INTERNATIONAL ELITE LTD.
精英國際有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1328)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2010

The Group's turnover was approximately HK$280,215,000, representing an increase of approximately 31% as compared with approximately HK$214,503,000 in 2009.

Loss attributable to equity holders of the Company was approximately HK$3,774,770,000 as compared with profit attributable to equity holders of the Company of approximately HK$38,141,000 in 2009. The loss for the year included certain non-cash items arising from the acquisition of the Sunward Group that are not as a result of the operations of the Group. These items include a goodwill impairment charge of approximately HK$4,127,997,000 and a fair value gain of purchase consideration payables of approximately HK$291,086,000.

Basic loss per share was HK$3.99 as compared with basic earnings per share of HK$0.04 in 2009.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: final dividend of 1 cent and special dividend of 3 cents per ordinary share were paid to equity holders of the Company in May 2010).

RESULTS

The board (the "Board") of Directors of International Elite Ltd. (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010, all of which have been reviewed by the audit committee, together with the comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Turnover	3(a)	**280,215**	214,503
Cost of sales	6(a)	**(165,402)**	(137,436)
Gross profit		**114,813**	77,067
Other revenue	3(b)	**5,790**	9,253
Other gains	4	**291,105**	711
Impairment of goodwill	7	**(4,127,997)**	–
Research and development expenses		**(6,639)**	(2,641)
Administrative expenses	6(a)	**(46,717)**	(45,384)
(Loss)/profit from operations		**(3,769,645)**	39,006
Finance costs		**–**	(175)
Share of losses of an associate		**–**	(2)
(Loss)/profit before income tax		**(3,769,645)**	38,829
Income tax expense	8	**(5,125)**	(688)
(Loss)/profit for the year and attributable to equity holders of the Company		**(3,774,770)**	38,141
(Loss)/earnings per share attributable to equity holders of the Company (expressed in HK cents per share):			
– basic	11	**(HK$3.99)**	HK$0.04
– diluted	11	**(HK$3.99)**	HK$0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
(Loss)/profit for the year	**(3,774,770)**	38,141
Other comprehensive income		
– Currency translation differences	**80,650**	241
Total comprehensive (loss)/income for the year, net of tax	**(3,694,120)**	38,382

CONSOLIDATED BALANCE SHEET

as at 31 December 2010

	Note	**2010 HK$'000**	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**64,159**	59,772
Goodwill	7	**281,409**	–
Intangible assets	7	**96,309**	1,205
Investment in an associate		**–**	404
Deferred tax assets		**80**	4
		441,957	61,385
Current assets			
Inventories		**28,035**	–
Trade and other receivables	12	**114,181**	71,773
Cash and cash equivalents		**294,903**	422,990
		437,119	494,763
Total assets		**879,076**	556,148
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	**9,462**	9,462
Reserves	14	**(3,198,615)**	533,108
Total equity		**(3,189,153)**	542,570
LIABILITIES			
Non-current liabilities			
Purchase consideration payables	15	**3,993,615**	–
Deferred tax liabilities		**22,013**	11
		4,015,628	11
Current liabilities			
Trade and other payables	16	**35,469**	12,172
Current income tax liabilities		**17,132**	1,395
		52,601	13,567
Total liabilities		**4,068,229**	13,578
Total equity and liabilities		**879,076**	556,148
Net current assets		**384,518**	481,196
Total assets less current liabilities		**826,475**	542,581

NOTES:

1. GENERAL INFORMATION

International Elite Ltd. (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the provision of Customer Relationship Management ("CRM") services, which include inbound services and outbound services, to companies in various service-oriented industries. Following the acquisition of Sunward Telecom Limited and its subsidiaries ("Sunward Group") as set out in Note 7, the Group is also engaged in research and development, production and sales of Radio-Frequency Subscriber Identity Module ("RF-SIM") products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau. The Company was incorporated in the Cayman Islands on 18 September 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has established a place of business in Hong Kong and was registered in Hong Kong under Part XI of the Companies Ordinance as an overseas company on 27 June 2007. On 16 October 2007, the Company listed its shares with a par value of HK$0.01 each on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. BASIS OF PREPARATION

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

During the year ended 31 December 2010, the Group incurred a net loss of HK$3,774,770,000 and, as of 31 December 2010, there was a deficit on total equity of HK$3,189,153,000. The loss for the year included certain non-cash items arising from the acquisition of the Sunward Group (Note 7) that are not as a result of the operations of the Group. These items include a goodwill impairment charge of HK$4,127,997,000 and a fair value gain on purchase consideration payables of HK$291,086,000. The net cash generated from operating activities during the year amounted to HK$88,397,000. Management considers that the Group's funding requirements for the coming year are expected to be met through the cash flows generated from operating activities. Although the Group has a deficit position in total equity, the purchase consideration payables of HK$3,993,615,000 as at 31 December 2010 are only convertible into shares from the date of issuance in 2011. The latest time for conversion is in 2016. The holders of the convertible notes can only demand for a cash repayment of HK$1,800,000,000, subject to adjustment, upon maturity in 2016 if the convertible notes are not converted into the shares of the Company by that time. No cash outflow will be made from the date of issuance of the convertible notes up to the maturity date in 2016 (Note 15). As a result, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due in the coming twelve months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(i) Revised standards that are effective in 2010 and have been adopted by the Group

IFRS 3 (Revised) "Business combinations'', and consequential amendments to IAS 27 "Consolidated and separate financial statements", IAS 28 "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

IAS 36 (Amendment) "Impairment of Assets", effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 IFRS 8, "Operating Segments" (that is, before the aggregation of segments with similar economic characteristics).

(ii) *New standards, revised standards and amendments and interpretations to existing standards that are effective in 2010 but do not have a significant impact to the Group*

IFRIC 9	Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Asset to Owners
IFRIC 18	Transfer of Assets from Customers
IAS 1 (Amendment)	Presentation of Financial Statements
IAS 7	Classification of Expenditures on Unrecognised Assets
IAS 17 (Amendment)	Leases
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39	Treating Loan Prepayment Penalties as Closely Related Derivatives, Cash Flow Hedge Accounting, Scope Exemption for Business Combination Contracts
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards
IFRS 2 (Amendment)	Group Cash-Settled Share-Based Payment Transactions
IFRS 5 (Amendment)	Non-Current Assets Held for Sales and Discontinued Operations

(iii) *New standards, revised standards and amendments and interpretations to existing standards that are not yet effective in 2010 and have not been early adopted by the Group*

		Effective for annual periods beginning on or after
IAS 12 (Amendment)	Income Taxes	1 January 2012
IAS 24 (Revised)	Related Party Disclosures	1 January 2011
IAS 32 (Amendment)	Classification of Rights Issues	1 February 2010
IFRS 1 (Amendment)	Limited Exemption of Comparative IFRS 7 Disclosure for First-time Adopters	1 July 2010
IFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets	1 July 2011
IFRS 9	Financial Instruments	1 January 2013
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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

3. TURNOVER AND OTHER REVENUE

Revenue recognition

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

(i) *CRM services*

CRM services comprise (1) inbound services which include customer hotline services and built-in secretary services, a personalised message taking services, and (2) outbound services which include telesales services and market research services.

Revenue is recognised when the services have been provided and the Group has obtained the right to demand payment of the consideration. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or when the amount of revenue and the costs incurred or to be incurred in respect of the services cannot be measured reliably.

(ii) *Sales of goods*

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

(iii) *Licensing income*

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

(iv) *Interest income*

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

(a) Turnover

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

	2010	2009
	HK$'000	HK$'000
Inbound services	**119,362**	108,983
Outbound services	**104,362**	105,520
Sales of goods	**49,856**	–
Licensing income	**6,635**	–
	280,215	214,503

The Group has 3 customers whose transactions account for 10% or more of the Group's aggregate revenue for 2010 (2009: 2 customers). The amounts of revenue from the customers are as follows:

	2010	2009
	HK$'000	HK$'000
Largest customer	**97,814**	91,579
Second largest customer	**83,216**	78,129
Third largest customer	**27,115**	–
	208,145	169,708

(b) Other revenue

	2010	2009
	HK$'000	HK$'000
Interest income	**534**	1,138
Government grants (Note a)	**4,313**	5,723
Compensation from a customer	**–**	2,263
Others	**943**	129
	5,790	9,253

Note:

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

4. OTHER GAINS

	2010	2009
	HK$'000	HK$'000
Changes in fair values of purchase consideration payables (Note 15)	**291,086**	–
Gain on disposal of a subsidiary	**19**	–
Change in fair value of foreign currency forward contracts	**–**	711
	291,105	711

5. SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operation decision maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

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

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

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

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

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

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

(a) Segment results and assets

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

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

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

The following tables present revenue, reportable segment profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2010 and 2009:

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

	For the year ended 31 December 2009		
	Inbound services HK$'000	Outbound Services HK$'000	Total HK$'000
Revenue from external customers	108,983	105,520	214,503
Reportable segment profit	32,215	44,852	77,067
Depreciation and amortisation	1,021	1,190	2,211
Reportable segment assets	43,821	29,665	73,486
Addition to non-current segment assets during the year	132	2	134

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

	2010 HK$'000	2009 HK$'000
Revenue		
Reportable segment revenue	**280,215**	214,503
Consolidated revenue	**280,215**	214,503
Profit		
Reportable segment profit	**114,813**	77,067
Other revenue and other gains (Note 3(b) and Note 4)	**296,895**	9,964
Unallocated depreciation and amortization	**(7,339)**	(5,469)
Finance costs	**–**	(175)
Share of losses of an associate	**–**	(2)
Impairment of goodwill	**(4,127,997)**	–
Research and development expenses	**(6,639)**	(2,641)
Unallocated head office and administrative expenses	**(39,378)**	(39,915)
Consolidated (loss)/profit before income tax	**(3,769,645)**	38,829
Assets		
Reportable segment assets	**521,628**	73,486
Deferred tax assets	**80**	4
Cash and cash equivalents	**294,903**	422,990
Unallocated head office and other assets	**62,465**	59,668
Consolidated total assets	**879,076**	556,148

(c) Geographic information

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

Year ended 31 December 2010

	Hong Kong HK$'000	**PRC HK$'000**	**Macau HK$'000**	**Total HK$'000**
Revenue from external customers	**201,634**	**69,665**	**8,916**	**280,215**
Specified non-current assets	**201,777**	**240,095**	**5**	**441,877**

Year ended 31 December 2009

	Hong Kong HK$'000	PRC HK$'000	Macau HK$'000	Total HK$'000
Revenue from external customers	193,902	12,278	8,323	214,503
Specified non-current assets	1,615	59,354	8	60,977

6. EXPENSES BY NATURE

(a) Cost of sales and administrative expenses

	2010 HK$'000	2009 HK$'000
Employee benefits expenses (Note 6(b))	**156,525**	139,152
Auditors' remuneration		
– audit services	**1,544**	1,233
– non-audit services	**1,001**	773
Depreciation of property, plant and equipment	**6,756**	7,358
Amortisation of intangible assets	**2,320**	322
Cost of inventories sold	**13,663**	–
Operating lease charges in respect of		
– rental of building and offices	**4,592**	5,497
– hire of transmission lines	**7,391**	7,483
Other expenses	**18,327**	21,002
Total cost of sales and administrative expenses	**212,119**	182,820

(b) Employee benefits expenses

	2010 HK$'000	2009 HK$'000
Wages, salaries and other benefits	**141,501**	126,631
Pension costs – defined contribution plan	**15,024**	12,521
	156,525	139,152

Staff cost of HK$139,514,000 (2009: HK$125,142,000) has been charged in cost of sales.

7. GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

(a) The patent acquired in a business combination (Note 7) is measured initially at its fair value at the acquisition date. As there is no active market existing for the patent acquired, management has considered a wide range of measures including engaging the independent professional valuer to evaluate the fair value of the patent based on the relief-from-royalty approach. The relief-from-royalty approach estimates the future royalties that would have to be paid to the owner of the patent for its current use. Under this approach, as royalties are based on sales, value of the patent is determined based on the Group's estimated sales growth rates, a reasonable royalty rate and an appropriate discount rate as follows:

Estimated sales growth rate from 2011 to 2013	103-12%
Estimated sales decline rate from 2014 to 2024	5%
Royalty rate	3% of the estimated sales amount
Discount rate	17.4%

The patent is allocated to the same cash generating unit ("CGU") as goodwill, which arose from the acquisition of Sunward Group. For impairment assessment purpose, the carrying values of the same CGU is compared against its recoverable amount and an impairment loss is recognised when the asset's carrying value exceeds its recoverable amount. The impairment loss is then allocated to reduce the carrying amount of goodwill and then to the other assets of the same CGU ratably based on the carrying amount of each asset.

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

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

	2010	2009
	HK$'000	HK$'000
As at 1 January	**–**	–
Acquisition of subsidiaries	**4,333,021**	–
Impairment charge	**(4,127,997)**	–
Exchange difference	**76,385**	–
As at 31 December	**281,409**	–

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

Impairment test for goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment. Since the goodwill was arisen from the acquisition of Sunward Group during the year ended 31 December 2010, it is allocated to the business segment of RF-SIM business.

The recoverable amount of a CGU is determined based on fair value less costs to sell calculations. These calculations use post-tax cash flow projections based on financial budgets covering up to 2024. Cash flows beyond 2024 have been extrapolated using the growth rate of 0% per annum which is determined by considering both internal and external factors relating to the CGU.

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

Estimated sales growth rates from 2011 to 2013	23 – 8%
Estimated sales decline rate from 2014 to 2024	5%
Discount rate	16.4%

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

In accordance with the Group's accounting policy on asset impairment, the carrying value of goodwill was tested for impairment as at 31 December 2010.

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

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

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

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

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

Management considered that there is a substantial value attributable to the market potential of RF-SIM due to the following:

- It is predicted that mobile near field payment would experience a strong growth due to the increasing acceptance in mobile internet, while mobile operators in the PRC would continue to increase their commitment in mobile near field payment;

- All of the three major mobile operators in the PRC had adopted the RF-SIM technology as one of the three mobile payment technologies; and

- RF-SIM technology has advantages over the NFC technology and Dual-Interface SIM technology.

As RF-SIM operates at 2.4GHz frequency, whilst the other two payment technologies operate at 13.56MHz frequency, there are two incompatible standards for the mobile payment technology in the PRC. In the last quarter of 2010, there was an apparent concentration shift in the development strategies of certain major mobile operators which was evidenced by revenue generated from the sales of RF-SIM products decreasing significantly as compared to the previous quarters.

Due to such a change in circumstances, management revised the profit forecast by using the key assumptions as mentioned above. By comparing the carrying amount of the goodwill against its recoverable amount, which equals fair value less costs to sell, an impairment charge of HK$4,127,997,000 was recognised for the year ended 31 December 2010.

8. INCOME TAX EXPENSE

	2010	2009
	HK$'000	HK$'000
Current income tax:		
Hong Kong profits tax	**3,045**	210
PRC corporate income tax	**2,541**	90
Deferred tax	**(461)**	388
Income tax expense	**5,125**	688

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

(ii) PRC corporate income tax

The applicable tax rate of the Company's subsidiary in the PRC, namely China Elite Info. Co., Ltd. ("China Elite"), was 25% in respect of the year ended 31 December 2010 (2009: 25%).

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

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

	2010 **HK$'000**	2009 HK$'000
(Loss)/profit before income tax	**(3,769,645)**	38,829
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	**(450,251)**	2,828
Tax effects of:		
Income not subject to tax	**(34,930)**	(168)
Expenses not deductible for tax purposes	**496,817**	525
Utilisation of previously unrecognised tax losses	**(6,463)**	(2,493)
Others	**(48)**	(4)
Income tax expense	**5,125**	688

The weighted average applicable tax rate was 11.9% (2009: 7.3%).

9. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK$3,757,938,000 (2009: profit of HK$148,601,000).

10. DIVIDENDS

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

	2010 **HK$'000**	2009 HK$'000
Final dividend of HK$0.01 in 2009 per ordinary share	**–**	9,462
Special dividend of HK$0.03 in 2009 per ordinary share	**–**	28,386
	–	37,848

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on loss attributable to equity holders of the Company of HK$3,774,770,000 (2009: profit attributable to equity holders of the Company of HK$38,141,000) and on the weighted average number of 946,200,000 (2009: 946,200,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

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

The purchase consideration payables arising from the acquisition of the Sunward Group (Note 15) potentially require such consideration to be settled in shares. As the Group is loss making for the year ended 31 December 2010, the impact on the loss per share is anti-dilutive and consequently has not been reflected in the calculation of diluted loss per share.

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

12. TRADE AND OTHER RECEIVABLES

	Note	2010 HK$'000	2009 HK$'000
Trade receivables			
– amounts due from related parties		**350**	2,369
– amounts due from third parties		**107,715**	67,664
	(a)	**108,065**	70,033
Deposits, prepayments and other receivables		**6,116**	1,740
		114,181	71,773

The amounts due from related parties were unsecured, interest free and repayable on demand (2009: same).

(a) Ageing analysis

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

	2010 HK$'000	2009 HK$'000
Aged within 1 month	**41,081**	17,338
Aged over 1 to 3 months	**60,859**	21,117
Aged over 3 to 6 months	**6,006**	24,563
Aged over 6 months to 1 year	**119**	7,015
	108,065	70,033

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

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

	2010 HK$'000	2009 HK$'000
At 1 January	**570**	535
Impairment loss recognised	**260**	151
Uncollectible amounts written off	**–**	(116)
At 31 December	**830**	570

At 31 December 2010, the Group's trade receivables of HK$830,000 (2009: HK$570,000) were individually determined to be impaired.

Trade receivables of HK$33,019,000 aged between 31 to 183 days (2009: HK$45,680,000) were past due but not impaired. These relate to a number of independent customers who have no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
Up to 3 months	**29,195**	21,117
3 to 6 months	**3,824**	24,563
	33,019	45,680

The individually impaired receivables related to invoices that were default in payments and management assessed that the receivables are not expected to be recovered. Consequently, allowances for doubtful debts of HK$260,000 (2009: HK$151,000) were recognised. The Group's impaired receivables of HK$Nil (2009: HK$116,000) were individually determined to be written off against trade receivables directly.

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

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

13. SHARE CAPITAL

(a) Authorised and issued share capital

	2010 HK$'000	2009 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each	**40,000**	40,000
Issued and fully paid:		
946,200,000 ordinary shares of HK$0.01 each	**9,462**	9,462

(b) Share based payments

The Company has two share option schemes, namely the Share Option Scheme and the Pre-IPO Share Option Scheme, which were adopted on 21 September 2007 whereby the Board of the Company is authorised, at its discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a cash consideration of HK$1.00 for each grantee to subscribe for shares of the Company. As at 31 December 2010, no option was granted under the Share Option Scheme (2009: Same). The exercise price of the share options under the Pre-IPO Share Option Scheme was determined based on the new issue price of the Company's shares on 16 October 2007 (the "Listing Date"). The options vest after one year from the Listing Date and are then exercisable within a period of six months. Each option gives the holder the right to subscribe for one ordinary share in the Company. All Pre-IPO share options grants by the company on 8 October 2007 under its Pre-IPO Share Option Scheme had not been exercised and such Pre-IPO share options ceased to have any effect after the end of the exercise period on 15 April 2009.

14. RESERVES

	Statutory reserve HK$'000	Exchange reserve HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000	Other reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2009	97	4,846	326,387	6,668	18,101	138,627	494,726
Profit for the year	–	–	–	–	–	38,141	38,141
Exchange difference on translation of financial statements of subsidiaries	–	241	–	–	–	–	241
At 31 December 2009	97	5,087	326,387	6,668	18,101	176,768	533,108
At 1 January 2010	97	5,087	326,387	6,668	18,101	176,768	533,108
Loss for the year	–	–	–	–	–	(3,774,770)	(3,774,770)
Exchange difference on translation of financial statements of subsidiaries	–	80,650	–	–	–	–	80,650
Dividends relating to 2009	–	–	–	–	–	(37,848)	(37,848)
Income tax expense of a subsidiary borne by the ultimate shareholder	–	–	–	–	245	–	245
At 31 December 2010	**97**	**85,737**	**326,387**	**6,668**	**18,346**	**(3,635,850)**	**(3,198,615)**

(i) *Statutory reserve*

The Group's wholly owned subsidiaries in Macau are required to transfer not less than 25% of their net profits, as determined in accordance with Commercial Code of Macau, to their statutory reserve funds until the balance reaches 50% of the registered capital. The balances of statutory reserve in their subsidiaries had already reached 50% of their respective registered capital and no more transfer was required to be made to the statutory reserve funds of these subsidiaries.

The statutory reserve can be used to make up for previous years' losses of the subsidiaries, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfer to this fund must be made before distributing dividends to the equity holders.

Pursuant to the applicable regulations in the PRC, the Group's wholly owned subsidiary in the PRC, namely China Elite, is required to transfer at least 10% of its after-tax profit determined under the relevant accounting regulations in the PRC (after offsetting prior year losses) to the statutory reserve until the balance reaches 50% of the registered capital. As China Elite had accumulated losses, no transfer was made to the statutory reserve during the year (2009: Nil).

(ii) *Distributability of reserves*

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

15. PURCHASE CONSIDERATION PAYABLES

	2010 HK$'000	2009 HK$'000
Initial fair values of purchase consideration payables at the date of acquisition (Note 7)	**4,284,701**	–
Fair values adjustment (Note 4)	**(291,086)**	–
Fair values of purchase consideration payables at 31 December 2010	**3,993,615**	–

Pursuant to the Acquisition Agreement as set out in Note 7, as part of the consideration, non-interest bearing convertible notes with principal amounts of HK$1,800,000,000 will be issued in 2011. The convertible notes will mature in 5 years from the date of issuance. The conversion price for the convertible notes has been set at HK$1 per share. The actual numbers of shares to be issued will be subject to the profit of Sunward Group for the year ended 31 December 2010. Such convertible notes will only be issued in 2011 (i.e. 31 May 2011 or if the audited financial statements of Sunward Group for the year ended 31 December 2010 (the "2010 Audited Accounts") have not yet been issued by the independent accountant for any reasons by 31 March 2011, the last day of the second month after the issuing date of the 2010 Audited Accounts). The number of shares that will be issued by the Company is calculated based on the formula as stipulated in the Acquisition Agreement and it is variable in accordance with the profit of Sunward Group as mentioned above, according to IAS 32, the purchase consideration payables should be classified as a liability.

According to IFRS 3R, contingent consideration classified as a liability that is a financial instrument and is within the scope of IAS 39 shall be measured at fair value, with any resulting gain or loss recognised in the income statement in accordance with IFRS. As a result, the purchase consideration payables were recognised initially at fair values and subsequent re-measured at fair values at the balance sheet date. The key assumptions are as follows:

	15 September 2010	31 December 2010
Closing share price of the Company	HK$1.83	HK$1.70
Expected volatility of underlying share	86.322%	83.034%
Dividend yield	1.670%	1.670%
Risk free rate	1.142%	1.763%
Discount rate	11.772%	11.893%

The fair value adjustment as at 31 December 2010 of HK$291,086,000 is recognised in "Other gains" in the consolidated income statement (Note 4).

The fair values of the purchase consideration payables will be re-assessed in 2011 upon its issuance; whereby the number of shares associated with the conversion feature of the convertible notes would also be fixed. The convertible notes are repayable at maturity date (i.e. 5 years from the date of issuance) unless they have been converted into ordinary shares prior to the maturity date. Since the conversion feature allows the fixed principal amounts of convertible notes to be converted at a fixed conversion price, the convertible notes should be split into 2 portions, the liability portion and the equity portion according to their respective fair values at the date of issue. The liability portion should be stated at amortised cost while the conversion feature should be classified as equity according to IAS 32.

According to the profit of Sunward Group to the year ended 31 December 2010, the number of shares to be issued by the Company will be 2,081,620,000 if the holders convert the purchase consideration payables into shares.

16. TRADE AND OTHER PAYABLES

	Note	2010 HK$'000	2009 HK$'000
Trade payables	(a)	**6,571**	6,823
Other payables and accruals			
– amounts due to related parties		**11,752**	–
– others		**17,146**	5,349
		35,469	12,172

The amounts due to related parties were unsecured, interest free and repayable on demand (2009: same).

(a) Trade payables

	2010 HK$'000	2009 HK$'000
The ageing analysis of trade payables is as follows:		
0 – 30 days	**5,816**	6,487
31 – 60 days	**566**	48
61 – 90 days	**12**	68
Over 90 days	**177**	220
	6,571	6,823

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

The impact of the financial tsunami continues to unfold around the globe with the notable exception of China. The economy of the PRC has grown by 10.3% in 2010 and is projected to grow by 7% yearly from 2011 to 2015. In order to grasp the valuable opportunities arising from the favorable government policies in China including the growth in 3G mobile communications and domestic demand, the Group continues to explore the China market.

China has entered into the stage of globalized competition, industries that choose to outsource their operation extend from traditional telecommunications to finance, postal, travel, healthcare, logistics, information technology, Internet commerce, media, public utilities and retail. The potential size of CRM market is as large as the size of the China consumer market. When consumption takes off, the Group is well positioned to capture the opportunities.

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

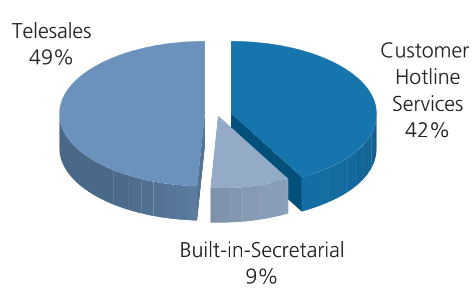
FINANCIAL REVIEW

Turnover

For the year ended 31 December 2010, the Group's total turnover was approximately HK$280,215,000, representing an increase of approximately 31% as compared to that of last year. There was approximately a 27% increase in turnover contributed by the newly acquired RF-SIM business while only approximately 4% increase in turnover contributed by CRM service business due to a slow recovery pace after the financial tsunami and credit crunch in Europe during 2010.

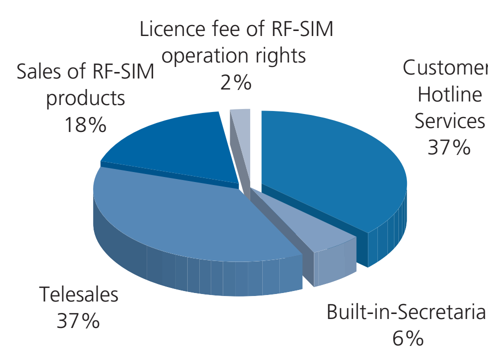
Inbound services, outbound services and RF-SIM business accounted for approximately 43%, 37% and 20% of the Group's total turnover for the year ended 31 December 2010 respectively. There was an increase of approximately 10% of turnover from inbound services and a decrease of approximately 1% of turnover from outbound services as compared with last year. Below are the charts illustrating the Group's revenue generated from different services in 2009 and 2010.

2009



Revenue by services in 2009

2010



Revenue by services in 2010

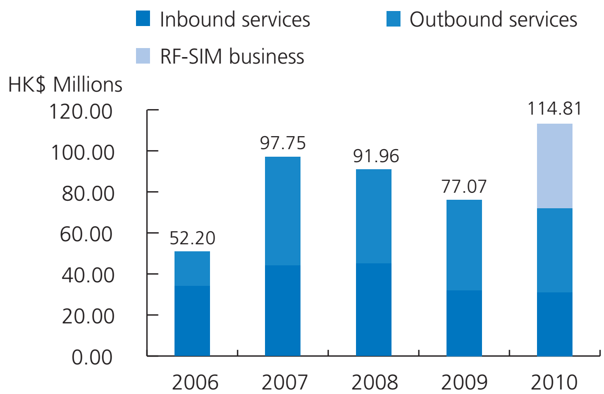
The gross profit margins of the inbound services, outbound services and RF-SIM business for the year ended 31 December 2010 were approximately 26%, 40% and 74% respectively.

Gross Profit

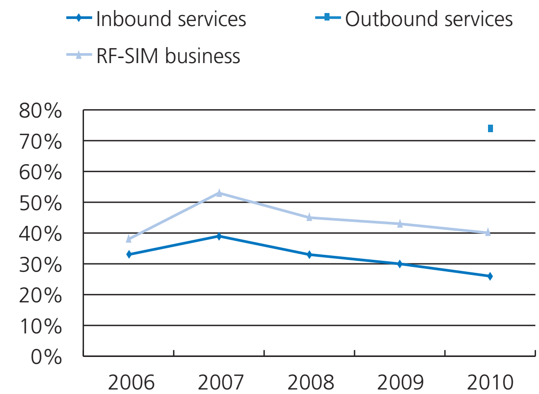
The Group's gross profit for the year ended 31 December 2010 was approximately HK$114,813,000, representing an increase of approximately 49% as compared with last year. Inbound services, outbound services and RF-SIM business accounted for approximately 27%, 36% and 37% of the Group's gross profit for the year ended 31 December 2010 respectively. The gross profit margin increased by approximately 5% to approximately 41%. The increase in gross profit margin was primarily due to the incorporation of RF-SIM business, a higher margin business segment.

The Group's gross profit of CRM service business for the year ended 31 December 2010 was approximately HK$73,133,000, representing a decrease of approximately 5% as compared with last year. The gross profit margin of CRM service business decreased by approximately 3% to approximately 33%. The decreased in gross profit margin of CRM service business was mainly attributed to the appreciation of RMB and increase in operators' pay in line with China's inflation rate.

Below are the charts illustrating the Group's gross profit from different business segments from 2006 to 2010.



Gross profit by segments



Gross profit margin by segments

Administrative Expenses

During the year under review, the total administrative expenses of the Group were approximately HK$46,717,000 equivalent to approximately 17% of the Group's sales in 2010. The administrative expenses to sales ratio was approximately 4% lower than that of last year.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company for the year ended 31 December 2010 was approximately HK$3,774,770,000, while the Group's profit attributable to equity holders of the Company for the year ended 31 December 2009 was approximately HK$38,141,000. The loss for the year included certain non-cash items arising from the acquisition of the Sunward Group that are not as a result of the operations of the Group. These items include a goodwill impairment charge of approximately HK$4,127,997,000 and a fair value gain of purchase consideration payables of approximately HK$291,086,000.

ACQUISITION OF RF-SIM BUSINESS

On 4 May 2010, the Company entered into an acquisition agreement with Mr. Li Kin Shing and Ms. Kwok King Wa, being the vendors (the "Vendors"), pursuant to which the Company conditionally agreed to purchase from the Vendors the entire issued share capital of Sunward Telecom Limited ("Sunward") for an aggregate consideration of HK$2,000 million (subject to consideration adjustments (the "Consideration Adjustments") as defined in the announcement of the Company dated 25 May 2010, which shall be satisfied as to an aggregate amount of HK$200 million by cash financed by internal resources of the Group on the completion date and by the issuance of convertible notes of HK$1,800 million. The conversion price for the convertible notes has been set at HK$1 per share. The actual numbers of shares to be issued will be subject to the profit of Sunward Group for the year ended 31 December 2010 and by applying a price-earnings multiple of 20 times.

The internal resources of the Group financing the cash payments to Vendors include approximately HK$148 million of the proceeds raised by the Company on its initial public offer (the "IPO") in October 2007. The original plan for the unused IPO proceeds is set forth in the prospectus of the Company dated 11 October 2007 (the "Prospectus") and the 2009 annual report of the Company dated 15 March 2010. Due to the change of the market conditions and the Group has not been able to identify suitable premises to set up the new CRM centre in the Northeastern region of the PRC nor appropriate small to medium sized CRM services centers for acquisition, the Group decided to reallocate the unused proceeds as to approximately HK$148 million for the acquisition with the remaining of the unused IPO proceeds, being approximately HK$138.7 million and HK$7.9 million, to set up a new CRM centre in the Southern region of the PRC and the development of new Internet CRM services, respectively, in accordance with the Group's business plans as disclosed in the Prospectus.

Since the Vendors are Directors and controlling Shareholders, they are connected persons of the Company under Chapter 14A of the Rules of Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Accordingly, the transactions contemplated under the acquisition agreement constitute a connected transaction for the Company under the Listing Rules. As the relevant percentage ratios (as defined under the Listing Rules) are more than 100%, the transactions contemplated under the acquisition agreement also constitutes a very substantial acquisition for the Company under Rule 14.06 of the Listing Rules. The acquisition constituted a very substantial acquisition and connected transaction for the Company under the Listing Rules and was duly approved by the independent shareholders of the Company at the extraordinary general meeting duly convened and held on 8 September 2010.

Further details of the acquisition were included in the circular of the Company dated 23 August 2010 issued to the shareholders.

The Sunward Group is principally engaged in (i) the research and development, production and sales of RF-SIM products; and (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau. It is the Company's intention that the Group continues to carry on its business as a CRM outsourcing service provider focusing on the Hong Kong, Macau and the PRC markets. The acquisition is to assist the Group to broaden its revenue sources so as to enhance its competitiveness.

Following the fulfillment of all term and conditions of the acquisition agreement, the acquisition was completed on 15 September 2010. Upon the completion, the Sunward Group has become a wholly-owned subsidiary of the Company and the financial results of the Sunward Group for the period from the date of acquisition to 31 December 2010 were included in the annual results of the Group for the year ended 31 December 2010. The revenue included in the consolidated income statement since 15 September 2010 contributed by the Sunward Group was approximately HK$56,491,000 and its contributed net profit was approximately HK$29,219,000 over the same period. Had the Sunward Group been consolidated from 1 January 2010, the revenue contributed by the Sunward Group would be approximately HK$224,286,000 and contributed net profit of approximately HK$114,081,000.

As RF-SIM operates at 2.4GHz frequency, whilst there are two other payment technologies which operate at 13.56MHz frequency, therefore, there are two incompatible standards for the mobile payment technology in the PRC. In the last quarter of 2010, there was an apparent concentration shift in the development strategies of certain major mobile operators which was evidenced by revenue generated from the sales of RF-SIM products decreasing significantly as compared to the previous quarters. Due to such a change in circumstances, management revised the profit forecast and re-assessed the fair value for Sunward. As a result, an impairment charge of approximately HK$4,127,997,000 of goodwill was recognised for the year ended 31 December 2010.

CRM SERVICE BUSINESS

Business Review

Customers in Telecommunications Industries

In 2010, the Group continued to provide services to established telecommunications service providers. The Group successfully acquired the service contract from China Telecom Corporation Limited Best Tone Information Services, Guangdong Branch for telesales service. However, due to a slow recovery pace after the financial tsunami and credit crunch in Europe, there was only a slight increase in turnover of the Group from telecommunications service providers for the year ended 31 December 2010 of approximately 5%.

Customers in Non-Telecommunications Industries

In 2010, the Group continued developing its non-telecommunications customer base for CRM business and successfully acquired the service contracts from Magazines International (Asia) Limited for telesales service, Guangzhou Park'N Shop Supermarkets Limited, Dongguan National Trade Supermarkets Limited, Jiangmen Park'N Shop Supermarkets Limited and Shanghai Park'N Shop Supermarkets Co., Limited for hotline service. The Group continued cooperation and provision of CRM services to well established customers and customers having establishments in the PRC in provinces other than Guangdong. In line with their development and expansion, there is increasing demand of our services. Both new and established customers have built up a consolidated customer base of the Group and have witnessed the achievement of the Group's development in non-telecommunication industries.

Multi-Skill Training

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

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

CRM Service Centers
As at 31 December 2010, the Group operated three CRM service centers in Guangzhou, the PRC, with a total seating capacity of approximately 4,100. The Group had approximately 3,409 employees for operation function, and the utilisation rate was approximately 84%, representing a decrease of approximately 4% as compared with that of last year. The Group provided various trainings for staff to enhance their multi-skills for different programs. The efficiency enhancement has resulted in a general increase in productivity of each workstation. Consequently, the Group was able to maintain the utilization rate at sustainable level while generating larger revenue.

The Group established a subsidiary, Shenyang China Elite Info. Services Co., Ltd. 瀋陽盛華信息服務有限公司 ("Shenyang Elite") in Shenbei District of Shenyang City in December 2008 and plans to establish an outsourcing base in Shenyang. However, due to the change of the market conditions and the Group has not been able to identify suitable premises to set up the new CRM centre in the Northeastern region of the PRC so Shenyang Elite was closed in August 2010 and incurred total losses of approximately HK$65,000.

In November 2010, China Elite Info. Co., Ltd. (廣州盛華信息有限公司) ("China Elite") entered into lease agreements with Guangzhou City Liwan District Chajiao Street Chajiao Joint-Stock Cooperative Economic Association (廣州市荔灣區茶滘街茶滘股份合作經濟聯合社), an independent third party, pursuant to which China Elite rents the premises located at 4th and 5th Floor, No.10, Hualei Road, Liwan District, Guangzhou City, Guangdong Province, the PRC ("Hongmian Premises") with an aggregate gross floor area of approximately 1,946.1 square meters. The Group intends to use Hongmian Premises as its fourth CRM service center.

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

Customer	**Service**	**Contract date**
Magazines International (Asia) Limited	Telesales Service	March 2010
China Telecom Corporation Limited Best Tone Information Services, Guangdong Branch	Telesales Service	August 2010
Guangzhou Park'N Shop Supermarkets Limited	Hotline Service	November 2010
Guangzhou Park'N Shop Supermarkets Limited, Shenzhen Branch	Hotline Service	November 2010
Dongguan National Trade Supermarkets Limited	Hotline Service	November 2010
Jiangmen Park'N Shop Supermarkets Limited	Hotline Service	November 2010
Shanghai Park'N Shop Supermarkets Co., Limited	Hotline Service	November 2010

Awards and Certification
In July 2010, China's Best Customer Service Appraisal Committee conferred the "Best Outsourcing Service Provider in China" award to China Elite.

Future Prospect

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

In addition, the Group has been constantly seeking for business improvement and worked out plans on launching new services, new programs and entering into new markets. The management continues to diversify the Group's CRM customer base to non-telecommunications industries in order to capture more business opportunities. At present, the Group has identified several potential customers and started the negotiation with the customers in industries including but not limited to food and beverage, slimming and beauty shops, etc.

Internet CRM

The Group reached an agreement with MSN China in November 2007 for an Instant Messaging ("IM") CRM platform and CRM service provision. The management believes this low cost text-based enquiry and flexible-pricing service will attract more users and the Group will enjoy steady business growth through reduction of the Group's operation costs.

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

New Markets

Due to the favorable market environment in China, including the startup of the Twelfth Five-Year Plan, the growth in 3G mobile communications and domestic demand, we expect the China market will provide more opportunities for the business development of the Group. The Group plans to continuously broaden its customer base within the telecommunications industry. The Directors intend to seek further business opportunities with China Unicom for the provision of CRM outsourcing services in the PRC in provinces other than Guangdong. The Group will also participate in the bidding of CRM outsourcing service contracts from China Mobile, the leading telecommunications service provider in the PRC. As at the date of this announcement, the Group has yet secured any service contract with China Mobile.

Moreover, the Group also seeks to develop the non-telecommunications markets and overseas markets. As both CRM and outsourcing gain increasing recognition, the Directors anticipate there will be a growing demand for quality CRM outsourcing solution from industries including finance, Internet, travel, health care, market research and retail etc., as well as from overseas markets. The Group will continue to seek further business opportunities with companies having establishments in the PRC in provinces other than Guangdong.

New Service Centers

The Group aims to expand seating capacity by establishing new CRM service centers so as to ensure there are sufficient resources for new businesses in the future. The Group has received a letter from the Yonghe Economic Zone of Guangzhou: Economic and Technological Development District (廣州經濟技術開發區) in March 2008 and a letter from the Guangzhou Panyu District (廣州番禺區) in November 2009 in relation to the possibility of offering government support in the use of land for the establishment of an outsourcing base. The Group is in the progress of negotiating the terms on the aforesaid land use support with the government. The Group is establishing a new CRM service center located at Liwan District in Guangzhou, Hongmian Premises with an expected seating capacity of approximate 400 to provide premium services for high-end customers. The new CRM service center is an innovation and optimization of existing facilities and is expected to start operation in the second half of 2011. Its operation symbolizes the Group's vision of providing quality CRM outsourcing services to perfection.

RF-SIM BUSINESS

Business Review

The Group continued to sell RF-SIM cards to the major mobile service operators in China, through the key SIM card suppliers, and RF-SIM readers to the key point-of-sales device manufacturers, and electronic payment system integrators. The Group will keep promoting through these mobile service operators' RF-SIM marketing campaigns and foresees that there will be more SIM card suppliers appointed by these mobile service operators will be buying from the Group. However, the Group has observed that there were changes in the market situation since the end of year 2010, and there will be an uncertainty in the deployment of the RF-SIM products with the major customers. The Group has prepared for any abrupt change in the original favorable business condition by implementing new marketing strategies.

Marketing Strategy

The Group continues to engage more agents to resell and distribute the RF-SIM card and RF-SIM readers so as to increase the distribution channels and strengthen the promotion of the technology and products for specific geographic location, say a particular municipal city and for specific vertical market, say a particular industry such as the household door lock supply. On top of the licensed manufacturer who is still supplying to one of the mobile service operators in China, the Group is now expanding the licensing business and will further increase the coverage and penetration of RF-SIM products and technology.

Product Development

The Group continues to develop new products to add to its existing portfolio, one of the products will be new dual-mode RF-SIM products which will comply both 13.56MHz & 2.4GHz standards. Hence the Group can take advantages of both standards and extend the capabilities in providing products which are appealing to the worldwide market besides China. The Group is also strengthening its R&D capabilities to further increase the product portfolio which includes the category for selling to consumers directly.

Manufacturing & Production

The contracted manufacturing facility of the Group has been increased in their production capacity and the Group has also engaged other factories in China in the production of new products. This arrangement allows the Group to improve its contingency plan for production and increase the capacity for future demand. New molding and production process was started in the factory at Taiwan which will further improve the quality and reliability of the product.

Future Prospect

Since the Group is pursuing business development in the mobile payment industry, which is part of the mobile e-commerce and prospects in "internet of things (IOT)", the Group is confident that the technology and products it is advocating and selling are one of the best solutions in the market. The new product line and portfolio and adjustment of the sales and marketing focus from mobile service operators to other retail business operators shall contribute more to the Group's revenue and profit in the upcoming future. The Group has realised that there would be a slow down in the RF-SIM business due to the controversy between the mobile service operators and the financial institutions in China about the standard of mobile payment. Nevertheless it should not be immediately interpreted as a substantial impact in the favorable market situation for the Group. Since the Group has observed uncertainty in the adoption of RF-SIM technology in China by different mobile service operators, which may influence the Group's sales income, the Group has taken various measures and try its best to reduce the impact from these risks.

DIVIDENDS

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2010. 2009 final dividend of 1 cent and special dividend of 3 cents per ordinary share were paid to equity shareholders of the Company in May 2010.

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

During the year ended 31 December 2010, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any share of the Company.

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any redeemable securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in Appendix 14 – Code on Corporate Governance Practices of the Listing Rules ("CG Code") during the year under review.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct which is not more lenient than Appendix 10 of the Listing Rules. Specific enquiry to all Directors has been made and the Company has confirmed that the Directors have complied with the required standard set out in the code of conduct during the year ended 31 December 2010.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with the requirements of the CG Code. The primary duties of the audit committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. Tang Yue. Mr. Cheung Sai Ming is chairman of the audit committee.

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2010 and is of the opinion that the consolidated results complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

By order of the Board
International Elite Ltd.
Kwok King Wa
Chairman

28 March 2011

As at the date of this announcement, the executive directors of the Company are Ms. Kwok King Wa, Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa and Mr. Li Wen and the independent non-executive directors of the Company are Mr. Cheung Sai Ming, Mr. Chen Xue Dao and Mr. Tang Yue.

This announcement is available for viewing on the website of Hong Kong Exchange and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Companies Information" and at the Company's website at http://www.iel.hk