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 2012

FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2012

The Group's revenue was approximately HK$389,118,000, representing a drop of approximately 7% as compared with approximately HK$418,856,000 in 2011.

Profit attributable to equity holders of the Company was approximately HK$31,389,000, while profit attributable to equity holders of the Company was approximately HK$1,070,241,000 in 2011. The significant decrease in profit attributable to equity holders of the Company for the year ended 31 December 2012 was mainly due to the one-off significant gain on changes in fair values of the purchase consideration payables on 31 May 2011 of approximately HK$1,344,220,000, recorded prior to the issuance of convertible notes on the same date, less interest expenses accreted on convertible notes of approximately HK$20,778,000. The above mentioned net gain would not be recorded in the financial statements of the Company for the year ended 31 December 2012 as the convertible notes were issued and converted into shares during the year ended 31 December 2011. Furthermore, profit for the year included non-cash item, impairment charges of approximately HK$20,298,000 less deferred tax provision reversal of approximately HK$5,075,000 arising from the acquisition of the Sunward Group that are not as a result of the operations of the Group. In addition, there was a drop in sales of the RF-SIM products as compared with last year.

Basic earnings per share was HK$0.01, while basic earnings per share was HK$0.58 in 2011.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: 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 2012, 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 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Revenue	3(a)	**389,118**	418,856
Cost of sales	6(a)	**(266,044)**	(252,206)
Gross profit		**123,074**	166,650
Other revenue	3(b)	**9,407**	9,813
Other (loss)/gain	4	**(6,907)**	1,344,220
Impairment charges	7	**(20,298)**	(347,505)
Research and development expenses	6(a)	**(20,577)**	(16,881)
Administrative expenses	6(a)	**(51,281)**	(68,928)
Profit from operations		**33,418**	1,087,369
Finance costs	6(c)	**–**	(20,778)
Profit before income tax		**33,418**	1,066,591
Income tax (expense)/credit	8	**(2,029)**	3,650
Profit for the year and attributable to equity holders of the Company		**31,389**	1,070,241
Earnings per share attributable to equity holders of the Company:			
– basic	11	**HK$0.01**	HK$0.58
– diluted	11	**HK$0.01**	HK$0.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**31,389**	1,070,241
Other comprehensive income		
– Currency translation differences	**585**	26,689
Total comprehensive income for the year, net of tax	**31,974**	1,096,930

CONSOLIDATED BALANCE SHEET

as at 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**66,264**	68,312
Goodwill	7	**–**	–
Intangible assets	7	**19,822**	43,696
Deferred tax assets		**724**	757
		86,810	112,765
Current assets			
Inventories		**37,390**	30,157
Trade and other receivables	12	**121,759**	125,389
Tax recoverable		**1,904**	–
Cash and cash equivalents		**383,636**	347,417
		544,689	502,963
Total assets		**631,499**	615,728
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	**30,278**	30,278
Reserves	14	**579,646**	547,672
Total equity		**609,924**	577,950
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**4,914**	10,204
		4,914	10,204
Current liabilities			
Trade and other payables	15	**14,350**	26,594
Current income tax liabilities		**2,311**	980
		16,661	27,574
Total liabilities		**21,575**	37,778
Total equity and liabilities		**631,499**	615,728
Net current assets		**528,028**	475,389
Total assets less current liabilities		**614,838**	588,154

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") in September 2010, the Group is also engaged in research and development, production and sales of Radio-Frequency Subscriber Identity Module ("RF-SIM") products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau.

The Company was incorporated in the Cayman Islands on 18 September 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has established a place of business in Hong Kong and was registered in Hong Kong under Part XI of the Companies Ordinance as an overseas company on 27 June 2007. The address of its registered office is The Grand Pavilion, 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. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities 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 2012 but do not have a significant impact to the Group

IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
IFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

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

		Effective for annual periods beginning on or after
IAS 1 (Amendment)	Presentation of Financial Statements	1 July 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)	First Time Adoption on Government Loans	1 January 2013
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 have assessed that the adoption of IFRS 10 does not have any financial impact on the Group as all subsidiaries within the Group satisfy the requirements for control under IFRS 10 and there are no new subsidiaries identified under the new guidance.

Apart from IFRS 10, 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) Revenue

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

	2012 HK$'000	2011 HK$'000
Inbound services	**178,179**	162,087
Outbound services	**108,637**	114,101
Sales of goods	**90,188**	137,702
Licensing income	**12,114**	4,966
	389,118	418,856

The Group has 3 customers whose transactions accounted for 10% or more of the Group's aggregate revenue for 2012 (2011: 3 customers). The amounts of revenue from the customers are as follows:

	2012 HK$'000	2011 HK$'000
Largest customer	**133,330**	119,753
Second largest customer	**117,691**	116,983
Third largest customer	**42,561**	94,156
	293,582	330,892

(b) Other revenue

	2012 HK$'000	2011 HK$'000
Interest income	**2,566**	892
Government grants (Note a)	**5,728**	7,700
Others	**1,113**	1,221
	9,407	9,813

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 (LOSS)/GAIN

	2012 HK$'000	2011 HK$'000
Loss on investment (Note a)	**(6,907)**	–
Changes in fair values of purchase consideration payables	**–**	1,344,220
	(6,907)	1,344,220

Note:

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

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. revenue less cost of sales).

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

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

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 2012 and 2011:

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

	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
Additions to non-current segment assets during the year	6,190	484	1,878	8,552

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

	2012	2011
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**389,118**	418,856
Consolidated revenue	**389,118**	418,856
Profit		
Reportable segment profit	**123,074**	166,650
Other revenue and other (loss)/gain, net (Note 3(b) and Note 4)	**2,500**	1,354,033
Unallocated depreciation and amortisation	**(5,038)**	(6,016)
Finance costs	**–**	(20,778)
Impairment charges	**(20,298)**	(347,505)
Research and development expenses	**(20,577)**	(16,881)
Unallocated head office and administrative expenses	**(46,243)**	(62,912)
Consolidated profit before income tax	**33,418**	1,066,591
Assets		
Reportable segment assets	**207,392**	207,712
Deferred tax assets	**724**	757
Cash and cash equivalents	**383,636**	347,417
Unallocated head office and other assets	**39,747**	59,842
Consolidated total assets	**631,499**	615,728

(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 2012

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

Year ended 31 December 2011

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

6. EXPENSES BY NATURE

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

	2012 HK$'000	2011 HK$'000
Employee benefits expenses, including directors' emoluments (Note 6(b))	**241,696**	220,673
Auditors' remuneration		
– audit services	**1,742**	1,536
– non-audit services	**139**	166
Depreciation of property, plant and equipment	**6,826**	8,097
Amortisation of intangible assets	**3,718**	7,363
Cost of inventories sold	**39,068**	51,761
Provision for impairment of inventories	**468**	2,802
Operating lease charges in respect of		
– rental of building and offices	**7,970**	5,981
– hire of transmission lines	**6,621**	6,259
Other expenses	**29,654**	33,377
Total cost of sales, administrative expenses and research and development expenses	**337,902**	338,015

(b) Employee benefits expenses, including directors' emoluments

	2012 HK$'000	2011 HK$'000
Wages, salaries and other benefits	**215,634**	197,968
Contribution to retirement benefit schemes	**26,062**	22,705
Total employee benefits expenses	**241,696**	220,673

Employee benefits expenses of HK$202,995,000 (2011: HK$184,902,000) and HK$14,675,000 (2011: HK$11,369,000) have been charged in cost of sales and research and development expenses respectively.

(c) Finance costs

	2012 HK$'000	2011 HK$'000
Accretion on interest expenses of convertible notes	**–**	20,778

7. IMPAIRMENT CHARGES, GOODWILL AND INTANGIBLE ASSETS

	2012 HK$'000	2011 HK$'000
Impairment charges on:		
Property, plant and equipment	**–**	1,960
Goodwill	**–**	295,362
Intangible assets	**20,298**	50,183
	20,298	347,505

GOODWILL

	2012	2011
	HK$'000	HK$'000
As at 1 January	**–**	281,409
Exchange difference	**–**	13,953
Impairment charge	**–**	(295,362)
As at 31 December	**–**	–

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 operating segment of RF-SIM business.

The recoverable amount of a CGU was determined based on fair value less costs to sell calculations. These calculations used post-tax cash flow projections based on financial budgets covering up to 2024. Cash flows beyond 2024 had 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 were as follows:

	2012	2011
Estimated sales growth rate from 2012 to 2013 (2010: from 2011 to 2013)	**N/A**	–9%
Estimated sales decline rate from 2014–2024	**N/A**	5%
Discount rate	**N/A**	18.7%

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.

Goodwill was fully impaired during the year ended 31 December 2011.

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 ended 31 December 2011, 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 was recognised for the year ended 31 December 2011; 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 impairment charge relating to patent recognized for the year ended 31 December 2012 is set out below.

Intangible assets

In accordance with the Group's accounting policy on asset impairment, the carrying value of intangible assets was tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year ended 31 December 2012, the Group continued to encounter the downturns of selling and distributing of the RF-SIM products to the mobile service providers in China. As a result, management assessed the recoverable amount of the patent and an impairment charge of HK$20,298,000 was recogised in the consolidation income statement.

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

Estimated sales growth rate from 2013 to 2014	70%
Estimated sales decline rate from 2014-2024	5%
Discount rate	22%

8. INCOME TAX EXPENSE/(CREDIT)

	2012 **HK$'000**	2011 HK$'000
Current income tax:		
Hong Kong profits tax	**50**	4,398
PRC corporate income tax	**7,267**	5,588
Over-provision in the prior year	**(34)**	(75)
Deferred tax	**(5,254)**	(13,561)
Income tax expense/(credit)	**2,029**	(3,650)

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

(ii) PRC corporate income tax

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

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

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

	2012 **HK$'000**	2011 HK$'000
Profit before income tax	**33,418**	1,066,591
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,076**	181,097
Tax effects of:		
Income not subject to tax	**(145)**	(222,226)
Expenses not deductible for tax purposes	**105**	39,313
Utilisation of previously unrecognised tax losses	**–**	(1,862)
Over-provision in the prior year	**(34)**	(75)
Tax losses for which no deferred income tax asset was recognised	**27**	103
Income tax expense/(credit)	**2,029**	(3,650)

The weighted average applicable tax rate was 6.0% (2011: 17.0%). The decrease in the weighted average applicable tax rate as compared to last year was mainly due to the reversal of the deferred tax liability arising from the recognition of impairment charge on intangible asset during the year.

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$54,000 (2011: profit of HK$1,064,119,000).

10. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: same).

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK$31,389,000 (2011: HK$1,070,241,000) and on the weighted average number of 3,027,820,000 (2011: 1,852,987,890) ordinary shares in issue during the year.

(b) Diluted earnings per share

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

Diluted earnings per share are equal to the basic earnings per share for the year ended 31 December 2012 as there were no potential dilutive ordinary shares outstanding during the year (2011: same).

12. TRADE AND OTHER RECEIVABLES

	Note	2012 HK$'000	2011 HK$'000
Trade receivables			
– amounts due from related parties		**129**	110
– amounts due from third parties		**115,034**	121,927
	(a)	**115,163**	122,037
Deposits, prepayments and other receivables		**6,596**	3,352
		121,759	125,389

The amounts due from related parties were unsecured, interest free and repayable on demand (2011: same).

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

	2012 HK$'000	2011 HK$'000
US$	**937**	–
RMB	**42,118**	51,169
HK$	**78,704**	74,220
	121,759	125,389

(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:

	2012 HK$'000	2011 HK$'000
Aged within 1 month	**29,410**	38,886
Aged over 1 to 3 months	**45,778**	64,976
Aged over 3 to 6 months	**38,472**	17,206
Aged over 6 months to 1 year	**1,212**	788
Aged over 1 year	**291**	181
	115,163	122,037

(b) Impairment of trade receivables

Trade receivables of HK$62,695,000 (2011: HK$51,005,000) 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:

	2012 HK$'000	2011 HK$'000
Up to 3 months	**57,607**	46,381
3 to 6 months	**3,816**	3,655
6 months to 1 year	**991**	87
Over 1 year	**281**	882
	62,695	51,005

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:

	2012	2011
	HK$'000	HK$'000
At 1 January	**181**	830
Receivable written off during the year as uncollectible	**–**	(649)
At 31 December	**181**	181

At 31 December 2012, the Group's trade receivables of HK$181,000 (2011: HK$181,000) were individually determined to be impaired.

The individually impaired receivables related to invoices that were default in payments and management assessed that the receivables are not expected to be recovered as at 31 December 2012. Consequently, trade receivables of HK$49,000 (2011: HK$82,000) were directly written off to the income statement for the year ended 31 December 2012. As at 31 December 2012, nil balance (2011: HK$649,000) 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 2012 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 trade and other receivables approximate their fair values. Deposits, prepayments and other receivables do not contain impaired assets. The maximum exposure to credit risk is the fair value of each class of financial assets mentioned above. The Group does not hold any collateral as security.

13. SHARE CAPITAL

(a) Authorised and issued share capital

	2012	2011
	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 2011	946,200,000	9,462
Issued during the year	2,081,620,000	20,816
As at 31 December 2011 and 2012	**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 2012, no option was granted under the Share Option Scheme (2011: 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	**Accumulated losses** HK$'000	**Total** HK$'000
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
At 1 January 2012	97	112,426	1,542,342	1,458,416	(2,565,609)	547,672
Profit for the year	–	–	–	–	31,389	31,389
Exchange difference on translation of financial statements of subsidiaries	–	585	–	–	–	585
At 31 December 2012	**97**	**113,011**	**1,542,342**	**1,458,416**	**(2,534,220)**	**579,646**

(i) Statutory reserve

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

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

Pursuant to the applicable regulations in the PRC, the Group's wholly owned subsidiary in the PRC, namely China Elite, is required to transfer at least 10% of its after-tax profit determined under the relevant accounting regulations in the PRC (after offsetting prior year losses) to the statutory reserve until the balance reaches 50% of the registered capital. As China Elite had accumulated losses, no transfer was made to the statutory reserve during the year (2011: Nil). For Xiamen Elite, before the acquisition by the Company during the year ended 31 December 2010, the balance of statutory reserve had already reached 50% of its registered capital.

(ii) *Distributability of reserves*

Under the 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 2012, the Company had HK$1,542,342,000 (2011: HK$1,542,342,000) 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. TRADE AND OTHER PAYABLES

	Note	**2012** **HK$'000**	2011 HK$'000
Trade payables	(a)	**4,868**	2,667
Other payables and accruals			
– others		**9,482**	23,927
		14,350	26,594

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

	2012 **HK$'000**	2011 HK$'000
US$	**425**	723
RMB	**10,496**	22,267
HK$	**3,429**	3,604
	14,350	26,594

(a) Trade payables

	2012 **HK$'000**	2011 HK$'000
The ageing analysis of trade payables is as follows:		
0–30 days	**4,133**	1,868
31–90 days	**374**	510
91–180 days	**16**	84
181 days–1 year	**101**	–
Over 1 year	**244**	205
	4,868	2,667

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

The global economy is reviving. Yet, the emerging outsourcing market in the Asia-Pacific region was severely hit by the U.S. government's policy on encouraging insourcing. Thanks to the robust domestic demand in China which supports its market, China is more capable of resisting against the risk of business setback. In 2012, China's economic growth rate reached 7.8%, which was beyond the economic growth target of 7.5% expected by the government of China earlier. Capitalizing on the valuable opportunities arising from a number of favorable government policies in China, including the growth in 3G mobile communications, the imminent release of 4G mobile communications and the increase in domestic demand, the Group continues to explore the China market.

CRM outsourcing is relatively common in the traditional telecommunications industry. CRM customer base has been extended to a wide range of industries, stretching across finance, postal, travel, healthcare, logistics, information technology, online business, media, public utilities and retail. Meanwhile, the concept of "Services in China" is increasingly popular, the immense potential scale of CRM market will be further enhanced along with the swift growth in China's booming consumer market. The Group is well-prepared to capture the opportunities and meet the challenges ahead.

Despite mobile payment was being regarded as one of the hottest topic in the mobile communication industry, there was not really too many profitable companies engaged in the business for the past few years. Besides the chip makers supplying the basic components for those Near Field Communication ("NFC") handset makers, there are rare cases that companies had announced themselves as extremely profitable by supplying solutions to the mobile payment market. Nevertheless many of the mobile service operators all around the world show their intention to roll out mobile payment products and services either with NFC handsets or alternative NFC solutions. There are a lot of controversy amongst the traditional on-line payment service providers, financial institutions, mobile service operators and internet electronic business service operators about the growth of business in mobile payment industry. Especially the demand for the NFC handsets as the mean to replace the traditional smart card is really that great as many of the research articles and reports said, despite there are still many stakeholders promoting the NFC technology and the services to be offered with the new smart phone integrated with NFC capability.

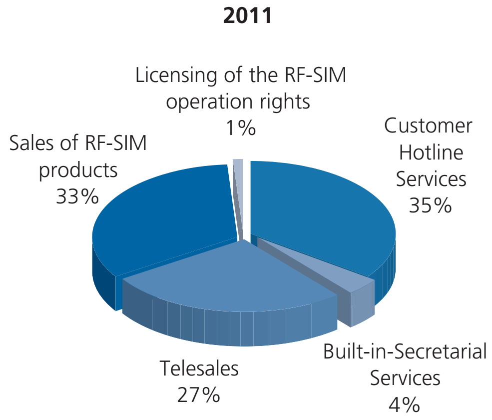
The Group is supplying its RF-SIM products to mobile service providers in China and exploring the overseas market with its new product series as RF-SIM is still one of the alternative solutions for NFC handsets and a proven technology and widely commercialized product in the China market. Hence the Group is still keeping its vision on the long term opportunity of its product portfolio derived from its RF-SIM technology as prudently optimistic despite there is uncertainty and risks on its business growth and product strategies due to the total accessible market which is huge and its unique position in the complex mobile payment ecosystem. The Group has paid much attention and caution to the change of the market environment and adjusted its development direction accordingly, by reviewing its existing challenges and prospects. The least but not the less, the Group has continued to maintain profitability by up keeping the product offering and most appropriate marketing strategies in the past and in future, in the mobile payment industry and mobile electronic commerce arena.

FINANCIAL REVIEW

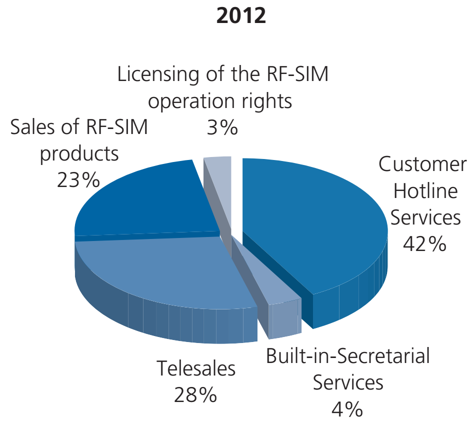
Revenue

For the year ended 31 December 2012, the Group's total revenue was approximately HK$389,118,000, representing a drop of approximately 7% as compared with approximately HK$418,856,000 in 2011. There was approximately a 3% increase in revenue contributed by CRM service business and an approximately 10% decrease in revenue contributed by RF-SIM business.

Revenue from inbound services, outbound services and RF-SIM business accounted for approximately 46%, 28% and 26% of the Group's total revenue for the year ended 31 December 2012 respectively. There was an increase of approximately 10% of inbound services and a decrease of approximately 5% of outbound services as compared with last year. There was a decrease of approximately 28% of RF-SIM business as compared with last year. Below are the charts illustrating the Group's revenue generated from different services in 2011 and 2012.



Revenue by services in 2011



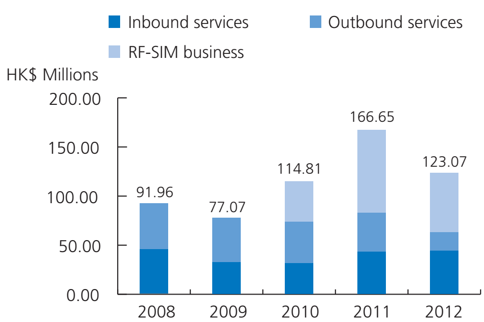
Revenue by services in 2012

Gross Profit

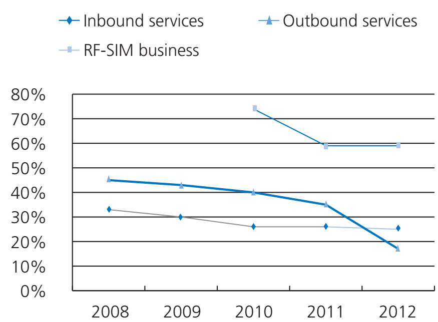
The Group's gross profit for the year ended 31 December 2012 was approximately HK$123,074,000, representing a decease of approximately 26% as compared with last year. The gross profit margin deceased by approximately 8% to approximately 32% as compared with last year.

The gross profit of CRM service business for the year ended 31 December 2012 was approximately HK$62,497,000, which was decreased by approximately HK$19,878,000 as compared with last year and accounted for approximately 12% of the decrease in gross profit of the Group. The gross profit margin of CRM service business decreased by approximately 8% to approximately 22%. 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 2012 was approximately HK$60,577,000, which was decreased by approximately HK$23,698,000 as compared with last year and accounted for approximately a decrease of the 14% in gross profit of the Group. The gross profit margin of RF-SIM business of approximately 59% remained stable as compared with last year.

The gross profit of inbound services, outbound services and RF-SIM business accounted for approximately 36%, 15% and 49% of the Group's gross profit for the year ended 31 December 2012 respectively. The gross profit margins of the inbound services, outbound services and RF-SIM business for the year ended 31 December 2012 were approximately 25%, 17% and 59% respectively. Below are the charts illustrating the Group's gross profit from different business segments from 2008 to 2012.



Gross profit by segment



Gross profit margin by segment

Other Loss

The loss on investment for the year ended 31 December 2012 was approximately HK$6,907,000 representing an investment in a new business during the year which was abandoned subsequently. It included the deposit paid, employee benefits expenses and other expenses which allocated to the project.

Administrative Expenses

During the year under review, the total administrative expenses of the Group were approximately HK$51,281,000 equivalent to approximately 13% of the Group's revenue in 2012. The administrative expenses to revenue ratio was approximately 3% lower 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 2012 was approximately HK$31,389,000, while 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. The significant decrease in profit attributable to equity holders of the Company for the year ended 31 December 2012 was mainly due to the one-off significant gain on changes in fair values of the purchase consideration payables on 31 May 2011 of approximately HK$1,344,220,000, recorded prior to the issuance of convertible notes on the same date, less interest expenses accreted on convertible notes of approximately HK$20,778,000. The above mentioned net gain would not be recorded in the financial statements of the Company for the year ended 31 December 2012 as the convertible notes were issued and converted into shares during the year ended 31 December 2011. Furthermore, profit for the year included non-cash item, impairment charges of approximately HK$20,298,000 less deferred tax provision reversal of approximately HK$5,075,000 arising from the acquisition of the Sunward Group that are not as a result of the operations of the Group. In addition, there was a drop in sales of the RF-SIM products as compared with last year.

CRM SERVICE BUSINESS

Business Review

Customers in Telecommunications Industries

In 2012, 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 revenue of the Group from telecommunications service providers for the year ended 31 December 2012 of approximately 4% as compared with last year.

Customers in Non-Telecommunications Industries

In 2012, the Group continued to broaden its non-telecommunications customer base for CRM business. Though service contracts from new customers have not been acquired yet, the Group negotiated actively with potential customers in the various industries such as social welfare, beauty, education and information technology. The Group continued to cooperate with and provide CRM services to well-established customers and customers with business established outside Guangdong Province, China. These customers have stronger demand for our services in line with their development and expansion. The existing customers have built up a consolidated customer base for the Group and have witnessed the Group's notable development in non-telecommunication industries.

Multi-Skill Training

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

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

CRM Service Centers

The Group has established four CRM service centers and the current production capacity is at an impressive level of over 4,500 seats, securing the Group's leading position in China.

Acquisition of New Customers
During the year under review, the Group did not entered into any service contracts with any new customers for the provision of CRM services.

Awards and Certification
In February 2012, China Elite Info. Co., Ltd. (廣州盛華信息有限公司) ("China Elite") was awarded the Top Ten Guangzhou Outsourcing Enterprises by Guangzhou Association of Sourcing Service.

In June 2012, China Council for International Investment Promotion granted "Top 100 China's Emerging Service Provider" to China Elite.

In July 2012, China's Best Customer Service Appraisal Committee conferred the "Best Outsourcing Service Provider in China" award to China Elite.

In August 2012, China Elite was accredited "Advanced Technology Service Enterprise" by Science And Information Technology of Guangdong.

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, the imminent release of 4G mobile communications and the increase in 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.

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, the imminent release of 4G mobile communications and the increase in 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.

RF-SIM BUSINESS

Business Review

The Group had encountered difficulty on the RF-SIM business since the second half of 2012 as there was a sign for more and more NFC handsets in the market and some of the mobile service providers had launched mobile payment services with their custom-made NFC handsets. With the increased popularity of smart phone globally and announcements of the three mobile service operators in China about their adoption of NFC handsets and the NFC technology as their mobile payment services in the future, there is also a trend that the end customers of the Group inclines to adopt the 13.56MHz standard. It is in line with the Group's strategy to implement the product development of product on the 13.56MHz frequency along with the 2.4GHz frequency that the Group used to advocated in the past few years. The Group shall be able to launch the 13.56MHz series of RF-SIM cards by mid of 2013 which will ride on the wave of the mobile service operators' mass adoption of the NFC technology in the next few years. The Group is prudently optimistic to the new line of products for the mass market application by the mobile service providers, which is being widely trial and partly commercialized in several cities in China, and the continued replacement markets of campus cards and corporate segments that the Group used to supply the products to. The Group anticipated that there is continued demand for RF-SIM products for the mobile payment and vertical market application in the upcoming years as the NFC industry becomes active and booming as per the public domain reckons.

Marketing Strategy

Since the Group engaged in the contact-less smart card application which includes the evolving mobile payment industry with its RF-SIM technology, the Group had obtained a remarkable success in advocating the 2.4GHz products by co-operating with many of the SIM card suppliers and vendors for RF-SIM reader, system integrator and service aggregator companies to sell the products indirectly to the mobile service operators. The Group will continue to keep this marketing strategy to deploy third party RF-SIM application service providers and their channels to promote the new 13.56MHz series of product. Despite the lack of significant achievement in selling to the new mobile payment service providers who have obtained the People Bank of China's formal license to operate the third party payment business, the Group hence is up-keeping the existing distribution model and has already submitted the new product for the mobile service providers for acceptance tests and it is assessed that the commercial launch will be started in mid of 2013 after the tests are completed. The SIM suppliers, the Group is working with are the key suppliers in China card industry and they had been working very hard with the Group to promote the new product to the mobile service providers and continue to distribute the old RF-SIM products to the existing market segments with RF-SIM readers installed.

The Group has never stopped exploring the international market with its 2.4GHz products, but there was not much progress due to the long sales cycle for the overseas business. With plans to attend the global mobile congress held in Barcelona early next year with its prestige award presented by the world's No.1 exhibition & congress in smart card industry, Cartes Show in Paris on 5 November 2012, the "Sesames Award" on hands, the Group will leverage on this reputation and recognition to promote its new portfolio of products into the worldwide markets by co-operation with various overseas system integrators and service operators.

Product Development

By the past two years efforts in securing the chipset supply from a reputable semiconductor company, the Group has successfully completed the development of the 13.56MHz series of product which includes different form factor of SIM card suitable for regular handsets, new smart phone and specific models of sophisticated smart phones. The NFC booster, being a breakthrough in the NFC industry, and the highly secure smart card chipset, are integrated with the Group's small antenna and all fabricated into a regular size SIM card, hence the Group's solution as an NFC handset substitute for deployment of contact-less transaction including mobile payment applications can be realized now. The product can emulate the same smart card mode of what the NFC standards stipulates, together with the unique function of Single Wire Protocol ("SWP") that some of the mobile service providers prefer. It will also support the Peer-to-peer ("P2P") mode that other solutions and products may not offer, which is one of the competitive advantages and differentiation of the Group's products. The Group believes that the new portfolio of products addresses the market in a positive manner and will bring a significant demand for it in the next few years. On top of the existing research & development projects, the Group had also taken proactive measures to extend the life cycle of the existing 2.4GHz products by adding new functions and features into the products, such as adding the RF power intensity to the 2.4GHz transceiver, enhancing the interactive communication mechanisms between the handset and the RF-SIM, etc. These types of development processes shall also add values to the new series of products and bring a broader range of applications for the new portfolio of products as well.

Manufacturing & Production

The Group's existing outsourcing manufacturing facilities are in Taiwan and China with one to back up the other. The outsourcing arrangement between the Group and these factories demonstrates efficiency and effectiveness so far. As the new products and small scale pilot production are being carried out in Taiwan with more flexibility and the mass volume standardized production is conducted in a factory in China with more scale efficiency and larger production capacity. All the preparation on capacity for the manufacturing of the new products have been done with continue improving logistic control and supply chain management scheme The Group's post-production facility has not yet been- upgraded to a fully automated one due to the orders demanded in the past few months had not yet utilized this capacity in full. The Group has reserved the automation migration and taken a conservative approach in this upgrade plan while contemplating the decision on capital investment in manufacturing and production. Nevertheless the arrangement with two contracted manufactures for the Group to build sufficient inventory to handle for the abrupt changes in market demand has been continuously reviewed and prepared in advance.

Award & Recognition

Sunward Telecom Limited was awarded the prestigious "2012 SESAMES Innovation Award" in the identification/ID cards/health category at CARTES 2012, the biggest exhibition and trade show of RF-ID and card industry in the world, in Paris France, on 5 November 2012. This is the most reputable recognition in the mobile RF-ID and smart card industry, and the prize is awarded to the Group's new product portfolio "NFC-on-RFSim" from a stringent criteria out from 475 submission for the contest This is being regarded as a very significant achievement of the Group on research and development for new product, and progress in marketing for global business.

The Office of Science and Technology Awards of Xiamen (廈門市科技獎勵辦公室) has completed the evaluation work for 2012 Xiamen Science and Technology Awards according to requirements set out in the "Methods for Xiamen Science and Technology Awards"(廈門市科學技術獎勵辦法) and there were 55 achievements selected for the city's progress award this year. The 2.4G RF-SIM project from Xiamen Elite Electric Co. Ltd. (廈門盛華電子科技有限公司) was awarded the first prize of "2012 Xiamen Science and Technology Progress Award" (2012年度廈門科學技術進步獎). This award is given to unit or individual who has made remarkable contribution or has obtained independent intellectual property rights in the areas of technological invention, research and development, realization of advance technology, completion of important technology and strategic decision making research project.

Future Prospect

The second half of 2012 was not an encouraging period for the RF-SIM business, due to the weakening of demand for 2.4GHz RF-SIM and the delay in the commercialization of 13.56MHz products. Despite there was also some negative media reports about the continued adoption of RF-SIM as the main stream solutions by the mobile service operators, there was continued orders to support the Group's growing operation and research & development initiatives. It is anticipated the Group's new portfolio of products can continue to meet the requirements of the market and customers and arouses new demand for the Group's products. Furthermore the NFC industry did not experience the expected exponential growth expected by the industry expert except the success of chipset suppliers for the NFC handsets. It was not yet the most promising year for the alternative solution providers for NFC, that the Group is one of the key players in this category, the Group believes the upcoming year will be another fast growing and profitable one with its pioneering technology and market know-how for the huge China market. The Group has also prepared for any unexpected changes in the market situation by engaging a new task force to investigate into the technology and products targeted the end user segment by deploying the similar engineering architecture and technological development skills in case. There were also sale leads from overseas which shall bring more business opportunities to the Group and it was reckoned that the successful expansion of its sales to the international market without huge capital investment to establish overseas facility would be realized later next year. These initiatives in the transition of existing product platform and portfolio and exploration of international business arena will be a challenge for the Group but it will be continue to pursue with a proper risk assessment and management philosophy in place.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012. No dividend was paid in respect of the year ended 31 December 2011.

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

During the year ended 31 December 2012, 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 2012, 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 as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 (collectively the "CG Code") contained in Appendix 14 of the Listing Rules.

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 2012.

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 2012 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

27 March 2013

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.

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