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

(FORMERLY KNOWN AS "**PROACTIVE TECHNOLOGY HOLDINGS LIMITED**")
(前稱「**寶訊科技控股有限公司***」)
(incorporated in Bermuda with limited liability)
(Stock code: 8089)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2007

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 announcement, 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 Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules") 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

** For identification purposes only*

HIGHLIGHTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2007

- The Group generated a turnover of approximately HK$11,338,000, representing a decrease of HK$542,000 or 5% as compared with 2006's HK$11,880,000.
- Consolidated net loss increased to approximately HK$1,690,637,000 from HK$3,611,000 of the previous financial year.
- The gross profit amounted to approximately HK$5,596,000 (2006: HK$6,831,000). The gross profit margin was approximately 49% (2006: 58%).
- The administrative expenses for year 2007 increased by 765% to HK$100,835,000 as compared with year 2006's figure of HK$11,656,000.

The board of directors (the "Board") of China Railway Logistics Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group" or "China Railway") for the year ended 31st December 2007, together with the comparative audited figures for 2006 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2007

	NOTES	**2007** *HK$'000*	2006 *HK$'000*
Turnover	*3*	**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	*5(a)*	**(1,621,794)**	—
Finance costs		**(108)**	(12)
Loss before tax		**(1,690,637)**	(3,611)
Income tax expense	*6*	**—**	—
Loss for the year	*7*	**(1,690,637)**	(3,611)
Dividend	*8*	**—**	—
Loss per share			
— Basic	*9*	**(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		**3,010**	1,236
Interest in an associate		**—**	—
Goodwill	5(a)	**—**	—
Deposits paid for acquisition of investments	5(b)	**151,980**	6,000
Available-for-sale financial asset		**—**	286
Loan receivable		**3,823**	—
		158,813	7,522
Current assets			
Inventories		**348**	210
Trade receivables	10	**976**	1,982
Amount due from an associate		**—**	17
Prepayments, deposits and other receivables		**14,098**	5,022
Financial assets at fair value through profit or loss		**25,758**	—
Loan receivable		**3,900**	—
Bank balances and cash		**923,380**	4,773
		968,460	12,004
Current liabilities			
Trade payables	11	**973**	878
Accruals and other payables		**3,064**	2,112
Receipts in advance		**556**	552
Obligations under finance leases		**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		**654**	—
Net assets		**1,121,867**	15,984
Capital and reserves			
Share capital	12	**489**	278
Reserves		**1,121,378**	15,706
Total equity		**1,121,867**	15,984

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1st January 2007. The adoption of the new HKFRSs has no material effect on the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior periods adjustment has been required.

The Group has not early applied the new and revised standards or interpretations that have been issued but are not yet effective for the Group's current financial year. 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.

2. INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Basis for disclaimer of opinion

SHINEWING (HK) CPA Limited, the auditors of the Company, has issued a disclaimer of opinion on the consolidation financial statements of the Group for the year ended 31st December 2007. A summary of their opinion is set out below:

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 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.

3. 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

4. SEGMENT INFORMATION

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)

4. SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(a) Primary segment *(Continued)*

Analysis by business segment is as follows:

	2007	2006
	HK$'000	*HK$'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

4. SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(a) Primary segment *(Continued)*

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

Analysis by business segment is as follows:

	2007	2006
	HK$'000	*HK$'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

4. SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(b) Secondary segment *(Continued)*

Analysis by geographical location is as follows:

	2007	2006
	HK$'000	*HK$'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	2006
	HK$'000	*HK$'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

5. GOODWILL AND DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

(a) Goodwill

	2007	2006
	HK$'000	*HK$'000*
Goodwill arising from acquisition of subsidiaries during the year	**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 Profit Investments Limited ("Eternity"). A cash deposit of HK$6,000,000 was paid upon signing of the MOU.

5. GOODWILL AND DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS *(Continued)*

(a) Goodwill *(Continued)*

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.

The Acquisition contemplated the completion of a reorganisation involving (i) the formation of a joint venture, Onway Logistics Limited ("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, #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) ("PRC JV" or「中鐵安時」), between Onway Logistics, Guangdong China Railway Television Media Limited ("Guangdong China Railway") and Beijing Run Tong Transportation Consulting Company Limited ("Beijing Run Tong"), in which Onway Logistics has an 80% equity interest. The objective of the 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 the 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.

For identification purpose only.

(b) Deposits paid for acquisition of investments

	2007	2006
	HK$'000	*HK$'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 5(a).

6. 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	2006
	HK$'000	*HK$'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	**—**	—

(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	**Estimated tax losses**	**Total**
	HK$'000	*HK$'000*	*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

6. INCOME TAX EXPENSE *(Continued)*

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.

7. LOSS FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and allowances	**23,817**	4,003
Contributions to retirement benefits scheme	**361**	160
Share-based payment expense	**34,357**	—
	58,535	4,163
Auditors' remuneration	**412**	203
Depreciation of machinery and equipment	**850**	296
Impairment loss recognised in respect of goodwill	**1,621,794**	—
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)

8. DIVIDEND

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

9. 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.

10. TRADE RECEIVABLES

	2007	2006
	HK$'000	*HK$'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	2006
	HK$'000	*HK$'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

10. TRADE RECEIVABLES *(Continued)*

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

	2007	2006
	HK$'000	*HK$'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

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.

11. 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	2006
	HK$'000	*HK$'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.

12. SHARE CAPITAL

	2007	
	Number of shares	**Nominal value**
	'000	*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 new shares on 26th March 2007 (Note a)	55,000	55
Issue of new shares on 13th June 2007 (Note b)	49,766	50
Issue of new shares on 25th June 2007 (Note c)	11,148	11
Issue of new 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	Nominal value
	'000	*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

Notes:

(a) On 26th March 2007, 55,000,000 new shares of the Company were issued at HK7.11 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.

12. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(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.

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31st December 2007.

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 31 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 7 to the accounts above) 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$1,621,794,000 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 favourable 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 5 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 9 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 (the "PRC Board") of the PRC JV. 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 9 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 31 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 95% 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 know-how.

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 of the Company 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 12a to d to the consolidated balance sheet of this announcement.

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$58,535,000 (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).

CODE ON CORPORATE GOVERNANCE

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules ("CG Code") for the year ended 31st December 2007 except the following deviation:

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 from the posts as the Chairman and Chief Executive officer of the Company on 16th October 2007, no replacement of the posts of the Chairman and Chief Executive officer has since been fixed. 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.

Under the code provision B.1.3 of the CG Code, the terms of reference of the remuneration committee should include, amongst other things, that it have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time. During the year, the salary increment of, and bonus payment to, certain directors have not been reviewed by the remuneration committee.

The Board will ensure that relevant matters relating to remuneration of directors and senior management will be considered in accordance with the terms of reference of the remuneration committee in future.

BOARD PRACTICE AND PROCEDURES

During the year ended 31st December 2007, the Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules.

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.

FORMATION OF 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 has in conjunction with the auditors of the Company reviewed the Company's financial statements for the year ended 31st December 2007.

As at the date of this announcement, the Company's audit committee comprises three independent non-executive Directors, namely Mr. Chan Ho Wah, Terence (the chairman of this committee), Mr. Leung Lok Ming and Mr. Chong Cha Hwa.

OTHER BOARD COMMITTEES

The Company has established a remuneration committee and a nomination committee on 12th August 2005, with written terms of reference clearly defining the role, authority and function of the committees.

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 announcement, 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**		**Total consideration (before expenses)**
		Lowest	**Highest**	
		HK$	*HK$*	*HK$*
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.

By order of the Board
LIM KWOK CHOI
Chairman

Hong Kong, 28th March 2008

As at the date of this announcement, the Company's executive directors are Mr. Lim Kwok Choi, Mr. Lok Shing Kwan, Sunny, Mr. Zeng Bangjian, Mr. Ng Kam Wing and Mr. Koh Tat Lee, Michael; the Company's non-executive director is Mr. Tsang Chi Hin; and the Company's independent non-executive directors are Mr. Leung Lok Ming, Mr. Chan Ho Wah, Terence, Mr. Chong Cha Hwa and Dr. James Wing Ho Wong.