China Railway Logistics Limited
中國鐵路貨運有限公司*

(formerly known as Proactive Technology Holdings Limited)
(incorporated in Bermuda with limited liability)

Stock Code: 8089

2007
ANNUAL REPORT

* *For identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities trade on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This annual report, for which the directors (the "Directors") of China Railway Logistics Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to China Railway Logistics Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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TO OUR SHAREHOLDERS

The market for IT and Telecom in Hong Kong during 2007 had improved and recovered to some extent from the difficult operating environment in recent years. We have been able to maintain our relationship with our major customers and generated steady and stable income. Whilst we believe the local IT and Telecom market will continue to be stable, we expect the continuous economic growth, the increasing popularity of internet and personal computers and the imminent launch of 3G in the PRC will give thrust to the development of the IT and Telecom market in the PRC. In response to this, we will focus our efforts on enhancing our technological capability in developing 3G focused application systems, with a view to grasping more business opportunities and achieving more fruitful results in future.

During the year, the Company and its subsidiaries (collectively the "Group") intended to embark upon a new business in railway logistic transportation business in the PRC and completed the acquisition of the entire equity interest in Eternity Profit Investments Limited and its joint venture companies. Due to the problems encountered in obtaining control of the board of directors of the joint venture company in the PRC and the conversion of the joint venture company into a Chinese-foreign cooperative joint venture, the logistic transportation business has not commenced during the year. The Company has established a Special Committee to review the circumstances relating to the acquisition and the joint venture company and to identify a strategy to protect the Group's interests in the investments. Overall, we remain to believe there is immense market potential for the railway transportation and logistic business in the PRC and will continue to negotiate with the joint venture partner to resolve the above matters. At the same time, the Company will review and explore other opportunities in the transportation and logistics industry in the PRC and consider other venues to make foray into this business.

FINANCIAL RESULTS

The Group generated a turnover of approximately HK$11,338,000. Consolidated net loss recorded approximately HK$1,690,637,000. The loss per share was HK422.3 cent. Net assets of the Group amounted to HK$1,121,867,000 which represented the net asset value per share of HK$2.3. There was no bank borrowings at the year end date. As at 31st December 2007, cash and bank deposit stood at approximately HK$923,380,000.

RESULTS OF OPERATION

	1st Quarter 2007 HK$'000	2nd Quarter 2007 HK$'000	3rd Quarter 2007 HK$'000	4th Quarter 2007 HK$'000	Year ended 31st December 2007 HK$'000
Turnover	2,685	2,664	2,833	3,156	11,338
Gross Profit	1,461	1,345	1,338	1,452	5,596
Gross Profit Margin	54%	50%	47%	46%	49%
Distribution, Selling, General and Administration Expenses	21,139	30,709	27,175	21,812	100,835
Net Loss	19,083	24,493	18,705	1,628,356	1,690,637
Before Interest, tax and Depreciation Allowance Loss	18,991	24,318	18,382	1,649,903	1,711,594

FINAL DIVIDEND

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31st December 2007 (2006: Nil).

APPRECIATION

On behalf of the Board, I would like to express my most sincere gratitude towards the continual support from our shareholders and the valuable contributions of our staff. The management team will further continue to fulfill our duties to create more values for our shareholders.

Lim Kwok Choi
Chairman

Hong Kong, 28th March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover of the Group for the year ended 31st December 2007 was approximately HK$11,338,000 (2006: HK$11,880,000), which represents a decrease of 5% as compared with the previous financial year.

Turnover from telecommunications business increased by 5% to HK$3,583,000 (2006: HK$3,404,000), representing 32% (2006: 29%) of the Group's total turnover. Turnover attributable to our computer telephony business decreased by 9% to HK$7,755,000 (2006: HK$8,476,000), accounting for 68% (2006: 71%) of the Group's total turnover.

The gross profit for the year under review was HK$5,596,000 which was decreased by 18% comparing with last year (2006: HK$6,831,000), while the gross profit margin was decreased to 49% (2006: 58%).

Administrative expenses for the year ended 31st December 2007 was approximately HK$100,835,000 (2006: HK$11,656,000), representing an increase of 765% over that of the previous year. The enormous operating costs recorded for the year was primarily attributable to (i) increase in the staff costs including directors' emoluments (see note 11 to the consolidated financial statement) to approximately HK$59,017,000 (2006: approximately HK$4,163,000); (ii) increase in professional and consultancy fees to approximately HK$13,859,000 (2006: approximately HK$1,828,000), principally related to the acquisition of a new subsidiary, Eternity Profits Investments Limited ("Eternity"), during the year; (iii) increase in other general and administrative expenses including rental, travelling, and entertainment expenses as a result of the increase in business activities of the Group during the year in exploring and implementing a new logistic transportation business for the Group in the PRC that led to the increase in operating cost.

The impairment loss recognized in respect of goodwill amounted to approximately HK$1,622 million for the year (2006: Nil).

The audited consolidated loss for the year attributable to equity holders increased by 46,719% to approximately HK$1,690,637,000 (2006: HK$3,611,000). Loss per share was HK422.3 cents for the year under review (2006: Loss per share HK1.5 cents).

BUSINESS REVIEW

IT and Telecommunications

The IT and telecom market in 2007 had improved and recovered to some extent from the difficult operating environment in recent years. In general, our overall IT and telecom business was steady with stable income generated from major customers including various government departments, Citibank, VANCO and Hutchison Telecom.

The recent booming market in PRC attracts numerous overseas corporations to focus on and participate intensively in Asia. The favorable commercial and geographical environment of Hong Kong makes it one of the most favourable Asian hubs for overseas corporations. In order to match up with the trend, Hong Kong government has also been increasing and escalating its investments in various IT aspects. In the midst of this market change, we were awarded the sub-contract order from the HK Fire Services Department (FSD) to establish the Third Generation Mobilizing System a few years ago. In reporting fire hazard, this system adopts the advanced GPS system to locate the nearest Fire Engine to attend the fire site and enables the Fire Engine to report to the FSD within a short period of time. This system involves significant amount of capital investments from the government and was launched successfully in April 2007, with our completion order signed off by end of 2007. Unlike the bubble market seen for the IT industry in 2000, we believe today's IT business incorporates the IT and Telecom technology into our daily life for the benefits of improving quality of use.

Logistics

As stated in the 2006 annual report of the Company, the Company intended to embark upon a new business in railway logistic transportation business in the PRC. To this end, in March 2007, the Company entered into an agreement (the "Agreement") to acquire the entire equity of and shareholders' loans to Eternity for a total consideration of HK$681,450,000 (the "Acquisition") to be satisfied as to HK$6,000,000 in cash and as to the balance of HK$675,450,000 by way of the issue and allotment to the vendor of 95,000,000 new Shares in the Company, credited as fully paid, at completion of the Agreement at an issue price of HK$7.11 per Share. Eternity holds 61.25% of the equity interest of Onway Logistics Limited ("Onway Logistics"), which has agreed to acquire an 80% interest in China Railway Television Freight and Logistics Transport Co. Ltd. ("PRC JV") by way of subscription of new capital. Onway Logistics has contributed a sum of HK$151,980,000 into PRC JV as new capital for PRC JV. Completion of the Agreement took place in July 2007. PRC JV was established on 5th March 2007 in the PRC as a domestic company with its scope of business in railway cargo transportation agency services, logistics and transportation management and consultancy services, equipment rental, project investment and consultancy services, storage services and technology import and export. One of the conditions precedent to the completion of the Agreement was the completion of a reorganization of Eternity and its group companies involving, among other things, the conversion of the PRC JV into a Chinese-foreign cooperative joint venture company (the "Reorganisation").

The PRC JV obtained the approval granted by Beijing Municipal Bureau of Commerce on 9th April 2007 for it to be converted into a Chinese-foreign cooperative joint venture. Despite this, it came to the Company's attention in February 2008 that the PRC JV has not yet been formally converted into a Chinese-foreign cooperative joint venture and that Onway Logistics has not been formally registered as a shareholder of PRC JV. However, on the basis of the capital injection, the Company is advised that Onway Logistics nonetheless has an enforceable contractual entitlement to the delivery of its shareholding in the PRC JV.

The Company has also encountered problems in obtaining the control of the board of directors of the PRC JV (the "PRC Board"). In or around August 2007, it had come to the Company's attention that the joint venture agreement that was submitted to the Ministry of Commerce ("MOC"), and which formed the basis of the MOC's approval on 9th April 2007 (the "Approved Agreement") was not in the terms that the Company had understood governed the joint venture on the PRC JV, as the Company had been operating on the assumption that Onway Logistics had control of the PRC Board. The Company had understood Onway Logistics had the right to appoint 4 out of 7 directors to the PRC Board, one of which is to be the Chairman, effectively giving Onway Logistics majority control of the PRC Board. However, the Approved Agreement provides that Onway Logistics can only appoint 3 out of 7 directors to the PRC Board, and the right to appoint the Chairman is with one of the Chinese joint venture partner.

The Company has been investigating, and is currently in negotiations with its joint venture partners to try to resolve the above matters, particularly with the aim to obtain control of the PRC Board and to formally convert and establish the PRC JV as a Chinese-foreign cooperative joint venture for Onway Logistics to be registered as a shareholder of the PRC JV. The PRC JV has not yet commenced business in railway logistics transportation during the year under review because of the aforesaid problems.

In light of the above, the PRC JV is not accounted for as a subsidiary of the Group. The amount of HK$151,980,000 paid to PRC JV by Onway Logistics is accounted for as deposit of the capital contribution for PRC JV in the consolidated balance sheet of the Company as at 31st December 2007. Eternity and Onway Logistics are accounted for as subsidiaries of the Group. Completion of the Agreement gave rise to goodwill on acquisition in the amount of approximately HK$1,622 million, representing the excess of the cost of acquisition of the 100% equity interest and shareholder's loan of Eternity over the fair value of the identifiable assets, liabilities and contingent liabilities of Eternity on the date of acquisition. Notwithstanding the agreed total consideration of HK$681,450,000 for the acquisition under the Agreement, the cost of acquisition of Eternity recorded in the books of the Group on date of acquisition is HK$1,622 million, being the sum of the cash consideration of HK$6 million and the aggregate market value of the 95,000,000 Consideration Shares of HK$1,615 million based on the closing price of HK$17 per Share of the Company on date of acquisition.

As Onway Logistics has not been registered as a shareholder of the PRC JV, and taking account of the control issue with the PRC JV, an impairment loss recognized in respect of the aforesaid goodwill on acquisition was made and charged to the profit and loss account of the Group for the year under review, which accounted for nearly 96% of the losses of the Group for the year.

FUTURE PROSPECTS

IT and Telecommunications

For the coming years, we believe the local IT and Telecom market will continue to be steady and stable. The wider application of IT and Telecom in various aspects will certainly have some positive effects on the business, albeit it may not be significant or apparent. On the other hand, we expect the IT and Telecom market in the PRC will keep on with a growing path. It is expected that 3G will soon be launched in the PRC and the increasing popularity of internet and PCs will generate tremendous business opportunities. Since our technology is mainly focused on call center, with a view to grasping the opportunities in PRC, the Group is considering to focus our efforts on enhancing our technological capability such as developing 3G focused services. As a whole, for our IT and Telecom business, we remain optimistic in achieving more fruitful results in the future through our enhanced technological development backed by strong technical knowhow.

Logistics

Overall, the Company remains to believe there is immense market potentials for the railway transportation and logistics industry in the PRC, given the economic growth potential of the PRC and the surging demand for transportation systems and services across the country. The Company will continue to negotiate with the joint venture partners of the PRC JV with a view to obtaining control of the PRC JV and taking necessary procedures to convert PRC JV into a Chinese-foreign cooperative joint venture.

The Directors believe if the abovementioned problems with the PRC JV can be resolved satisfactorily within a short period of time, it would still be in the best interest of the Company to embark upon the PRC logistics business through the PRC JV. On the other hand, the Company is also reviewing and exploring other business opportunities in the transportation and logistics industry in the PRC. If the PRC Board cannot be restructured to deliver control to the Company, the Company may consider other venues to make foray into the industry. However, as at the date hereof, the Company has not identified, or come to any agreement on, any investment and/or acquisition projects. In the meantime, Shareholders should note that the Company may not be able to achieve restructuring of the PRC Board.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders equity, new issue of shares and internally generated cash flows.

As at 31st December 2007, the Group had cash and cash equivalent of approximately HK$923,380,000 (2006: HK$4,773,000). The total short-term bank borrowings was Nil (2006: Nil) and the gearing ratio, measured on the basic of total non-current liabilities to total assets less current liabilities, was 0 times (2006: 0 times).

CAPITAL STRUCTURE

The capital of the Company comprises only ordinary shares. Details of movements in the share capital of the Company during the year ended 31st December 2007 are set out in note 29a to d to the consolidated financial statement of this annual report.

On 28th June 2007, 95,000,000 new shares of the Company were issued as nil paid as part of the consideration pending completion of the Acquisition of the entire equity interest in Eternity. The Consideration Shares were credited as fully paid upon completion of the Acquisition on 12th July 2007 at the market value of the shares of the Company of HK$17 per share on 12th July 2007. The share premium relating to the Consideration Shares was initially recorded in the accounts of the Company on date of completion of the Acquisition based on the agreed issue price of HK$7.11 per Consideration Share as provided in the Agreement, and reflected in note 7 ("Statement of change in equity") in the third quarterly report of the Company as at 30th September 2007. In accordance with HKFRS 3, the share premium amount arising from the issue of the Consideration Shares was subsequently adjusted based on the market price of HK$17 per share and the adjusted share premium amount is included in the accounts of the Company as at 31st December 2007.

CHARGES ON ASSETS

As at 31st December 2007 and at 31st December 2006, the Group did not have any charges on its assets.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in the section headed "Business Review" above, there were no significant investment held, material acquisitions or disposals of subsidiaries during the year under review.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The reporting currency adopted by the Group was Hong Kong dollars. Majority of the Group's sales, receivables, bank borrowings and expenditures were denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is closely linked with United States dollars, therefore, foreign currency exposure to the Group shall be minimal.

CONTINGENT LIABILITIES

As at 31st December 2007, the Group had no contingent liabilities (2006: Nil).

EMPLOYEE INFORMATION

The Group (excluding its associates) had about 43 full time employees (2006: 26) in Hong Kong and the PRC as at 31st December 2007. During the year ended 31st December 2007, the Group had incurred staff costs (including directors' emoluments) of approximately HK$59,017,000 (2006: HK$4,163,000).

The Company has adopted a Share Option Scheme pursuant to which options may be granted to full time employees (including the executive directors) of the Group to subscribe for shares in the Company. As at 31st December 2007, 13,390,000 share options remained outstanding.

As at 31st December 2007, 22 employees (2006: 6) had completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment with the Group. The Group is only liable to make such payments where termination meets the required circumstances specified in the Employment Ordinance. As at 31st December 2007, the estimated amount provided for such purpose amounted to approximately HK$109,000 (2006: HK$79,000).

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lim Kwok Choi	(appointed on 22nd January 2007 and appointed as Chairman on 10th March 2008)
Mr. Zeng Bangjian	
Mr. Ng Kam Wing	
Mr. Koh Tat Lee, Michael	(appointed on 22nd January 2007)
Mr. Wong Chi Tak, Brence	(appointed on 25th September 2007 and resigned on 20th December 2007)
Mr. Zhu Xirong	(appointed on 25th September 2007 and resigned on 20th December 2007)
Mr. Lok Shing Kwan, Sunny	(re-designated from Independent Non-executive Director on 10th March 2008)
Mr. Tsang Chi Hin	(re-designated to Non-Executive Director and resigned as chairman on 16th October 2007).

Non-Executive Director

Mr. Tsang Chi Hin	(re-designated from Executive Director on 16th October 2007)

Independent Non-executive Directors

Mr. Leung Lok Ming	
Mr. Chan Ho Wah, Terence	
Mr. Chong Cha Hwa	
Dr. James Wing Ho Wong	(appointed on 22nd January 2007)
Mr. Lok Shing Kwan, Sunny	(appointed on 22nd January 2007 and re-designated to Executive Director on 10th March 2008)

AUTHORISED REPRESENTATIVES

Mr. Ng Kam Wing	
Mr. Li Kam Cheung, Ivan	(resigned on 12th November 2007)
Ms. Wong Han	(appointed on 12th November 2007 and resigned on 13th December 2007)
Mr. Wong Yiu Hung	(appointed on 13th December 2007 and resigned on 1st February 2008)
Mr. Lok Shing Kwan, Sunny	(appointed on 11th March 2008)

AUDIT COMMITTEE

Mr. Leung Lok Ming	
Mr. Chan Ho Wah, Terence	(appointed as Chairman of audit committee on 10th March 2008)
Mr. Chong Cha Hwa	
Mr. Lok Shing Kwan, Sunny	(appointed on 22nd January 2007 and resigned as an audit committee member on 10th March 2008)

NOMINATION COMMITTEE

Mr. Chan Ho Wah, Terence	
Mr. Tsang Chi Hin	(resigned as a nomination committee member on 16th October 2007)
Mr. Chong Cha Hwa	
Dr. James Wing Ho Wong	(appointed on 22nd January 2007)
Mr. Wong Chi Tak, Brence	(appointed on 16th October 2007 and resigned on 20th December 2007)

REMUNERATION COMMITTEE

Mr. Tsang Chi Hin	(resigned as a remuneration committee member on 16th October 2007)
Mr. Chan Ho Wah, Terence	
Mr. Chong Cha Hwa	
Dr. James Wing Ho Wong	(appointed on 22nd January 2007)
Mr. Wong Chi Tak, Brence	(appointed on 16th October 2007 and resigned on 20th December 2007)

COMPANY SECRETARY

Mr. Li Kam Cheung, Ivan	(resigned on 12th November 2007)
Ms. Wong Han	(appointed on 12th November 2007 and resigned on 13th December 2007)
Mr. Wong Yiu Hung	(appointed on 13th December 2007 and resigned on 1st February 2008)
Ms. Siu Caroline	(appointed on 1st February 2008 and resigned on 12th March 2008)
Mr. Leung Ming Fai	(appointed on 25th March 2008)

COMPLIANCE OFFICER

Mr. Ng Kam Wing

QUALIFIED ACCOUNTANT

Mr. Li Kam Cheung, Ivan	(resigned on 12th November 2007)
Ms. Wong Han	(appointed on 12th November 2007 and resigned on 13th December 2007)
Mr. Wong Yiu Hung	(appointed on 13th December 2007 and resigned on 1st February 2008)
Ms. Siu Caroline	(appointed on 1st February 2008 and resigned on 12th March 2008)
Mr. Leung Ming Fai	(appointed on 25th March 2008)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Rooms 1901-02, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
UBS AG

EXECUTIVE DIRECTORS

Mr. Lim Kowk Choi, aged 45, is the Executive Director of the Company since 22nd January 2007. Mr. Lim holds a Master of Business Administration degree. Mr. Lim has over 20 years of experience in banking and finance, hotel management and import/export trade working as senior management for both private and listed companies. Mr. Lim previously served as a non-executive director of First Natural Foods Holdings Limited from year 2002 to 2003, and as an executive director of LeRoi Holdings Limited from year 2004 to 2006, which are listed companies on the Main Board of the Stock Exchange.

Mr. Zeng Bangjian, aged 56, is the Executive Director of the Company since December 2006. Mr. Zeng has completed diploma education. He had more than 20 years of management experience in logistic and transportation trade in China.

Mr. Ng Kam Wing, aged 58, is the Executive Director of the Company since December 2006. Mr. Ng has gained more than 20 years of experience in financial and management and he was an executive director and financial controller of a public listed company.

Mr. Koh Tat Lee, Michael, aged 41, is the Executive Director of the Company since 22nd January 2007. Mr. Koh holds a Master of Electrical Engineering degree and a Master of Industrial Engineering degree from Columbia University in the United States. Mr. Koh possesses more than 10 years of experience in the telecommunications industry and has worked at Bell South and AT & T in the United States and was promoted to technical director before he left AT & T. Mr. Koh was the vice president of First Pacific Company Limited, a company listed on the Main Board of the Stock Exchange. During his tenure at First Pacific Company Limited from year 1994 to 1997, Mr. Koh founded a private company called Tuntex Telecom in Taiwan and assumed the post of president for the period from year 1995 to 1997. Mr. Koh currently is an executive director of M Dream Inworld Limited, which is a company listed on the GEM of the Stock Exchange.

Mr. Lok Shing Kwan, Sunny, aged 42, was appointed as an Independent Non-executive Director on 22nd January 2007 and re-designated as an Executive Director from as an Independent Non-executive Director on 10th March 2008. He was a member of audit committee of the Company from 22nd January 2007 to 10th March 2008. Mr. Lok holds a Bachelor degree in business and he has over 16 years of experience in financial reporting, internal control and overall administration of corporate affairs. He also has more than 11 years of experience in the accounting field in both of Hong Kong SAR and People's Republic of China. Mr. Lok is fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Lok previously served as an independent non-executive director for China Investment Fund Company Limited from year 2001 to 2004, Cosmopolitan International Holdings Limited from year 2003 to 2005 and LeRoi Holdings Limited from 2003 to 2007.

NON-EXECUTIVE DIRECTOR

Mr. Tsang Chi Hin, aged 49, was re-designated to as a Non-executive Director from as an Executive Director of the Company on 16th October 2007. He was the chairman and the chief executive officer of the Company until on 16th October 2007 he resigned from both positions. He is the co-founder of the Group and he is responsible for corporate strategic planning and management. Mr. Tsang holds a bachelor degree in economics and a higher certificate in electronic engineering with over 22 years of experience in telecommunications and electronic industries. Mr. Tsang started his marketing career in 1984. He then joined Hongkong Telecom as a consultant in marketing data communication services in 1987 and his last position in Hongkong Telecom was Account Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Lok Ming, aged 36, is the Independent Non-executive Director of the Company since July 2004. Mr. Leung is a certified public accountant in Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Leung is currently a director of Union Alpha CPA Limited.

Mr. Chan Ho Wah, Terence, aged 37, is the Independent Non-executive Director of the Company since August 2005. Mr. Chan is a Chartered Financial Analyst. He holds a bachelor of engineering degree and a master of science degree in real estate (general practice surveying) from the University of Hong Kong. Mr. Chan has extensive years of experience in the field of finance. Mr. Chan was an independent non-executive director of Sino-Tech International Holdings Limited (formerly known as Semtech International Holdings Limited), a company listed on the main board of the Stock Exchange from 13th November 2003 to 2nd January 2004.

Mr. Chong Cha Hwa, aged 41, is the Independent Non-executive Director and also the members of audit committee, remuneration committee and nomination committee of the Company since October 2006. Mr. Chong is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Mr. Chong has obtained a degree of bachelor of management with honours from the University of Science, Malaysia. Prior to joining the Company, Mr. Chong has gained more than 14 years of experience in the accounting and finance area servicing private and public listed companies in Hong Kong and the Southern Asia region. Currently, Mr. Chong is the qualified accountant and the company secretary of Shanghai Jiaoda Withub Information Industrial Company Limited and independent non-executive director of Longlife Group Holdings Limited, both companies listed on GEM of the Stock Exchange and the independent non-executive director of Vital BioTech Holdings Limited, being a company listed on Main Board of the Stock Exchange.

Dr. James Wing Ho Wong, aged 49, is the Independent Non-executive Director and also a member of remuneration committee and nomination committee of the Company since January 2007. Dr. Wong has been educated and worked in Hong Kong and United Kingdom. He studied acoustics at the Heriot-Watt University in Scotland. Dr. Wong has strong analytical and quantitative skills with excellent organization, negotiation, verbal and written presentation skills, and has a number of design patents in building components, heat exchangers and acoustics products. He has systematic knowledge of logistic, accounting, finance, investment, and marketing. Dr. Wong has wide experience in consulting contracts for a board range of industries in China and aboard. Dr. Wong is one of the nation's experts in acoustic research. He has extensively applied the principles of acoustics, energetics and optics to solving complex problems for the transportation, military, government, and private sectors. Dr. Wong previously worked in Hong Kong Government Environmental Protection Department's Policy Group and Management Group. Dr. Wong has established Allied Environmental Consultants Limited in 1995 and developed the multi-disciplines technological Allied Group in 1997.

The Group has complied with most of the code provisions on Corporate Governance Practices ("CG Code") as set out in Appendix 15 to the GEM Listing Rules for the year ended 31st December 2007 with deviations as disclosed in this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31st December 2007. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with such code of conduct and required standard of dealings.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of ten Directors, of whom five are the Executive Directors, namely Mr. Lim Kwok Choi, Mr. Zeng Bangjian, Mr. Ng Kam Wing, Mr. Koh Tat Lee, Michael and Mr. Lok Shing Kwan, Sunny, one is the Non-executive Director, namely Mr. Tsang Chi Hin and four are the Independent Non-executive Directors, namely Mr. Leung Lok Ming, Mr. Chan Ho Wah, Terence, Mr. Chong Cha Hwa and Dr. James Wing Ho Wong. Detail of backgrounds and qualifications of the Chairman of the Company and the other Directors are set out in pages 12 to 13 of this annual report.

The Board includes a balanced composition of Executive Directors, Non-executive Director and Independent Non-executive Directors, and possesses a wide spectrum of relevant skills and experience. The participation of the Independent Non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure that the interests of all shareholders of the Company have been duly considered.

In compliance with Rule 5.05(1) of the GEM Listing Rules, the Board comprises four Independent Non-executive Directors representing over one-third of the Board, and at least one of them has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

The Board considers that all of the Independent Non-executive Directors are independent, and has received an annual confirmation of independence from each of them pursuant to Rule 5.09 of the GEM Listing Rules.

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and oversight of management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the Executive Directors and senior management of the Company, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the Executive Directors who have attended the Board meetings.

The Board held 26 meetings during the year ended 31st December 2007. Details of the attendance of the Board are as follows:

Executive Directors		**Attendance**
Mr. Lim Kwok Choi	(appointed as Chairman on 10th March 2008)	20/26
Mr. Zeng Bangjian		12/26
Mr. Ng Kam Wing		24/26
Mr. Koh Tat Lee, Michael		20/26
Mr. Wong Chi Tak, Brence	(appointed on 25th September 2007 and resigned on 20th December 2007)	7/26
Mr. Zhu Xirong	(appointed on 25th September 2007 and resigned on 20th December 2007)	7/26
Mr. Lok Shing Kwan, Sunny	(re-designated from Independent Non-executive Director on 10th March 2008)	21/26
Mr. Tsang Chi Hin	(re-designated to Non-executive Director and resigned as chairman on 16th October 2007)	15/26
Non-Executive Director		
Mr. Tsang Chi Hin	(re-designated from Executive Director on 16th October 2007)	15/26
Independent Non-executive Directors		
Mr. Leung Lok Ming		18/26
Mr. Chan Ho Wah, Terence		11/26
Mr. Chong Cha Hwa		15/26
Dr. James Wing Ho Wong		21/26
Mr. Lok Shing Kwan, Sunny	(appointed on 22nd January 2007 and re-designated to Executive Director on 10th March 2008)	21/26

Apart from the above regular Board meetings, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of the committee meetings in advance of each Board meeting.

The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Independent Non-executive Directors has entered into a service contract with the Company, for an initial term of two years commencing from 1st July 2004 in the case of Mr. Leung Lok Ming, 12th August 2005 in the case of Mr. Chan Ho Wah, Terence, 26th October 2006 in the case of Mr. Chong Cha Hwa and 22nd January 2007 in the case of Dr. James Wing Ho Wong respectively. The service contracts shall continue thereafter until terminated by either party giving not less than three months' notice after the expiration of the said initial fixed term.

Under the bye-laws of the Company, all Directors (including executive Directors, non-executive Director and independent non-executive Directors) are subject to retirement by rotation at least once every three years.

Induction program is arranged for the newly appointed Director on the latest information of the Group. The comprehensive orientation package is also provided the detailed responsibilities and duties of being a Director and the requirements under the applicable rules and regulations of the Company.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Subsequent to the re-designation of Mr. Tsang Chi Hin, no replacement of the posts of the chairman and chief executive officer has been fixed as at 31st December 2007. The Board strives to find the suitable candidates within and outside the Group. On 10th March 2008, Mr. Lim Kwok Choi, the executive Director, has been appointed as the chairman of the Company. The Board will keep reviewing the current structure from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post of chief executive officer as appropriate.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12th August 2005 and currently comprises three Independent Non-executive Directors, namely Mr. Chong Cha Hwa (the chairman of this committee), Mr. Chan Ho Wah, Terence and Dr. James Wing Ho Wong.

The roles and functions of the remuneration committee of the Company include determination of the remuneration package of all Directors and the senior management of the Company. The principal elements of the Company's remuneration package may include basic salary, discretionary bonus and share options. The determined guidelines are based on their skill, knowledge and involvement in the Company's affairs and which are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The remuneration committee of the Company will consult the Board save as the interested director is abstained from voting about its proposals relating to the remuneration of other Executive Directors and the senior management of the Company and has the right to require the Company's management to furnish any remuneration related information from senior management of the Company for the purposes of discharging its duties. During the year, the salary increment of, and bonus payment to, certain directors have not been reviewed by the remuneration committee.

During the year under review, the remuneration committee of the Company held 9 meetings. Details of the attendance of the Company's remuneration committee meetings are as follows:

Members	**Attendance**
Mr. Chong Cha Hwa *(the chairman of this committee)*	9/9
Mr. Chan Ho Wah, Terence	5/9
Mr. Tsang Chi Hin (resigned on 16th October 2007)	5/9
Dr. James Wing Ho Wong (appointed on 22nd January 2007)	9/9
Mr. Wong Chi Tak, Brence (appointed on 16th October 2007 and resigned on 20th December 2007)	5/9

NOMINATION COMMITTEE

The nomination committee of the Company was established on 12th August 2005 and currently comprises three Independent Non-executive Directors, namely Mr. Chan Ho Wah, Terence (the chairman of this committee), Mr. Chong Cha Hwa and Dr. James Wing Ho Wong.

The roles and functions of the nomination committee of the Company include recommending the appointment and removal of the Directors. The nomination committee of the Company considers the past performance, qualification, general market conditions and the Company's bye-laws in selecting and recommending candidates for directorship during the year under review.

During the year under review, the Company's nomination committee held 7 meetings. Details of the attendance of the meetings are as follows:

Members	**Attendance**
Mr. Chan Ho Wah, Terence *(the chairman of this committee)*	5/7
Mr. Chong Cha Hwa	7/7
Mr. Tsang Chi Hin (resigned on 16th October 2007)	3/7
Dr. James Wing Ho Wong (appointed on 22nd January 2007)	7/7
Mr. Wong Chi Tak, Brence (appointed on 16th October 2007 and resigned on 20th December 2007)	5/7

AUDITORS' REMUNERATION

An amount of approximately HK$412,000 (2006: HK$200,000) was charged to the Group's consolidated income statement for the year ended 31st December 2007 for the auditing services. There is no other assignment provided by the auditors during the year.

SPECIAL COMMITTEE

In view of the problems encountered with the PRC JV as described above, the Board has resolved to form a special committee (the "Special Committee") with terms of reference principally (i) to review the circumstances surrounding the Acquisition and the Reorganisation; (ii) to identify a strategy to protect the Group's interests in the PRC Subsidiary; and (iii) to assess if any announcement to the public or notification to the Stock Exchange should be issued by the Company. The Special Committee comprises Mr. Tsang Chi Hin (a non-executive director of the Company), Mr. Lawrence Lok Yuen Ming (the assistant to Chairman of the Company) and Mr. Leung Ming Fai (the qualified accountant and company secretary of the Company newly appointed on 25th March 2008). The Special Committee has also engaged legal and financial advisers to assist its work under the aforesaid terms of reference.

AUDIT COMMITTEE

The Company has established an audit committee on 3rd May 2000 with written terms of reference which was revised on 12th August 2005 to substantially the same as the provisions as set out in the CG Code which became effective for accounting periods commencing on or after 1st January 2005. The primary duties of the audit committee of the Company are to review the Company's annual report and accounts, half-yearly and quarterly reports and to provide advice and comments thereon to the Board.

The audit committee in conjunction with the external auditors of the Company has reviewed the Company's financial statements for the year ended 31st December 2007 and has provided advice and comments thereon. The Company's audit committee has met 5 times during the year.

As at the date of this annual report, the Company's audit committee comprises three Independent Non-executive Directors, namely Mr. Leung Lok Ming, Mr. Chan Ho Wah, Terence and Mr. Chong Cha Hwa.

The audit committee of the Company held 5 meetings during the year ended 31st December 2007. Details of the attendance of the meetings are as follows:

Members	**Attendance**
Mr. Leung Lok Ming (resigned as Chairman on (29th February 2008)	4/5
Mr. Chan Ho Wah, Terence (appointed as Chairman on 10th March 2008)	2/5
Mr. Chong Cha Hwa	4/5
Mr. Lok Shing Kwan, Sunny (appointed on 22nd January 2007 and resigned on 10th March 2008)	4/5

The Group's unaudited quarterly and interim results and annual audited results in respect of the year ended 31st December 2007 have been reviewed by the Company's audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly and annual financial statements, and announcements to the shareholders of the Company, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Investor and Shareholder Relations

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. Therefore, the Board maintains close communications with the investors by uploading the announcements and news onto the Company's website. The Board also welcomes the views of the shareholders of the Company on matters affecting the Group and encourages them to attend the shareholders' meetings to communicate with the Board or Management directly.

Internal Control

The Board had conducted a review of the effectiveness of the Group's internal control system. Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board presents this annual report together with the audited financial statements of the Group for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in investment holding, design, development and sale of value-added telecommunication products, and computer telephony products and logistics transportation.

An analysis of the Group's turnover by product range together with its respective loss attributable to equity holders of the parent for the year ended 31st December 2007 is as follows:

By product range

	Turnover HK$'000	Profit/(loss) attributable to equity holders of the parent HK$'000
Telecommunications	3,583	1,250
Computer telephony	7,755	4,346
Logistic	—	(1,621,000)
Unallocated	—	(75,233)
	11,338	(1,690,637)

CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2007, the five largest customers accounted for approximately 46% of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 92% of the Group's total purchases. The largest customer of the Group accounted for approximately 16% of the Group's total turnover while the largest supplier accounted for approximately 48% of the Group's total purchases.

During the year, none of the Directors, their associates, or any shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

RESULTS

Details of the Group's results for the year ended 31st December 2007 are set out in the consolidated income statement on page 30 of this annual report.

DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31st December 2007.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company are set out in respective Note 29 and 30, to the accompanying financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 32 of this annual report.

The Company had no reserves available for distribution to shareholders as at 31st December 2007 (2006: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December 2007.

Subsequent to the year ended 31st December 2007 and up to date of this annual report, the Company repurchased a total of 2,000,000 shares of HK$0.001 each in the share capital of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the general mandates granted by the shareholders at the annual general meeting held on 30th March 2007, details of which were as follows:—

Month/Year	Number of Shares repurchased	Price per Share Lowest HK$	Price per Share Highest HK$	Total consideration (before expenses) HK$
01/2008	2,000,000	1.40	1.87	3,421,178

All Shares repurchased were cancelled subsequently and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchase were effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per Shares of the Company.

CHANGE OF COMPANY NAME

The change of name of the Company from "Proactive Technology Holdings Limited" to "China Railway Logistics Limited" and for the purpose of identification only, the adoption of a new Chinese name of "中國鐵路貨運有限公司" to replace the existing Chinese name of "寶訊科技控股有限公司" was approved by the shareholders at a special general meeting of the Company held on 20th June 2007.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and the laws in Bermuda.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and the Group's associates are set out in Notes 37 and 17 to the accompanying financial statements respectively.

MACHINERY AND EQUIPMENT

Details of movements in machinery and equipment during the year are set out in Note 16 to the accompanying financial statements.

SHORT-TERM BANK BORROWINGS

There were no bank borrowings as at 31st December 2007.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 32 to the accompanying financial statements.

CHARITABLE DONATIONS

An amount about HK$10,000 charitable donation was made by the Group during the year (2006: Nil).

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, there were no transactions which need to be disclosed as connected in accordance with the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The related party transactions of the Group are disclosed in note 33 to the accompanying financial statements.

EMOLUMENT POLICY

The emoluments of the Directors are recommended by the Remuneration Committee, and decided by the Board, as authorized by shareholders in the annual general meeting of the Company, having regard to their skills, knowledge and involvement in the Company's affairs. No Directors are involved in deciding their own remuneration.

In order to attract, retain and motivate the eligible employees, including the Directors, the Company has adopted a share option scheme. The scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimize their continuing contributions to the Group.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 84 to 85 in this annual report.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business segment is set out in Note 8 to the accompanying financial statements.

DIRECTORS' AND SENIOR MANAGEMENTS BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 12 to 13.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 12 and 13 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this annual report are:

Executive Directors

Mr. Lim Kwok Choi	(appointed as Chairman on 10th March 2008)
Mr. Zeng Bangjian	
Mr. Ng Kam Wing	
Mr. Koh Tat Lee, Michael	
Mr. Wong Chi Tak, Brence	(appointed on 25th September 2007 and resigned on 20th December 2007)
Mr. Zhu Xirong	(appointed on 25th September 2007 and resigned from both the positions on 20th December 2007)
Mr. Lok Shing Kwan, Sunny	(re-designated from Independent Non-executive Director on 10th March 2008)
Mr. Tsang Chi Hin	(re-designated to Non-executive Director and resigned as Chairman on 16th October 2007)

Non-Executive Director

Mr. Tsang Chi Hin	(re-designated from Executive Director on 16th October 2007)

Independent Non-executive Directors

Mr. Leung Lok Ming	
Mr. Chan Ho Wah, Terence	
Mr. Chong Cha Hwa	(appointed on 26th October 2006)
Dr. James Wing Ho Wong	(appointed on 22nd January 2007)
Mr. Lok Shing Kwan, Sunny	(appointed on 22nd January 2007 and re-designated to Executive Director on 10th March 2008)

In accordance with bye-law No. 87(1) of the Company's bye-laws, Mr. Chan Ho Wah, Terence, Mr. Tsang Chi Hin, Mr. Leung Lok Ming and Mr. Chong Cha Hwa will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company, while Mr. Leung Lok Ming has indicated to the Board that he does not offer himself for re-election.

The Independent Non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Company's bye-laws.

None of the Directors being proposed for re-elections at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31st December 2007, the interests and short positions of the Directors and their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") adopted by the Company, or to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares and underlying shares of the Company

Name of Directors	Type of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Total interests	Total approximate percentage of the issued share capital
Mr. Zeng Bangjian	Beneficial owner	—	3,330,000	3,330,000	0.68%
Mr. Ng Kam Wing	Beneficial owner	—	3,330,000	3,330,000	0.68%
Mr. Koh Tat Lee, Michael	Beneficial owner	298,000	3,330,000	3,628,000	0.74%
Mr. Lim Kwok Choi	Beneficial owner	—	600,000	600,000	0.12%

Save as disclosed above, as at 31st December 2007, none of the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

At no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Directors or Company's members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SHARE OPTION SCHEME

A summary of the share option scheme and details of the movements in share options of the Company during the year are set out on pages 76 to 78.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at the year ended 31st December 2007 or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2007, persons who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group were as follows:

Name	Capacity	Type of interests	Number of shares	Percentage of interests
Wellington Management Company, LLP	Investment manager	Corporation	25,944,010	5.30%
PME Group Limited	Interest of corporation controlled	Corporation	71,000,000	14.51%
Sunbright Asia Limited	Interest of corporation controlled	Corporation	71,000,000	14.51%
HSZ Limited on behalf of clients	Investment manager	Corporation	48,696,000	9.95%
Credit Suisse Group	Interest of corporation controlled	Corporation	73,540,000 (Note 1)	15.03%
Well Support Limited	Beneficial owner	Corporation	52,415,466 (Note 2)	10.71%

Notes:

1. These shares are held by Credit Suisse Group, which is wholly owned by Credit Suisse.

2. These shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

Save as disclosed above, no other shareholders or other persons had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group as at 31st December 2007.

COMPETING INTERESTS

Mr. Tsang Chi Hin, the Non-executive Director, is a director of Beijing Teletron Systems Integration Company Limited which is also engaged in the provision of telecommunications and computer telephony solutions. The Directors believe that there is a risk that such business may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Tsang Chi Hin in the telecommunications and computer telephony industry will complement the development of the Group's business.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had an interest in business which competes or may compete with the business of the Group or has any other conflict of interest which any such person has or may have with the Group during the year ended.

Service Contract of Directors

As at the date of this annual report, each of the Executive Directors has entered into a service contract with the Company, for an initial term of two years commencing from 1st December 2006 in the cases of Mr. Zeng Bangjian and Mr. Ng Kam Wing, for an initial term of two years commencing from 22nd January 2007 in the case of Mr. Koh Tat Lee, Michael, for a term of two years commencing from 10th March 2008 in the case of Mr. Lok Shing Kwan, Sunny, and for a term of two years commencing from 10th March 2008 in the case of Mr. Lim Kwok Choi. All of the said service contracts, except that of Mr. Lok Shing Kwan, Sunny and Mr. Lim Kwok Choi, shall continue thereafter until terminated by either party giving not less than six months' notice after the expiration of the said initial fixed term.

The Non-executive Director has entered into a service contract with the Company for an initial term of one year commencing from 16th October 2007, and shall continue thereafter until terminated by either party giving not less than three months' notice after the expiration of the said initial fixed term.

Each of the Independent Non-executive Directors has entered into a service contract with the Company, for an initial term of two years commencing from 1st July 2004 in the case of Mr. Leung Lok Ming, for an initial term of two years commencing from 12th August 2005 in the case of Mr. Chan Ho Wah, Terence, for an initial term of two years commencing from 26th October 2006 in the case of Mr. Chong Cha Hwa, and for an initial term of two years commencing from 22nd January 2007 in the case of Dr. James Wing Ho Wong. All of the service contracts shall continue thereafter until terminated by either party giving not less than three months' notice after the expiration of the said initial fixed term.

AUDITORS

The accounts were audited by SHINEWING (HK) CPA Limited. A resolution to re-appoint the retiring auditor, SHINEWING (HK) CPA LIMITED, will be put at the forthcoming annual general meetings of the Company. The Company had not changed its auditors in the preceding three years.

On behalf of the Board
Lim Kwok Choi
Chairman

Hong Kong, 28th March 2008

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF CHINA RAILWAY LOGISTICS LIMITED
中國鐵路貨運有限公司
(FORMERLY KNOWN AS PROACTIVE TECHNOLOGY HOLDINGS LIMITED
寶訊科技控股有限公司)
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of China Railway Logistics Limited (formerly known as "Proactive Technology Holdings Limited") (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 83, which comprise the consolidated balance sheet as at 31st December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

a) As disclosed in Note 18(a) to the consolidated financial statements, included in the consolidated balance sheet as at 31st December 2007, is goodwill arising from the acquisition of Eternity Profit Investments Limited and its subsidiary which is recorded as having a nil carrying value after an impairment loss of HK$1,621,794,000 that has been recognised in the consolidated income statement for the year ended 31st December 2007. In the absence of sufficient evidence, we are unable to satisfy ourselves as to the accuracy of this impairment loss or whether the goodwill is fairly stated in the consolidated financial statements as at 31st December 2007.

b) As disclosed in Note 18(b) to the consolidated financial statements, included in the consolidated balance sheet as at 31st December 2007, is deposits paid in respect of investments in CR Onway Freight Logistics and Transport Company Limited which have the carrying value of approximately HK$151,980,000. In the absence of sufficient evidence, we are unable to satisfy ourselves that the said amount has been fairly stated in the consolidated financial statements as at 31st December 2007.

Any adjustment to these figures may have a consequential and significant effect on the loss for the year and the net assets as at 31st December 2007.

Disclaimer of opinion: disclaimer on view given by consolidated financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31st December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong
28th March 2008

Consolidated Income Statement

For the year ended 31st December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Turnover	7	**11,338**	11,880
Cost of sales		**(5,742)**	(5,049)
Gross profit		**5,596**	6,831
Other income		**26,529**	1,249
Distribution and selling expenses		**(25)**	(23)
Administrative expenses		**(100,835)**	(11,656)
Impairment loss recognised in respect of goodwill	18(a)	**(1,621,794)**	—
Finance costs	9	**(108)**	(12)
Loss before tax		**(1,690,637)**	(3,611)
Income tax expense	10	**—**	—
Loss for the year	11	**(1,690,637)**	(3,611)
Loss per share			
— Basic	15	**(422.3) cents**	(1.5) cents

Consolidated Balance Sheet

As at 31st December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Machinery and equipment	16	**3,010**	1,236
Interest in an associate	17	**—**	—
Goodwill	18(a)	**—**	—
Deposits paid for acquisition of investments	18(b)	**151,980**	6,000
Available-for-sale financial asset	19	**—**	286
Loan receivable	20	**3,823**	—
		158,813	7,522
Current assets			
Inventories	21	**348**	210
Trade receivables	22	**976**	1,982
Amount due from an associate	23	**—**	17
Prepayments, deposits and other receivables	24	**14,098**	5,022
Financial assets at fair value through profit or loss	25	**25,758**	—
Loan receivable	20	**3,900**	—
Bank balances and cash	26	**923,380**	4,773
		968,460	12,004
Current liabilities			
Trade payables	27	**973**	878
Accruals and other payables		**3,064**	2,112
Receipts in advance		**556**	552
Obligations under finance leases	28	**159**	—
		4,752	3,542
Net current assets		**963,708**	8,462
Total assets less current liabilities		**1,122,521**	15,984
Non-current liability			
Obligations under finance leases	28	**654**	—
Net assets		**1,121,867**	15,984
Capital and reserves			
Share capital	29	**489**	278
Reserves		**1,121,378**	15,706
Total equity		**1,121,867**	15,984

The consolidated financial statements on pages 30 to 83 were approved and authorised for issue by the Board of Directors on 28th March 2008 and are signed on its behalf by:

Lim Kwok Choi
Chairman

Koh Tat Lee, Michael
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2007

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January 2006	23,200	29,135	—	—	51	(43,651)	8,735
Capital reduction	(22,968)	—	22,968	—	—	—	—
Share premium reduction	—	(29,135)	29,135	—	—	—	—
Elimination of accumulated losses of the Company	—	—	(44,189)	—	—	44,189	—
Issue of shares during the year, net of shares issued expenses	46	10,719	—	—	—	—	10,765
Loss for the year	—	—	—	—	—	(3,611)	(3,611)
Exchange differences arising on translation of foreign operations	—	—	—	—	95	—	95
At 31st December 2006 and 1st January 2007	278	10,719	7,914	—	146	(3,073)	15,984
Recognition of equity-settled share-based payments	—	—	—	34,357	—	—	34,357
Shares issued pursuant to placements and acquisition of subsidiaries (Notes 29(a), (b), (c) & (d))	211	2,808,869	—	—	—	—	2,809,080
Shares issued expenses on placements	—	(47,091)	—	—	—	—	(47,091)
Loss for the year	—	—	—	—	—	(1,690,637)	(1,690,637)
Exchange differences arising on translation of foreign operations	—	—	—	—	174	—	174
At 31st December 2007	489	2,772,497	7,914	34,357	320	(1,693,710)	1,121,867

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(1,690,637)**	(3,611)
Adjustments for:		
Interest income	**(21,915)**	(148)
Finance costs	**108**	12
Depreciation of machinery and equipment	**850**	296
Loss on disposal of machinery and equipment	**654**	179
Impairment loss recognised in respect of goodwill	**1,621,794**	—
Impairment loss on available-for-sale investment	**286**	—
Impairment loss recognised on amount due from an associate	**—**	234
Equity-settled share-based payments	**34,357**	—
Change in fair value of financial assets at fair value through profit or loss	**(460)**	—
Write back of amount due from an associate	**(189)**	—
Write back of impairment loss made in respect of trade receivables	**(100)**	(201)
Allowance for inventories	**20**	249
Operating cash flows before movements in working capital	**(55,232)**	(2,990)
(Increase) decrease in inventories	**(334)**	50
Decrease in trade receivables	**1,106**	159
Decrease in amount due from an associate	**206**	455
(Increase) in prepayments, deposits and other receivables	**(9,076)**	(4,314)
Increase in trade payables	**95**	137
Decrease in accruals and other payables	**(100,108)**	(41)
Increase (decrease) in receipts in advance	**4**	(84)
NET CASH USED IN OPERATING ACTIVITIES	**(163,339)**	(6,628)

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	NOTE	**2007** **HK$'000**	2006 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries	36	**100,488**	—
Deposit paid for acquisition of investments		**(151,980)**	(6,000)
Increase in financial assets at fair value through profit or loss		**(25,354)**	—
Interest received		**21,915**	—
Increase in loan receivable		**(7,723)**	—
Purchase of machinery and equipment		**(2,516)**	(1,057)
Proceeds on disposal of machinery and equipments		**666**	148
Decrease in pledged bank deposits		**—**	2,000
NET CASH USED IN INVESTING ACTIVITIES		**(64,504)**	(4,909)
FINANCING ACTIVITIES			
Inception of short-term bank loan		**2,400,000**	—
Repayment of short-term bank loan		**(2,400,000)**	—
Proceeds from issue of shares, net of shares issued expenses		**1,146,989**	10,765
Repayment to minority interest		**(222)**	—
Interest paid		**(108)**	(12)
Repayment to the obligations under finance leases		**(434)**	—
Increase in trust receipts bank loans		**—**	(576)
NET CASH FROM FINANCING ACTIVITIES		**1,146,225**	10,177
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**918,382**	(1,360)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**4,773**	6,039
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE		**225**	94
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by, bank balances and cash		**923,380**	4,773

1. GENERAL

China Railway Logistics Limited (the "Company") was incorporated in Bermuda on 25th February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited since 18th May 2000. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company referred to as the "Group") are set out in Note 37.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st January 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation ("Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 — The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1st January 2009
[2] Effective for annual periods beginning on or after 1st July 2009
[3] Effective for annual periods beginning on or after 1st March 2007
[4] Effective for annual periods beginning on or after 1st January 2008
[5] Effective for annual periods beginning on or after 1st July 2008

The directors of the Company anticipate that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Goodwill

Goodwill arising on an acquisition for which the agreement date is on or after 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill *(Continued)*

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate over the costs of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Machinery and equipment

Machinery and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of machinery and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Furniture, fixtures and office equipment	20%
Computer equipment	30%
Equipment on lease to customers	30%
Equipment for development	30%
Motor vehicles	30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of machinery and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Revenue from the supply, development and integration of telecommunication and computer telephony systems

Revenue from the supply, development and integration of telecommunication and computer telephony systems is recognised when the merchandise is delivered and the related development and integration services are completed.

(ii) Rental income from leasing of telecommunication and computer telephony equipment

Rental income from leasing of telecommunication and computer telephony equipment is recognised on a straight-line basis over the respective period of the leases.

(iii) Consulting and maintenance service fees

Consulting and maintenance service fees are recognised when the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue recognition *(Continued)*

(iv) Interest income from a financial asset

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(v) Revenue from sale of financial assets at fair value through profit or loss

Revenue from sale of financial assets at fair value through profit or loss is recognised when the significant risks and rewards have been passed and is on a trade date basis.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year in which they are incurred.

(i) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are charged as expense when employees have rendered service entitling them to the contributions.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

Financial assets are classified as held for trading if:

— it has been acquired principally for the purpose of selling in the near future; or

— it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivate that is not designed and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, prepayments, deposits and other receivables, loan receivable, deposits paid for acquisition of investments and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables. The Group designated a nominee membership in a golf club as available-for-sale financial asset, which is measured at cost less any identified impairment losses at balance sheet date.

At each balance sheet date and subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. (See accounting policy an impairment loss on financial assets below)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. (See accounting policy an impairment loss on financial assets below)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Impairment loss on financial assets (Continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments thorough the expected life of the financial liability, or, where appropriate, the shorter period.

Interest expense is recognized on an effective interest basis.

Other financial liabilities

Other financial liabilities including (trade payables, accruals and other payables, receipts in advance and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest rate method.

Equity investments

Equity investments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employee of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to share options reserve.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment losses on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on the translation of a foreign operation on or after 1st January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange translation reserve.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimators (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

(i) Valuation of share option granted

The share-based payment expense is subject to the limitations of the Black- Scholes-Merton Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

(b) Key sources of estimation uncertainty

(i) Depreciation

The Group's net carrying values of machinery and equipment as at 31st December 2007 was approximately HK$3,010,000 (2006: HK$1,236,000). The Group depreciates the machinery and equipment over the estimated useful lives, and after taking into account of their estimated residual value, using the straight-line method, at the rate of 20 – 30% per annum, commencing from the date the equipment is placed into productive use. The estimated useful life reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's machinery and equipment.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(ii) Estimate impairment loss of trade receivables

The policy for making impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

(iii) Allowances for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

(iv) Estimated impairment of goodwill

The acquisition of the entire equity interest in the shareholder's loan of Eternity Profit Investments Limited ("Eternity") by the Group was completed on 12th July 2007. Eternity has a 61.25% subsidiary, Onway Logistics Limited ("Onway Logistics"), which in turn has an investment in a joint venture company, the *CR Onway Freight Logistics and Transport Company Limited 中鐵安時物流運輸有限公司 (formerly known as *China Railway Television Freight and Logistics Transport Company Limited 中鐵視自備列物流運輸有限公司) ("中鐵安時"). Eternity and Onway Logistics are accounted for as subsidiaries of the Group for the year ended 31st December 2007. A goodwill arising from the acquisition of Eternity and Onway Logistics in the amount of approximately HK$1,621,794,000, which represents the excess of the aggregate cost of acquisition paid and the fair value of the identifiable assets, liabilities and contingent liabilities of Eternity and Onway Logistics on the date of completion of acquisition, has been recorded in the consolidated financial statements of the Group.

The railway logistics and transportation business of Eternity was intended to be carried out by 中鐵安時. Due to the problems encountered with 中鐵安時 principally involving the control of the board of directors of 中鐵安時 and the fact that 中鐵安時 has not been converted into a foreign Chinese cooperative joint venture, Onway Logistics has not been formally registered as a shareholder of 中鐵安時 and 中鐵安時 has not commenced any business to date. It is uncertain whether the Company would be able to resolve the problems with 中鐵安時. In view of these, the directors consider that the recoverable amount of the investment in Eternity and Onway Logistics is less than the carrying value of the investment cost and an impairment loss in the amount equal to the entire balances of the goodwill should be recognised in the consolidated financial statements of the Group for the year.

* *For identification purpose only*

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

6. FINANCIAL INSTRUMENTS

6a) Categories of financial instruments

	2007 **HK$'000**	2006 HK$'000
Financial assets		
Fair value through profit or loss (FVTPL)	**25,758**	—
Loan and receivables	**1,098,133**	17,794
Available-for-sale financial assets	**—**	286
	1,123,891	18,080

6b) Financial risk management objectives and policies

The Group's major financial instruments include equity, trade receivables, prepayments, deposits and other receivables, loan receivable, deposits paid for acquisition of investments, bank balances, financial assets at fair value through profit or loss, trade payables, accruals and other payables, receipts in advance and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b) Financial risk management objectives and policies *(Continued)*

Market risk

i) Currency risk

The Group's exposure to currency risk is minimal as all the receivables and payables of the Group are denominated in Hong Kong dollars.

ii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and unlisted investments in funds. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on equity instruments quoted in The Stock Exchange of Hong Kong Limited and on fund investments quoted by the financial institutions. In the opinion of the board of directors, the price risk related to such investments to which the Group is exposed is not material. Accordingly, no quantitative market risk disclosure for price risk has been prepared.

Credit risk

As at 31st December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the group does not have any other significant concentration of credit risk. Trade receivables consist of a large number customers, spread across diverse industries and geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's exposure to liquidity risk is minimal.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity and interest rate tables

	Weighted average effective interest rate %	Less than 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31st December 2007					
Non-derivative financial liabilities					
Obligations under finance leases	4.5	221	753	974	813
At 31st December 2006					
Non-derivative financial liabilities					
Obligations under finance leases	—	—	—	—	—

7. TURNOVER

Turnover comprises:

	2007 HK$'000	2006 HK$'000
Sales of goods	**4,462**	4,703
Rental income from leasing of telecommunication and computer telephony equipment	**2,463**	1,177
Service fees income	**4,413**	6,000
	11,338	11,880

8. SEGMENT INFORMATION

The primary segment is defined by major product and operational units, while secondary segment is defined by geographical location of customers.

(a) Primary segment

The Group is organised into three products and operational units - telecommunications products, computer telephony products and logistic business. The telecommunications products and computer telephony products units derive revenue from supply, development and integration of telecommunications and computer telephony system and solutions, respectively. They also earn rental income from leasing telecommunications equipments and computer telephony systems and earn fees for consulting and maintenance services. The logistic segment had not commenced business during the year ended 31st December 2007.

Analysis by business segment is as follows:

	2007 HK$'000	2006 HK$'000
Turnover		
— Telecommunications	**3,583**	3,404
— Computer telephony	**7,755**	8,476
— Logistic	**—**	—
	11,338	11,880
Segment results		
— Telecommunications	**1,250**	1,108
— Computer telephony	**4,346**	4,496
— Logistic	**(1,621,794)**	—
	(1,616,198)	5,604
Unallocated corporate expenses	**(96,246)**	(9,117)
	(1,712,444)	(3,513)
Interest income	**21,915**	148
Finance costs	**(108)**	(12)
Impairment loss recognised on amount due from an associate	**—**	(234)
Loss for the year	**(1,690,637)**	(3,611)

8. SEGMENT INFORMATION *(Continued)*

(a) Primary segment *(Continued)*

Analysis by business segment is as follows:

	2007 HK$'000	2006 HK$'000
Other information:		
Depreciation of machinery and equipment		
— Telecommunications	73	98
— Computer telephony	142	174
— Logistic	—	—
— Unallocated	635	24
	850	296
Capital expenditures of machinery and equipment		
— Telecommunications	107	88
— Computer telephony	—	147
— Logistic	—	—
— Unallocated	3,656	822
	3,763	1,057
Write back of impairment loss made in respect of trade receivables		
— Telecommunications	10	123
— Computer telephony	(110)	(330)
— Logistic	—	—
— Unallocated	—	6
	(100)	(201)
Allowance for inventories		
— Telecommunications	—	195
— Computer telephony	20	54
— Logistic	—	—
— Unallocated	—	—
	20	249
Loss on disposal of machinery and equipment		
— Telecommunications	2	179
— Computer telephony	—	—
— Logistic	—	—
— Unallocated	652	—
	654	179

8. SEGMENT INFORMATION *(Continued)*

(a) Primary segment *(Continued)*

	2007 HK$'000	2006 HK$'000
Other information:		
Impairment loss recognised in respect of goodwill		
— Telecommunications	—	234
— Computer telephony	—	—
— Logistic	1,621,794	—
— Unallocated	—	—
	1,621,794	234
Impairment loss recognised on amount due from an associate		
— Telecommunications	—	234
— Computer telephony	—	—
— Logistic	—	—
— Unallocated	—	—
	—	234

Analysis by business segment is as follows:

	2007 HK$'000	2006 HK$'000
Segment assets		
— Telecommunications	280	184
— Computer telephony	1,843	2,721
— Logistic	204,313	—
Unallocated corporate assets	920,837	16,621
Consolidated total assets	1,127,273	19,526
Segment liabilities		
— Telecommunications	484	472
— Computer telephony	1,611	1,610
— Logistic	—	—
Unallocated corporate liabilities	3,311	1,460
Consolidated total liabilities	5,406	3,542

8. SEGMENT INFORMATION *(Continued)*

(b) Secondary segment

Analysis by geographical location is as follows:

	2007 HK$'000	2006 HK$'000
Turnover		
— Hong Kong	**11,296**	11,346
— The People's Republic of China ("PRC")	**42**	534
	11,338	11,880

Analysis by geographical location is as follows:

	2007 HK$'000	2006 HK$'000
Segment assets		
— Hong Kong	**1,126,686**	18,076
— PRC	**587**	1,450
	1,127,273	19,526
Additions to machinery and equipment		
— Hong Kong	**3,656**	969
— PRC	**107**	88
	3,763	1,057

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest expenses on:		
— bank overdrafts and borrowings wholly repayable within five years	**66**	12
— obligations under finance leases	**42**	—
	108	12

10. INCOME TAX EXPENSE

(a) The Company is not subject to tax in Bermuda on its assessable profits or capital gains until March 2016. No tax is payable on the profit for both years arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Overseas income tax has been provided by subsidiaries based on their estimated taxable profits at the rates of taxation applicable in the respective jurisdictions in which they operate.

In March 2007, the PRC government announced for a united tax rate arrangements among different types of PRC entities which results in a reduction of income tax rate from 33% to 25% with effect from 1st January 2008. No change of tax rate is applied for the High and New Technology Enterprises ("HNTE").

According to the relevant PRC tax regulations, HNTE operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax ("EIT") rate of 15%. Proactive Technology Development (Beijing) Limited is recognised as a HNTE and accordingly is subject to EIT at 15%. The recognition as a HNTE is subject to an annual review by the relevant government bodies.

(b) The tax charge for the years can be reconciled to the loss before tax per the consolidated income statement as follows:

	2007 **HK$'000**	2006 HK$'000
Loss before tax	**(1,690,637)**	(3,611)
Tax at the domestic income tax rate of 17.5%	**(295,861)**	(632)
Tax effect of expenses not deductible for tax purpose	**300,371**	797
Tax effect of income not taxable for tax purpose	**(4,385)**	(25)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**42**	16
Tax effect of utilisation of tax losses previously not recognised	**(153)**	(138)
Others	**(14)**	(18)
Tax charge for the year	**—**	—

10. INCOME TAX EXPENSE *(Continued)*

(c) The principal components of the Group's deferred tax assets not provided for, on the cumulative temporary differences at the balance sheet date are as follows:

	Other temporary differences HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1st January 2006	325	6,270	6,595
Overprovision in prior year	—	(17)	(17)
Movement for the year	(18)	(138)	(156)
At 31st December 2006 and 1st January 2007	307	6,115	6,422
Movement for the year	(14)	(153)	(167)
At 31st December 2007	293	5,962	6,255

No potential tax benefit and other temporary differences attributable to tax losses of the Group has been recognised due to unpredictability of future profit streams (2006: Nil). At the balance sheet date, the Group had unexpired estimated tax losses available for off-setting future taxable profits of approximately HK$34,115,000 (2006: HK$34,957,000). Deferred tax asset has not been recognised for such tax losses as future profit stream is uncertain .Included in unused tax losses are losses of approximately HK$733,000 (2006: HK408,000) that will expire in 2012. Other tax losses may be carried forward indefinitely.

11. LOSS FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments (Note 12):		
Salaries and allowances	**23,817**	4,003
Contributions to retirement benefits scheme	**361**	160
Share-based payment	**34,357**	—
	58,535	4,163
Auditors' remuneration	**412**	203
Depreciation of machinery and equipment	**850**	296
Impairment loss recognised on amount due from an associate	**—**	234
Impairment loss on available-for-sale financial asset	**286**	—
Minimum lease payments under operating leases	**3,748**	880
Loss on disposal of machinery and equipment	**654**	179
Allowance for inventories	**20**	249
Cost of inventories recognised as an expense	**5,434**	4,505
Net exchange (gain) loss	**(2,567)**	25
Write back of amount due from an associate	**(189)**	—
Write back of impairment loss made in respect of trade receivables	**(100)**	(201)
Change in fair values of financial assets at fair value through profit or loss	**(460)**	—
Interest income	**(21,915)**	(148)

12. DIRECTORS' EMOLUMENTS

	2007 HK$'000	2006 HK$'000
Executive Directors:		
Fees	**—**	—
Salaries and other benefits (Note)	**13,060**	736
Contributions to retirement benefits scheme	**68**	24
Share-based payment expense	**29,787**	—
	42,915	760
Independent Non-Executive Directors:		
Fees	**411**	60
	43,326	820

12. DIRECTORS' EMOLUMENTS *(Continued)*

Note:

Other benefits include housing allowance.

No directors (2006: One director) waived his emoluments in the years ended 31st December 2007. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

The remuneration of directors and key executives is determined by the remuneration committee and having regard to the performance of individuals and market trends.

The details of directors' remuneration of each director for the two years ended 31st December 2007 and 2006 are set out below:

	For the year ended 31st December 2007						
Name of director	Non-executive directors' fees HK$'000	Executive directors' salaries HK$'000	Housing allowance HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payment HK$'000	Total HK$'000
Tsang Chi Hin (Note 4)	—	250	220	—	12	—	482
Koh Tat Lee, Michael (Note 2)	—	2,920	—	6,000	12	5,434	14,366
Lim Kwok Choi (Note 2)	—	430	—	500	12	979	1,921
Zeng Bangjian	—	360	—	60	12	5,434	5,866
Ng Kam Wing	—	440	—	400	12	5,434	6,286
Wong Chi Tak, Brence (Note 3)	—	340	—	400	4	6,253	6,997
Zhu Xirong (Note 3)	—	340	—	400	4	6,253	6,997
Lok Shing Kwan, Sunny (Notes 2, 5 & 6)	120	—	—	—	—	—	120
Wong Wing Ho, James (Notes 2 & 6)	120	—	—	—	—	—	120
Li Siu Ming (Note 1)	—	—	—	—	—	—	—
Chan Ho Wah, Terence (Note 6)	57	—	—	—	—	—	57
Chong Cha Hwa (Note 6)	57	—	—	—	—	—	57
Leung Lok Ming (Note 6)	57	—	—	—	—	—	57
	411	5,080	220	7,760	68	29,787	43,326

Notes:

1. Resigned on 1st January 2007
2. Appointed on 22nd January 2007
3. Appointed on 25th September 2007 and resigned on 20th December 2007
4. Resigned on 16th October 2007 as executive director and remains as non-executive director
5. Re-designated as executive director on 10th March 2008
6. The independent non-executive directors.

12. DIRECTORS' EMOLUMENTS *(Continued)*

Name of director	For the year ended 31st December 2006 Non-executive directors' fees HK$'000	Executive directors' salaries HK$'000	Housing allowance HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payment HK$'000	Total HK$'000
Tsang Chi Hin	—	264	192	12	—	468
Li Siu Ming (Note 8)	—	60	—	3	—	63
Zeng Bangjian (Note 7)	—	30	—	1	—	31
Ng Kam Wing (Note 7)	—	30	—	1	—	31
Lam Kim Chau (Note 4)	—	100	—	4	—	104
Wong Wai Ho (Note 5)	—	60	—	3	—	63
Leung Lok Ming (Note 9)	20	—	—	—	—	20
Chong Cha Hwa (Notes 6 & 9)	4	—	—	—	—	4
Chan Ho Wah, Terence (Note 9)	20	—	—	—	—	20
Chow Dah Jen, David (Notes 1 & 9)	—	—	—	—	—	—
Lo Wa Kei, Roy (Notes 3 & 9)	5	—	—	—	—	5
Szeto Yat Kong (Notes 2 & 9)	11	—	—	—	—	11
	60	544	192	24	—	820

Notes:

1. Resigned on 17th February 2006
2. Appointed on 1st April 2006 and resigned on 26th October 2006
3. Resigned on 1st April 2006
4. Resigned on 30th April 2006
5. Resigned on 10th May 2006
6. Appointed on 26th October 2006
7. Appointed on 1st December 2006
8. Resigned on 1st January 2007
9. The independent non-executive directors

13. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included five directors (2006: one director) of the Company, whose emoluments have been included in Note 12 above. The emoluments of the remaining four individuals for the year ended 31st December 2006 were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and allowances	—	1,326
Share-based payment	—	—
Contributions to retirement benefits scheme	—	46
	—	1,372

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

Their emoluments were within the following bands:

	No. of employees 2007	2006
— Nil to HK$1,000,000	—	4

14. DIVIDEND

No dividend was paid or proposed during the two years ended 31st December 2007 and 2006, nor has any dividend been proposed since the balance sheet date

15. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year attributable to equity holders of the Company of approximately HK$1,690,637,000 (2006: HK$3,611,000) and the weighted average of 400,296,427 (2006: 235,432,329) ordinary shares in issue during the year.

No diluted loss per share has been presented for the year ended 31st December 2007 as the outstanding share options during the year had an anti-dilutive effect on the basic loss per share.

No diluted loss per share had been presented for the year ended 31st December 2006 as there were no diluting events during the year.

16. MACHINERY AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Equipment on lease to customers HK$'000	Equipment for development HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1st January 2006	1,082	3,542	847	1,287	—	6,758
Exchange adjustment	1	—	—	—	—	1
Additions	894	37	120	6	—	1,057
Disposals	—	—	(274)	—	—	(274)
Transferred to inventories	—	—	(464)	—	—	(464)
At 31st December 2006 and 1st January 2007	1,977	3,579	229	1,293	—	7,078
Exchange adjustment	6	—	—	—	—	6
Additions	1,540	976	—	—	1,247	3,763
Disposals	(1,261)	(2,154)	—	(507)	—	(3,922)
Transferred from inventories	—	147	—	29	—	176
At 31st December 2007	2,262	2,548	229	815	1,247	7,101
Accumulated depreciation						
At 1st January 2006	1,052	3,364	364	1,109	—	5,889
Charge for the year	38	99	81	78	—	296
Written back on disposals	—	—	(95)	—	—	(95)
Transferred to inventories	—	—	(248)	—	—	(248)
At 31st December 2006 and 1st January 2007	1,090	3,463	102	1,187	—	5,842
Exchange adjustment	1	—	—	—	—	1
Charge for the year	254	235	48	64	249	850
Written back on disposals	(129)	(1,968)	—	(505)	—	(2,602)
At 31st December 2007	1,216	1,730	150	746	249	4,091
Net carrying values						
At 31st December 2007	1,046	818	79	69	998	3,010
At 31st December 2006	887	116	127	106	—	1,236

The net carrying value of motor vehicle of HK$998,000 was held under finance lease (2006: Nil).

17. INTEREST IN AN ASSOCIATE

	2007 HK$'000	2006 HK$'000
Cost of investment in an associate - unlisted in PRC	**377**	377
Share of post-acquisition losses	**(377)**	(377)
	—	—

As at 31st December 2007, the Group had interests in the following associate:

Name	Form of business structure	Place of incorporation/ operations	Class of share held	Proportion of nominal value of registered capital held by the Group	Principal activities
Beijing Teletron System Integration Company Limited ("Beijing Teletron")	Incorporated	PRC	Ordinary	40%	Trading of telecommunication products and provision of tele-commerce services

The summarised financial information in respect of the Group's associate is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	**510**	514
Total liabilities	**(2,192)**	(3,038)
Net liabilities	**(1,682)**	(2,524)
Group's share of net liabilities of the associates	**—**	—
Revenue	**1,998**	1,559
Profit (loss) for the year	**1,029**	(826)
Group's share of result of an associate for the year	**—**	—

17. INTEREST IN ASSOCIATE *(Continued)*

The Group has discontinued recognising of its share of loss of Beijing Teletron since the Group's share of loss thereof an associate has exceeded its interest in this associate. The amounts of unrecognised share of the associate, extracted from the summarised financial information in respect of the Group's associate is set out below:

	2007 HK$'000	2006 HK$'000
Unrecognised share of profit (loss) of Beijing Teletron for the year	**412**	(330)
Accumulated unrecognised share of loss of Beijing Teletron	**597**	1,009

18. GOODWILL AND DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

(a) Goodwill

	2007 HK$'000	2006 HK$'000
Goodwill arising from acquisition of subsidiaries during the year (Note 37)	**1,621,794**	—
Less: impairment loss recognised	**(1,621,794)**	—
	—	—

On 5th December 2006, Dragon Billion Limited ("Dragon Billion"), a wholly-owned subsidiary of the Group, entered into a non-legally binding memorandum of understanding (the "MOU") with Shellybeach Investment Limited ("Shellybeach") in relation to the acquisition (the "Acquisition") of the entire equity interest in Eternity. A cash deposit of HK$6,000,000 was paid upon signing of the MOU.

On 12th March 2007, Dragon Billion entered into a conditional sale and purchase agreement ("Agreement") with Shellybeach to formalise the terms and conditions of the Acquisition, which involved the acquisition of the entire equity interest in Eternity ("Sales Shares") and all obligations, liabilities and debts owing or incurred by Eternity to Shellybeach on or at any time prior to completion of the Acquisition ("Sales Loan"). The total consideration for the Sale Shares and the Sale Loan was HK$681,450,000, which was satisfied by the cash deposit of HK$6,000,000 already paid by the Group under the MOU and the balance of HK$675,450,000 by the Company allotting and issuing to Shellybeach 95,000,000 new shares (the "Consideration Shares") at an issue price of HK$7.11 each according to the terms as set out in the Agreement.

18. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS *(Continued)*

(a) Goodwill *(Continued)*

The Acquisition contemplated of the completion of a reorganisation involving (i) the formation of a joint venture, Onway Logistics, between Eternity and China Railway Investments Group (Hong Kong) Limited ("China Railway Hong Kong") , in which Eternity has a 61.25% equity interest; and (ii) the formation of another joint venture, 中鐵安時, between Onway Logistics, Guangdong China Railway Television Media Limited and Beijing Run Tong Transportation Consulting Company Limited, in which Onway Logistics has an 80% equity interest. The objective of 中鐵安時 is to participate in a project which involves the purchase of cargo trains, and management and operation of a railway transportation and related logistics business in the PRC.

The Acquisition was completed on 12th July 2007 and the Consideration Shares were issued as fully paid to Shellybeach on 12th July 2007. The Group has also contributed approximately HK$151,980,000 as capital injection into 中鐵安時.

The amount of goodwill arising from acquisition of subsidiaries represents the excess of the aggregate cost of acquisition paid and the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired on the date of acquisition. The railway logistics and transportation business of Eternity was intended to be carried out by 中鐵安時. Due to the problems encountered with 中鐵安時 principally involving the control of the board of directors of 中鐵安時 and the fact that 中鐵安時 has not been converted into a foreign Chinese cooperative joint venture, Onway Logistics has not been formally registered as a shareholder of 中鐵安時 and 中鐵安時 has not commenced any business to date. It is uncertain whether the Company would be able to resolve the problems with 中鐵安時. In view of these, the directors consider that the recoverable amount of the investment in Eternity and Onway Logistics is less than the carrying value of the investment cost and an impairment loss in the amount equal to the entire balances of the goodwill should be recognised in the consolidated financial statements of the Group for the year.

(b) Deposits paid for acquisition of investments

	2007 **HK$'000**	2006 HK$'000
Deposits paid	**151,980**	6,000

The balance as at 31st December 2007 refers to the capital investment of the Group in 中鐵安時 and the balance as at 31st December 2006 refers to the deposit paid under the MOU as set out in Note 18(a).

19. AVAILABLE-FOR-SALE FINANCIAL ASSET

The asset represents a nominee membership in a golf club in the PRC. It is measured at cost less impairment at each balance sheet date.

	2007 **HK$'000**	2006 HK$'000
Cost		
At 1 January	**286**	286
Impairment loss recognised during the year	**(286)**	—
At 31 December	**—**	286

20. LOAN RECEIVABLE

The loan receivable is unsecured and bears interest at 4% per annum. The balances will be settled by 25 installments and settled in full in December 2009.

The exposure of the Group's fixed-rate loan receivables to interest rate risks.

	2007 **HK$'000**	2006 HK$'000
Analysed for reporting purposes as:		
Current	**3,900**	—
Non-current	**3,823**	—
	7,723	—

21. INVENTORIES

	2007 **HK$'000**	2006 HK$'000
Inventories consisted of:		
Telecommunication and computer telephony hardware products	**478**	320
Less : Allowance for obsolete and slow-moving inventories	**(130)**	(110)
	348	210

As at 31st December 2007, inventories of approximately HK$348,000 (2006: HK$192,000) were stated at net realisable value.

22. TRADE RECEIVABLES

	2007 HK$'000	2006 HK$'000
Account receivables	**1,978**	2,513
Retention receivables	**624**	1,195
	2,602	3,708
Less: Impairment loss recognised	**(1,626)**	(1,726)
	976	1,982

The Group normally grants to its customers credit period ranging from 30 days to 60 days. Aging analysis of gross trade receivables is as follows:

	2007 HK$'000	2006 HK$'000
0 to 1 month	**662**	1,771
1 to 2 months	**380**	114
2 to 3 months	**12**	46
3 to 6 months	**7**	26
6 to 9 months	**1**	50
9 to 12 months	**88**	219
Over 12 months	**1,452**	1,482
	2,602	3,708

The movements in provision for impairment losses of trade receivables were as follows:

	2007 HK$'000	2006 HK$'000
At 1st January	**1,726**	2,502
Write back of impairment loss made in previous years	**(100)**	(201)
Write off during the year	**—**	(575)
At 31st December	**1,626**	1,726

22. TRADE RECEIVABLES *(Continued)*

At 31st December 2006 and 2007, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**< 90 days**	**91 to 180 days**	**181 to 360 days**	**1 to 2 years**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31st December 2006	1,982	1,675	41	24	242	—
31st December 2007	976	879	11	7	79	—

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures. No impairment provision is required for the past due balances based on the historical payment records.

The fair value of the Group's trade receivables at the balance sheet date approximates to the corresponding carrying amount due to their short-term maturities.

All trade receivables are denominated in Hong Kong dollars.

23. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, non-interest bearing and repayable on demand.

The fair value of the Group's amount due from an associate at the balance sheet date approximates to the corresponding carrying amount due to their short-term maturities.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2007 HK$'000	2006 HK$'000
Prepayments, deposits and other receivables consisted of:		
Prepayments	**648**	1,549
Rental and utility deposits	**2,625**	327
Other receivables	**4,847**	3,146
Receivable from the placing agent	**5,978**	—
	14,098	5,022

The fair value of the Group's prepayments, deposits and other receivables at the balance sheet date approximates to the corresponding carrying amount due to their short-term maturities.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss consisted of:

	2007 HK$'000	2006 HK$'000
Listed securities held for trading, at fair value		
— Equity securities listed in Hong Kong	**1,451**	—
Unlisted investment in funds, at fair value	**24,307**	—
	25,758	—

The fair values of the above listed securities and funds are determined based on the quoted market bid prices available on the relevant exchanges and quoted prices provided by the financial institutions, respectively.

The Group's unlisted investment in funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2007 '000	2006 '000
USD	**3,117**	—

26. BANK BALANCES AND CASH

Bank balances comprise short-term bank deposits of approximately HK$923,356,000 (2006: HK$4,128,000) at prevailing market rate.

The fair value of the Group's bank balances at the balance sheet date approximates to the corresponding carrying amount due to their short-term maturities.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2007 **'000**	2006 '000
Amounts denominated in:		
RMB	**47**	—

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2007 **'000**	2006 '000
United Stated Dollar ("USD")	**32,467**	46

27. TRADE PAYABLES

The Group is normally granted by its vendors credit periods ranging from 0 day to 30 days. Aging analysis of trade payables is as follows:

	2007 **HK$'000**	2006 HK$'000
0 to 1 month	**524**	178
1 to 2 months	**232**	351
2 to 3 months	**165**	297
3 to 6 months	**—**	—
6 to 12 months	**—**	—
Over 12 months	**52**	52
	973	878

The fair value of the Group's trade payables at the balance sheet date approximates to the corresponding carrying amount due to their short-term maturities.

All trade payables are denominated in Hong Kong dollars.

28. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease of its motor vehicle under finance leases. The lease term is 5 years. Interest rate underlying all obligations under finance leases are fixed at the contract dates at 4.5%. The lease has no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**221**	—	**159**	—
In more than one year but not more than two years	**441**	—	**360**	—
In more than two years but not more than five years	**312**	—	**294**	—
	974	—	**813**	—
Less: future finance charges	**(161)**	—	**—**	—
Present value of lease obligations	**813**	—	**813**	—
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(159)**	—
Amount due for settlement after 12 months			**654**	—

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Finance leases obligations are denominated in Hong Kong dollars.

29. SHARE CAPITAL

	2007 Number of shares '000	2007 Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1st January 2007 and 31st December 2007	**100,000,000**	**100,000**
Issued and fully paid ordinary shares of HK$0.001 each		
At 1st January 2007	**278,400**	**278**
Issue of shares on 26th March 2007 (Note a)	**55,000**	**55**
Issue of shares on 13th June 2007 (Note b)	**49,766**	**50**
Issue of shares on 25th June 2007 (Note c)	**11,148**	**11**
Issue of shares on 28th June 2007 (Note d)	**95,000**	**95**
Ordinary shares of HK$0.001 each at 31st December 2007	**489,314**	**489**

	2006 Number of shares '000	2006 Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 1st January 2006	1,000,000	100,000
Share sub-divided upon capital reduction (Note e)	99,000,000	—
Ordinary shares of HK$0.001 each at 31st December 2006	100,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1st January 2006	232,000	23,200
Capital reduction (Note e)	—	(22,968)
Issue of new shares of HK$0.001 each (Note f)	46,400	46
Ordinary shares of HK$0.001 each at 31st December 2006	278,400	278

29. SHARE CAPITAL *(Continued)*

Notes:

(a) On 26th March 2007, 55,000,000 new shares of the Company were issued at HK$7.11 per share for cash by way of placing.

(b) On 13th June 2007, 49,766,000 new shares of the Company were issued at HK$13 per share for cash by way of placing.

(c) On 25th June 2007, 11,148,000 new shares of the Company were issued at HK$14 per share for cash by way of placing.

(d) On 28th June 2007, 95,000,000 new shares of the Company were issued as nil paid as part of the consideration pending completion of the Acquisition of the entire equity interest in Eternity. The Consideration Shares were credited as fully paid upon completion of the Acquisition on 12th July 2007 at the closing published price of the shares of the Company of HK$17 per share on 12th July 2007. The share premium relating to the Consideration Shares was initially recorded in the consolidated financial statements of the Company on date of completion of the Acquisition based on agreed issue price of HK$7.11 per Consideration Shares as provided in the Agreement, and reflected in note 7 "Statement of change in equity" in the third quarterly report of the Company as at 30th September 2007. In accordance with HKFRS 3 "Business Combination", the share premium amount arising from the issue of the Consideration Shares was subsequently adjusted based on the published price of HK$17 per share and the adjusted share premium amount is included in the consolidated financial statements of the Company as at 31st December 2007.

(e) By a resolution passed at the special general meeting of the Company held on 31st October 2006, it was resolved that with effect from 1st November 2006:

   (i) the nominal value of the shares in issue was reduced from HK$0.10 each to HK$0.001 each by canceling the issued share capital to the extent of HK$0.099 paid up on each of the issued shares ("Capital Reduction");

   (ii) all the authorised share capital of the Company of HK$100,000,000 will be divided into 100,000,000,000 shares of HK$0.001 each in the share capital of the Company upon the Capital Reduction which rank pari passu with the then existing shares of the Company;

   (iii) the credit arising from the Capital Reduction was entirely transferred to the contributed surplus account of the Company;

   (iv) the entire amount standing to the credit of the share premium account of the Company as at 30th June 2006 was cancelled ("Share Premium Reduction") and the credit arising from the Share Premium Reduction was entirely transferred to the contributed surplus account of the Company; and

   (v) an amount equivalent to the amount of the accumulated losses of the Company as at 30th June 2006 was applied from the contributed surplus account against such accumulated losses in full.

   Details of the above were set out in the circular of the Company dated 6th October 2006.

(f) 46,400,000 shares of HK$0.001 each were issued and allotted to a third party at HK$0.241 per share, representing a discount of approximately 19.67% on the closing price of HK$0.30 per share on 20th November 2006 under a private share placement. The shares issued expenses amounting to HK$417,000 had been deducted from the share premium account. Shares were issued under the general mandate granted to the directors on 28th April 2006.

All the above shares rank pari passu in all respect with the existing ordinary shares in issue.

30. SHARE OPTION SCHEME

The Company has adopted a Share Option Scheme on 3rd May 2000 ("Share Option Scheme"), pursuant to which it may grant options to employees (including executive directors) and consultants of the Group to subscribe for shares in the Company. Pursuant to the Share Option Scheme, options were granted on 30th June 2000 to executive directors and other employees of the Group to subscribe for an aggregate of 19,420,000 shares in the Company at a price of HK$1.30 per share, during the exercise period from 1st July 2003 to 30th June 2010. No options were granted during the year ended 31st December 2007 under the Share Option Scheme.

Pursuant to resolutions passed at a special general meeting of the shareholders held on 13th November 2002, the Company terminated the Share Option Scheme and adopted a new share option scheme ("New Share Option Scheme") in order to comply with the new requirements of Chapter 23 of GEM Listing Rules effective on 1 October 2001. Under the terms of the New Share Option Scheme, the board of directors of the Company may, at their discretion, grant options to the participants fall within the definition prescribed in the New Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries, etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5 million must be approved by the Company's shareholders.

The New Share Option Scheme will remain in force for a period of 10 years from 13th November 2002. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

During the year ended 31st December 2007, options were granted to executive directors, other employees and consultants of the Group to subscribe for an aggregate of 20,050,000 shares in the Company under the New Share Option Scheme. 13,390,000 shares will be subscribed at a price of HK$7.35 per share, during the exercise period from 3rd April 2007 to 2nd April 2017, and 6,660,000 shares will be subscribed at a price of HK$9.25 per share, during the exercise period from 10th October 2007 to 9th October 2017.

30. SHARE OPTION SCHEME *(Continued)*

Movements of the share options during the two years ended 31 December 2007 and 2006 were:

For the year ended 31st December 2007

	Date of grant	Exercisable period	Subscription price per share HK$	Number of share options: Outstanding at 1st January 2007	Granted during the year	Cancelled/ lapsed during the year	Outstanding at 31st December 2007
Directors	**3/4/2007**	**3/4/2007-2/4/2017**	**7.35**	**—**	**10,590,000**	**—**	**10,590,000**
Directors	**10/10/2007**	**10/10/2007-9/10/2017**	**9.25**	**—**	**6,660,000**	**(6,660,000)**	**—**
Employees	**3/4/2007**	**3/4/2007-2/4/2017**	**7.35**	**—**	**1,300,000**	**—**	**1,300,000**
Consultants	**3/4/2007**	**3/4/2007-2/4/2017**	**7.35**	**—**	**1,500,000**	**—**	**1,500,000**
				—	**20,050,000**	**(6,660,000)**	**13,390,000**

For the year ended 31st December 2006

	Date of grant	Exercisable period	Subscription price per share HK$	Number of share options: Outstanding at 1st January 2006	Granted during the year	Cancelled/ lapsed during the year	Outstanding at 31st December 2006
Directors	30/6/2000	1/7/2003 to 30/6/2010	1.30	3,000,000	—	(3,000,000)	—
Employees	30/6/2000	1/7/2003 to 30/6/2010	1.30	660,000	—	(660,000)	—
				3,660,000	—	(3,660,000)	—

30. SHARE OPTION SCHEME *(Continued)*

During the year ended 31st December 2007, options were granted on 3rd April 2007 and 10th October 2007. These fair values were calculated using the Black-Scholes-Merton Option Pricing Model and the estimated fair values of the options granted on those dates are approximately HK$21,851,000 and HK$12,506,000 respectively. The inputs into the model were as follows:

	Date of grant	
	3rd April	10th October
Date of grant	2007	2007
Closing share price on date of grant	HK$7.35	HK$9.25
Exercise price	HK$7.35	HK$9.25
Risk free rate	3.685%	3.668%
Expected volatility	64.33%	50.84%

Expected volatility was determined by using the historical volatilities of the Company's share prices of the comparable companies over the period that is equal to the expected life before the grant date.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group had commitments for future minimum lease payments in respect of premises under various non-cancellable operating leases which fall due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**8,750**	1,412
In the second to fifth year inclusive	**25,186**	1,073
	33,936	2,485

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Both leases are negotiated and rentals are fixed for an average of 3 years.

32. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of PRC representative office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries are charged as expenses when the employees have rendered services entitling to them to the contribution. The employer contributions vest fully once they are made. The Group's Hong Kong employees are covered by the mandatory provident fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' cash income with the maximum contribution by each of the Group and the employees limited to HK$1,000 per month.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$361,000 (2006: HK$160,000). There were no material forfeitures available to offset the Group's future contributions for the two years ended 31st December 2006 and 2007.

33. RELATED PARTY TRANSACTIONS

(a) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007 **HK$'000**	2006 HK$'000
Short-term benefits	**13,471**	796
Other long-term benefits	**68**	24
Share-based payment	**29,787**	—
	43,326	820

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(b) Amount due from an associate

The amount due from an associate is set out in the consolidated balance sheet on page 70 and Note 23.

33. RELATED PARTY TRANSACTIONS *(Continued)*

(c) During the year, the Group entered into the following transactions with related parties:

	2007 HK$'000
Octilla Capital Limited ("Octilla") Consultancy fee paid (Note)	**5,810**

Note: Mr. Kwong Wai Ho, Richard, the director of Onway Logistics and Mr. Yau Hoi Kin, the director of Adore International Limited, a wholly-owned subsidiary of the Group, were the directors of Octilla.

34. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31st December 2007, the Group entered into finance lease arrangements in respect of motor vehicle with a total value at the inception of the lease of approximately HK$1,247,000.

(b) On 28th June 2007, 95,000,000 new shares of the Company were issued as nil paid as part of the consideration pending completion of the Acquisition of the entire equity in Eternity. The consideration shares were credited as fully paid upon completion of the Acquisition on 12th July 2007 at the closing publishing price of the Shares of the Company of HK$17 per share on 12th July 2007. The fair value of the ordinary share of the Company, determined during the published price available at the date of acquisition, was HK$17 per share.

35. CAPITAL COMMITMENT

	2007 HK$'000	2006 HK$'000
Capital expenditure in respect of the acquisition of 中鐵安時 contracted for but not provided in the consolidated financial statements	**53,453**	—

36. ACQUISITIONS OF SUBSIDIARIES

On 12th July 2007, the Group acquired the entire issued share capital of Eternity for a total consideration of approximately HK$1,621,000,000 which was satisfied by the cash deposit of HK$6,000,000 already paid by the Group in 2006 and allotting and issuing 95,000,000 new shares at the published price available at the date of acquisition. Eternity held 61.25% equity interests in Onway Logistics. This acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$1,621,794,000.

The fair values of identifiable assets and liabilities of Eternity and its subsidiary as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	HK$'000
Net liabilities acquired:	
Bank balances and cash	100,488
Deposits paid for acquisition of investments	100,000
Accruals and other payables	(201,060)
Amount due to minority interest	(222)
	(794)
Goodwill	1,621,794
	1,621,000
Total consideration satisfied by:	
Deposit paid for acquisition of investment in prior year	6,000
Shares issued (Note 29(d))	1,615,000
	1,621,000
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	100,488
	100,488

Eternity and Onway Logistics did not contribute any revenue nor result to the Group for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on 1st January 2007, total Group's revenue and result for the year would not be changed.

37. SUBSIDIARIES

Details of the subsidiaries as at 31st December 2007 are as follows:

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
CentreWorld Holding Limited	British Virgin Islands ("BVI")	Ordinary	US$1,029	100%	Investment holding
Eternity	BVI	Ordinary	USD50,000	100%	Investment holding
Interworth, Inc	BVI	Ordinary	US$100	100%	Investment holding
Onway Logistics	Hong Kong	Ordinary	HK$10,000	61.25%	Investment holding
Proactive Technology Limited	Hong Kong	Ordinary	HK$1,000,000	100%	Provision of telecommunications and computer telephony solutions
Proactive International Limited	Hong Kong	Ordinary	HK$100,000	100%	Trading of telecommunication products and provision of management consultancy
Adore International Limited	BVI	Ordinary	US$1	100%	Not yet commence business
Retford Group Limited	BVI	Ordinary	US$1	100%	Not yet commence business
Walker Consultants Limited	BVI	Ordinary	US$1	100%	Not yet commence business
Perfect Choice Management Limited	BVI	Ordinary	US$1	100%	Not yet commence business
China Railway Logistics Limited	BVI	Ordinary	US$1	100%	Not yet commence business
Netwin Worldwide Limited	BVI	Ordinary	U$100	100%	Investment holding

37. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Proactive Technology Development (Beijing) Limited (Note)	PRC	Ordinary	RMB5,000,000	100%	Trading of telecommunication products and provision of tele-commerce services
Dragon Billion	Hong Kong	Ordinary	HK$1	100%	Investment holding
Money Holder Limited	Hong Kong	Ordinary	HK$10,000	100%	Not yet commence business
Proactive Technology Holdings Limited (formerly known as "China Railway Logistic Limited")	Hong Kong	Ordinary	HK$1	100%	Not yet commence business

Note: The Company is a wholly foreign owned enterprise in the PRC.

None of the subsidiaries had any debt securities subsisting at end of the year or at any time during the year.

38. COMPARATIVE FIGURES

Certain comparative amounts for the year ended 31st December 2006 have been reclassified to conform with the current year's presentation. Deposits paid for acquisition of investments has been reclassified from the prepayments, deposits and other receivables as separate line item in the consolidated balance sheet.

Five-Year Financial Summary

RESULTS

	For the year ended 31st December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**11,338**	11,880	20,982	17,515	30,459
Cost of sales	**(5,742)**	(5,049)	(11,524)	(9,386)	(12,297)
Gross profit	**5,596**	6,831	9,458	8,129	18,162
	49%	58%	45%	46%	60%
Other income	**26,529**	1,101	489	—	—
Distribution and selling expenses	**(25)**	(23)	(34)	(20)	(63)
Administrative expenses	**(100,835)**	(11,422)	(11,442)	(15,479)	(21,692)
Impairment loss recognised in respect of goodwill	**(1,621,794)**	—	—	—	—
Finance costs	**(108)**	136	57	(25)	(41)
Loss on disposal of/provision for impairment in value of investment in an associate	**—**	—	—	—	(770)
Allowance for amount due from an associate	**—**	(234)	—	—	—
Loss on investments	**—**	—	(94)	—	—
Share of result of an associate	**—**	—	(198)	198	(377)
Loss before tax	**(1,690,637)**	(3,611)	(1,764)	(7,197)	(4,781)
Income tax expense	**—**	—	—	(51)	(81)
Loss for the year	**(1,690,637)**	(3,611)	(1,764)	(7,248)	(4,862)
Attributable to:—					
Equity holders of parent	**(1,690,637)**	(3,611)	(1,764)	(7,248)	(4,862)
Minority interests	**—**	—	—	—	—
	(1,690,637)	(3,611)	(1,764)	(7,248)	(4,862)

ASSETS AND LIABILITIES

	As at 31st December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**158,813**	1,522	1,155	2,475	3,339
Total current assets	**968,460**	18,004	12,196	15,274	20,248
Total current liabilities	**(4,752)**	(3,542)	(4,616)	(7,347)	(5,950)
Total non-current liabilities	**(654)**	—	—	—	—
Equity attributable to equity holders of the parent	**1,121,867**	15,984	8,735	10,402	17,637
Minority interests	**—**	—	—	—	—