藍帆科技控股有限公司*

LINEFAN TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

Stock Code: 8166

Annual Report 2008

* For Identification Purpose Only

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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 traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Linefan Technology Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and no misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this 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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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*
(appointed as Executive Director on 30 September 2008)
(appointed as Chief Executive Officer on 13 October 2008)
Mr. Chu Yu Man, Philip
(appointed on 30 September 2008)
Mr. Wang Yong
(resigned on 30 September 2008)
Mr. Dai Fan
(resigned on 30 September 2008)
Mr. Zhu Guang Bo
(resigned on 30 September 2008)

Non-executive Director

Mr. Tang Shun Lam *(Chairman)*
(appointed as Non-executive Director on 30 September 2008)
(appointed as Chairman on 13 October 2008)

Independent Non-executive Directors

Mr. Yeung Chi Tat
(appointed on 30 September 2008)
Mr. Cheung Tak Shum
(appointed on 30 September 2008)
Mr. Chow Pui Mau, William
(appointed on 24 October 2008)
Mr. Lau Tin Cheung
(appointed on 30 December 2008)
Mr. Chan Yat Tung, Peter
(resigned on 30 September 2008)
Mr. Feng Jue Min
(resigned on 30 September 2008)
Mr. Zhang Gong
(resigned on 30 September 2008)

AUTHORISED REPRESENTATIVES

Mr. Tsang Chi Hin
(appointed on 30 September 2008)
Mr. Chu Yu Man, Philip
(appointed on 13 March 2009)
Mr. Ling Chun Kwok
(resigned on 13 March 2009)
Mr. Wang Yong
(resigned on 30 September 2008)

AUDIT COMMITTEE

Mr. Yeung Chi Tat *(Chairman)*
(appointed on 30 September 2008)
Mr. Tang Shun Lam
(appointed on 30 September 2008)
Mr. Cheung Tak Shum
(appointed on 30 September 2008)
Mr. Chow Pui Mau, William
(appointed on 24 October 2008)
Mr. Lau Tin Cheung
(appointed on 30 December 2008)
Mr. Chan Yat Tung, Peter
(resigned on 30 September 2008)
Mr. Feng Jue Min
(resigned on 30 September 2008)
Mr. Zhang Gong
(resigned on 30 September 2008)

NOMINATION COMMITTEE

Mr. Tsang Chi Hin *(Chairman)*
(appointed on 30 September 2008)
Mr. Yeung Chi Tat
(appointed on 30 September 2008)
Mr. Cheung Tak Shum
(appointed on 30 September 2008)
Mr. Lau Tin Cheung
(appointed on 30 December 2008)
Mr. Chan Yat Tung, Peter
(resigned on 30 September 2008)
Mr. Feng Jue Min
(resigned on 30 September 2008)
Mr. Zhang Gong
(resigned on 30 September 2008)

REMUNERATION COMMITTEE

Mr. Cheung Tak Shum *(Chairman)*
(appointed on 30 September 2008)
Mr. Tang Shun Lam
(appointed on 30 September 2008)
Mr. Yeung Chi Tat
(appointed on 30 September 2008)
Mr. Lau Tin Cheung
(appointed on 30 December 2008)
Mr. Chan Yat Tung, Peter
(resigned on 30 September 2008)
Mr. Feng Jue Min
(resigned on 30 September 2008)
Mr. Zhang Gong
(resigned on 30 September 2008)

COMPLIANCE OFFICER

Mr. Tsang Chi Hin
(appointed on 30 September 2008)
Mr. Wang Yong
(resigned on 30 September 2008)

COMPANY SECRETARY

Mr. Cheung Yuk Chuen

AUDITOR

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1901, Henan Building,
90 Jaffe Road, Wanchai,
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (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

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Limited

GEM STOCK CODE

8166

WEBSITE ADDRESS

www.aplushk.com/clients/8166linefan/index.html

Chairman's Statement

2008 is a year full of challenges and uncertainties. In view of the world economic meltdown showed no signs of abating and the industry was confronted by the adverse impact of the changes in the national telecommunication policies, the Company and its subsidiaries (the "Group") reviewed and revamped its strategies. Instead of merely focusing on value-added telecommunication business, the Group is dedicating efforts in being a one-stop value chain provider by providing total technical service for the advanced manufacturing industry in telecommunication, technology market and government sectors.

BUSINESS REVIEW

Despite the development of 3G technology in China is still at its infancy and uncertainty prevails, the Group remained confident that the continued development of the 3G technology in China could create substantial opportunities for our telecommunication business that we can further tap into. The need resulted in developing the 3G network infrastructure, and the widespread of advanced hand-held terminals incorporating the use of data and voice, both are beneficial for the advanced manufacturing industry. Against this backdrop, the Group has already secured some millions of business especially related to the 3G infrastructure business in the last quarter and the first quarter of 2009. Meanwhile, the Group has been utilizing its current relationships in the telecommunication sector to expand into new products and services.

The Group has gradually slowed down the voice portal business – the provision of content service for telecommunication sector, and an impairment was made. Though the investment in the voice portal software technology of the Group was impaired from the accounts for the year, the Group is still optimistic about the transition from 2G to 3G technology in China and will redeploy resources to the business when the opportunities rise again.

The 4th quarter of 2008 posed numerous challenges for many companies in the market but we do see great opportunity in these developments. In order to increase shareholder value, we concentrated in developing a total solution strategy and pursuing to become the leader in one-stop value chain provider for the government sector, advanced manufacturing, information technology and telecommunication industries throughout the Greater China region. By leveraging our experience and competence as a preeminent supplier, we succeeded in expanding our scope of service provision into supply chain management, logistic management, distribution services, and customer focused design solutions. In the last quarter of 2008, we successfully brought in new business in 3G telecom industry.

The Group has also explored new business opportunities in other areas. In January 2009, Anson Development Limited, a wholly-owned subsidiary of the Company, has entered into a Memorandum of Understanding with an independent third party in relation to cooperating, by way of (but not limited to) strategic partnership and alliance, financial support or equity investment, in the realms of waste-to-energy technology and services in China.

APPRECIATION

I would like to take this opportunity to express my sincere thanks to our valuable shareholders and customers, and to our committed staff for their contributions to the continual business growth of the Group. I am also grateful to the management of the Group for their efforts and contributions throughout the year. Looking forward, we will try our best to reward the shareholders with the most fruitful return.

Tang Shun Lam
Chairman

Hong Kong, 13 March 2009

EXECUTIVE DIRECTORS

Mr. Tsang Chi Hin, aged 50, was appointed as an executive Director on 30 September 2008 and chief executive officer on 13 October 2008. Mr. Tsang is also the chairman and member of nomination committee of the Company. Mr. Tsang was an executive Director, Chairman and Chief Executive Officer of China Railway Logistics Limited (formerly known as Proactive Technology Holdings Limited), which is listed on Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Tsang resigned as executive Director, Chairman and Chief Executive Officer of China Railway Logistics Limited on 16 October 2007 and remained as a non-executive Director until 17 October 2008. He is the co-founder of China Railway Logistics Limited and its subsidiaries and he was 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.

Mr. Tsang is a connected person to the controlling shareholder of the Company, Top Status International Limited (a wholly-owned subsidiary of China Railway Logistics Limited) which is interested in 53,727,600 shares of the Company, representing approximately 69.54% of the issued share capital of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). Saved as disclosed above, Mr. Tsang is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Tsang did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Tsang was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Chu Yu Man, Philip, aged 52, was appointed as an executive Director on 30 September 2008. Mr. Chu has over 25 years of extensive experience in sales and development of electronic and telecommunication products. Mr. Chu previously served as the sales and marketing director for a United States of America based company which is engaged in businesses in United States of America, Europe and the People's Republic of China.

Saved as disclosed above, Mr. Chu is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Chu did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Chu was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Profile of the Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Tang Shun Lam, aged 53, was appointed as a non-executive Director on 30 September 2008 and Chairman on 13 October 2008. Mr. Tang is also the members of audit committee and remuneration committee of the Company. Mr. Tang is currently the managing director of Wellink International Development Limited, a management consulting company established in Hong Kong. He was previously the president for Asia Pacific region for the Viasystems Group, one of the world's top PCB and EMS provider. Mr. Tang has over 25 years of experience in the electronics and telecommunication sectors having senior positions in Honeywell, National Semiconductors, Amphenol and Pace. He holds a Bachelor Degree in Electrical and Electronic Engineering in Nottingham University, UK and a Master Degree in Business Administration in Bradford University, UK. He was a vice chairman of the Guangzhou General Chamber of Commerce. Mr. Tang is currently a member of the Consultative Committee of Guangzhou Baiyun District and a member of the Consultative Committee of the Guangzhou City. He was a visiting professor for the Guangdong Provincial Social Science Institute from year 2003 to 2006. Mr. Tang was previously an independent non-executive director of Nubrands Group Holdings Limited, which is listed on main board of Stock Exchange, from year 2003 to 2005.

Saved as disclosed above, Mr. Tang is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Tang did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Tang was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chi Tat, aged 39, was appointed as an independent non-executive Director on 30 September 2008. Mr. Yeung is also the chairman and member of audit committee and members of remuneration committee and nomination committee of the Company. Mr. Yeung holds a Bachelor Degree in Business Administration and a Master Degree in Professional Accounting. Mr. Yeung possesses more than 15 years' experience in auditing, corporate restructuring and corporate financial services. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a senior international finance manager of International Financial Management Association. Mr. Yeung was previously the financial controller, qualified accountant and company secretary of Vital Pharmaceutical Holdings Limited in year 2004 to 2005, and is currently the financial controller, qualified accountant and company secretary of Dynasty Fine Wines Group Limited, both of which are listed on the main board of the Stock Exchange. He is the independent non-executive director of ANTA Sports Products Limited and Ta Yang Group Holdings Limited, both of which are listed on the main board of the Stock Exchange.

Saved as disclosed above, Mr. Yeung is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Yeung did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Yeung was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Cheung Tak Shum, aged 52, was appointed as an independent non-executive Director on 30 September 2008. Mr. Cheung is also the chairman and member of remuneration committee and members of audit committee and nomination committee of the Company. Mr. Cheung holds a diploma in sociology. Mr. Cheung has over 20 years of experience in trading of engineering and related chemical products in the People's Republic of China.

Saved as disclosed above, Mr. Cheung is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Cheung did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Cheung was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Chow Pui Mau, William, aged 54, was appointed as an independent non-executive Director on 24 October 2008. Mr. Chow is also the member of audit committee. Mr. Chow is currently a director and chief financial officer in one of the top original equipment manufacturers in toys industry with affiliates providing electronic manufacturing service. He has over 30 years of extensive experience in mergers and acquisitions, joint venture negotiation, corporate strategic planning and restructuring in various industries. Mr. Chow is a member of American Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. He holds a Bachelor Degree in Commerce with Distinction from University of Toronto, Canada and Master Degree of Business Administration from California State University, U.S.A.

Mr. Chow was a manager (titled as the managing director but not a director of the board) of Planet Toys (HK) Limited, Planet Pets (HK) Limited, Planet Fun (HK) Limited and Planet Home (HK) Limited respectively (together the "Planet Companies" and each a "Planet Company") and his position in each Planet Company ceased on 24 December 2008. Each Planet Company has commenced voluntary winding up in case of inability to continue its business pursuant to section 228A(1) of the Companies Ordinance on 24 December 2008. Mr. Chiong Desmond Chung Seng and Mr. Fok Hei Yu were appointed the liquidators to each Planet Company on 20 January 2009.

The Planet Companies are companies incorporated in Hong Kong and are currently in the course of liquidation process. According to Mr. Chow, the principal business and the amounts involved in the liquidation of the Planet Companies are as follows:

Company Name	Principal Business	Approximate amount due to creditors as of 24 December 2008
Planet Toys (HK) Limited	Toys licensing and trading	HK$148,570,213.36
Planet Pets (HK) Limited	Pets accessories trading	HK$8,816,286.45
Planet Home (HK) Limited	Home decoration and accessories trading	HK$2,241,115.32
Planet Fun (HK) Limited	Toys and accessories trading	HK$8,375.26

Profile of the Directors and Senior Management

Reference is made to the announcement of the Company dated 24 October 2008 (the "**Announcement**") on the appointment of Mr. Chow as an independent non-executive director of the Company. It was disclosed in the Announcement that Mr. Chow is a defendant in a civil legal action (index number 602356-2008) commenced in the Supreme Court of New York by a former employee of Planet Home Inc., a company of which Mr. Chow is a director. According to Mr. Chow, the parties of the said legal action have come to settlement and agreed that all claims asserted in the said legal action shall be discontinued without costs to either party as against the other.

Saved as disclosed above, Mr. Chow is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Chow did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Chow was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Lau Tin Cheung, aged 46, was appointed as an independent non-executive Director on 30 December 2008. Mr. Lau is also the members of audit committee, nomination committee and remuneration committee of the Company. Mr. Lau has been educated and worked in Hong Kong and United Kingdom. He holds a Bachelor of Engineering Degree at the University of Nottingham and a Master of Science Degree in Structural Engineering at the University of Manchester Institutional of Science and Technology. Mr. Lau has about 20 years of experience in investment and project management of public and private companies in Hong Kong and China. He is currently working for Tianjin Development Holdings Limited as an investment director, a company listed on the main board of the Stock Exchange.

Saved as disclosed above, Mr. Lau is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Lau did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Lau was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Cheung Yuk Chuen, aged 35, holds a bachelor degree in business administration in accounting obtained from the Hong Kong University of Science and Technology. Mr. Cheung is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 10 years of experience in accounting, auditing and tax consultancy. Mr. Cheung is currently the company secretary, qualified accountant and authorised representative of AAC Acoustic Technologies Holdings Inc., a company listed on the main board of the Stock Exchange.

Ms. Liu Nian, aged 45, joined the Group in 1999. She is the accounting manager of one of the Beijing subsidiaries of the Group and is responsible for the Group's financial and accounting matters in China. Prior to joining the Group, she had worked in the Beijing Kuashiji Cultural Office and the Beijing Film Institute.

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group's turnover substantially increased by approximately 642% to approximately HK$10,832,000 from approximately HK$1,460,000.

Cost of sales for the year under review increased to approximately HK$8,896,000 from approximately HK$929,000 last year, representing an increase of approximately 857%. The increase was in line with the increase in turnover during the year.

Administrative expenses for the year under review increased to approximately HK$8,062,000 from approximately HK$7,113,000 last year, representing an increase of 13% as a result of the Company being restructuring.

Finance costs for the year under review increased to approximately HK$1,505,000 from approximately HK$219,000, representing an increase of 587% as the Company issued convertible preference shares on 6 November 2007, which is amortized at an effective interest rate of 10.27% per annum.

The Group recorded a loss attributable to shareholders of the Company in the amount of approximately HK$20,021,000 as compared to the loss attributable to shareholders of the Company of approximately HK$22,567,000 last year.

As a result, loss per share was significantly decreased from HK63.70 cents for the year ended 31 December 2007 to HK25.90 cents for the year ended 31 December 2008. No diluted loss per share for the year ended 31 December 2008 and 2007, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its business operations with internally generated cash flows and unsecured loans. As at 31 December 2008, the cash and cash equivalents balance of the Group was approximately HK$11,457,000 (2007: HK$23,695,000).

As at 31 December 2008, the Group had net liabilities of approximately HK$1,069,000 (2007: net assets of approximately HK$18,452,000). The Group maintained net current assets of approximately HK$13,230,000 (2007: HK$17,909,000).

GEARING RATIO

At the balance sheet date, the total liabilities of the Group amounted to approximately HK$22,288,000 (2007: HK$21,621,000), which mainly comprised the amounts due to the ultimate holding company, unsecured loans, trade and other payables and accruals and convertible preference shares. As at 31 December 2008, the Group has a total assets of HK$21,219,000 (2007: HK$40,073,000). The gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, increased to 1.05 as at 31 December 2008 (2007: 0.53).

SEGMENTAL INFORMATION

During the year under review, 73% of the turnover of the Group was generated from the one-stop value chain services segment. As compared to the year 2007, 100% of turnover of the Group was generated from voice portal segment engages in the provision of voice search engine portal.

The geographical segments of the Group were approximately 73% derived from Hong Kong and 27% derived from People Republic of China for the current year. As compared with last year 2007, the geographical segments of the Group were derived from the People Republic of China.

The details of segmental information are set out in note 7 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had 19 (2007: 14) employees who were working on full-time basis. Staff costs, including directors' remuneration of the Group for the year ended 31 December 2008 totalled approximately HK$2,371,000 (2007: HK$1,599,000), representing an increase of 48%. The promotion and salary review policies of the Group are determined with reference to the market trends, future plans and the performance of individuals in various regions and are reviewed periodically.

The Company also holds a share option scheme, for the purpose of providing incentive and rewards to eligible participants for their contributions to the Group.

CAPITAL STRUCTURE

As at 31 December 2008, the Company's issued ordinary share capital was HK$7,725,996.90 divided into 77,259,969 shares of HK$0.10 each (at 31 December 2007: HK$7,725,996.90 divided into 77,259,969 shares of HK$0.10 each). The issued convertible preference share capital was HK$17,391,304.30 divided into 173,913,043 shares of HK$0.10 each (at 31 December 2007: HK$17,391,304.30 divided into 173,913,043 shares of HK$0.10 each) and none of the convertible preference shares were converted into ordinary shares as at 31 December 2008.

The Group generally finances its operations with internally generated cash flows, unsecured loans facilities provided by related parties and the ultimate holding company and convertible preference shares. As of 31 December 2008, the total outstanding short-term liabilities and long-term debts stood at approximately HK$3,600,000 (2007: HK$4,000,000) and HK$15,550,000 (2007: HK$14,745,000) respectively. The captioned short-term borrowings are interest-free and repayable on demand while the long-term debts representing the convertible preference shares are fixed-rate borrowings with a maturity of 4 years. The Group had no interest rate hedging arrangement during the year. The Directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditures.

SIGNIFICANT INVESTMENTS

As at 31 December 2008, the Group had no significant investments in properties, listed securities and financial instruments.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

On 15 January 2009, Anson Development Limited, a wholly-owned subsidiary of the Company, has entered into a Memorandum of Understanding with an independent third party in relation to cooperating, by way of (but not limited to) strategic partnership and alliance, financial support or equity investment, in the realms of waste-to-energy technology and services. Except the above said possible investment, there had been no material acquisitions and disposals of subsidiary during the year.

CHARGES ON GROUP'S ASSETS

As at 31 December 2008, there was no charge on the Group's assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2008.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2008.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

All of the Group's assets, liabilities and transactions are denominated either in Hong Kong dollars (HK$) or Renminbi (RMB). As the exchange rate of HK$ against RMB has been steadily depreciated for the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk.

OUTLOOK AND PROSPECTS

To develop the new business model of being a One-Stop Value Chain provider we will leverage our core competencies of an experienced management team that can continually develop excellent sales and marketing initiatives. Our ability to fulfill customers' requirements and our sound customer relationships will enable us to further develop this new business model. By bringing together our value-chain partners from the information technology, telecommunications and advance manufacturing, and integrating distribution and supply chain management, we are confident that our shareholders will continue to reap value from their investments.

The overall business environment will be turbulent in 2009. The Group will strive to review constantly its business model, to ensure rapid response to the changing demands of the market.

Going forward, the Group will continue to diversify its business and identify valuable investment opportunities so as to maximize the interests of both the Group and its shareholders. With the strong support of a dedicated team of management and staff members as well as our solid experience and knowledge in the industries, the Group will keep on building up its strength for growth during the sluggish economic environment.

The Directors of the Company are pleased to present the annual report and audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 23.

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2008 (2007: Nil).

ANNUAL GENERAL MEETING

The 2009 AGM will be held on Friday, 8 May 2009. Shareholders should refer to details regarding the 2009 AGM in the circular of the Company of 23 March 2009 and the notice of meeting and form of proxy accompanying thereto.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 6 May 2009 to Friday, 8 May 2009, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 May 2009.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on pages 67 to 68 in the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the five largest customers account for approximately 70% (2007: 52%) and 100% (2007: 100%) of the Group's turnover respectively, and the largest and the five largest suppliers account for approximately 81% (2007: 12%) and 96% (2007: 34%) of the Group's cost of sales respectively for the year ended 31 December 2008. At no time during the year, none of the Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the customers or suppliers disclosed above.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the consolidated financial statements.

REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Details of the redeemable convertible preference shares issued by the Company during the year are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group are presented in the consolidated statement of changes in equity on page 25 of the financial statements.

DISTRIBUTABLE RESERVES

As at the balance sheet date, the Company did not have any reserves available for cash/in specie dividend distribution to shareholders of the Company.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 January 2002, pursuant to which the Board may, at its discretion, grant options to Directors and other eligible persons (as defined in the Scheme) to enable them to subscribe for shares of the Company as incentives and/or rewards for their contribution to the success of the Group. Particulars of the Scheme are set out in note 25 to the consolidated financial statements.

There was no outstanding share option under the Scheme as at 31 December 2008.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year are:

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*	(appointed on 30 September 2008)
Mr. Chu Yu Man, Philip	(appointed on 30 September 2008)
Mr. Wang Yong	(resigned on 30 September 2008)
Mr. Dai Fan	(resigned on 30 September 2008)
Mr. Zhu Guang Bo	(resigned on 30 September 2008)

Non-executive Director

Mr. Tang Shun Lam *(Chairman)*	(appointed on 30 September 2008)

Independent Non-executive Directors

Mr. Yeung Chi Tat	(appointed on 30 September 2008)
Mr. Cheung Tak Shum	(appointed on 30 September 2008)
Mr. Chow Pui Mau, William	(appointed on 24 October 2008)
Mr. Lau Tin Cheung	(appointed on 30 December 2008)
Mr. ChanYat Tung, Peter	(resigned on 30 September 2008)
Mr. Feng Jue Min	(resigned on 30 September 2008)
Mr. Zhang Gong	(resigned on 30 September 2008)

In accordance with bye-law 87(2) of the bye-laws of the Company (the "Bye-laws"), Mr. Tsang Chi Hin, Mr. Chu Yu Man, Philip Mr. Tang Shun Lam, Mr. Yeung Chi Tat, Mr. Cheung Tak Shum, Mr. Chow Pui Mau, William and Mr. Lau Tin Cheung shall retire as Directors at the forthcoming annual general meeting. Save and except for Mr. Chow has declined to offer himself for re-election at the forthcoming annual general meeting, all the above mentioned Directors will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Each of the executive Directors has entered into a service agreement dated 6 October 2008 with the Company for an initial fixed term of two years commencing from 30 September 2008 and will continue thereafter until terminated by not less than six months' notice in writing served by either party to the other or in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board of Directors as its absolute discretion having regard to the operation result of the Company.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, namely Mr. Yeung Chi Tat, Mr. Cheung Tak Shum, Mr. Chow Pui Mau, William and Mr. Lau Tin Cheung, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

No Director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party at any time during the year ended 31 December 2008.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the highest paid individuals of the Group are set out in notes 10 and 11 to the consolidated financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2008, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO") which were required to be 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 have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors were as follows:

(a) Directors' Long Positions in the shares of the Company

There was no Directors' long position as at 31 December 2008.

(b) Directors' Short Positions in the shares of the Company

There was no Directors' short position as at 31 December 2008.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as was known to the directors of the Company, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Class of shares	Number of shares and underlying shares	Approximate percentage of holding
Top Status International Limited ("Top Status") (Note 1)	Beneficial owner	Ordinary shares	53,727,600	69.54% (Note 2)
	Beneficial owner	Convertible preference shares ("CP Shares")	173,913,043 (Note 3)	225.10%

Notes:

1. Top Status International Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly owned and beneficially owned by China Railway Logistics Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM.

2. As at 31 December 2008, the Company's issued ordinary share capital is HK$7,725,996.90 and the number of its issued ordinary shares is 77,259,969 shares.

3. 173,913,043 shares are CP Shares that may be allotted and issued to Top Status upon conversion in full at HK$0.115 per conversion share of the Company's unlisted CP Shares. These CP Shares are outstanding as at 31 December 2008.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 31 December 2008, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2008, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year ended 31 December 2008 are set out in note 26 to the consolidated financial statements.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year and up to the date of this report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there is no restriction against such under the laws in Bermuda.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 25 to the consolidated financial statements.

CHANGE OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

The Hong Kong Branch Share Registrar and Transfer Office of the Company were changed from Tricor Tengis Limited to Union Registrars Limited with effect from 1 February 2009. The details have been set out in the announcement of the Company dated 16 January 2009.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 31 December 2008 as required under the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The audit committee currently comprises Mr. Yeung Chi Tat *(Chairman)*, Mr. Tang Shun Lam, Mr. Cheung Tak Shum, Mr. Chow Pui Mau, William and Mr. Lau Tin Cheung. The audit committee has reviewed and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 31 December 2008.

CHANGE OF AUDITOR

Shu Lun Pan Horwath Hong Kong CPA Limited was auditors of the Company and resigned as auditors of the Company on 8 December 2008.

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed as auditors of the Company on 18 December 2008 and the consolidated financial statements for the year ended 31 December 2008 was audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Tang Shun Lam
Chairman

Hong Kong, 13 March 2009

INTRODUCTION

The Board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended practices of the Code on Corporate Governance Practices ("Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year under review except for the breach of rule 5.01(1) of the GEM Listing Rules which requires that every board of director of a listed company must include at least three independent non-executive directors. During the year under review, the Board has only 2 independent non-executive Directors since 30 September 2008. But on 24 October 2008, the Company has appointed a new independent non-executive Director, therefore with effect from 24 October 2008, the Company has complied the rule 5.01(1) of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in such code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

The Board currently comprises seven Directors, of whom two are executive Directors, one is non-executive Director and four are independent non-executive Directors.

The Board members for the year ended 31 December 2008 and up to the date of this report were:

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*	(appointed on 30 September 2008)
Mr. Chu Yu Man, Philip	(appointed on 30 September 2008)
Mr. Wang Yong	(resigned on 30 September 2008)
Mr. Dai Fan	(resigned on 30 September 2008)
Mr. Zhu Guang Bo	(resigned on 30 September 2008)

Non-executive Director

Mr. Tang Shun Lam *(Chairman)*	(appointed on 30 September 2008)

Independent Non-executive Directors

Mr. Yeung Chi Tat	(appointed on 30 September 2008)
Mr. Cheung Tak Shum	(appointed on 30 September 2008)
Mr. Chow Pui Mau, William	(appointed on 24 October 2008)
Mr. Lau Tin Cheung	(appointed on 30 December 2008)
Mr. ChanYat Tung, Peter	(resigned on 30 September 2008)
Mr. Feng Jue Min	(resigned on 30 September 2008)
Mr. Zhang Gong	(resigned on 30 September 2008)

The directors' biographical information are set out on pages 5 to 8 of this Annual Report. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board of Directors.

The Company had appointed four independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each independent non-executive Director has signed an appointment letter with the Company for an initial fixed term of two years, unless terminated by not less than three months prior notice in writing served by either party to the other or in accordance with the provisions set out in the respective appointment letter.

The Board considers that all of the independent non-executive Directors are independent and has received from each of them the annual confirmation of independence required by Rule 5.09 of the GEM Listing Rules.

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and overseeing the management. The Board 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, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

In accordance with bye-law 88(1) of the Bye-laws, all Directors are subject to retirement by rotation at least once every three years. In accordance with bye-law 87(2) of the Bye-laws, Mr. Tsang Chi Hin, Mr. Chu Yu Man, Philip, Mr. Tang Shun Lam, Mr. Yeung Chi Tat, Mr. Cheung Tak Shum, Mr. Chow Pui Mau, William and Mr. Lau Tin Cheung shall retire as Directors at the forthcoming annual general meeting. Save and except for Mr. Chow Pui Mau, William has declined to offer himself for re-election at the forthcoming annual general meeting, all the above mentioned Directors will offer themselves for re-election at the forthcoming annual general meeting.

BOARD MEETINGS AND BOARD PRACTICES

The Board meets four times regularly a year to review the financial and operating performance of the Group.

Details of the attendance and the meetings of the Board are as follows:

		Number of Attendance
Executive Directors		
Mr. Tsang Chi Hin *(Chief Executive Officer)*	(appointed on 30 September 2008)	1/4
Mr. Chu Yu Man, Philip	(appointed on 30 September 2008)	1/4
Mr. Wang Yong	(resigned on 30 September 2008)	3/4
Mr. Dai Fan	(resigned on 30 September 2008)	3/4
Mr. Zhu Guang Bo	(resigned on 30 September 2008)	2/4
Non-executive Director		
Mr. Tang Shun Lam *(Chairman)*	(appointed on 30 September 2008)	1/4
Independent Non-executive Directors		
Mr. Yeung Chi Tat	(appointed on 30 September 2008)	1/4
Mr. Cheung Tak Shum	(appointed on 30 September 2008)	1/4
Mr. Chow Pui Mau, William	(appointed on 24 October 2008)	1/4
Mr. Lau Tin Cheung	(appointed on 30 December 2008)	0/4
Mr. Chan Yat Tung, Peter	(resigned on 30 September 2008)	3/4
Mr. Feng Jue Min	(resigned on 30 September 2008)	3/4
Mr. Zhang Gong	(resigned on 30 September 2008)	2/4

Apart from the above regular Board meetings of the year, 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 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 meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors have access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. The Company Secretary is also responsible for providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The positions and roles of Chairman of the Board and Chief Executive Officer of the Company are held and performed separately by two individuals to ensure their respective independence, accountability and responsibility. The Chairman, being Mr. Tang Shun Lam, is in-charge of the leadership of the Board and strategies planning of the Group. The Chief Executive Officer, being Mr. Tsang Chi Hin, is responsible for the day-to-day management of the Group's business.

REMUNERATION OF DIRECTORS

The remuneration committee had been formed in 2005 pursuant to a resolution passed by Board of the Company. Following the re-domicile of the Company from Cayman Islands into Bermuda in October 2007, it was re-established pursuant to a resolution passed by the Board on 15 February 2008 and specific terms of reference were adopted. As at the date of this annual report, the remuneration committee comprises four members, of which majority are independent non-executive Directors, namely Mr. Cheung Tak Shum, Mr. Tang Shun Lam, Mr. Yeung Chi Tat and Mr. Lau Tin Cheung. Mr. Cheung Tak Shum is the chairman of the remuneration committee.

The role and function of the remuneration committee are establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

Frequency of Meetings and Attendance

The remuneration committee has convened four meetings during the year ended 31 December 2008 to review the existing remuneration packages of each of the Directors and senior management of the Company and to discuss the terms of the service contract and the letter of appointment for the existing Directors. Details of the attendance of these meetings are as follows:

Name of member		Number of attendance
Mr. Cheung Tak Shum *(Chairman)*	(appointed on 30 September 2008)	3/4
Mr. Tang Shun Lam	(appointed on 30 September 2008)	2/4
Mr. Yeung Chi Tat	(appointed on 30 September 2008)	3/4
Mr. Lau Tin Cheung	(appointed on 30 December 2008)	0/4
Mr. Chan Yat Tung, Peter	(resigned on 30 September 2008)	1/4
Mr. Feng Jue Min	(resigned on 30 September 2008)	1/4
Mr. Zhang Gong	(resigned on 30 September 2008)	1/4

NOMINATION OF DIRECTORS

The nomination committee had been formed in 2005 pursuant to a resolution passed by the Board of the Company. Following the re-domicile of the Company from the Cayman Islands into Bermuda in October 2007, the nomination committee was re-established pursuant to a resolution passed by the Board on 15 February 2008 and specific terms of reference were adopted. As at the date of this annual report, the nomination committee comprises four members, of which majority are independent non-executive Directors, namely Mr. Tsang Chi Hin, Mr. Yeung Chi Tat, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung. Mr. Tsang Chi Hin is the chairman of the nomination committee.

The functions of the nomination committee are reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

Where vacancies on the Board exist, the nomination committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

During the year under review, there were changes of the Directors and four meetings were held to consider the changes of the Directors. Every newly appointed Directors during the year had going through the selection process stated as above and the re-election of the Directors retired in accordance with the Company's Bye-Laws.

Frequency of Meetings and Attendance

The nomination committee has convened four meetings during the year ended 31 December 2008 and details of the attendance of these meetings are as follows:

Name of member		**Number of attendance**
Mr. Tsang Chi Hin *(Chairman)*	(appointed on 30 September 2008)	3/4
Mr. Yeung Chi Tat	(appointed on 30 September 2008)	3/4
Mr. Cheung Tak Shum	(appointed on 30 September 2008)	3/4
Mr. Lau Tin Cheung	(appointed on 30 December 2008)	0/4
Mr. Chan Yat Tung, Peter	(resigned on 30 September 2008)	1/4
Mr. Feng Jue Min	(resigned on 30 September 2008)	1/4
Mr. Zhang Gong	(resigned on 30 September 2008)	1/4

AUDITORS' REMUNERATION

An amount of approximately HK$274,000 (2007: HK$444,000) was charged to the Group's income statement for the year ended 31 December 2008. There was no significant non-audit service assignment undertaken by the auditors during the year.

AUDIT COMMITTEE

The Company established an audit committee on 31 July 2001. It has written terms of reference in compliance with the code provisions of the Code. The audit committee currently comprises Mr. Yeung Chi Tat, Mr. Tang Shun Lam, Mr. Cheung Tak Shum, Mr. Chow Pui Mau, William and Mr. Lau Tin Cheung who are the independent non-executive Directors (except Mr. Tang Shun Lam, who is the non-executive Director). The chairman of the audit committee is Mr. Yeung Chi Tat.

The chief responsibilities of the audit committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the quarterly, interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of internal control system of the Group. The audit committee had during the year performed such functions and reviewed the unaudited quarterly and interim results and annual audited results during the year ended 31 December 2008.

Frequency of Meetings and Attendance

During the year, the audit committee met four times, during which the qualified accountant of the Company and/or the external auditors were also in attendance. Details of the attendance by audit committee members of such meetings are as follows:

Name of member		**Number of attendance**
Mr. Yeung Chi Tat *(Chairman)*	(appointed on 30 September 2008)	2/4
Mr. Tang Shun Lam	(appointed on 30 September 2008)	2/4
Mr. Cheung Tak Shum	(appointed on 30 September 2008)	2/4
Mr. Chow Pui Mau, William	(appointed on 24 October 2008)	2/4
Mr. Lau Tin Cheung	(appointed on 30 December 2008)	0/4
Mr. Chan Yat Tung, Peter	(resigned on 30 September 2008)	2/4
Mr. Feng Jue Min	(resigned on 30 September 2008)	2/4
Mr. Zhang Gong	(resigned on 30 September 2008)	1/4

DIRECTORS’ AND AUDITORS’ RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board of Directors acknowledges its responsibility to prepare the Company’s account for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2008, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The auditors of the Company acknowledge their responsibilities in the independent auditors’ report on the financial statements of the Group for the year ended 31 December 2008.

INTERNAL CONTROL

The Board and audit committee have conducted a review of the effectiveness of the Group’s internal control system by appointing a professional company on their behalf. The internal control system is designed to meet the Group’s particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised 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 considered that the internal control system of the Group is effective and the audit committee have found no material deficiencies on the internal control system.

Independent Auditor's Report

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

TO THE SHAREHOLDERS OF LINEFAN TECHNOLOGY HOLDINGS LIMITED
（藍帆科技控股有限公司）

(Incorporated in the Cayman Islands and continued into Bermuda with limited liability)

We have audited the consolidated financial statements of Linefan Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 66, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, 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 the 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Groups as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and 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
13 March 2009

Consolidated Income Statement

For the year ended 31 December 2008 (Expressed In Hong Kong dollars)

	Notes	2008 $'000	2007 $'000
Revenue	6	**10,832**	1,460
Cost of sales		**(8,896)**	(929)
Gross profit		**1,936**	531
Other revenue	6	**310**	187
Distribution costs		**(6)**	(22)
Administrative expenses		**(8,062)**	(7,113)
Impairment loss recognised in respect of goodwill on subsidiaries	16	**(9,827)**	(15,931)
Impairment loss recognised in respect of available-for-sale investment	17	**(2,784)**	–
Finance costs	8	**(1,505)**	(219)
Loss before income tax	9	**(19,938)**	(22,567)
Income tax expense	12	**(83)**	–
Loss for the year		**(20,021)**	(22,567)
Attributable to:			
Equity holders of the Company		**(20,021)**	(22,567)
Minority interests		**–**	–
		(20,021)	(22,567)
Loss per share			
Basic (HK cents)	13	**(25.9)**	(63.7)

Consolidated Balance Sheet

As at 31 December 2008 (Expressed in Hong Kong dollars)

	Notes	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	14	**1,251**	3,080
Intangible assets	15	**–**	–
Goodwill	16	**–**	9,542
Available-for-sale investment	17	**–**	2,666
		1,251	15,288
Current assets			
Trade and other receivables, deposits and prepayments	18	**8,511**	1,090
Bank balances and cash	19	**11,457**	23,695
		19,968	24,785
Current liabilities			
Trade and other payables and accruals	20	**3,138**	2,876
Amount due to the ultimate holding company	21	**600**	–
Unsecured loans	26(a)	**3,000**	4,000
		6,738	6,876
Net current assets		**13,230**	17,909
Total assets less current liabilities		**14,481**	33,197
Non-current liabilities			
Convertible preference shares	23	**15,550**	14,745
(Net liabilities) net assets		**(1,069)**	18,452
Capital and reserves			
Share capital	22	**7,726**	7,726
Reserves		**(8,795)**	10,726
Total equity attributable to equity holders of the Company		**(1,069)**	18,452
Minority interests		**–**	–
(Capital deficiency) shareholders' equity		**(1,069)**	18,452

These financial statements on pages 23 to 66 were approved and authorised for issue by the Board of Directors on 13 March 2009 and are signed by:

Chu Yu Man, Philip
Director

Tsang Chi Hin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Capital reserve* $'000	Equity component of convertible preference shares $'000	Special reserve# $'000	Statutory reserve $'000	Foreign currency transaction reserve $'000	Accumulated losses $'000	Attributable to equity holders of the Company $'000	Minority interests** $'000	Total $'000
	(Note 22)			(Note 23)							
At 1 January 2007	23,560	54,459	3,970	–	3,324	3,029	(127)	(59,978)	28,237	–	28,237
Net expense recognised directly in equity – exchange difference arising on translation of foreign operations	–	–	–	–	–	–	3,291	–	3,291	–	3,291
Loss for the year	–	–	–	–	–	–	–	(22,567)	(22,567)	–	(22,567)
Total recognised expense for the year	–	–	–	–	–	–	3,291	(22,567)	(19,276)	–	(19,276)
Issue of convertible preference shares	–	–	–	4,121	–	–	–	–	4,121	–	4,121
Issue of new shares	5,370	–	–	–	–	–	–	–	5,370	–	5,370
Capital restructuring	(21,204)	(54,459)	–	–	2,702	–	–	72,961	–	–	–
At 31 December 2007 and 1 January 2008	7,726	–	3,970	4,121	6,026	3,029	3,164	(9,584)	18,452	–	18,452
Net expense recognised directly in equity – exchange difference arising on translation of foreign operations	–	–	–	–	–	–	500	–	500	–	500
Loss for the year	–	–	–	–	–	–	–	(20,021)	(20,021)	–	(20,021)
At 31 December 2008	**7,726**	**–**	**3,970**	**4,121**	**6,026**	**3,029**	**3,664**	**(29,605)**	**(1,069)**	**–**	**(1,069)**

* *The capital reserve represents the Group's share of the contributions made by the minority shareholders to certain subsidiaries of the Group in the People's Republic of China ("PRC").*

\# *The special reserve represents the difference between the nominal amount of share and share premium of Chineseroad Incorporated and the nominal amount of the Company's shares issued pursuant to a group reorganisation in 2002.*

** *The share of losses by minority interests of the Group already up to their investments cost as at 31 December 2008 and 31 December 2007.*

Consolidated Cash Flow Statement

For the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	2008 $'000	2007 $'000
Operating activities	(19,938)	(22,567)
Loss before income tax		
Adjustments for:		
Depreciation	2,398	2,417
Interest income	(102)	(1)
Amortisation of intangible assets	–	567
Finance costs	1,505	219
Impairment loss recognised in respect of goodwill on subsidiaries	9,827	15,931
Impairment loss recognised in respect of available-for-sale investment	2,784	–
Bad and doubtful debts directly written off	212	41
Property, plant and equipment written off	–	20
Operating cash flows before working capital changes	(3,314)	(3,373)
Increase in trade and other receivables, deposits and prepayments	(7,660)	(60)
Increase in trade and other payables and accruals	79	402
Net cash used in operating activities	(10,895)	(3,031)
Investing activities		
Purchase of property, plant and equipment	(452)	(8)
Interest received	102	1
Net cash used in investing activities	(350)	(7)
Financing activities		
Repayment of unsecured loan	(1,000)	–
Proceeds from issue of convertible preference shares	–	20,000
Proceeds from issue of new shares	–	5,370
New loans raised	–	2,000
Expenses on issue of convertible preference shares	–	(1,353)
Net cash (used in) generated from financing activities	(1,000)	26,017
Net (decrease)/increase in cash and cash equivalents	(12,245)	22,979
Cash and cash equivalents at beginning of the year	23,695	833
Effect of foreign exchange rates changes	7	(117)
Cash and cash equivalents at end of the year represented by, bank balances and cash	11,457	23,695

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law of the Cayman Islands on 30 November 2000.

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited since 5 February 2002. In the opinion of the directors, its ultimate holding company is China Railway Logistics Limited (incorporated in the Bermuda) which is listed on the GEM of the Stock Exchange of Hong Kong Limited. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

In the year ended 31 December 2007, the Company re-domiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile was approved by the shareholders of the Company on 15 October 2007 and the Company was continued into Bermuda with limited liability with effect from 29 October 2007.

The Company and its subsidiaries (the "Group") are engaged in the business of sales, development and implementation of non-structural knowledge integration systems, knowledge management ("KM") related network application systems and technology, provision of voice search engine portal and one-stop value chain services.

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

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

(Expressed in Hong Kong dollars)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellation[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7	Financial instruments: Disclosures – Improving Disclosure about Financial Instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[4]
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estates[2]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operations[5]
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – INT 18	Transfers of Assets from Customers[3]

[1] *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
[2] *Effective for annual periods beginning on or after 1 January 2009*
[3] *Effective for annual periods beginning on or after 1 July 2009*
[4] *Effective for annual periods beginning on or after 1 July 2008*
[5] *Effective for annual periods beginning on or after 1 October 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial position of the Group.

3. BASIS OF PREPARATION

As at 31 December 2008, the Group had capital deficiency of approximately HK$1,069,000 and the Group incurred a loss of approximately HK$20,021,000 for the year ended 31 December 2008. Nevertheless, the consolidated financial statements of the Group have been prepared on a going concern basis.

In the opinion of directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that:

(i) the Group will generate positive cash flows from its businesses, and

(ii) China Railway Logistics Limited, the ultimate holding company of the Company, has provided adequate funds to enable the Group to meet in full its financial obligations when they fall due in the foreseeable future.

The directors consider that the Group will have sufficient working capital to finance its operations for the next twelve months from 31 December 2008. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on 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 the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by of 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.

Basis on 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 dates 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 into line with those used by other members of the Group.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business 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 business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

For the purpose 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 is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant 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 property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant 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.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the assets is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 instrument. 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 or 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.

(i) Financial assets

The Group classifies its financial assets into 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 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.

Interest income is recognised on an effective interest basis for debt instruments.

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 and other receivables and bank balances and cash) 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).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date 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 and loss (see accounting policy on 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, are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) *Financial assets (continued)*

Impairment loss on financial assets

Financial assets 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 and other 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, observable changes in national or local economic conditions that correlate with default on receivables.

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 and other 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 and other 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) *Financial assets (continued)*

Impairment loss on financial assets (continued)

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.

(ii) *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.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to the ultimate holding company and unsecured loans) are subsequently measured at amortised cost, using the effective interest method.

Convertible preference shares

Convertible preference shares issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible preference shares (continued)

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible preference shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (equity component of convertible preference shares).

In subsequent periods, the liability component of the convertible preference shares is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity until the embedded option is exercised (in which case the balance stated in equity will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible preference shares using the effective interest method.

Equity instruments

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

(iii) 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 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 and loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Service income is recognised when services are provided.

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.

Income taxes

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

The tax currently payable is based on the 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, 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 period when the liability is settled or the asset 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Non-monetary 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 exchange 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. HK$) 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 year, 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 foreign currency 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 an acquisition of a foreign operation on or after 1 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 foreign currency translation reserve.

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.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

Retirement benefits scheme contribution

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments

Share options granted to employees

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.

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 option reserve.

At the time when the share options are exercised, the amount previously recognised in share option 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 option reserve will be transfer to retained profits.

Borrowing costs

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

Impairment of assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and tangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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 recognized as an expense immediately.

When 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 recognized for the asset in prior years. A reversal of an investment loss is recognized as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 4, the directors of the Company are required to make the following key assumptions that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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 accounting policies

In the process of applying the Group's accounting policies, management has made judgements apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of available-for-sale investment

For available-for-sale investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group had taken into consideration of the available financial information of the investee entity.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are discussed below.

Allowance for doubtful debts

Allowance for doubtful debts is made based on assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade receivables and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2008, an impairment loss of approximately HK$9,827,000 (2007: approximately HK$15,931,000) has been recognised in the consolidated income statement.

6. REVENUE AND OTHER REVENUE

An analysis of the Group's revenue for the year is as follows:

	2008 $'000	2007 $'000
Revenue:		
Voice portal related services	2,932	1,460
One-stop value chain services	7,900	–
	10,832	1,460
Other revenue:		
Subcontracting fees	116	186
Interest income	102	1
Others	92	–
	310	187
	11,142	1,647

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the business segments is as follows:

(a) The voice portal segment engages in the provision of voice search engine portal;

(b) The one-stop value chain services segment engages in the provision of total solution services including trading, packaging and logistic solutions; and

(c) The KM systems segment engages in the sale, development and implementation of non-structural knowledge integration systems and KM related network application system and technology.

In determining the Group's geographical segment, information based on location of assets is similar to that of the location of its customers.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments

The following table present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments:

For the year ended 31 December

	Voice portal		One-stop value chain services		KM Systems		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue:								
Turnover	2,932	1,460	7,900	–	–	–	10,832	1,460
Other revenue	208	186	–	–	–	–	208	186
	3,140	1,646	7,900	–	–	–	11,040	1,646
Segment results	(10,605)	(16,781)	(148)	–	(2,236)	(2,965)	(12,989)	(19,746)
Other unallocated income							102	1
Unallocated corporate expenses							(5,546)	(2,603)
Finance costs							(1,505)	(219)
Loss before income tax							(19,938)	(22,567)
Income tax expense							(83)	–
Loss for the year							(20,021)	(22,567)

As at 31 December

	Voice portal 2008	Voice portal 2007	One-stop value chain services 2008	One-stop value chain services 2007	KM Systems 2008	KM Systems 2007	Total 2008	Total 2007
Assets:								
Segment assets	1,865	13,499	6,883	–	741	2,756	9,489	16,255
Unallocated corporate assets							11,730	23,818
Consolidated total assets							21,219	40,073
Liabilities:								
Segment liabilities	2,008	2,043	204	–	469	833	2,681	2,876
Unallocated corporate liabilities							19,607	18,745
Consolidated total liabilities							22,288	21,621

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

For the year ended 31 December

	Voice portal		One-stop value chain services		KM Systems		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Other information:								
Depreciation	**155**	241	**34**	–	**2,209**	2,176	**2,398**	2,417
Bad and doubtful debts directly written off	**212**	41	**–**	–	**–**	–	**212**	41
Amortisation of intangible assets	**–**	8	**–**	–	**–**	559	**–**	567
Impairment loss recognised in respect of available-for-sale investment	**2,784**	–	**–**	–	**–**	–	**2,784**	–
Impairment loss recognised in respect of goodwill on subsidiaries	**9,827**	15,931	**–**	–	**–**	–	**9,827**	15,931
Property, plant and equipment written off	**–**	20	**–**	–	**–**	–	**–**	20

Geographic segments

The following table provides an analysis of the Group's turnover, results, assets and expenditure information by geographical market:

	Hong Kong		PRC (Other than Hong Kong)		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
External sales	**7,900**	–	**2,932**	1,460	**10,832**	1,460
Segment results	**(4,271)**	–	**(14,162)**	(22,348)	**(18,433)**	(22,348)
Finance costs					**(1,505)**	(219)
Income tax expense					**(83)**	–
Loss for the year					**(20,021)**	(22,567)
Assets:						
Segment assets	**18,441**	33,360	**2,778**	6,713	**21,219**	40,073

8. FINANCE COSTS

	2008 $'000	2007 $'000
Convertible preference shares interest (Note 23)	**1,505**	219

9. LOSS BEFORE INCOME TAX

	2008 $'000	2007 $'000
Loss before income tax is arrived at after charging:		
Directors' remuneration (Note 10)	**854**	93
Other staff costs (excluding directors' remuneration)	**1,399**	1,321
Retirement benefits scheme contributions (excluding directors)	**118**	185
	2,371	1,599
Auditors' remuneration	**274**	444
Bad and doubtful debts directly written off	**212**	41
Depreciation	**2,398**	2,417
Amortisation of intangible assets	**–**	567
Property, plant and equipment written off	**–**	20

10. DIRECTORS' REMUNERATION

	Fee $'000	Salaries and other benefits $'000	Retirement benefits scheme contributions $'000	2008 Total $'000
Executive directors:				
Chu Yu Man, Philip (Appointed on 30 September 2008)	–	224	3	227
Tsang Chi Hin (Appointed on 30 September 2008)	–	270	3	273
Dai Fan (Resigned on 30 September 2008)	–	–	–	–
Wang Yong (Resigned on 30 September 2008)	–	–	–	–
Zhu Guang Bo (Resigned on 30 September 2008)	–	–	–	–
Non-executive director:				
Tang Shun Lam (Appointed on 30 September 2008)	106	–	–	106
Independent non-executive directors:				
Cheung Tak Shum (Appointed on 30 September 2008)	61	–	–	61
Yeung Chi Tat (Appointed on 30 September 2008)	67	–	–	67
Chow Pui Mau, William (Appointed on 24 October 2008)	27	–	–	27
Lau Tin Cheung (Appointed on 30 December 2008)	–	–	–	–
Zhang Gong (Resigned on 30 September 2008)	31	–	–	31
Chan Yat Tung, Peter (Resigned on 30 September 2008)	31	–	–	31
Feng Jue Min (Resigned on 30 September 2008)	31	–	–	31
Total	354	494	6	854

10. DIRECTORS' REMUNERATION (continued)

	Fee $'000	Salaries and other benefits $'000	Retirement benefits scheme contributions $'000	2007 Total $'000
Executive directors:				
Dai Fan				
(Resigned on 30 September 2008)	–	–	–	–
Wang Yong				
(Resigned on 30 September 2008)	–	–	–	–
Zhu Guang Bo				
(Resigned on 30 September 2008)	–	–	–	–
Independent non-executive directors:				
Zhang Gong				
(Resigned on 30 September 2008)	31	–	–	31
Chan Yat Tung, Peter				
(Resigned on 30 September 2008)	31	–	–	31
Feng Jue Min				
(Resigned on 30 September 2008)	31	–	–	31
Total	93	–	–	93

The emoluments of each of the above directors were less than $1,000,000 during each of the two years ended 31 December 2008 and 2007. No director waived any emoluments for both years.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group in 2008, two (2007: Nil) were directors of the Company whose emoluments are included in the disclosure in note 10 above. The emoluments of the remaining three (2007: five) individuals were as follows:–

	2008	2007
	$'000	$'000
Employees:		
Basic salaries and allowances	**907**	928
Retirement benefit scheme contributions	**27**	54
	934	982

The emoluments of each of the above employees were less than $1,000,000 during each of the two years ended 31 December 2008 and 2007. No emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE

The Group's operations are carried out in both Hong Kong and PRC. The official applicable PRC tax rate for the year ended 31 December 2008 is 25% (2007: 33%). However, certain subsidiaries in the Group are "Encourage Hi-Tech Enterprise" and entitle to a reduced corporate income tax rate of 15% from 1 January 2008. As the PRC subsidiaries of the Group were loss-making for the two year ended 31 December 2008, no provision for PRC income tax was made.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress of the PRC promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law of the PRC.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated profit for the year.

12. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2008 $'000	2007 $'000
Loss before income tax	(19,938)	(22,567)
Tax at the domestic income tax rate of 15%* (2007: 33%)	(2,991)	(7,447)
Tax effect of expenses not deductible for tax purpose	2,834	5,296
Effect of different tax rates of subsidiaries operating in other jurisdictions	234	608
Tax effect of income not taxable for tax purpose	(15)	–
Tax effect of tax losses not recognised	21	1,543
Tax charge for the year	83	–

* *The domestic tax rate of 15% for the year ended 31 December 2008 in the jurisdiction where the operation of the Group is substantially based is used.*

At the balance sheet date, the Group has unexpired tax losses of approximately HK$22,986,000 (2007: HK$22,846,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

13. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008 $'000	2007 $'000
Loss attributable to equity holders of the Company	(20,021)	(22,567)

	2008	2007
Number of issued ordinary shares at 1 January	77,259,969	235,599,690
Effect of share consolidation	–	(212,039,721)
Effect of shares issued in November 2007	–	11,853,584
Weighted average number of ordinary shares at 31 December	77,259,969	35,413,553
Basic loss per share (HK cents)	(25.9)	(63.7)

No diluted loss per share for the two years ended 31 December 2008 and 2007 has been presented as the convertible preference shares issued during the year had an anti-dilutive effect on the basic loss per share for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements $'000	Furniture, Fixtures and Equipment $'000	Computer, Network and Related Equipment $'000	Motor Vehicle $'000	Total $'000
COST					
At 1 January 2007	123	775	16,271	364	17,533
Exchange adjustments	11	67	1,870	43	1,991
Additions	–	8	–	–	8
Disposals	–	(43)	(29)	–	(72)
At 31 December 2007	134	807	18,112	407	19,460
Exchange adjustments	7	39	1,082	24	1,152
Additions	–	18	84	350	452
Written off	–	–	(161)	–	(161)
At 31 December 2008	**141**	**864**	**19,117**	**781**	**20,903**
ACCUMULATED DEPRECIATION					
At 1 January 2007	54	748	11,293	364	12,459
Exchange adjustments	6	65	1,442	43	1,556
Charge for the year	26	27	2,364	–	2,417
Eliminated on disposal	–	(33)	(19)	–	(52)
At 31 December 2007 and 1 January 2008	86	807	15,080	407	16,380
Exchange adjustments	5	24	982	24	1,035
Charge for the year	25	6	2,355	12	2,398
Written off	–	–	(161)	–	(161)
At 31 December 2008	**116**	**837**	**18,256**	**443**	**19,652**
NET CARRYING VALUES					
At 31 December 2008	**25**	**27**	**861**	**338**	**1,251**
At 31 December 2007	48	–	3,032	–	3,080

15. INTANGIBLE ASSETS

	Computer Software $'000
COST:	
At 1 January 2007	6,999
Exchange adjustments	805
At 31 December 2007 and 31 December 2008	7,804
ACCUMULATED AMORTISATION:	
At 1 January 2007	6,463
Exchange adjustments	774
Charge for the year	567
At 31 December 2007 and 31 December 2008	7,804
NET CARRYING VALUES	
At 31 December 2008 and 2007	–

16. GOODWILL

	$'000
COST:	
At 1 January 2007	22,847
Exchange adjustments	2,626
At 31 December 2007	25,473
Exchange adjustments	285
At 31 December 2008	**25,758**
IMPAIRMENT:	
At 1 January 2007	–
Impairment loss recognised	15,931
At 31 December 2007	15,931
Impairment loss recognised	9,827
At 31 December 2008	**25,758**
NET CARRYING VALUES	
At 31 December 2008	**–**
At 31 December 2007	9,542

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill is allocated to the voice portal business segment.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group assesses the value of goodwill by reference to a cash-flow projection of the relevant financial budgets approved by management covering a period of three years. The discount rate applied to the cash flow projection is 10.27% and cash flows beyond the three-year are extrapolated using a zero growth rate.

The management considers that the carrying value of goodwill as at 31 December 2008 was fully impaired. The impairment on goodwill for the year ended 31 December 2008 was approximately HK$9,827,000 (2007: HK$15,931,000).

17. AVAILABLE-FOR-SALE INVESTMENT

	2008 $'000	2007 $'000
Unlisted investment-cost		
At 1 January	2,666	2,391
Impairment loss recognised	(2,784)	–
Exchange adjustments	118	275
At 31 December	–	2,666

Pursuant to an agreement dated 28 February 2006, the Group agreed with an independent party whereby the independent party assumes full operational control of Ha Er Bin Runke Communication Technology Company Limited ("Runke"), a former subsidiary for a term of 3 years, in return for a fixed fee payable to the Group. The fee was fixed at RMB 200,000 for the first year with an increment of 10% per annum for each of the subsequent two years. In addition, at the date of termination of the agreement, the independent party will receive a compensation calculated at 40% of the trade receivable balance as of that date ("Old Agreement").

As the Group ceased to have control over Runke commencing from 28 February 2006, the Group accounted for the investment in Runke as an available-for-sale investment and the value of net assets shared by the Group as at 28 February 2006 was deemed as the cost of the investment.

On 27 March 2007, Runke changed its name to Harbin Dingming Shiji Communication and Technology Limited ("Dingming Shiji"). In August 2007, the Old Agreement was terminated. On 20 August 2007, the Group entered into another agreement with another independent party, pursuant to which the independent party assumes full operational control of Dingming Shiji for a term of 3 years, commencing from 1 September 2007. In return, a fixed fee of RMB140,000 is payable to the Group for the first year with an increment of 10% per annum for each of the subsequent two years. In addition, at the date of termination of the agreement, the independent party will also receive a compensation calculated at 40% of the trade receivable balance as of that terminate date on 30 August 2010.

The directors of the Company have reviewed the carrying values of the available-for-sale investment and considered that there was no future expected cash flows from the investment for the foreseeable future. Accordingly, an impairment loss on availablie-for-sale investment of approximately HK$2,784,000 was recognised in the year ended 31 December 2008.

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2008 $'000	2007 $'000
Trade receivables	7,991	651
Other receivables	142	174
Deposits and prepayments	378	265
	8,511	1,090

(i) The credit period to the Group's trade receivables generally ranges from 90 days to 180 days.

(ii) The ageing analysis of trade receivables as at the balance sheet date, based on the invoice date, as follows:

	2008 $'000	2007 $'000
0 to 90 days	6,904	639
91 to 180 days	350	12
181 to 365 days	737	–
	7,991	651

(iii) The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2008 $'000	2007 $'000
At the beginning of year	28	25
Amount written off as uncollectible	(27)	–
Exchange adjustments	(1)	3
At end of year	–	28

At each balance sheet date, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised.

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2008 $'000	2007 $'000
Neither past due nor impaired	7,254	651
Less than 1 month past due	724	–
1 to 3 months past due	13	–
	737	–
	7,991	651

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19. BANK BALANCES AND CASH

Bank balances earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As of 31 December 2008, the Group had cash and cash equivalents denominated in Renminbi ("RMB") of appropriately RMB151,000 (2007: RMB124,000).

20. TRADE AND OTHER PAYABLES AND ACCRUALS

	2008 $'000	2007 $'000
Trade payables	1,819	848
Other payables and accruals	1,319	2,028
	3,138	2,876

Included in trade and other payables and accruals are ageing analysis of trade payables at the balance sheet date, as follow:

	2008 $'000	2007 $'000
0 to 60 days	105	29
61 to 120 days	210	22
121 to 365 days	656	73
Over 1 year	848	724
	1,819	848

21. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, interest-free and repayable on demand.

22. SHARE CAPITAL

	Nominal value per share $	Number of shares	Amount $'000
Authorised:			
At 31 December 2004, 2005, 2006 and 1 January 2007	0.1	500,000,000	50,000
Creation of CP Shares (note (b))	0.1	(173,913,043)	(17,391)
At 31 December 2008 and 2007 (note (a)(iv))	**0.1**	**326,086,957**	**32,609**
Issued and fully paid:			
At 31 December 2004, 2005, 2006 and 1 January 2007	0.1	235,599,690	23,560
Effect of Share Consolidation (note (a)(i))		(212,039,721)	(21,204)
Issue of New Shares (note (c))	0.1	53,700,000	5,370
At 31 December 2008 and 2007	**0.1**	**77,259,969**	**7,726**

Note:

As announced by the Company on 30 August 2007, the Company proposed to effect a capital restructuring ("Capital Restructuring") and connected transactions in relation to subscription of New Shares ("New Shares Subscription") and Convertible Preference Shares ("CP Shares Subscription") by DaHua International (Group) Limited ("DaHua"). Details of the Capital Restructuring and share subscriptions are set out in the Circular dated 21 September 2007.

At the extraordinary general meeting of the Company held on 15 October 2007,

(a) Ordinary and special resolutions approving the Capital Restructuring were passed and the following capital reorganisation became effective on 29 October 2007:

(i) a share consolidation pursuant to which every ten ordinary shares of HK$0.10 each in the issued share capital of the Company were consolidated into one consolidated share of HK$1.00 each ("Share Consolidation");

(ii) a capital reduction of approximately HK$21.2 million which involved a reduction of the nominal value of each consolidated share then in issue from HK$1.00 to HK$0.10 by cancelling the paid-up capital to the extent of HK$0.90 on each of such consolidated share ("Capital Reduction");

(iii) the cancellation of the entire amount of approximately HK$54.5 million standing to the credit of the share premium account ("Share Premium Cancellation");

(iv) the credit arising from the Capital Reduction and Share Premium Cancellation of the Company, which amounted to approximately HK$75.7 million was transferred to the contributed surplus account of the Company to set off against the accumulated losses of the Company as at 30 June 2007; and

22. SHARE CAPITAL (continued)

(b) A special resolution was passed such that upon the Capital Reduction becoming effective, 173,913,043 new convertible preference shares ("CP Shares") of HK$0.10 each be created in the capital of the Company such that the authorised share capital of the Company of HK$50,000,000 shall comprise HK$32,608,695.70 divided into 326,086,957 ordinary shares of HK$0.10 each and HK$17,391,304.30 divided into 173,913,043 CP Shares; and

(c) An ordinary resolution was passed to approve the New Shares Subscription and allotment to DaHua of 53,700,000 new shares with par value of HK$0.10 per share; and

(d) An ordinary resolution was passed to approve the CP Shares Subscription by DaHua and the allotment to DaHua of 173,913,043 CP Shares.

All the shares rank pari passu in all respects with then ordinary share in issue.

There is no change in share capital during the year ended 31 December 2008.

On 12 December 2008, the Company entered into a placing agreement with Hong Tong Hai Securities Limited, being the placing agent, to place 15,450,000 ordinary shares at the issued price of HK$0.53 each ("Placing").

The gross proceeds of the Placing will be approximately HK$8.19 million. The net proceeds of the Placing of approximately HK$7.83 million are intended to be used for general working capital of the Group and possible investment in the future when opportunities arise.

As at 31 December 2008, the Placing had not been completed. Pursuant to further agreement signed subsequent to year end, the transaction will be extended to 15 May 2009. (Details as set out in note 32 (b)).

23. CONVERTIBLE PREFERENCE SHARES

	Number of shares	Amount $'000
Authorised, issued and fully paid:		
At 6 November 2007 (date of issue), 31 December 2007 and 31 December 2008	173,913,043	17,391

The principal terms of the Convertible Preference Shares ("CP Shares") include the following:

(i) Dividend

A dividend of HK$600,000 calculated at 3% of par value of CP Shares was accrued for the year ended 31 December 2008. No dividends accrued or paid upon the CP Shares until 31 December 2007. An accrued dividend at the rate of 3% of par value will be paid annually.

23. CONVERTIBLE PREFERENCE SHARES (continued)

(ii) Capital

On a return of capital on liquidation or otherwise (but not on conversion), the holders of the CP Shares ("CP Shareholders") shall have the right to be paid, in priority to any return of assets in respect of any other class of shares in the capital of the Company up to an amount equal to the aggregate notional value of HK$20 million (equivalent to approximately HK$0.115 per CP Share).

(iii) Redemption

The Company shall redeem all of the CP Shares at par plus the accrued and unpaid dividends at the maturity date falling five years from the date of allotment and issue of CP Shares.

(iv) Conversion rights

Each CP Shareholder shall have the right to convert at any time any CP Share, which shall be deemed to have a value equal to the notional value thereof, into ordinary shares at the conversion price of HK$0.115 per share, subject to adjustment provisions which are standard terms for convertible securities of similar type.

Each CP Shareholder shall exercise the conversion right attaching to the CP Shares only if it has been confirmed by the Company in writing that the allotment and issue of the ordinary shares to such CP Shareholder and the Company will only issue the ordinary shares pursuant to an exercise of such conversion right if such issue will not cause the Company to be in breach of the minimum public float requirement of not less than 25% as stipulated under Rule 11.23 of the GEM Listing Rules.

(v) Transferability

The CP Shares may be freely transferable subject to the provision of the Company's Bye-laws relating to the transfer of shares and share certificates and provided that no transfer of a CP Share shall be effected within a period of six months commencing on the date of issue of such CP Share.

(vi) Voting

The CP Shareholders shall not have the right to receive notice of, or to attend and vote at, general meetings of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or which if passed would vary or abrogate the rights or privileges of the CP Shareholders.

23. CONVERTIBLE PREFERENCE SHARES (continued)

The net proceeds received from the issue of the CP Shares contain two components:

(a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 10.27% per annum.

(b) Equity component represents the difference between the proceeds of issue of the CP Shares and the fair value assigned to the liability component.

Movements of the CP Shares are as follows:

	Liability Component $'000	Equity Component $'000	Total $'000
CP Shares issued on 6 November 2007	15,580	4,420	20,000
Expenses on issue	(1,054)	(299)	(1,353)
Net proceeds	14,526	4,121	18,647
Interest charged for the period from 6 November to 31 December 2007	219	–	219
At 31 December 2007 and 1 January 2008	14,745	4,121	18,866
Interest charges for the year (Note 8)	1,505	–	1,505
3% CP dividend	(700)	–	(700)
At 31 December 2008	**15,550**	**4,121**	**19,671**

As at 31 December 2008, the total CP dividend accrued as detailed above was HK$700,000 and HK$600,000 was disclosed as amount due to the ultimate holding company and HK$100,000 was included in other payables and accruals.

24. BALANCE SHEET INFORMATION OF THE COMPANY

(a) Balance sheet of the Company

	2008 $'000	2007 $'000
Non-current assets		
Interests in subsidiaries	5,160	33,501
Current assets		
Other receivables, deposits and prepayments	203	100
Bank balances and cash	9,529	23,374
	9,732	23,474
Current liabilities		
Other payables and accruals	457	513
Amount due to the ultimate holding company	600	–
Unsecured loans	3,000	4,000
	4,057	4,513
Net current assets	5,675	18,961
Total assets less current liabilities	10,835	52,462
Non-current liabilities		
Convertible preference shares	(15,550)	14,745
(Net liabilities) net assets	(4,715)	37,717
Capital and reserves		
Share capital	7,726	7,726
Reserves	(12,441)	29,991
(Capital deficiency) shareholders' equity	(4,715)	37,717

24. BALANCE SHEET INFORMATION OF THE COMPANY (continued)

(a) Balance sheet of the Company (continued)

(i) Reserves

	Share premium $'000	Contributed surplus $'000	Equity component of convertible preference shares $'000	Accumulated Losses $'000	Total $'000
At 1 January 2007	54,459	26,067	–	(72,392)	8,134
Share premium cancellation	(54,459)	–	–	54,459	–
Effect of Capital Restructuring	–	2,702	–	18,502	21,204
Issue of CP Shares	–	–	4,121	–	4,121
Loss for the year	–	–	–	(3,468)	(3,468)
At 31 December 2007	–	28,769	4,121	(2,899)	29,991
Loss for the year	–	–	–	(42,432)	(42,432)
At 31 December 2008	**–**	**28,769**	**4,121**	**(45,331)**	**(12,441)**

The contributed surplus of the Company arose from a group reorganisation in 2002. The balance represents the difference between the nominal amount of the Company's shares issued and the consolidated shareholders' funds of Chineseroad Incorporated. During the year ended 31 December 2007, the Company has implemented the Capital Restructuring as detailed in note 22 and the increase arose from the set off of the accumulated losses of the Company as at 30 June 2007.

The Company has no distribution reserves as at 31 December 2008. The Company's reserves available for distribution to shareholders as at 31 December 2007 represented the aggregate of share premium, contributed surplus and accumulated losses and amounted to approximately HK$25,870,000.

(Expressed in Hong Kong dollars)

24. BALANCE SHEET INFORMATION OF THE COMPANY (continued)

(b) Principal subsidiaries of the Company

Name of the Company	Legal form of entity	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Company directly or indirectly held	Principal activities
Chinsesroad Incorporated	Limited liability	The British Virgin Islands ("BVI")	US$67,200	100%	Investment holding
Kama Business Holdings Limited	Limited liability	The British Virgin Islands ("BVI")	US$1	100%	One-stop value chain services
Anson Development Limited	Limited liability	Hong Kong	HK$100	100%	Group administration
Beijing Linefan Zhihui Technology Company Limited (北京藍帆智慧科技有限公司)	Equity joint venture ("EJV")	PRC	RMB1,000,000	100%	Application software provider of non-structural knowledge integration systems and services
Beijing Linefan Technology Company Limited (北京藍帆科技有限公司)	EJV	PRC	US$500,000	100%	Sale, development and implementation of non-structural knowledge integration systems and KM related network application systems and technology
Beijing Wellpay Software Technology Company Limited (北京威派軟件技術有限公司)	EJV	PRC	RMB500,000	100%	Sale, development and implementation of non-structural knowledge integration systems and KM related network application and services
Unlimited Business Opportunity Communication Technology Company Limited (北京無限商機通信技術有限公司)	EJV	PRC	RMB35,000,000	51.43%	Provision of voice search engine portal

Note: Chineseroad Incorporated, Anson Development Limited and Kama Business Holdings Limited are held by the Company directly. All other subsidiaries are held by the Company indirectly.

None of the subsidiaries has issued any debt securities at the and of the years.

25. SHARE OPTIONS

The Company has adopted a share option scheme on 24 January 2002 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options to selected employees to subscribe for shares of the Company as incentives or rewards for their contributions to the Group. The board of directors of the Company may, at its discretion, invite any full-time or part-time employees of the Company or any member of the Group, including any executive and non-executive directors, advisors, consultants of the Company or any subsidiary of the Company to take up options to subscribe for shares of the Company. The total number of shares of the Company available for issue under the Share Option Scheme was initially 10% of the issued share capital as at the date of adoption of the Share Option Scheme.

An ordinary resolution was passed by the shareholders of the Company at the annual general meeting held on 23 April 2003 approving the renewal of the 10% general limit under the Share Option Scheme. The refreshed 10% general scheme limit had been fully utilised in 2004.

The total number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) in any 12–month period must not exceed 1% of the shares of the Company in issue from time to time. An option may be exercised at any time during a period to be determined and notified by the Board to each participant. Upon acceptance of the option, the employee should pay $1.00 to the Company by way of consideration for the grant. The subscription price for the shares of the Company will be a price to be determined by the Board and will be the highest of (i) the closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet on the date of granting of the options; (ii) the average closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of granting of the options; and (iii) the nominal value of a share.

No share option has been granted under the Share Option Scheme by the Company during the two years ended 31 December 2008 and 2007.

26. RELATED PARTY TRANSACTIONS

a. Unsecured loans represent loans from the following related parties:–

   i) Loan from Mr. Dai Fan, a ex-director of the Company and a director of a subsidiary of the Company, of HK$2 million as at 31 December 2008 (2007: HK$3 million); and

   ii) Loan from Ms. Lu Wen Bin, a director of a subsidiary of the Company, of HK$1 million as at 31 December 2008 (2007: HK$1 million).

   The loans from Mr. Dai Fan and Ms. Lu Wen Bin, are unsecured, interest-free and repayable on demand.

b. During the year, the Group acquired a motor vehicle of approximately HK$350,000 from a subsidiary of China Railway Logistics Limited, the ultimate holding company of the Company (2007: nil).

c. A final dividend of HK$600,000 was declared to China Railway Logistics Limited, the ultimate holding company, in respect to the CP Shares during the year.

26. RELATED PARTY TRANSACTIONS (continued)

d. Compensation to key management personnel

The remuneration of key management personnel for 2008 and 2007 are disclosed below:

	2008 $'000	2007 $'000
Salaries and other benefits	1,072	131
Retirement benefits scheme contributions	18	28
	1,090	159

27. OPERATING LEASE COMMITMENT

	2008 $'000	2007 $'000
Minimum lease payments paid under operating leases in respect of office premises during the year	348	521

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

	2008 $'000	2007 $'000
Within one year	348	524
In the second to fifth year inclusive	–	42
	348	566

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to two years and rentals are fixed over the terms of the leases.

28. RETIREMENT BENEFITS SCHEMES

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefits operated by the relevant local government authorities. The Group is required to make contributions on behalf of employees who are registered permanent residents in the PRC. The Group's contributions for the year ended 31 December 2008 were based on 20% (2007: 20%) of the average wages of workers in Beijing, the city where the Group's PRC's staff are located, and amounted to approximately HK$85,000 (2007: HK$159,000).

The Group's Hong Kong office implemented a Mandatory Provident Fund Scheme (the "MPF") in compliance with the applicable regulations in Hong Kong for its staff at the end of 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group's contribution to the MPF amounted to approximately HK$39,000 (2007: HK$26,000).

29. 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 maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes the liability component of CP Shares and unsecured loans disclosed in notes 23 and 26(a) respectively and cash and cash equivalents. Equity attributable to equity holders of the Company, comprising share capital and reserves, are disclosed in notes 22 and 24 respectively.

The Group's management reviews its capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

30. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk.

The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 77% (2007: 68%) and 99% (2007: 79%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively. However, the directors consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

30. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk

The Group is exposed to liquidity risk as the Group recorded consolidated capital deficiency of approximately HK$1,069,000 at the balance sheet date. The liquidity of the Group primarily depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flow and the earliest date that Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	$'000	$'000	$'000	$'000	$'000
2008					
Convertible preference shares	15,550	22,400	600	600	21,200
Trade and other payables and accruals	3,138	3,138	3,138	–	–
Amount due to a shareholder	600	600	600	–	–
Unsecured loans	3,000	3,000	3,000	–	–
	22,288	29,138	7,338	600	21,200
2007					
Convertible preference shares	14,745	23,000	600	600	21,800
Trade and other payables and accruals	2,876	2,876	2,876	–	–
Unsecured loans	4,000	4,000	4,000	–	–
	21,621	29,876	7,476	600	21,800

30. FINANCIAL RISK MANAGEMENT (continued)

(iii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings arising from liability component of CP Shares (Note 23).

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances. The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the balance date. The analysis is prepared assuming the amount of bank balances at the balance date was the amount outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would decrease/increase by approximately HK$57,000 (2007:HK$118,000). This is mainly attributable to the Group's exposure with respect to interest rate on its variable-rate bank balances.

(iv) Foreign exchange risk

The functional currency of certain subsidiaries is RMB since certain of the revenue of the Group are derived from operations in the PRC. The RMB is not freely convertible into other currencies however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(v) Fair value estimation

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using relevant prevailing market rates.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities reported in the consolidated balance sheet approximate their fair values due to the short-term maturities.

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2008 and 2007 may be categorised as follows:

	2008 $'000	2007 $'000
Financial assets		
Loans and receivables (including cash and bank balances)	19,448	24,520
Available-for-sale investment	–	2,666
Financial liabilities		
Financial liabilities measured at amortised cost	20,369	21,340

32. POST BALANCE SHEET EVENTS

(a) On 12 December 2008, the Company entered into a placing agreement with a placing agent to place 15,450,000 ordinary shares at the issued price of HK$0.53 each. The transaction was not yet completed as at 31 December 2008. Subsequent to year end, the Company had signed a supplemental agreement on 27 February 2009 to extend the long stop date of this transaction further from 27 February 2009 to 15 May 2009 (or such later date as may be agreed by the Company and the placing agent).

(b) On 29 December 2008, China Railway Logistics Limited, the ultimate holding company of the Company, announced that it had entered into a placing agreement on 15 December 2008 and a supplemental placing agreement on 22 December 2008, pursuant to which the placing agent has agreed to act as placing agent for the purpose of a private sale of 150,000,000 CP Shares at a price of HK$0.53 per CP Share on a best effort basis to potential subscribers. As of the date on which the consolidated financial statements being approved by the directors of the Company, the transaction is not yet completed. Should the transaction be completed, there may be a possible change in the ultimate holding company of the Company.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

The following is a summary of the consolidated results and of the assets and liabilities of the Group prepared on the basis set out in note 1 below:

For the year ended 31 December

	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Revenue	**10,832**	1,460	4,788	6,066	6,181
Cost of sales	**(8,896)**	(929)	(2,329)	(2,778)	(2,825)
Gross profit	**1,936**	531	2,459	3,288	3,356
Other revenue	**310**	187	612	265	70
Distribution costs	**(6)**	(22)	(1,617)	(4,071)	(3,052)
Administrative expenses	**(8,062)**	(7,113)	(7,660)	(13,556)	(33,803)
Amortisation of goodwill	**–**	–	–	–	(972)
Impairment loss recognised in respect of goodwill on subsidiaries	**(9,827)**	(15,931)	–	–	–
Impairment loss recognised in respect of available-for-sale investment	**(2,784)**	–	–	–	–
Operating loss	**(18,433)**	(22,348)	(6,206)	(14,074)	(34,401)
Finance costs	**(1,505)**	(219)	–	(1)	(93)
Share of results of associates	**–**	–	–	–	(94)
Share of results of a jointly controlled entity	**–**	–	–	–	(3,203)
Gain on disposal of subsidiaries	**–**	–	–	–	30
Loss on disposal of associates	**–**	–	–	–	(11)
Loss before income tax	**(19,938)**	(22,567)	(6,206)	(14,075)	(37,772)
Income tax expense	**(83)**	–	–	–	–
Loss for the year	**(20,021)**	(22,567)	(6,206)	(14,075)	(37,772)
Attributable to:					
Equity holders of the Company	**(20,021)**	(22,567)	(4,972)	(13,525)	(36,493)
Minority Interests	**–**	–	(1,234)	(550)	(1,279)
	(20,021)	(22,567)	(6,206)	(14,075)	(37,772)

Financial Summary

For the year ended 31 December 2008 (Expressed in Hong Kong dollars)

ASSETS AND LIABILITIES

As at 31 December

	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Non-current assets	**1,251**	15,288	30,848	36,014	40,447
Current assets	**19,968**	24,785	1,863	4,420	7,094
Current liabilities	**6,738**	6,876	4,474	3,661	3,841
Net current assets (liabilities)	**13,230**	17,909	(2,611)	759	3,253
Non-current liabilities	**15,550**	14,745	–	–	–
(Net liabilities) net assets	**(1,069)**	18,452	28,237	36,773	43,700