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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 2011

FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2011

The Group's turnover was approximately HK$418,856,000, representing an increase of approximately 49% as compared with approximately HK$280,215,000 in 2010.

Profit attributable to equity holders of the Company was approximately HK$1,070,241,000, while loss attributable to equity holders of the Company was approximately HK$3,774,770,000 in 2010. The profit for the year included certain non-cash items arising from the acquisition of the entire issued share capital of Sunward Telecom Limited (the "Acquisition") and the issue of convertible notes that are not as a result of the operations of the Group. These items included a fair value gain of purchase consideration payables of approximately HK$1,344,220,000 less interest expenses accreted on convertible notes of approximately HK$20,778,000 and impairment charges of approximately HK$347,505,000 less deferred tax provision reversal of approximately HK$12,308,000.

Basic earnings per share was HK$0.58, while basic loss per share was HK$3.99 in 2010.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

RESULTS

The board (the "Board") of Directors of International Elite Ltd. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011, 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 2011

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

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

CONSOLIDATED BALANCE SHEET

as at 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**68,312**	64,159
Goodwill	7	**–**	281,409
Intangible assets	7	**43,696**	96,309
Investment in an associate		**–**	–
Deferred tax assets		**757**	80
		112,765	441,957
Current assets			
Inventories		**30,157**	28,035
Trade and other receivables	12	**125,389**	114,181
Cash and cash equivalents		**347,417**	294,903
		502,963	437,119
Total assets		**615,728**	879,076
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	**30,278**	9,462
Reserves	14	**547,672**	(3,198,615)
Total equity		**577,950**	(3,189,153)
LIABILITIES			
Non-current liabilities			
Purchase consideration payables	15	**–**	3,993,615
Deferred tax liabilities		**10,204**	22,013
		10,204	4,015,628
Current liabilities			
Trade and other payables	16	**26,594**	35,469
Current income tax liabilities		**980**	17,132
		27,574	52,601
Total liabilities		**37,778**	4,068,229
Total equity and liabilities		**615,728**	879,076
Net current assets		**475,389**	384,518
Total assets less current liabilities		**588,154**	826,475

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 ("Sunward") and its subsidiaries ("Sunward Group") in September 2010 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. The address of its registered office is The Grand Pavilion, Oleander Way, 802 West Bay Road, Grand Cayman KY1-1208, Cayman Islands. On 16 October 2007, the Company listed its shares with a par value of HK$0.01 each on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 16 April 2009, the Company applied to the Stock Exchange for the transfer of listing from the GEM to the Main Board of the Stock Exchange in respect of the 946,200,000 shares in issue. Approval was granted by the Stock Exchange for the shares to be listed on the Main Board and to be de-listed from GEM on 15 May 2009. Dealings in the shares on the Main Board commenced on 25 May 2009.

2. BASIC OF PREPARATION

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

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

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

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

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

		Effective for annual periods beginning on or after
IAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 (Amendment)	Employee Benefits	1 January 2013
IAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
IAS 28 (Revised 2011)	Associates and Joint Ventures	1 January 2013
IAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1 July 2011

		Effective for annual periods beginning on or after
IFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosures of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurements	1 January 2013

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

3. REVENUE AND OTHER REVENUE

Revenue recognition

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

(i) *CRM services*

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

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

(ii) *Sales of goods*

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

(iii) *Licensing income*

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

(iv) *Interest income*

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

(a) Turnover

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

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

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

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

(b) Other revenue

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

Note:

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

4. OTHER GAINS

	2011	2010
	HK$'000	HK$'000
Changes in fair values of purchase consideration payables (Note 15)	**1,344,220**	291,086
Gain on disposal of a subsidiary	**–**	19
	1,344,220	291,105

5. SEGMENT INFORMATION

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

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

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

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

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

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

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

(a) Segment results and assets

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

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

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

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

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

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

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

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

(c) Geographic information

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

Year ended 31 December 2011

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

Year ended 31 December 2010

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

6. EXPENSES BY NATURE

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

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

(b) Employee benefits expenses

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

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

(c) Finance cost

	2011 HK$'000	2010 HK$'000
Accretion of interest expense on convertible notes (Note 15)	**20,778**	–

7. IMPAIRMENT CHARGES

Acquisition of interests in Sunward Group

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

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

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

	2010 HK$'000
Cash	200,000
Purchase consideration payables (Note 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

Notes:

(a) In accordance with the Group's accounting policy on asset impairment, the carrying value of intangible assets allocated to the operating segment of RF-SIM business was tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(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.

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

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

Impairment test for goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

8. INCOME TAX (CREDIT)/EXPENSE

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

(i) Hong Kong profits tax

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

(ii) PRC corporate income tax

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

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

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

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

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

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

10. DIVIDENDS

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

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

(b) Diluted earnings/(loss) per share

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

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

The purchase consideration payables arising from the acquisition of the Sunward Group 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.

12. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables		
– amounts due from related parties	**110**	350
– amounts due from third parties	**121,927**	107,715
	122,037	108,065
Deposits, prepayments and other receivables	**3,352**	6,116
	125,389	114,181

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

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

	2011 HK$'000	2010 HK$'000
RMB	**51,169**	61,558
HK$	**74,220**	52,623
	125,389	**114,181**

(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:

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

(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:

	2011	2010
	HK$'000	HK$'000
At 1 January	**830**	570
Provision for receivable impairment	**–**	260
Receivables written off during the year as uncollectable	**(649)**	–
At 31 December	**181**	**830**

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

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

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

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

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

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

13. SHARE CAPITAL

(a) Authorised and issued share capital

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

	Issued and fully paid ordinary share of HK$0.01 each	
	Number of shares	HK$'000
As at 1 January 2010 and 31 December 2010	946,200,000	9,462
Issued during the year (Note 15)	2,081,620,000	20,816
As at 31 December 2011	3,027,820,000	30,278

(b) Share based payments

The Company has two share option schemes, namely the Share Option Scheme and the Pre-IPO Share Option Scheme, which were adopted on 21 September 2007 whereby the Board of the Company is authorised, at its discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a cash consideration of HK$1.00 for each grantee to subscribe for shares of the Company. As at 31 December 2011, no option was granted under the Share Option Scheme (2010: Same). The exercise price of the share options under the Pre-IPO Share Option Scheme was determined based on the new issue price of the Company's shares on 16 October 2007 (the "Listing Date") . The options vest after one year from the Listing Date and are then exercisable within a period of six months. Each option gives the holder the right to subscribe for one ordinary share in the Company. All Pre-IPO share options grants by the Company on 8 October 2007 under its Pre-IPO Share Option Scheme had not been exercised and such Pre-IPO share options ceased to have any effect after the end of the exercise period on 15 April 2009.

14. RESERVES

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

(i) *Statutory reserve*

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

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

Pursuant to the applicable regulations in the PRC, the Group's wholly owned subsidiary in the PRC, namely China Elite, is required to transfer at least 10% of its after-tax profit determined under the relevant accounting regulations in the PRC (after offsetting prior year losses) to the statutory reserve until the balance reaches 50% of the registered capital. As China Elite had accumulated losses, no transfer was made to the statutory reserve during the year (2010: Nil) .

(ii) *Distributability of reserves*

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

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

15. PURCHASE CONSIDERATION PAYABLES AND CONVERTIBLE NOTES

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

Notes:

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

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

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

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

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

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

	2011
	HK$'000
Issuance of convertible notes	**2,649,395**
Equity component	**(1,433,402)**
Liability component at the date of issuance on 31 May 2011	**1,215,993**
Accretion of interest (Note 6(c))	**20,778**
Conversion of convertible notes	**(1,236,771)**
Carrying amount of liability component at 31 December 2011	**–**

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

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

16. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	HK$'000
Trade payables	**2,667**	6,571
Other payables and accruals		
– amount due to related parties	**–**	11,752
– others	**23,927**	17,146
	26,594	35,469

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

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

	2011	2010
	HK$'000	HK$'000
US$	**723**	3,977
RMB	**22,267**	27,300
HK$	**3,604**	4,192
	26,594	35,469

(a) Trade payables

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

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

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

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

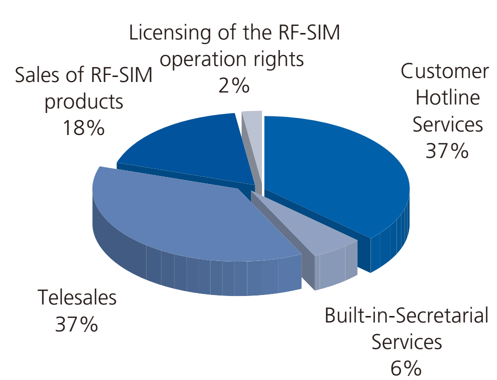
FINANCIAL REVIEW

Turnover

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

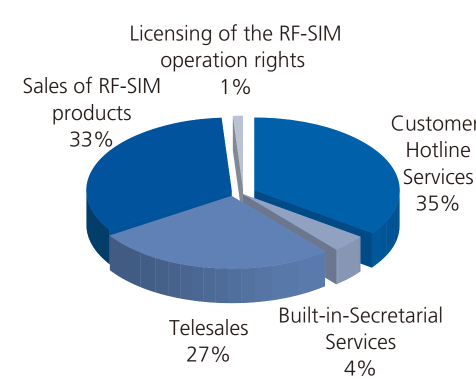
Turnover from inbound services, outbound services and RF-SIM business accounted for approximately 39%, 27% and 34% of the Group's total turnover for the year ended 31 December 2011 respectively. There was an increase of approximately 36% of inbound services and an increase of approximately 9% of outbound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

2010



Revenue by services in 2010

2011



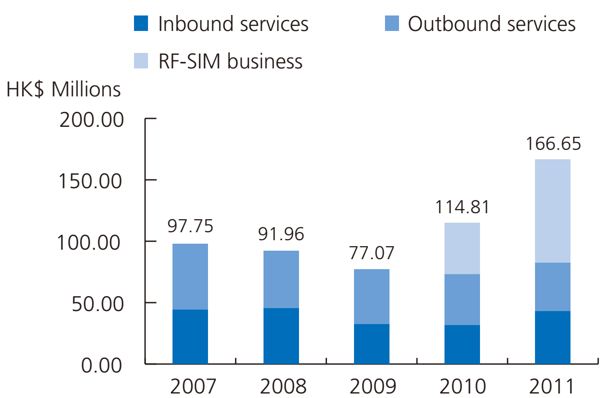
Revenue by services in 2011

Gross Profit

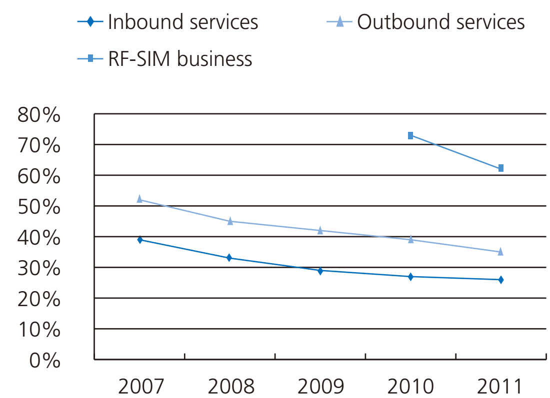
The Group's gross profit for the year ended 31 December 2011 was approximately HK$166,650,000, representing an increase of approximately 45% as compared with last year. The gross profit margin of approximately 40% remained stable as compared with last year.

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

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



Gross profit by segment



Gross profit margin by segment

Administrative Expenses

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

Profit Attributable to Equity Holders of the Company

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

CRM SERVICE BUSINESS

Business Review

Customers in Telecommunications Industries

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

Customers in Non-Telecommunications Industries
In 2011, the Group continued to develop its non-telecommunications customer base for CRM business and successfully acquired the service contract from Wuhan Watsons. The Group negotiated actively with potential customers such as social welfare, beauty, education and IT corporations. The Group continued cooperation and provision of CRM services to well established customers and customers having establishments in the PRC in provinces other than Guangdong. In line with their development and expansion, there is 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
The Group has established its fourth CRM service center located at No.10, Hualei Road, Liwan District, Guangzhou City, Guangdong Province, the PRC ("Hongmian Premises") with seating capacity of approximate 400 to provide premium services for high-end customers. The Hongmian Premises CRM service center is an innovation and optimization of existing facilities and has started its operation since April 2011. Its operation symbolizes the Group's vision of providing quality CRM outsourcing services to perfection.

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

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

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

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

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

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

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

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

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

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

New Markets
Due to the favorable market environment in China, including the startup of the Twelfth Five-Year Plan, the growth in 3G mobile communications and domestic demand, we expect the China market will provide more opportunities for the business development of the Group. The Group plans to continuously broaden its customer base within the telecommunications industry. The Directors intend to seek further business opportunities with China Unicom for the provision of CRM outsourcing services in the PRC in provinces other than Guangdong.

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

New Service Centers
The Group aims to expand seating capacity by establishing new CRM service centers so as to ensure sufficient resources for new businesses in the future. The Group has received a letter from the Yonghe Economic Zone of Guangzhou: Economic and Technological Development District (廣州經濟技術開發區) in March 2008 and a letter from the Guangzhou Panyu District (廣州番禺區) in November 2009 in relation to the possibility of offering government support in the use of land for the establishment of an outsourcing base. The Group is in the progress of negotiating the terms on the aforesaid land use support with the government.

RF-SIM BUSINESS

Business Review

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

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

Marketing Strategy

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

Product Development

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

Manufacturing & Production

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

Future Prospect

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

DIVIDENDS

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

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

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

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

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 2011.

AUDIT COMMITTEE

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

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2011 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

26 March 2012

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. Chen Xue Dao, Mr. Cheung Sai Ming and Mr. Liu Chun Bao.

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