</u>
Segment liabilities	—	—	—
Unallocated liabilities			66,321
Capital expenditure incurred during the year	<u>11,447</u>	<u>7,941</u>	

Year ended 31 December 2006

	<u>Inbound services</u>	<u>Outbound services</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue from external customers	103,313	46,551	149,864
Segment results	<u>37,605</u>	<u>17,590</u>	<u>55,195</u>
Unallocated income and expenses			(24,817)
Profit from operations			30,378
Taxation			6,290
Profit for the year			<u>36,668</u>
Depreciation for the year	<u>697</u>	<u>489</u>	
Segment assets	23,318	14,515	37,833
Unallocated assets			82,163
Total assets			<u>119,996</u>
Segment liabilities	—	—	—
Unallocated liabilities			59,318
Capital expenditure incurred during the year	<u>6,611</u>	<u>4,819</u>	

19. Segment reporting (continued)

Five months ended 31 May 2006 (unaudited)

	Inbound services	Outbound services	Total
	\$'000	\$'000	\$'000
Revenue from external customers	40,413	16,894	57,307
Segment results	<u>13,407</u>	<u>6,562</u>	<u>19,969</u>
Unallocated income and expenses			(11,101)
Profit from operations			8,868
Taxation			—
Profit for the period			<u>8,868</u>
Depreciation for the period	285	193	
Segment assets	24,613	9,409	34,022
Unallocated assets			59,314
Total assets			<u>93,336</u>
Segment liabilities	—	—	—
Unallocated liabilities			61,744
Capital expenditure incurred during the period	<u>767</u>	<u>402</u>	

Five months ended 31 May 2007

	Inbound services	Outbound services	Total
	\$'000	\$'000	\$'000
Revenue from external customers	42,631	32,292	74,923
Segment results	<u>15,642</u>	<u>18,595</u>	<u>34,237</u>
Unallocated income and expenses			(15,277)
Profit from operations			18,960
Taxation			(2,140)
Profit for the period			<u>16,820</u>
Depreciation for the period	284	307	
Segment assets	28,957	21,431	50,388
Unallocated assets			71,199
Total assets			<u>121,587</u>
Segment liabilities	—	—	—
Unallocated liabilities			43,202
Capital expenditure incurred during the period	<u>823</u>	<u>246</u>	

Geographical segments

The Group primarily operates in PRC, Hong Kong and Macau. Hong Kong is a major market for all of the Group's businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

19. Segment reporting (continued)**Year ended 31 December 2005**

	<u>PRC</u> <u>\$'000</u>	<u>Hong Kong</u> <u>\$'000</u>	<u>Macau</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Revenue from external customers	4,921	77,068	1,445	83,434
Segment assets	789	16,944	298	18,031
Capital expenditure incurred during the year	12,807	6,581	—	19,388

Year ended 31 December 2006

	<u>PRC</u> <u>\$'000</u>	<u>Hong Kong</u> <u>\$'000</u>	<u>Macau</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Revenue from external customers	14,874	131,538	3,452	149,864
Segment assets	3,620	32,138	2,075	37,833
Capital expenditure incurred during the year	8,818	2,608	4	11,430

Five months ended 31 May 2006 (unaudited)

	<u>PRC</u> <u>\$'000</u>	<u>Hong Kong</u> <u>\$'000</u>	<u>Macau</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Revenue from external customers	4,724	51,067	1,516	57,307
Segment assets	9,215	23,856	951	34,022
Capital expenditure incurred during the period	1,160	5	4	1,169

Five months ended 31 May 2007

	<u>PRC</u> <u>\$'000</u>	<u>Hong Kong</u> <u>\$'000</u>	<u>Macau</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Revenue from external customers	7,339	65,461	2,123	74,923
Segment assets	15,350	33,829	1,209	50,388
Capital expenditure incurred during the period	880	187	2	1,069

20. Accounting estimates and judgements***Key sources of estimation uncertainty***

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(i) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

20. Accounting estimates and judgements (continued)***b) Impairments***

In considering the impairment loss that may be required for certain property, plant and equipment of the Group, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment loss for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the net profit in future years.

c) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

21. Commitments***a) Capital commitments outstanding at December and May not provided for in the Financial Information were as follows:***

	At 31 December		At 31 May
	2005	2006	2007
	\$'000	\$'000	\$'000
Contracted for	278	—	—
Authorised, but not contracted for	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

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

	At 31 December				At 31 May	
	2005		2006		2007	
	Properties \$'000	Transmission lines \$'000	Properties \$'000	Transmission lines \$'000	Properties \$'000	Transmission lines \$'000
Within 1 year	<u>34</u>	<u>690</u>	<u>211</u>	<u>1,275</u>	<u>120</u>	<u>520</u>

21. Commitments (continued)

The Group is the lessee in respect of a number of properties and transmission lines held under operating leases. The leases typically run for an initial period of 1 year, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

22. Contingent liabilities

At 31 December 2005 and 2006 and 31 May 2007, there were no significant contingent liabilities.

23. Material related party transactions***(i) Transactions***

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

	Note	For the year ended 31 December		For the five months ended 31 May	
		2005 \$'000	2006 \$'000	2006 \$'000 (unaudited)	2007 \$'000
Sales	(i)	2,325	5,071	776	4,444
Purchases of services	(ii)	402	782	170	110
Rental of properties	(iii)	998	1,032	430	454
Cash advances to related parties		2,666	3,950	760	472
Repayment of cash advances from related parties		4,919	450	90	11,820
Cash advances from related parties		31,528	4,958	2,664	390
Repayment of cash advances to related parties		<u>2,043</u>	<u>10,104</u>	<u>688</u>	<u>13,423</u>

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) Services purchase from related parties mainly represent services for operation.

(iii) The Group rented properties from a shareholder and a related company, and used them as offices with free charges up to 31 December 2006. The fair value of rents were determined by reference to the market price, and the Group recognised the fair value of rents on property as capital contribution reserve set out in note 16. Started from 1 January 2007, the Group pays rents to the shareholder and the related company with reference to the market price.

A shareholder pledged his own property amounting to approximately HK\$38 million during the Relevant Period for the implementation of the Group's contract with a major customer.

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

The directors have confirmed that the cash advances to and from related parties will not continue in the future after the listing of the shares of the Company on the Stock Exchange.

23. Material related party transactions (continued)***b) Balances with related parties***

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

	At 31 December		At 31 May
	2005	2006	2007
	\$'000	\$'000	\$'000
Amounts due from shareholder and related companies			
— trade	2,800	4,041	2,444
— non-trade	6,349	11,743	—
Amounts due to shareholder and related companies			
— trade	52	99	454
— non-trade	52,305	47,068	33,649

Note:

The amounts due from/to related parties are unsecured, interest free and are expected to be recovered within one year/repaid on demand. The amounts due from shareholder and related companies are included in "Trade and other receivables" (note 12) and the amounts due to shareholder and related companies are included in "Trade and other payables" (note 14). No impairment losses for bad or doubtful debts have been made in respect of the amounts due from shareholder and related companies.

c) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	For the year ended 31 December		For the five months ended 31 May	
	2005	2006	2006	2007
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	749	892	305	505
Contribution to retirement benefit schemes	39	56	22	23
	788	948	327	528

The remuneration is included in "staff costs" (see note 4(a)).

d) Contributions to defined contribution retirement schemes

The Group participates in defined contribution retirement schemes organised by municipal and provincial governments for its employees in the PRC.

The Group is also required to make contributions to the Mandatory Provident Fund Scheme for its employees in Hong Kong at the rate set up by the local laws and regulations.

Employees engaged by the Group outside Hong Kong and the PRC are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

The amounts of contributions and details of the Group's defined contribution retirement schemes are described in note 4(a) and note 17.

24. Non-adjusting post balance sheet events**(i) The following significant transactions took place subsequent to 31 May 07**

The Company increased its authorised share capital and completed its capitalisation issue prior to the placing and public offer of the Company's shares.

The following have been taken place:

- the authorised share capital of the Company was increased by HK\$40,000,000 by the creation of 4,000,000,000 shares of HK\$0.01 each on 8 September 2007;
- an aggregate of 1,400,100 shares of HK\$0.01 each were allotted and issued at par to Ever Prosper International Limited ("Ever Prosper") on 8 September 2007, the immediate parent and ultimate controlling party;
- 17,950,000 shares of US\$0.0001 each previously held by Ever Prosper were repurchased by the Company on 8 September 2007;
- the authorised but unissued share capital of the Company was diminished by the cancellation of all unissued shares of US\$0.0001 each on 8 September 2007;
- 34,200,000 shares of HK\$0.01 each were allotted and issued at par to Ever Prosper on 8 September 2007; and
- 648,399,900 shares of HK\$0.01 each were allotted and issued at par to Ever Prosper following the written resolution of the sole shareholder of the Company passed on 21 September 2007.

Subsequent to the completion of the above transactions, Ever Prosper holds 684,000,000 shares of the Company of HK\$0.01 each.

(b) Share Option Scheme

Pursuant to the written resolution of the sole shareholders of the Company passed on 21 September 2007, the Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in Appendix VI to the Prospectus.

25. Parent and ultimate controlling party

At 31 May 2007, the directors consider the immediate parent and ultimate controlling party of the Company to be Ever Prosper International Limited, which is incorporated in the British Virgin Islands. This entity does not provide financial statements available for public use.

26. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 May 2007

Up to the date of issue of the Financial Information, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 31 May 2007 and which have not been adopted in this Financial Information.

		Effective for Annual accounting dates beginning on or after
IFRS 8	Operating Segments	1 January 2009
IAS 23 (Revised)	Borrowing costs	1 January 2009
IAS 1 (Revised)	Presentation of financial statements	1 January 2009
IFRIC - 12	Service concession arrangements	1 January 2008
IFRIC - 13	Customer loyalty programme	1 July 2008
IFRIC - 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial applications. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position.

In addition, IFRS 8, Operating segments and IAS 1 (Revised), Presentation of financial statements, which are effective for accounting period beginning on or after 1 January 2009, may result in new or amended disclosures in the Financial Information.

D. DIRECTORS' REMUNERATION

Save as disclosed in Section C note 6 above, no remuneration has been paid or is payable in respect of the Relevant Period to the directors of the Company. Under the arrangement presently in force, the estimated aggregate amount of the Company's directors' remuneration payable for the year ending 31 December 2007 is approximately HK\$1,357,450, excluding management bonuses which are payable at the Company's discretion.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 May 2007.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong, China

The forecast of the net profit for the year ending 31 December 2007 is set out in the paragraph headed “Profit forecast” under the section headed “Financial information” of this prospectus:

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast net profit attributable to shareholders of the Company for the year ending 31 December 2007 on the basis of the audited consolidated results of the Group for the five months ended 31 May 2007, the unaudited consolidated results for the three months ended 31 August 2007 and a forecast consolidated results for the remaining four months to 31 December 2007. The forecast has been prepared based on the following principal assumptions:

- there will be no material change in existing political, legal, fiscal, market or economic conditions in the PRC or any other country or territory in which we currently operate or which are otherwise material to our revenues;
- there will be no changes in legislation, regulations or rules in the PRC or any other country or territory in which we operate or with which we have arrangements or agreements, which materially adversely affect our business;
- there will be no material change in the bases or rates of taxation in the PRC or any country or territory in which we operate, except as otherwise disclosed in this prospectus;
- there will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing; and
- the Group’s operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents

The accounting policies adopted in the profit forecast are based on the International Financial Reporting Standards (“IFRS”) which are effective for the accounting periods beginning on 1 January 2007.

B. LETTERS

The following is the text of a letter from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus in connection with the profit forecast for the year ending 31 December 2007.



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

11 October 2007

The Board of Directors
International Elite Ltd.
Daiwa Securities SMBC Hong Kong Limited

Dear Sirs

We have reviewed the accounting policies and calculations adopted in arriving at the forecast consolidated profit after taxation attributable to shareholders of International Elite Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31 December 2007 (the "Forecast"), for which the directors of the Company (the "Directors") are solely responsible, as set out in the prospectus of the Company dated 11 October 2007 (the "Prospectus").

The Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the five months ended 31 May 2007, the unaudited consolidated results of the Group shown in the management accounts of the Group for the three months ended 31 August 2007 and a forecast of the consolidated results of the Group for the four months ending 31 December 2007.

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled on the bases and assumptions adopted by the Directors as set out in Part (A) of Appendix II to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in our accountants' report dated 11 October 2007, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong, China

The following is the text of a letter, prepared for inclusion in this prospectus by Daiwa Securities SMBC Hong Kong Limited in connection with the profit forecast for the year ending 31 December 2007.

Daiwa Securities
SMBC

Daiwa Securities SMBC Hong Kong Limited
Level 26, One Pacific Place,
88 Queensway,
Hong Kong

11 October 2007

The Board of Directors
International Elite Ltd.

Dear Sirs,

We refer to the forecast of the consolidated net profit attributable to the shareholders of International Elite Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ending 31 December 2007 (the “Forecast”) as set out in the subsection headed “Profit Forecast for the Year Ending 31 December 2007” under the section headed “Financial Information” in the prospectus of the Company dated 11 October 2007 (the “Prospectus”).

The Forecast, for which the directors of the Company (the “Directors”) are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Group for the five months ended 31 May 2007, the unaudited consolidated results of the Group shown in the management accounts of the Group for the three months ended 31 August 2007 and a forecast of the consolidated results of the Group for the four months ending 31 December 2007.

We have discussed with you the bases and assumptions made by you as set out in Appendix II to the Prospectus upon which the Forecast has been made. We have also considered the letter dated today addressed to yourselves and ourselves from KPMG regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of

Daiwa Securities SMBC Hong Kong Limited

Tatsuya Himoto
Head of Investment Banking

Roxanne Yeu
Senior Vice President

The information set forth in this appendix does not form part of the Accountants' Report prepared by the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 May 2007 comprises the historical audited consolidated net tangible assets of the Group as at 31 May 2007, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and the adjustments described below.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the audited consolidated net tangible assets of the Group as at 31 May 2007 as if the Placing had occurred on 31 May 2007.

The unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group.

Audited consolidated net tangible assets as at 31 May 2007 ⁽¹⁾	Estimated net proceeds from the Placing ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share
HK\$'000	HK\$'000	HK\$'000	HK\$
<u>78,385</u>	<u>285,080</u>	<u>363,465</u>	<u>0.40</u>

Notes:

- (1) *The audited consolidated net tangible assets attributable to the Shareholders of the Company as of 31 May 2007 are extracted from the Accountants' Report set forth in Appendix I to this prospectus.*
- (2) *The estimated net proceeds from the Placing are based on the Placing Price, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.*
- (3) *The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to item 2 above and on the basis that 912,000,000 Shares are in issue.*

(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share for the year ending 31 December 2007 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing as if it had taken place on 1 January 2007. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial results of the Group following the Placing.

Forecast profit attributable to Shareholders ⁽¹⁾	not less than HK\$54.8 million
Forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) ⁽¹⁾	not less than HK\$59.0 million
Forecast earnings per Share based on forecast profit attributable to the Shareholders	
(a) weighted average ⁽²⁾	not less than HK7.7 cents
(b) fully diluted ⁽³⁾	not less than HK5.6 cents
Forecast earnings per Share based on forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million)	
(a) weighted average ⁽⁴⁾	not less than HK8.3 cents
(b) fully diluted ⁽⁵⁾	not less than HK6.1 cents

Notes:

- The profit forecast for the year ending 31 December 2007 is based on the Group's audited consolidated results for the five months ended 31 May 2007, the unaudited consolidated results of the Group shown in the management accounts of the Group for the three months ended 31 August 2007 and a forecast of the consolidated results for the four months ending 31 December 2007. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix II.*
- The calculation of weighted average forecast earnings per Share is based on the forecast profit attributable to the Shareholders of approximately HK\$54.8 million for the year ending 31 December 2007 on the basis of the issued share capital of 708,673,973 Shares, being the weighted average number of Shares in issue during the year. The Shares to be issued under the Placing are assumed to be issued on 16 October 2007. This calculation assumes no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.*
- The calculation of pro forma forecast earnings per Share is based on the forecast profit attributable to the Shareholders of approximately HK\$54.8 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.*
- The calculation of weighted average forecast earnings per Share is based on the forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) of approximately HK\$59.0 million for the year ending 31 December 2007 on the basis of the issued share capital of 708,673,973 Shares, being the weighted average number of Shares in issue during the year. The Shares to be issued under the Placing are assumed to be issued on 16 October 2007. This calculation assumes no exercise of the Over-allotment Option and the Pre-IPO Share Options and taking into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.*
- The calculation of pro forma forecast earnings per Share is based on the forecast profit attributable to the Shareholders (before the Pre-IPO Share Options expenses of approximately HK\$4.2 million) of approximately HK\$59.0 million for the year ending 31 December 2007 and assuming all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.*

(C) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE CONSOLIDATED ADJUSTED NET TANGIBLE ASSETS AND PRO FORMA FORECAST EARNINGS PER SHARE

The following is the text of a report received from the reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

11 October 2007

The Board of Directors
International Elite Ltd.
Daiwa Securities SMBC Hong Kong Limited

Dear Sirs

We report on the unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of the Group set out in parts A and B of Appendix III to the prospectus dated 11 October 2007 (the “Prospectus”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Placing might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in parts A and B of Appendix III to the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by Paragraph 7.31 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the

unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 May 2007 or any future date; or
- the earnings per share of the Group for the year ending 31 December 2007 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under "Use of Proceeds" in the section headed "Business Objectives and Strategies" set out in the Prospectus.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong, China

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 31 July 2007 of the property interests of the Group.



Sallmanns



Corporate valuation and consultancy

www.sallmanns.com

22nd Floor Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2528 5079

11 October 2007

The Board of Directors
International Elite Ltd.
Office Nos. 3809-3810
Hong Kong Plaza
No. 188 Connaught Road West
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which International Elite Ltd. (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in Hong Kong, the People’s Republic of China (the “PRC”) and Macau, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 July 2007 (the “date of valuation”).

Our valuations of the property interests represent the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

We have attributed no commercial value to the property interests which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”); the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of the title documents and tenancy agreements relating to the property interests and have caused searches to be made at the Hong Kong and Macau Land Registries in relation to the property interests located in Hong Kong and Macau. However, we have not searched the original documents to verify ownership or to ascertain any amendment.

We have been, in some instances, provided by the Group with copies of the tenancy agreements relating to the properties in the PRC. Where possible, we have searched the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company’s PRC legal adviser — Shu Jin Law Firm, concerning the validity of the tenancy agreements.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 24 years' experience in the valuation of properties in the PRC and 27 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I— PROPERTY INTEREST RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

<u>No.</u>	<u>Property</u>	Capital value in existing state as at 31 July 2007 <u>RMB</u>
1.	Office Nos. 9-10 on 38th Floor Hong Kong Plaza No. 188 Connaught Road West Hong Kong	No commercial value
	Sub-total:	<u>Nil</u>

GROUP II— PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

<u>No.</u>	<u>Property</u>	Capital value in existing state as at 31 July 2007 <u>RMB</u>
2.	Tianlong Building (except Unit B on Level 4) No. 67 Tangxinxi Street Tangxi Industrial Zone Xinshi Town Baiyun District Guangzhou City Guangdong Province The PRC	No commercial value
3.	East portion of Level 4 No. 57 Tangxinxi Street Guanghuasi Road Baiyun District Guangzhou City Guangdong Province The PRC	No commercial value
4.	Levels 2-3 No. 133 Qiyi Road Guangzhou City Guangdong Province The PRC	No commercial value
5.	Unit No. 304 on Level 3 of Block 1 First Street Kangle Road Sanshui District Foshan City Guangdong Province The PRC	No commercial value
	Sub-total:	<u>Nil</u>

**GROUP III— PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN
MACAU**

<u>No.</u>	<u>Property</u>	Capital value in existing state as at 31 July 2007
		<u>RMB</u>
6.	Unit No. F on 6th Floor Edificio Commercial I Tak No. 126 Rua De Pequim Macau	No commercial value
7.	Portion of Unit No. E on 6th Floor Edificio Commercial I Tak No. 126 Rua De Pequim Macau	No commercial value
	Sub-total:	<u>Nil</u>
	Grand-total:	<u><u>Nil</u></u>

VALUATION CERTIFICATE

GROUP I— PROPERTY INTEREST RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	Capital value in existing state as at 31 July 2007 RMB
1. Office Nos. 9-10 on 38th Floor Hong Kong Plaza No. 188 Connaught Road West Hong Kong	<p>The property comprises 2 office units on 38th floor of a 41-storey commercial building completed in about 1983.</p> <p>The property has a total gross floor area of approximately 147.44 sq.m. (1,587 sq.ft.)</p> <p>As at the date of valuation, the property was leased to the Group on monthly basis at a monthly rental of HK\$14,000 exclusive of water and electricity charges.</p> <p>Pursuant to a Tenancy Agreement, the property is leased to the Group for a term commencing from 8 October 2007 and expiring on 31 December 2009 at a monthly rental of HK\$14,000 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

- Pursuant to a Tenancy Agreement entered into between Talent Information Engineering Co. Ltd. and the Company dated 8 October 2007, the property is leased to the Company for a term commencing from 8 October 2007 and expiring on 31 December 2009 at a monthly rental of HK\$14,000 exclusive of water and electricity charges.*
- Talent Information Engineering Co. Ltd. is indirectly wholly-owned by Ms. Kwok King Wa, the chairman and executive director of the Company, thus, Talent Information Engineering Co. Ltd. is a connected person of the Company in accordance with the GEM Listing Rules.*

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 July 2007</u> RMB
2. Tianlong Building (except Unit B on Level 4) No. 67 Tangxinxi Street Tangxi Industrial Zone Xinshi Town Baiyun District Guangzhou City Guangdong Province The PRC	<p>The property comprises a portion of a 7-storey industrial building completed in about 1997.</p> <p>The property has a gross floor area of approximately 6,094 sq.m.</p> <p>As at the date of valuation, the property was leased to the Group on monthly basis at a monthly rental of RMB85,000 exclusive of water and electricity charges.</p> <p>Pursuant to a Real Estate Tenancy Agreement, the property is leased to the Group for a term commencing from 8 October 2007 and expiring on 31 December 2009 at a monthly rental of RMB85,000 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

- Pursuant to a Real Estate Tenancy Agreement entered into between 李健誠 (Li Kin Shing) (the "lessor") and 廣州盛華信息有限公司 (China Elite Info. Co. Limited) (the "lessee") dated 8 October 2007, the property is leased to the lessee for a term commencing from 8 October 2007 and expiring on 31 December 2009 at a monthly rental of RMB85,000 exclusive of water and electricity charges.
- Li Kin Shing is the executive director and chief executive officer of the Company and thus a connected person of the Company in accordance with the GEM Listing Rules.
- China Elite Info. Co. Limited is an indirect wholly-owned subsidiary of the Company.
- We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:
 - the lessor has obtained the Real Estate Title Certificates of the property;
 - the Real Estate Tenancy Agreement has not been registered, but such non-registration will not affect the legality of the tenancy; and
 - there is no legal impediment for the lessor in leasing the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 July 2007</u> RMB
3. East portion of Level 4 No. 57 Tangxinxi Street Guanghuasi Road Baiyun District Guangzhou City Guangdong Province The PRC	<p>The property comprises a portion of level 4 of a 6-storey industrial building completed in about 1997.</p> <p>The property has a gross floor area of approximately 700 sq.m.</p> <p>The property is leased to the Group for a term commencing from 1 June 2005 and expiring on 31 January 2008 at a monthly rental of RMB10,000 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Real Estate Tenancy Agreement and a Supplemental Agreement entered into between 廣州市機械設備成套公司 (Guangzhou City Plant and Machinery Company) (the "lessor"), an independent third party, and 廣州盛華信息有限公司 (China Elite Info. Co. Limited) (the "lessee") dated 1 June 2005 and 10 July 2007, the property is leased to the lessee for a term commencing from 1 June 2005 and expiring on 31 January 2008 at a monthly rental of RMB10,000 exclusive of water and electricity charges.
2. China Elite Info. Co. Limited is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:
 - (i) the lessor acquired the property by Court's Decision and the acquisition complied with the judicial process;
 - (ii) despite the Real Estate Title Certificate of the property has not been obtained by the lessor, it will not directly affect the validity of the tenancy; and
 - (iii) the Real Estate Tenancy Agreement has not been registered, but such non-registration will not affect the legality of the tenancy.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 July 2007</u> RMB
4. Levels 2-3 No. 133 Qiyi Road Guangzhou City Guangdong Province The PRC	<p>The property comprises levels 2-3 of a 30-storey (plus 3-storey basement car park) composite building completed in about 1997.</p> <p>The property has a lettable area of approximately 3,099.038 sq.m.</p> <p>The property is leased to the Group for a term commencing from 16 August 2006 and expiring on 15 November 2008 at a monthly rental of RMB150,303 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Supplemental Tenancy Agreement entered into between 廣州市建緯實業有限公司 (Guangzhou City Jianwei Enterprise Limited) (the "lessor"), an independent third party, and 廣州盛華信息有限公司 (China Elite Info. Co. Limited) (the "lessee") dated 28 July 2006, the property is leased to the lessee for a term commencing from 16 August 2006 and expiring on 15 November 2008 at a monthly rental of RMB150,303 exclusive of water and electricity charges.
2. China Elite Info. Co. Limited is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:
 - (i) the lessor has obtained the legal title of the property, and has the rights to lease the property to the lessee;
 - (ii) Level 3 of the property is subject to mortgage;
 - (iii) the lessor is an independent third party; and
 - (iv) the Tenancy Agreement has not been registered, but such non-registration will not affect the legality of the tenancy.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 July 2007</u> RMB
5. Unit No. 304 on Level 3 of Block 1 First Street Kangle Road Sanshui District Foshan City Guangdong Province The PRC	<p>The property comprises a unit on level 3 of a 9-storey residential building completed in about 1997.</p> <p>The property has a gross floor area of approximately 120.76 sq.m.</p> <p>The property is leased to the Group for a term of 1 year commencing from 23 March 2007 and expiring on 22 March 2008 at a monthly rental of RMB1,200.</p>	The property is currently occupied by the Group for ancillary office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 蔡乃華 (Cai Nai Hua) (the "lessor"), an independent third party, and 廣州盛華信息有限公司三水分公司 (China Elite Info. Co. Limited Sanshui Branch Company) (the "lessee") dated 23 March 2007, the property is leased to the lessee for a term of 1 year commencing from 23 March 2007 and expiring on 22 March 2008 at a monthly rental of RMB1,200.
2. China Elite Info. Co. Limited Sanshui Branch Company is a branch company of 廣州盛華信息有限公司 (China Elite Info. Co. Limited), which is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:
 - (i) the lessor has obtained the legal title of the property, and has the rights to lease the property to the lessee; and
 - (ii) the Tenancy Agreement has been registered.

VALUATION CERTIFICATE

GROUP III— PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN MACAU

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 July 2007</u> RMB
6. Unit No. F on 6th Floor Edificio Commercial I Tak No. 126 Rua De Pequim Macau	<p>The property comprises an office unit on 6th floor of a 28-storey commercial building completed in about 1992.</p> <p>The property has a gross floor area of approximately 92.9 sq.m. (1,000 sq.ft.)</p> <p>The property is leased to the Group for a term of 2 years commencing from 1 April 2007 and expiring on 31 March 2009 at a monthly rental of HK\$7,300 exclusive of electricity and telephone charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 電訊 (澳門) 有限公司 (Telecom (Macau) Limited) (the “lessor”), an independent third party, and 精英國際有限公司—澳門離岸商業服務 (International Elite Ltd.—Macao Commercial Offshore) (the “lessee”), the property is leased to the lessee for a term of 2 years commencing from 1 April 2007 and expiring on 31 March 2009 with an option to renew for further 2 years, at a monthly rental of HK\$7,300 exclusive of electricity and telephone charges.
2. International Elite Ltd.—Macao Commercial Offshore is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company’s Macau legal adviser, which contains, inter alia, the following:
 - (i) the Tenancy Agreement has not been notified to the Financial Department of the Macau Special Administrative Region of the People’s Republic of China within the statutory term which is 15 days after the execution of the Tenancy Agreement and stamp duty which is equivalent to 0.5% of the whole term rental of the Tenancy Agreement plus a fix 20.00 Macau Patacas stamp has been completed but not upon the execution of the Tenancy Agreement (Late lease notification and completion of stamp duty will result in a fine as mentioned in note 3(ii));
 - (ii) late fulfilment of the mentioned notification and late completion of stamp duty will subject to fine, at the discretion of the public authority in an amount within 100.00 to 5,000.00 Macau Patacas and 1 time to 10 times of the amount of stamp duty in due respectively. Nevertheless, such late fulfilment will not affect the validity of the lease itself;
 - (iii) based on search conducted at the Land Registry of the Macau Special Administrative Region of the People’s Republic of China on 11 April 2007, the ownership of the property is owned by an individual named CHEUNG KING SHEK (張敬石);
 - (iv) based on search conducted at Commercial and Movable Property Registry of Macau Special Administrative Region of People’s Republic of China on 31 August 2007, Cheung King Shek is one of the shareholder and the general manager (“administrador-general” in Portuguese) of Telecom (Macau) Limited;
 - (v) the Tenancy Agreement is a valid and enforceable agreement binding the lessee and Cheung King Shek in virtue of the execution of the Tenancy Agreement of which the lessor is a signatory is considered as a management act done on behalf of Cheung King Shek who is the owner of the lease of the Tenancy Agreement; and
 - (vi) based on search conducted at the Land Registry of the Macau Special Administrative Region of the People’s Republic of China on 11 April 2007, except of Housing Tax and Land Tax, there is no registrable charge, mortgage, seizure, attachment or other encumbrances imposing on the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 July 2007</u> RMB
7. Portion of Unit No. E on 6th Floor Edificio Commercial I Tak No. 126 Rua De Pequim Macau	<p>The property comprises a portion of an office unit on 6th floor of a 28-storey commercial building completed in about 1992.</p> <p>The property has a gross floor area of approximately 37.16 sq.m. (400 sq.ft.)</p> <p>The property is leased to the Group for a term of 2 years commencing from 1 April 2007 and expiring on 31 March 2009 at a monthly rental of HK\$3,200 exclusive of electricity and telephone charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 電訊 (澳門) 有限公司 (Telecom (Macau) Limited) (the "lessor"), an independent third party, and 太平洋商通電訊有限公司—澳門離岸商業服務 (PacificNet Communications Limited—Macao Commercial Offshore) (the "lessee"), the property is leased to the lessee for a term of 2 years commencing from 1 April 2007 and expiring on 31 March 2009 with an option to renew for further 2 years, at a monthly rental of HK\$3,200 exclusive of electricity and telephone charges.
2. PacificNet Communications Limited—Macao Commercial Offshore is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's Macau legal adviser, which contains, inter alia, the following:
 - (i) the Tenancy Agreement has not been notified to the Financial Department of the Macau Special Administrative Region of the People's Republic of China within the statutory term which is 15 days after the execution of the Tenancy Agreement and stamp duty which is equivalent to 0.5% of the whole term rental of the Tenancy Agreement plus a fix 20.00 Macau Patacas stamp has been completed but not upon the execution of the Tenancy Agreement (Late lease notification and completion of stamp duty will result in a fine as mentioned in note 3(ii));
 - (ii) late fulfilment of the mentioned notification and late completion of stamp duty will subject to fine, at the discretion of the public authority in an amount within 100.00 to 5,000.00 Macau Patacas and 1 time to 10 times of the amount of stamp duty in due respectively. Nevertheless, such late fulfilment will not affect the validity of the lease itself;
 - (iii) based on search conducted at the Land Registry of the Macau Special Administrative Region of the People's Republic of China on 11 April 2007, the ownership of the property is owned by an individual named CHEUNG KING SHEK (張敬石);
 - (iv) based on search conducted at Commercial and Movable Property Registry of Macau Special Administrative Region of People's Republic of China on 31 August 2007. Cheung King Shek is one of the shareholder and the general manager ("administrador-general" in Portuguese) of Telecom (Macau) Limited;
 - (v) the Tenancy Agreement is a valid and enforceable agreement binding the lessee and Cheung King Shek in virtue of the execution of the Tenancy Agreement of which the lessor is a signatory is considered as a management act done on behalf of Cheung King Shek who is the owner of the lease of the Tenancy Agreement; and
 - (vi) based on search conducted at the Land Registry of the Macau Special Administrative Region of the People's Republic of China on 11 April 2007, except of Housing Tax and Land Tax, there is no registrable charge, mortgage, seizure, attachment or other encumbrances imposing on the property.

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 September 2000 under the Companies Law. The memorandum of association of the Company (the “Memorandum”) and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person provided that the Company shall only carry on the business for which a licence is required under the laws of the Cayman Islands when so licensed under the terms of such laws. In view of the fact that the Company is an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 8 September 2007 and amended on 8 October 2007. The following is a summary of certain provisions of the Articles:

(i) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all

unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on or attend the Board meeting of the Board nor attend any general meeting of the Company with respect to any resolution of the board or a general meeting approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among

themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully

paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

h)Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

ï)Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

J) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and

registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out

of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

h) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

h) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

h) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person

upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

g) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

h) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the

Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(h) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(i) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

d)Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

e)Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

f)Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 17 October, 2000.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles. An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so. A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors

and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

g) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

h) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

i) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES***A. Incorporation of the Company***

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 September 2000. The Company has established a place of business in Hong Kong at Rooms 3809-3810, Hong Kong Plaza, 188 Connaught Road West, Hong Kong and was registered in Hong Kong under Part XI of the Companies Ordinance as an overseas company on 27 June 2007. In compliance with the requirements of the Companies Ordinance, Mr. Wong Kin Wa, an executive Director of Flat G, 35th Floor, Kennedy Town Centre, 38 Kennedy Town Praya, Hong Kong, has been appointed as the agent of the Company for the acceptance of service of process and any notice required to be served on the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution, which comprises a memorandum of association and the Articles. A summary of various parts of the constitution and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

B. Changes in share capital

- (a) As at the date of incorporation of the Company, its authorised share capital was US\$50,000 divided into 5,000,000 shares of US\$0.01 each, one of which was allotted and issued, to the initial subscriber, and was transferred to Ever Prosper on 6 October 2000. On the same date, 999,999 shares of US\$0.01 were issued and allotted to Ever Prosper.
- (b) On 3 August 2001, Ever Prosper being the then sole Shareholder passed a number of written resolutions which include, *inter alia*, (i) each share of US\$0.01 was sub-divided into 100 shares of US\$0.0001 each and the authorised share capital of the Company was re-set to US\$50,000 divided into 500,000,000 shares of US\$0.0001 each (the “Share Sub-division”); and (ii) the Company repurchased 82,050,000 shares of US\$0.0001 each from Ever Prosper upon completion of the Share Sub-division (the “Share Repurchase”). Ever Prosper held 17,950,000 shares of US\$0.0001 each upon completion of the Share Sub-division and the Share Repurchase.
- (c) Pursuant to the share purchase agreement (the “Share Purchase Agreement”) dated 27 September 2002 among the Company, Ever Prosper and Abacus, Ever Prosper transferred 17,950,000 shares of US\$0.0001 each to Abacus and in consideration, Abacus allotted and issued 17,525,708 shares of US\$0.0001 each of Abacus (the “Abacus Shares”) to Ever Prosper. Abacus held 17,950,000 shares of US\$0.0001 each upon completion of the transactions under the Share Purchase Agreement.
- (d) Pursuant to the share exchange agreement (the “Share Exchange Agreement”) dated 17 April 2002 between Ever Prosper and Abacus, Abacus transferred to Ever Prosper 17,950,000 shares of US\$0.0001 each and in consideration, Ever Prosper transferred the Abacus Shares to Abacus. Ever Prosper held 17,950,000 shares of US\$0.0001 each upon completion of the transactions under the Share Exchange Agreement.
- (e) Pursuant to the written resolutions of the then sole Shareholder passed on 8 September 2007, among other things, (i) the authorised share capital of the Company was increased by HK\$40,000,000 by the creation of 4,000,000,000 Shares of HK\$0.01 each (the “Capital Increase”); (ii) an aggregate of 1,400,100 Shares of HK\$0.01 each were allotted and issued at par to Ever Prosper (the “Issue”); (iii) 17,950,000 shares of US\$0.0001 each previously held by Ever Prosper were repurchased by the Company (the “Repurchase”); (iv) the

authorised but unissued share capital of the Company be diminished by the cancellation of all unissued shares of US\$0.0001 each (the “Capital Diminution”); and (v) 34,200,000 Shares of HK\$0.01 each were allotted and issued at par to Ever Prosper (the “Further Issue”). Upon completion of the Capital Increase, the Issue, the Repurchase, the Capital Diminution and the Further Issue, Ever Prosper held 35,600,100 Shares of HK\$0.01 each.

Assuming the Placing becomes unconditional and immediately following completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options, and any options that may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$40,000,000 divided into 4,000,000,000 Shares and the issued share capital of the Company will be HK\$9,120,000 divided into 912,000,000 Shares, all fully paid or credited as fully paid, with 3,088,000,000 Shares remaining unissued.

The Directors do not have any present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and as mentioned in the following paragraphs respectively headed “Written resolutions of the then sole Shareholder passed on 8 September 2007, 21 September 2007 and 8 October 2007” and “Corporate reorganisation”, there has been no alteration in the share capital of the Company since the date of its incorporation.

C. ~~Written resolutions of the then sole Shareholder passed on 8 September 2007, 21 September 2007 and 8 October 2007~~

Pursuant to the resolutions in writing passed by Ever Prosper being the then sole Shareholder on 8 September 2007, 21 September 2007 and 8 October 2007:

- (a) the Company approved and adopted the Articles on 8 September 2007 and amended the same on 8 October 2007;
- (b) conditional on the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus and the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of that agreement or otherwise, in each case on or before 8:00 a.m., 16 October 2007:
 - (i) the Placing and the Over-allotment Option were approved and the Directors were authorised to approve the allotment and issue of the Placing Shares and such number of Shares as may be required upon the exercise of the Over-allotment Option under the terms and conditions as set out in this prospectus;
 - (ii) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme were approved and adopted and the Directors were authorised to implement the same, grant options to subscribe Shares under the Pre-IPO Share Option Scheme and the Share Option Scheme and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
- (c) conditional on the Company having retained profits of a sum over HK\$6,483,999, the Directors were authorised to capitalise HK\$6,483,999 out of the retained profits of the

Company by applying such sum in paying up in full at par 648,399,900 Shares for allotment and issue to the Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business of 21 September 2007 in proportion (or as nearly as possible without involving fractions) to their then existing shareholding in the Company.

- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend or similar arrangements in accordance with the Articles, or upon the exercise of any Pre-IPO Share Options or any options to be granted pursuant to the Share Option Scheme or any other option scheme, Shares with an aggregate nominal amount not exceeding the sum of:
- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
 - (ii) the aggregate nominal amount of Shares which may be repurchased by the Company pursuant to the authority granted to the Directors referred to in paragraph (e) below,
- until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first;
- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules or equivalent rules or regulations of such other stock exchange, Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option) at any time until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and
- (f) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be repurchased pursuant to paragraph (e) above.

D. Corporate Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM which involved the following:-

- (a) On 22 March 2007, Mr. Li Kin Shing transferred the one share of Winet he held on behalf of Keithick as trustee to Keithick at nil consideration. Subsequent to the said share transfer, Winet was held as to 100% by Keithick and became an indirect wholly-owned subsidiary of the Company.

- (b) On 8 September 2007, the authorised share capital of the Company was increased by HK\$40,000,000 by the creation of 4,000,000,000 Shares of HK\$0.01 each.
- (c) On 8 September 2007, the Company allotted and issued 1,400,100 Shares of HK\$0.01 each at par to Ever Prosper.
- (d) On 8 September 2007, the Company repurchased all 17,950,000 shares of US\$0.0001 each at a price of HK\$14,001 in aggregate which was paid out of the proceeds of the fresh issue of Shares as referred to in paragraph (c) above.
- (e) On 8 September 2007, the authorised but unissued share capital of Company was diminished by the cancellation of all unissued shares of US\$0.0001 each in the share capital of the Company.
- (f) On 8 September 2007, the Company allotted and issued 34,200,000 Shares of HK\$0.01 each at par to Ever Prosper.

E. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the accountant's report of the Company, the text of which is set out in the Appendix 1 to this prospectus. The following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus.

China Elite

1. On 14 March 2005, the registered capital of China Elite was increased from HK\$35,000,000 to HK\$45,000,000. According to the capital verification report issued by Guangdong Qimingxin Certified Accountants Company Limited (廣東啟明星會計師事務所有限公司) on 17 June 2005, as at 31 May 2005, the registered capital of China Elite was HK\$45,000,000, all of which had been duly paid up.
2. On 24 August 2005, the registered capital of China Elite was increased from HK\$45,000,000 to HK\$64,000,000. According to the capital verification report issued by Guangdong Qimingxin Certified Accountants Company Limited (廣東啟明星會計師事務所有限公司) on 17 November 2005, as at 2 November 2005, the registered capital of China Elite was HK\$64,000,000, all of which had been duly paid up.
3. On 31 March 2006, the registered capital of China Elite was increased from HK\$64,000,000 to HK\$94,000,000. According to the capital verification report issued by Guangdong Qimingxin Certified Accountants Company Limited (廣東啟明星會計師事務所有限公司) on 28 August 2006, as at 8 August 2006, the registered capital of China Elite was HK\$94,000,000, all of which had been duly paid up.

Winet

On 22 March 2007, Mr. Li Kin Shing transferred the one share of Winet he held on behalf of Keithick as trustee to Keithick at nil consideration.

Save as disclosed in this prospectus, there has been no alteration in the share capital of any subsidiary of the Company within the two years preceding the date of this prospectus.

F. Repurchase by the Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities:

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase in cash their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

All proposed repurchases of securities, which must be fully paid up in the case of shares, on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the then sole Shareholder on 21 September 2007, a general unconditional mandate (the "repurchase mandate") was granted to the Directors authorising them to exercise all powers for and on behalf of the Company to repurchase its Shares on GEM, or on any other approved stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Placing and Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option) at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

(ii) Source of funds

Any repurchase by the Company may only be funded out of funds legally available for such purpose in accordance with its memorandum of association and the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The Company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The GEM Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase the Shares in the market. Repurchases of the Shares will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

(c) Funding of repurchases

Repurchase pursuant to the repurchase mandate would be financed out of funds of the Company legally available for such purpose in accordance with its memorandum of association and the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands. The Directors

consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels.

(d) Director's undertaking

The Directors have undertaken to the Stock Exchange that, they will exercise the power of the Company to make purchases of the Company's securities in accordance with the GEM Listing Rules, the applicable laws of the Cayman Islands and the Articles.

(e) Disclosure of interests

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, as defined in the GEM Listing Rules, has any present intention to sell any Shares to the Company or its subsidiaries.

No connected person, as defined in the GEM Listing Rules, has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

(f) Takeovers Code consequences

If, as a result of a securities repurchase pursuant to the repurchase mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of the company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code if the repurchase mandate is exercised.

The Directors have no present intention to exercise the repurchase mandate to such an extent as would result in takeover obligations under the Takeovers Code.

G. Information about PRC enterprise in which the Company has interest

Below are the particulars of the PRC entity in which the Company has interests:

China Elite

Nature	:	Wholly Foreign Owned Enterprise
Registered capital	:	HK\$94,000,000
Total investment amount	:	HK\$94,000,000
Attributable interest of the Company	:	100%
Date of establishment	:	18 July 2000
Term of WFOE	:	15 years expiring on 18 July 2015

2. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

A. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the deed of non-competition undertaking dated 10 October 2007 executed by Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin in favour of the Company, for itself and on behalf of its subsidiaries, details of which are set out in the paragraph headed “Non-competition Undertaking” in the section headed “Relationship with the Controlling Shareholders and Non-competition Undertaking” in this prospectus;
- (b) a deed of indemnity dated 10 October 2007 given by Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin in favour of the Company (for itself and as trustee of other members of the Group) containing the indemnities as referred to in the paragraph headed “Estate duty, tax and other indemnities” in the section headed “Other information” in this Appendix;
- (c) a corporate investor agreement dated 9 October 2007 executed by Softbank China Venture Capital, Daiwa Securities SMBC and the Company, pursuant to which Softbank China Venture Capital agreed to subscribe at the Placing Price for such number of Placing Shares that may be purchased with US\$3 million, details of which are set out in the section headed “Corporate Investors” of this prospectus; and
- (d) a corporate investor agreement dated 9 October 2007 executed by Dubai Ventures Limited, Daiwa Securities SMBC and the Company, pursuant to which Dubai Ventures Limited agreed to subscribe at the Placing Price for such number of Placing Shares that may be purchased with US\$7 million, details of which are set out in the section headed “Corporate Investors” of this prospectus.

B. Intellectual property rights of the Group

(a) Trade marks

As at the Latest Practicable Date, the Group has registered the following trade marks with the relevant authorities:

<u>Trade mark</u>	<u>Territory</u>	<u>Class</u>	<u>Registration number</u>	<u>Registration date</u>	<u>Expiry date</u>
盛华	PRC	38 (Note 2)	1799217	28 June 2002	27 June 2012
	PRC	35 (Note 1)	1946573	28 October 2002	27 October 2012
	PRC	38 (Note 2)	3000147	7 March 2003	6 March 2013
精英服务精英	PRC	38 (Note 2)	3044259	21 November 2003	20 November 2013

Notes:

(1) Class 35 Advertising, business management, business administration, office functions

(2) Class 38 Telecommunications

(b) Domain names

As at the Latest Practicable Date, the Group has registered the following domain names:

<u>Domain name</u>	<u>Registered person</u>	<u>Date of registration</u>
cn-elite.com <i>(Note)</i>	China Elite	14 July 2000
iel.hk <i>(Note)</i>	Winet	29 June 2007

Note : Contents in these domains do not form part of this prospectus.

3. FURTHER INFORMATION ABOUT THE DIRECTORS, SENIOR MANAGEMENT AND STAFF

A. Disclosure of interests

(a) Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

Immediately following completion of the Placing and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme on any shares which may fall to be allotted and issued or repurchased by the Company pursuant to the mandates as referred to in the section headed “Further information about the Company and its Subsidiaries” in this Appendix, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, will be as follows:

(i) Long position in Shares

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximate percentage of interests</u>
Mr. Li Kin Shing	Interest of a controlled corporation	684,000,000	75%
	Beneficial owner	20,000,000 Shares <i>(Note 2)</i>	2.193%
Ms. Kwok King Wa	Interest of a controlled corporation	684,000,000	75%
	Beneficial owner	18,550,000 Shares <i>(Note 2)</i>	2.034%
Ms. Li Yin	Beneficial owner	12,600,000 Shares <i>(Note 2)</i>	1.382%
Mr. Wong Kin Wa	Beneficial owner	2,000,000 Shares <i>(Note 2)</i>	0.219%
Mr. Li Wen	Beneficial owner	1,000,000 Shares <i>(Note 2)</i>	0.110%
Mr. Tang Yue	Beneficial owner	500,000 Shares <i>(Note 2)</i>	0.055%
Mr. Chen Xue Dao	Beneficial owner	500,000 Shares <i>(Note 2)</i>	0.055%
Mr. Cheung Sai Ming	Beneficial owner	500,000 Shares <i>(Note 2)</i>	0.055%
Ms. Li Yin	Corporate	23,940,000 Shares <i>(Note 4)</i>	2.625%

Notes:

1. The 684,000,000 Shares are owned by Ever Prosper which is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 684,000,000 Shares under the SFO.
2. Such interest in Shares is held pursuant to the Pre-IPO Share Options, details of which are set out in the paragraph headed "Pre-IPO Share Option Scheme" in this Appendix. Other than the 500,000 Pre-IPO Share Options, each of Mr. Tang Yue, Mr. Chen Xue Dao and Mr. Cheung Sai Ming does not hold any Shares or other securities of the Company.
3. The 684,000,000 Shares are owned by Ever Prosper which is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 684,000,000 Shares under the SFO.
4. Ms. Li Yin holds 3.5% of the issued share capital of Ever Prosper which will hold 75% of the issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue. Therefore, she will have an attributable interest of 2.625% of the issued share capital of the Company.

(ii) Long position in Ever Prosper, an associated corporation of the Company

<u>Name of Director</u>	<u>Capacity</u>	<u>Approximate percentage of interests</u>
Mr. Li Kin Shing	Beneficial owner	50%
Ms. Kwok King Wa	Beneficial owner	46.5%
Ms. Li Yin	Beneficial owner	3.5%

(iii) Short positions of Shares

<u>Name of Director</u>	<u>Capacity</u>	<u>Approximate percentage in total issued capital</u>
Mr. Li Kin Shing	Short position of a controlled corporation (<i>Note</i>)	3.75%
Ms. Kwok King Wa	Short position of a controlled corporation (<i>Note</i>)	3.75%
Ms. Li Yin	Corporate (<i>Note</i>)	0.131%

Note: Ever Prosper and Daiwa Securities SMBC entered into the Stock Borrowing Agreement pursuant to which Ever Prosper agreed to lend up to 32,400,000 Shares to Daiwa Securities SMBC for the purpose of facilitating settlement of any over-allocation in connection with the Placing. Ever Prosper is owned as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, each of Mr. Li Kin Shing and Ms. Kwok King Wa is deemed to have a short position of the Shares in which Ever Prosper has a short position. Ms. Li Yin holds 3.5% of the issued share capital of Ever Prosper which will have a short position of 3.75% of the issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue. Therefore, she will have an attributable interest of 0.131% of the short position of the issued share capital of the Company.

(b) Particulars of service contracts

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

- (a) Each service contract is for an initial term of three years commencing on the Listing Date. 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.

- (b) The annual remuneration (including director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) (in HK\$) payable to each of the executive Directors under the service contracts are as follows:

	<u>for the year ending</u> <u>31 December</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Mr. Li Kin Shing	80,000	762,500	762,500
Ms. Kwok King Wa	80,000	762,500	762,500
Ms. Li Yin	347,000	407,600	407,600
Mr. Wong Kin Wa	530,450	530,450	530,450
Mr. Li Wen	80,000	506,075	506,075

- (c) Each of the executive Directors is entitled to a 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 or herself.

Each of the independent non-executive Directors has entered into a service agreement with the Company under which each of them agreed to act as independent non-executive Director for a period of three years, commencing on the Listing Date, unless terminated in accordance with the terms and conditions specified therein. The initial annual director's fee (in HK\$) payable to the independent non-executive Directors for each of the three years ending 31 December 2009 are as follows:-

Mr. Tang Yue	80,000
Mr. Chen Xue Dao	80,000
Mr. Cheung Sai Ming	80,000

Save for the annual director's fees mentioned above and the Pre-IPO Share Options granted to each of them, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, none of the Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) Remuneration of Directors

The Company's policies concerning remuneration of the executive Directors are as follows:-

- (a) the amount of remuneration is determined by the Remuneration Committee and on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;
- (b) non-cash benefits may be provided to the executive Directors under their remuneration package; and
- (c) the Directors may be granted, at the discretion of the Board, options pursuant to the Share Option Scheme, as part of this remuneration package.

During the financial year ended 31 December 2006, the aggregate emoluments paid by the Group to the Directors were HK\$nil. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.

It is expected that an aggregate of approximately HK\$1,357,450 will be paid as remuneration to the Directors by the Group in respect of the financial year ending 31 December 2007 pursuant to the present arrangement.

Save as disclosed in Appendix I to this prospectus, none of the Directors received any remuneration or benefits in kind from the Group during the Track Record Period.

(d) Interests and short positions of Substantial Shareholders in the Shares, underlying Shares and debentures of the Company and its associated corporations

Immediately following completion of the Placing and Capitalisation Issue and taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme or any Shares which may fall to be allotted or issued or repurchased by the Company pursuant to the mandates referred to in the section headed "Further Information about the Company and its Subsidiaries" in this Appendix, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, will have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, 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:

(a) Long position in Shares

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximate percentage of interests</u>
Ever Prosper	Beneficial owner	684,000,000	75%

(b) Short position in Shares

<u>Name</u>	<u>Capacity</u>	<u>Approximate percentage in total issued capital</u>
Ever Prosper	Beneficial owner	3.75%

(e) Disclaimers

Save as disclosed in this prospectus:

- (a) so far as the Directors are aware, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, once the Shares are listed;

- (b) so far as the Directors are aware, none of the Directors and experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two (2) years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors and experts referred to under the heading “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of the Group, excluding contracts which are determinable by the employer within one year without payment of compensation other than statutory compensation;
- (e) the Directors are not aware of any person, not being a Director or chief executive of the Company, who will, immediately following completion of the Placing and the Capitalisation Issue, be interested in or has short positions in the Shares or underlying shares of the Company which have to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once the Shares are listed, or, who is, 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 other member of the Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (g) none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company’s issued share capital) has any interest in the Group’s five largest suppliers and five largest customers.

(d) Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in the section headed “Underwriting” of this prospectus.

(e) Related party transactions

During the two years preceding the date of this prospectus, the Group was engaged in related party transactions as described in the Accountants’ Report set out in Appendix I to this prospectus and the paragraph headed “Connected Transactions” in the section headed “Relationship with the Controlling Shareholders and Non-competition Undertakings” of this prospectus.

4. PRE-IPO SHARE OPTION SCHEME

In order to recognise the contribution of, and provide an incentive to, the Directors, senior management and employees of the Group who have contributed to the growth of the Group and/or to the Listing, the Company established the Pre-IPO Share Option Scheme pursuant to the written resolution of the then sole Shareholder dated 21 September 2007.

I. Principal terms of the Pre-IPO Share Option Scheme

The following is a summary of the principal terms and conditions of the Pre-IPO Share Option Scheme, which are substantially similar to those of the Share Option Scheme in all material respects except that:-

1. Conditions

- (a) The grant of the Pre-IPO Share Options is subject to the following conditions:-
- (i) the commencement of dealing in the Shares on the GEM;
 - (ii) the GEM Listing Committee approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of Pre-IPO Share Options;
 - (iii) the grantees of the Pre-IPO Share Options shall adhere to any undertakings or restrictions that may be further imposed on them by the Company, the Stock Exchange or the Sponsor as described in this prospectus; and
 - (iv) any exercise of the Pre-IPO Share Options shall be further subject to any guidelines issued by the Company from time to time in order to ensure full compliance with the GEM Listing Rules.
- (b) The Pre-IPO Share Options (if not already exercised) held by each individual grantee shall lapse automatically if the grantee ceases to be a participant of the Pre-IPO Share Option Scheme by way of cessation of his/her employment with any member of the Group, provided that such cessation does not include any redesignation of such grantee within the Group.
- (c) The Pre-IPO Share Options are personal to the relevant grantees and shall not be transferred or assigned.

2. Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme became effective on 21 September 2007, the date on which the relevant written resolution approving the Pre-IPO Share Option Scheme was passed by the then sole Shareholder. Subject to the earlier termination of the Pre-IPO Share Option Scheme, the Pre-IPO Share Option Scheme shall expire on the Latest Practicable Date, after which time no further Pre-IPO Share Options will be granted but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect in all other respects.

3. Consideration

A cash consideration of HK\$1.00 has been paid by each grantee for the Pre-IPO Share Options.

4. Exercise period

Subject to other conditions as set out above, the Pre-IPO Share Options will be exercisable by the grantees from the end of the twelfth month after the Listing Date until the end of the eighteenth month after the Listing Date unless extended in writing by the Board (and approved by the independent non-executive Directors). Each of the Pre-IPO Share Options (to the extent not already exercised) shall lapse automatically at the end of such period.

5. Exercise price

The Pre-IPO Share Options shall be exercised at the Placing Price.

6. Maximum number of Shares available for subscription

The total number of Shares in respect of which Pre-IPO Share Options may be granted under the Pre-IPO Share Option Scheme shall not exceed 60,000,000 Shares, representing 100% of the number of Pre-IPO Share Options already granted by the Company.

7. Cancellation of Pre-IPO Share Options

Any cancellation of Pre-IPO Share Options granted but not exercised must be approved by the Board. Any Pre-IPO Share Options cancelled cannot be regranted.

8. Restrictions on grant of Pre-IPO Share Options to Connected Persons

There is no similar requirements to be complied with on granting of Pre-IPO Share Options to connected persons or any of their associates as summarised in paragraph (b) of the section headed “Share Option Scheme” below.

II. Outstanding Pre-IPO Share Options

The Pre-IPO Share Options were granted based on the performance of the grantees who have made contributions and are important to the long term growth and profitability of the Group. As at the Latest Practicable Date, the Company had granted 60,000,000 Pre-IPO Share Options (the exercise of which would entitle these persons to an aggregate of 60,000,000 Shares, representing approximately 6.58% of the issued share capital of the Company immediately following the Placing and the Capitalisation Issue and assuming the Over-allotment Option or any Pre-IPO Share Options are not exercised and without taking into account of the Shares falling to be issued upon the exercise of any options that may be granted under the Share Option Scheme) to, and accepted by certain Directors, senior management and employees of the Group.

A full list of such grantees containing all details of each option as required under paragraph 10 of the Third Schedule to the Companies Ordinance and Rule 23.02(1)(b) of and paragraph 27 of Part A of Appendix I to the GEM Listing Rules is set out below:-

Name of grantee	Position Held	Address	Date of joining the Group	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Approximate percentage of total issued share capital of the Company <i>(Note 1)</i>
<i>Executive Directors</i>					
Li Kin Shing	Executive Director, Chief Executive Officer	Penthouse, Flat A, Block 2, 1 Po Shan Road, Hong Kong	1 June 1993	20,000,000	2.193%
Kwok King Wa	Executive Director, Chairman	Penthouse, Flat A, Block 2, 1 Po Shan Road, Hong Kong	1 January 2000	18,550,000	2.034%
Li Yin	Executive Director, Chief Operation Officer	Penthouse, Flat A, Block 2, 1 Po Shan Road, Hong Kong	1 January 1999	12,600,000	1.382%
Wong Kin Wa	Executive Director, Chief Financial Officer	Flat G, 35/F, Kennedy Town Centre, 38 Kennedy Town Praya, Hong Kong	1 January 2000	2,000,000	0.219%

Name of grantee	Position Held	Address	Date of joining the Group	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Approximate percentage of total issued share capital of the Company <i>(Note 1)</i>
Li Wen	Executive Director	Room 806, No. 4 Nanzhu Bei Street, Haizhu District, Guangzhou City, PRC	21 September 2007	1,000,000	0.110%
<i>Independent non-executive Directors</i>					
Tang Yue <i>(Note 2)</i>	Independent non-executive Director	6-801, Beijing Golf Mansion, 8 Chao Yang Park Xi Li Nan Qu, Beijing, PRC	21 September 2007	500,000	0.055%
Chen Xue Dao <i>(Note 2)</i>	Independent non-executive Director	Room 3007 No. 201 Long Kou Zhong Road, Tianhe District, Guangzhou City, PRC	21 September 2007	500,000	0.055%
Cheung Sai Ming <i>(Note 2)</i>	Independent non-executive Director	Room 2713, Hei Wo House, Tai Wo Estate, Tai Po, New Territories, Hong Kong	21 September 2007	500,000	0.055%
<i>Senior Management</i>					
Zhang Lan	Deputy General Manager	Room 803, No. 12 Yong Tai Road, Yuexiu District, Guangzhou, PRC	1 May 2003	1,000,000	0.110%
Peng Jian Tao . . .	Manager	No. 18 Hongtu Dong Street Hongtu Yuan Fancun District, Guangzhou, PRC	1 October 2005	800,000	0.088%
Lin Yuan Yi	Manager	3-601, No. 172 Gan Hua Road, Peng Jiang District, Jiangmen City, Guangdong Province, PRC	24 May 2005	600,000	0.066%
Xuan Jing Shan	Finance Manager	Rm 201, No. 1 Changnin Li Liu Yue Street Xi Cun, Li Wan District PRC	7 July 2000	450,000	0.049%
Chan Wai Ching	Qualified Accountant, Company Secretary	Flat A 19/F Peony Court, Fulrich Garden, 9 Kung Lok Road, Kowloon, Hong Kong	1 June 2007	250,000	0.027%

<u>Name of grantee</u>	<u>Position Held</u>	<u>Address</u>	<u>Date of joining the Group</u>	<u>Number of Shares to be issued upon full exercise of the Pre-IPO Share Options</u>	<u>Approximate percentage of total issued share capital of the Company <i>(Note 1)</i></u>
<i>Other Employees of the Group</i>					
So Mei Yuk	Accountant	Flat D, 2/F Hang Tak Building, No. 1 Electric Street, Wanchai, Hong Kong	1 January 2000	500,000	0.055%
Chan Ka Lay Kathy	Account Clerk	Flat D, 28/F, Block 1, Elegant Garden, 409-419 Queen's Road West, Sai Ying Pun, Hong Kong	1 June 2005	50,000	0.005%
Lao Sio Ieng	Account Supervisor	Patio S. Domingos 2 R/C, Macau	15 April 2003	50,000	0.005%
Chan Choi Leng	General Clerk	Calc. S. Francisco Xavier, 1, FL 05, Flat B, Ed. Heng Lei, Macau	1 April 2007	50,000	0.005%
Liu Jian Qiang	Deputy Manager	Room 702, No. 12 Kang Ya Er Street, Kang Ya Hua Yuan, Ji Chang Road, Baiyun District, Guangzhou City, PRC	1 February 2006	80,000	0.009%
Chen Wen Sheng	Manager	Room 704, No. 6 Tian Yun Street, Huang Shi Dong Road, Baiyun District, Guangzhou City, PRC	7 July 2000	100,000	0.011%
Li Sui Hui	Deputy Manager	Room 305, No. 102 Pan Fu Road, Yuexiu District, Guangzhou City, PRC	7 July 2000	80,000	0.009%
Li Xin Yue	Deputy Manager	Room 604, No. 5 Hai Qing Ju Yi Jie, Qi Fu Xin Cun, Shi Guang Road, Pan Yu District, Guangzhou City, PRC	24 October 2005	50,000	0.005%
Wang Hai Zhong	Head of Audit	11E, Block C, Li Yin Ju, Yi Jin Cui Yuan, Hai Zhu District, Guangzhou City, PRC	1 February 2005	50,000	0.005%
Liang Na Xin	Head of Accounting	Room 501, No. 40 Jiang Tong Dong Road, Jiang Gao Town, Baiyun District, Guangzhou City	7 July 2000	30,000	0.003%

Name of grantee	Position Held	Address	Date of joining the Group	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Approximate percentage of total issued share capital of the Company <i>(Note 1)</i>
Xie Yu Xi	Deputy Manager	No. 6 Lane 10, Shi Jin Da Lang Xi Yue Xi Jie Nan, Baiyun District, Guangzhou City, PRC	7 July 2000	30,000	0.003%
Tan Ju Bei	Head of Remuneration	Room 701, No. 15 Jin Tai Zhi Jie, Jing Tai Xi Cun, Guang Yuan Road, Baiyun District, Guangzhou City, PRC	27 September 2002	30,000	0.003%
Tan Bai Yong	Manager	Room 814, No. 10 Hui Cheng Zhen Xing Er Road, Xin Hui District, Jiangmen City, Guangdong Province, PRC	1 September 2005	150,000	0.016%
Total:				60,000,000	6.58%

Notes:

- (1) Assuming completion of the Placing and the Capitalisation Issue but assuming the Over-allotment Option or any Pre-IPO Share Options are not exercised and without taking into account any Shares falling to be issued upon the exercise of any options that may be granted under the Share Option Scheme.
- (2) Each of Mr. Tang Yue, Mr. Chen Xue Dao and Mr. Cheung Sai Ming, being independent non-executive Directors, were granted 500,000 Pre-IPO Share Options which would entitle each of them to 500,000 Shares, representing approximately 0.055% of the issued share capital of the Company immediately following the Placing and the Capitalisation Issue and assuming the Over-allotment Option or any Pre-IPO Share Options are not exercised and without taking into account of the Shares falling to be issued upon the exercise of any options that may be issued under the Share Option Scheme. Other than the 500,000 Pre-IPO Share Options, each of Mr. Tang Yue, Mr. Chen Xue Dao and Mr. Cheung Sai Ming does not hold any Shares or other securities of the Company. Since each of Mr. Tang Yue, Mr. Chen Xue Dao and Mr. Cheung Sai Ming will hold less than 1% of the total issued share capital of the Company upon full exercise of their respective Pre-IPO Share Options, the Board is of the view that the grant of the Pre-IPO Share Options to the three independent non-executive Directors will not affect their independence under Rule 5.09 of the GEM Listing Rules.

All Pre-IPO Share Options were granted to the grantees on 8 October 2007. In relation to each grantee of the Pre-IPO Share Options, the Pre-IPO Share Options will vest during the period from 16 October 2008 to 15 April 2009. No Pre-IPO Share Options will be vested if the grantee ceases to be a participant of the Pre-IPO Share Option Scheme by way of cessation of his/her employment with any member of the Group. As evidenced by the vesting period of the options granted under the Pre-IPO Share Option Scheme, no Pre-IPO Share Options granted will be exercisable within twelve (12) months from the Listing Date.

Exercise of any of the Pre-IPO Share Options will have a dilution effect on the shareholdings of the Shareholders at the time of such exercise of Pre-IPO Share Options as well as on the earnings/loss per Share for the relevant financial year of the Group. Assuming that all the Pre-IPO Share Options granted were exercised in full during the year ending 31 December 2007 and that 972,000,000 Shares, comprising 912,000,000 Shares to be in issue immediately after the Placing and the Capitalisation Issue and 60,000,000 Shares to be issued by the exercise of all Pre-IPO Share Options, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account of any

Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the forecast earnings per Share based on forecast profit attributable to the Shareholders for the year ending 31 December 2007 will be diluted from approximately HK6.0 cents to approximately HK5.6 cents.

Save as disclosed above, no further Pre-IPO Share Options will be granted. Assuming that all the Pre-IPO Share Options were exercised in full on the Listing Date, the shareholding interests of the public would be reduced from approximately 25% to approximately 23.5% of the issued share capital of the Company (assuming the Over-allotment Option is not exercised and takes no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

The grantees have agreed not to exercise their Pre-IPO Share Options if such exercise of any part or parts of which will result in the drop of the public float to a level below 25% of the issued share capital of the Company from time to time.

An application has been made to the GEM Listing Committee for the listing of and permission to deal in the 60,000,000 Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options, as described above.

5. SHARE OPTION SCHEME

A. Summary of terms of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the written resolutions of the then sole Shareholder passed on 21 September 2007:

(a) Who may join

The Board may, at its absolute discretion, offer to any (i) full-time or part-time employees of the Group; (ii) directors (including any executive, non-executive and independent non-executive directors (where applicable)) of the Group; (iii) substantial shareholders of each member of the Group; (iv) Associates of directors or substantial shareholders of each member of the Group; and (v) the trustees of any trust pre-approved by the Board, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the abovementioned persons (together, the "Participants" and each, a "Participant") options to subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with sub-paragraph (c) below, and subject to the other terms of the Share Option Scheme summarised below.

Upon acceptance of the offer, the grantee shall pay HK\$1 to the Company by way of consideration for the grant and the option shall be deemed to have been granted and to have taken effect with retrospective effect from the date on which the option is offered.

(b) Grant of options to connected persons or any of their associates

Any grant of options to a Participant who is a Director, chief executives, or substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective Associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the options.

Where the Board proposes to grant any option to a Participant who is a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director, or any of their respective Associates, and such option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other share option schemes of the Company (including options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the date of grant being proposed by the Board (the “Relevant Date”):

- (i) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK\$5,000,000.

such proposed grant of options must be approved by the Shareholders by way of a poll in general meeting and the Company shall send a circular to the Shareholder, containing all such information as may be required by the GEM Listing Rules. All the Participants concerned and all other connected persons of the Company must abstain from voting in favour of the resolution at such general meeting. In addition, any change in the number and terms of the options granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting.

The abovementioned circular must contain the following information:-

- (a) details of the number and terms (including the subscription price) of the options to be granted to each Participant, which must be fixed before the Shareholders’ meeting;
- (b) a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting; and
- (c) the information required under Rules 23.02(2)(c) and (d) of the GEM Listing Rules, the disclaimer required under Rule 23.02(4) of the GEM Listing Rules and the information required under Rule 2.28 of the GEM Listing Rules.

(c) Price for Shares

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a Participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer of an option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for the five consecutive trading days immediately preceding the date of offer (provided that the new issue price for the listing of the Shares

shall be used as the closing price for any Business Day falling within the period before listing of the Shares if the Shares have been listed for less than five Business Days before the date of offer); and (iii) the nominal value of a Share.

(d) Maximum number of Shares

- (i) The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme(s) of the Company) to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 91,200,000 Shares, representing 10% of the Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue (excluding shares which may be issued pursuant to the exercise of the over-allotment option) (the “Scheme Mandate Limit”), unless the Company obtains a fresh approval from its Shareholders pursuant to sub-paragraph (ii) below or the options are granted pursuant to sub-paragraph (iii) below.
- (ii) The Company may seek approval of its Shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% (the “Renewal Limit”) of the issued share capital of the Company at the date of approval to renew such limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Renewal Limit.
- (iii) The Company may authorise the Directors to grant options to specified Participant(s) beyond the Scheme Mandate Limit or Renewal Limit if the grant of such options is specifically approved by the Shareholders in general meeting.
- (iv) Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time. No option may be granted under the Share Option Scheme or any other share option schemes if this will result in the said 30% limit being exceeded.

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Group to each Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue (the “Individual Limit”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the approval of the Shareholders in general meeting at which such Participant and his associates must abstain from voting.

(e) Time of and restrictions on exercise of option

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the Shares may be taken up under the option must not be more than five (5) years from the date of offer of the option.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

(f) Rights are personal to grantee

Options granted under the Share Option Scheme must be personal to the grantee, which may not be sold, transferred, charged, mortgaged, encumbered, assigned or created any interest (whether legal or beneficial) by the grantee to or in favour of any third party over or in relation to any option.

(g) Termination of employment

In the event that the grantee ceases to be a Participant for any reason (other than on his death) including the termination of employment or appointment on one or more of the grounds specified in paragraph (o)(vi) below, the option granted to such grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the absolute discretion of the Board in which event the grantee may exercise the option within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Board on the date of grant of extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant or the relevant option period, whichever is earlier.

(h) Rights on cessation of employment by death

If the grantee of an option who is an individual dies before exercising the option in full and none of the event sets out in paragraph (o)(vi) below arises, his/her personal representative(s) may exercise the option up to the entitlement of the grantee as at the date of death (to the extent they have become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may at its absolute discretion determine from the date of death (provided that such exercise is during the relevant option period).

(i) Effects of alterations to share capital

In the event of a Capitalisation Issue, rights issue, sub-division or consolidation of the Shares, or reduction of capital in the Company whilst any option remains exercisable (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the option so far as unexercised and/or the subscription price for the Shares, or any combination thereof, as an independent financial adviser appointed by the Company or the auditors for the time being of the Company shall certify in writing to the Directors, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes (the “Supplemental Guidance”). Any such alterations will be made on the basis that a Participant shall have the same proportion of the issued share capital of the Company (as interpreted in accordance with the Supplementary Guidance). No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. In

addition, any adjustment to be made will comply with the GEM Listing Rules, the Supplemental Guidance and any future interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(j) Rights on a take-over or share repurchase

If a general or partial offer, whether by way of take-over or share repurchase offer (but other than by way of scheme of arrangement), is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant option period, the grantee (or his personal representative(s)) shall be entitled to exercise the option in full (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(k) Rights on winding up

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith after it despatches such notice to each of its members give notice thereof to the grantees (or his/her personal representative(s), who may, subject to the provisions of all applicable laws, by notice in writing to the Company (such notice to be received by the Company not later than two business days prior to the proposed general meeting) accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, exercise the option (to the extent they have become exercisable and not already exercised) either to its full extent or to the extent specified in such notice and the Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee which falls to be issued on such exercise, credited as fully paid and register the grantee as holder thereof.

(l) Rights on a scheme of arrangement

If a general or partial offer by way of a scheme of arrangement is made to all Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not directly exercised) to its full extent or to the extent specified in the notice.

(m) Rights on compromise or arrangement

Other than a general offer or partial offer or a scheme of arrangement contemplated in paragraph (l) above, if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as it gives notice to the members or creditors of the Company summoning a meeting to consider such a compromise or arrangement, and the grantees (or his/her personal representative(s)) may, by notice in writing to the Company accompanied by the remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two

business days prior to the proposed meeting), exercise his/her option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(n) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue (the “Exercise Date”) and accordingly will entitle the holders of the Shares to participate in all dividends or other distributions declared paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the Exercise Date.

(o) Lapse of option

The right to exercise an option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of the periods referred to in paragraph (g), (h) or (m), where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (j);
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (l);
- (v) subject to the expiry of the period of extension (if any) referred to in paragraph (g), the date on which the grantee ceases to be a Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;
- (vi) the date on which the grantee of an option ceases to be a Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency, and conviction of any criminal offence;
- (vii) subject to paragraph (k) the date of the commencement of the winding-up of the Company;
- (viii) the date on which the grantee commits a breach of paragraph (f); or
- (ix) the date on which the option is cancelled by the Board as set out in paragraph (t).

(p) Period of the Share Option Scheme

Subject to earlier termination by Shareholders’ resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of five (5) years commencing from 21 September 2007, after which period no further Options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of all options which remain exercisable at the end of such period.

(q) Price sensitive developments

No grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly, or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules).

and ending on the date of the results announcement, no option may be granted. Such period will cover any period of delay in the publication of a results announcement.

(r) Alterations to the Share Option Scheme and the terms of options granted under the Share Option Scheme

- (i) Subject to (ii) below, the terms and conditions of the Share Option Scheme may be altered by resolution of the Board from time to time except that the provisions relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or Participants except with the prior approval of the Shareholders in general meeting, with grantees and their Associates abstaining from voting, and no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares;
- (ii) Any alterations of the terms and conditions of the Share Option Scheme, which are of a material nature or change the authority of the Board, shall be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules;
- (iv) Any change to the authority of the Directors or scheme administrators, if any, in relation to any alteration to the terms of the Scheme must be approved by the Shareholders in general meeting.

(s) Termination of Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects in respect of any options granted prior thereto but not yet exercised at the time of termination.

(t) Cancellation of Options

The Board may, with the consent of the relevant grantee, at any time cancel any option granted but not exercised. Where the Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (d) above.

B. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted under the Share Option Scheme. Application has been made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options under the Share Option Scheme.

6. OTHER INFORMATION***A. Estate duty, tax and other indemnities***

Each of Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin has, pursuant to a deed of indemnity referred to in the paragraph headed “Summary of material contracts” in this Appendix, given joint and several indemnities in respect of among other things (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended)) to any member of the Group on or before the date on which the Placing becomes unconditional, and (b) any tax liabilities which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date, save as to such circumstances including:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited accounts of the Group for the years ended 31 December 2005 and 2006 and the five months ended 31 May 2007, as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any members of the Group which are carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 May 2007; or
- (d) to the extent of any provisions or reserve made for taxation in the audited accounts of the Group up to 31 May 2007 which is finally established to be an over-provision or an excessive reserve.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands, the PRC and other jurisdictions in which the companies comprising the Group are incorporated.

Pursuant to the abovementioned deed of indemnity, each of Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin has given a joint and several indemnity of the Group in relation to any loss, payments, suits, settlement payment, cost, liability, damages or expenses arising from or in connection with:

- (a) the Group's non-payment of the housing fund, including but not limited to the Group's failure in contributing to the housing fund as set forth in the section headed "Risk factors – Risks relating to the Group – Failure to contribute to housing fund" of this prospectus and the potential fine ranging from RMB10,000 to RMB50,000;
- (b) the failure of the Group to enroll in work injury, medical and maternity insurance programs and payment of insurance premium, including but not limited to the Group's failure in contributing to the social insurance as set forth in the section headed "Risk factors – Risks relating to the Group – Failure to contribute to social insurance" of this prospectus;
- (c) the transfer pricing arrangements adopted by the Company with the Group located in the PRC, Hong Kong and Macau (particulars of which are set forth in the section headed "Risk factors – Risks relating to the Group – The Group's transfer pricing arrangements may be challenged" of this prospectus);
- (d) the defects of titles for East portion of Level 4, No.57 Tangxinxi Street, Guanghuasi Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC (particulars of which are set forth in property numbered 3 in the valuation report under Appendix IV of this prospectus); and
- (e) the Group's non-registrations of the lease agreements for (i) Tianlong Building except Unit B on Level 4, No.67 Tangxinxi Street, Tangxi Industrial Zone, Xinshi Town, Baiyun District, Guangzhou City, Guangdong Province, the PRC; (ii) East Portion of Level 4, No.57 Tangxinxi Street, Guanghuasi Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC; and (iii) Levels 2-3, No.133 Qiyi Road, Guangzhou City, Guangdong Province, the PRC (particulars of which are set forth in properties numbered 2, 3 and 4 in the valuation report under Appendix IV to this prospectus);

under the relevant PRC laws, rules and regulations or any other applicable laws, rules and regulations, together with such other relevant payments, suits, settlement payment, cost, liability, damages or expense under the relevant PRC laws, rules and regulations or any other applicable laws, rules and regulations, on or before the Listing Date or as a result of or in relation to all litigations, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings by or against the Group which was issued, accrued and/or arising from any act of the Group at any time on or before the Listing Date.

B. Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no such litigation or claim is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

C. Sponsor

The Sponsor has made an application on behalf of the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus.

D. Preliminary expenses

The estimated preliminary expenses of the Company are approximately HK\$30,000 and are payable by the Company.

E. Promoters

The Company has no promoter.

F. Qualifications of experts

The following are the qualifications of the experts which have given their opinions or advice which is contained in this prospectus:

<u>Name of expert</u>	<u>Qualification</u>
Daiwa Securities SMBC Hong Kong Limited	a corporation licensed under the SFO for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
KPMG	Certified public accountants
Sallmanns (Far East) Limited	Professional property valuers
Shu Jin Law Firm	Qualified PRC lawyers
Rui Afonso	Macau legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Li & Partners	Qualified Hong Kong lawyers

G. Consents of experts

Each of Daiwa Securities SMBC, KPMG, Sallmanns (Far East) Limited, Shu Jin Law Firm, Rui Afonso, Conyers Dill & Pearman and Li & Partners has given and has not withdrawn their respective written consents to the issuance of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or other references to their names included herein in the form and context in which they are respectively included.

H. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all provisions (other than penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

I. No material adverse change

The Directors confirm that there has been no material adverse change in the financial prospects of the Company or its subsidiaries since 31 May 2007 (being the date to which the latest audited financial statements of the Company were made up).

JMiscellaneous

- (a) Save as disclosed in this prospectus :
- (i) within the two years preceding the date in this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) within the two years preceding the date in this prospectus, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders, management or deferred shares of the Company have been issued or agreed to be issued;
 - (iv) within the two years preceding the date of this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue of sale of any capital of the Company; and
 - (v) there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the twenty-four (24) months preceding the date of this prospectus.
- (b) No preliminary expenses are payable by the Company.
- (c) Save as disclosed in this prospectus, none of Daiwa Securities SMBC, KPMG, Sallmanns (Far East) Limited, Shu Jin Law Firm, Rui Afonso, Conyers Dill & Pearman and Li & Partners nor any of their respective directors, employees and associates :
- (i) is interested legally or beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or nominate person to subscribe for any shares in any member of the Group; or
 - (iii) has any direct or indirect interest in the promotion of, or in any assets which have been acquired or disposed of by or leased to the Company within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of or leased to the Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “Consents of experts” in the section “Other information” in Appendix VI to this prospectus, copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in the section headed “Further information about the business of the Group” in Appendix VI to this prospectus and copies of the statement of adjustments prepared by KPMG.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- the memorandum of association of the Company and the Articles;
- the accountants’ report prepared by KPMG, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- the comfort letter on unaudited pro forma financial information prepared by KPMG, the text of which is set out in Appendix III to this prospectus;
- the letters from Daiwa Securities SMBC and KPMG in relation to the profit forecast for the year ending 31 December 2007, the texts of which are set out in Appendix II to this prospectus;
- the statutory audited financial statements of the companies which comprise the Group for each of the two years ended 31 December 2006;
- the letter, summary of values and valuation certificates prepared by Sallmanns (Far East) Limited on the property interests of the Group, the texts of which are set out in Appendix IV to this prospectus;
- the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Companies Law as referred to in the paragraph headed “Summary of the constitution of the Company and the Cayman Islands Companies Law” in Appendix V to this prospectus;
- the Companies Law;
- the service contracts referred to in the paragraph headed “Particulars of service contracts” in Appendix VI to this prospectus;
- the material contracts referred to in the paragraph headed “Summary of material contracts” in the section headed “Further information about the business of the Group” in Appendix VI to this prospectus;
- the written consents referred to in the paragraph headed “Consents of experts” in the section “Other information” in Appendix VI to this prospectus;
- the PRC legal opinion dated 11 October 2007 issued by Shu Jin Law Firm, the legal advisers to the Company as to PRC laws;
- the Macau legal opinion dated 11 October 2007 issued by Rui Afonso, the legal advisers to the Company as to Macau;
- the Hong Kong legal opinion dated 11 October 2007 issued by Li & Partners, legal advisers to the Company as to Hong Kong laws;
- the rules of the Share Option Scheme; and
- the rules of the Pre-IPO Share Option Scheme.