

The background of the page features a series of overlapping, wavy, light blue lines that create a sense of motion and depth. These lines are composed of many fine, parallel lines that curve and flow across the page, primarily on the right side and bottom, leaving the top-left area more open.

China Railway Logistics Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

Interim Report **2009**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of China Railway Logistics Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to China Railway Logistics Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this 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.

The board of directors (the “Board”) of China Railway Logistics Limited (the “Company”) hereby announces the condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2009, together with the comparative figures for the corresponding periods in 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover	3	23,190	2,370	37,033	6,777
Cost of sales		(21,765)	(1,537)	(33,647)	(3,203)
Gross profit		1,425	833	3,386	3,574
Other income	3	865	4,865	2,428	11,582
Change in fair value of financial assets at fair value through profit or loss		473	–	502	46
Share of result of an associate		(5)	–	(5)	–
Loss on disposal of a subsidiary		–	–	(29)	–
Distribution and selling expenses		(5)	(7)	(10)	(13)
Administrative expenses		(11,248)	(15,458)	(22,608)	(27,263)
Finance costs		–	(22)	(28)	(22)
Loss before tax	5	(8,495)	(9,789)	(16,364)	(12,096)
Income tax expense	6	(10)	–	(42)	–
Loss for the period		(8,505)	(9,789)	(16,406)	(12,096)
<i>Other comprehensive income</i>					
Exchange difference arising on translation of foreign operations		10	9	21	32
Other comprehensive income for the period		10	9	21	32
Total comprehensive expense for the period		(8,495)	(9,780)	(16,385)	(12,064)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Loss for the period attributable to:					
– Equity holders of the Company		(8,505)	(9,789)	(16,406)	(12,096)
– Non-controlling interests		–	–	–	–
		(8,505)	(9,789)	(16,406)	(12,096)
Total comprehensive expense attributable to:					
– Equity holders of the Company		(8,495)	(9,780)	(16,385)	(12,064)
– Non-controlling interests		–	–	–	–
		(8,495)	(9,780)	(16,385)	(12,064)
Dividend	7	–	–	–	–
Loss per share – Basic	8	HK(1.52) cents	HK(2.01) cents	HK(2.99) cents	HK(2.48) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		16,130	17,802
Deposits paid for acquisition of investments	9	76,645	28,275
Goodwill	10	13,690	–
Available-for-sale investments		3,000	–
		109,465	46,077
Current assets			
Loan receivable		3,823	4,723
Convertible bond designated at financial assets at fair value through profit or loss		7,047	7,047
Inventories		173	261
Trade receivables	11	17,921	9,221
Prepayments, deposits and other receivables	12	67,011	48,562
Financial assets at fair value through profit or loss		3,783	3,281
Bank balances and cash		705,989	802,629
		805,747	875,724

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current liabilities			
Trade payables	13	1,668	2,544
Accruals and other payables		4,081	10,970
Unsecured loans		3,000	3,000
Receipts in advance		373	567
		9,122	17,081
Net current assets		796,625	858,643
Total assets less current liabilities		906,090	904,720
Capital and reserves			
Share capital	15	564	537
Reserves		905,526	904,183
Equity attributable to equity holders of the Company		906,090	904,720

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2009*

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share options reserve (Unaudited) HK\$'000	Exchange translation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Equity attributable to equity holders of the Company (Unaudited) HK\$'000
2008							
At 1 January 2008	489	2,772,497	7,914	34,357	320	(1,693,710)	1,121,867
Exchange differences arising on translation of foreign operations	-	-	-	-	32	-	32
Net expense recognised directly in equity	-	-	-	-	32	-	32
Loss for the period	-	-	-	-	-	(12,096)	(12,096)
Total comprehensive expense for the period	-	-	-	-	32	(12,096)	(12,064)
Share repurchased and cancelled, net of share repurchase expenses	(2)	(3,419)	-	-	-	-	(3,421)
At 30 June 2008	487	2,769,078	7,914	34,357	352	(1,705,806)	1,106,382
2009							
At 1 January 2009	537	2,837,253	7,914	3,590	(53)	(1,944,521)	904,720
Exchange differences arising on translation of foreign operations	-	-	-	-	21	-	21
Net expense recognised directly in equity	-	-	-	-	21	-	21
Loss for the period	-	-	-	-	-	(16,406)	(16,406)
Total comprehensive expense for the period	-	-	-	-	21	(16,406)	(16,385)
New shares issued	27	17,728	-	-	-	-	17,755
At 30 June 2009	564	2,854,981	7,914	3,590	(32)	(1,960,927)	906,090

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(66,083)	(9,073)
Net cash (used in)/generated from investing activities	(48,332)	9,842
Net cash generated from/(used in) financing activities	17,775	(2,156)
Net decrease in cash and cash equivalents	(96,640)	(1,387)
Cash and cash equivalents at the beginning of period	802,629	923,380
Effect of foreign exchange rate changes	–	25
Cash and cash equivalents at the end of period	705,989	922,018
Represented by		
Bank balances and cash	705,989	922,018

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

The Company was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited since 18 May 2000. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and address of its principal place of business is Units 01-03, 5/F, Skyline Commercial Centre, 71-77 Wing Lok Street, Sheung Wan, Hong Kong.

The Company is an investment holding company. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in preparing the condensed consolidated financial statement are consistent with those used in the Group's annual financial statements for the year ended 31 December 2008 ("the 2008 Financial Statements"), except for the amendments and interpretations of HKFRSs ("New HKFRSs") issued by HKICPA which have become effective in this period as detail in notes of the 2008 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group's condensed consolidated financial statements for the period.

3. TURNOVER AND OTHER INCOME

The analysis of the Group's turnover and other income for the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover:				
Sales of goods	21,148	713	32,611	1,808
Rental income from leasing of telecommunication and computer telephony equipment	1,164	906	2,367	1,689
Service fees income	878	751	2,055	3,280
	23,190	2,370	37,033	6,777
Other income:				
Bank interest income	817	4,346	2,329	10,825
Sundry income	48	519	99	757
	865	4,865	2,428	11,582

4. SEGMENT INFORMATION

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.

Business segments comprise of (i) one-stop value chain services segment engaging in the provision of total solution services including trading, packaging and logistic solutions (ii) supply, development and integration of telecommunications products and the related service fees; and (iii) supply, development and integration of computer telephony and fees for consulting and maintenance services.

4. SEGMENT INFORMATION (Continued)

Business Segments

The following table presents revenue and results for the Group's business segments:

	Turnover		Segment result	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Operating divisions				
One-stop value chain services	30,754	–	(785)	–
Telecommunications	2,563	2,078	368	1,632
Computer telephony	3,716	4,699	2,224	1,942
	37,033	6,777	1,807	3,574
Unallocated other income			2,930	11,628
Unallocated corporate expenses			(21,073)	(27,276)
Finance costs			(28)	(22)
Loss before tax			(16,364)	(12,096)
Income tax expense			(42)	–
Loss for the period			(16,406)	(12,096)

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging and crediting:

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
After charging:		
Staff costs including directors' emoluments:		
Salaries and allowances	9,475	10,051
Contributions to retirement benefits scheme	218	175
	9,693	10,226
Cost of inventories recognised as an expense	33,647	3,203
Minimum lease payments under operating leases	1,393	2,276
Depreciation of property, plant and equipment	1,871	453
After crediting:		
Bank interest income	2,329	10,825
Changes in fair values of financial assets at fair value through profit or loss	502	46
Net exchange gain	–	472

6. INCOME TAX EXPENSE

The Company is not subject to tax in Bermuda on its assessable profits or capital gains until March 2016.

The Group's operations are carried out in both Hong Kong and the People's Republic of China ("PRC"). The official applicable PRC tax rate for the period ended 30 June 2009 and 2008 respectively is 25%. However, certain subsidiaries in the Group are "Encourage Hi-Tech Enterprise" and entitled 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 six months ended 30 June 2009 and 30 June 2008, no provision for PRC income tax was made.

Hong Kong Profit Tax is calculated at 16.5% of the estimated profit for both periods.

7. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2009 and 30 June 2008, nor has any dividend been proposed since 30 June 2009.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company for the six months ended 30 June 2009 of approximately HK\$16,406,000 (six months ended 30 June 2008: HK\$12,096,000) and the weighted average of 547,855,436 (six months ended 30 June 2008: 487,610,703) ordinary shares in issue during the six months ended 30 June 2009.

No diluted loss per share has been presented for the six months ended 30 June 2009 and 2008 as the outstanding share options had an anti-dilutive effect on the basic loss per share.

9. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

The balance as at 30 June 2009 represents RMB67,600,000 (approximately HK\$76,645,000) paid as a refundable deposit. The Group entered into a formal agreement on 10 March 2009 in relation to the acquisition of 44% equity interests in Changsha Xinxing Development Limited, a company which engaged in the provision of catering, entertainment services, rental of hotel rooms and office premises and property management ("Possible Acquisition").

The total consideration is RMB72,600,000 (approximately HK\$82,200,000), the remaining balance of RMB5,000,000 (approximately HK\$5,555,000) shall be payable upon completion. The Possible Acquisition was duly passed by poll by the shareholders at the special general meeting held on 19 June 2009.

10. ACQUISITION OF SUBSIDIARIES

In April 2009, the Group acquired 25% of the entire issued share capital of Great Hill Trading Limited ("Great Hill") with consideration of approximately HK\$20,755,000 and accounted for the investment as an associate until May 2009. During that period, the Group shared loss of the associate of approximately HK\$5,000.

In May 2009, the Group acquired the remaining 75% of the entire issued share capital of Great Hill with consideration of approximately HK\$34,000,000 and accounted for the investment as a subsidiary. Great Hill is through Welford International Industrial Ltd its wholly-owned subsidiary, interested in 46% of Guangdong Zhenrong Petrochemical Company Limited, which is engaged in the import and merchandising of chemical products (excluding fertilizers dangerous agricultural chemicals and dangerous chemical products), the import and merchandising of minerals (excluding iron, aluminium oxide and coal), the import and export of electronic and electrical equipment and devices, as well as the domestic purchase and the merchandising of petroleum products in the PRC (excluding refined oil).

The net assets acquired in the transactions are as follows:

	HK\$'000
<hr/>	
Net assets acquired:	
Other receivables and deposits	41,077
Accruals and other payables	(12)
	<hr/>
	41,065
Consideration in form of:	
– Cash	37,000
– New shares of the Company issued	17,755
	<hr/>
	(54,755)
	<hr/>
Goodwill arising on acquisition	13,690
	<hr/>

11. TRADE RECEIVABLES

The Group normally grants to its customer credit period ranging from 30 days to 180 days. The aging analysis of gross trade receivables is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0 – 90 days	10,411	8,207
91 – 180 days	6,586	356
181 – 365 days	1,904	1,377
Over 365 days	–	261
	18,901	10,201
Less: impairment loss	(980)	(980)
	17,921	9,221

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Receivables in respect of a terminated acquisition	–	20,000
Deposit paid for acquisition of potential investments	30,337	25,000
Prepayments	952	818
Rental and utility deposits	435	1,573
Other receivables	35,287	1,171
	67,011	48,562

13. TRADE PAYABLES

The suppliers normally grant credit period to the Group ranging from 60 days to 180 days. The aging analysis of trade payables is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0 – 60 days	155	635
61 – 120 days	1	358
121 – 365 days	–	656
Over 365 days	1,512	895
	1,668	2,544

14. OPERATING LEASE COMMITMENTS

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

	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Within one year	2,571	7,182
In the second to fifty year (both years inclusive)	2,866	11,755
	5,437	18,937

15. SHARE CAPITAL

	30 June 2009	
	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each	100,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.001 each		
At 1 January 2009	537,314	537
Issue of shares on 20 April 2009	26,500	27
Ordinary shares of HK\$0.001 each at 30 June 2009	563,814	564
	31 December 2008	
	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each	100,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.001 each		
At 1 January 2008	489,314	489
Shares repurchased on 28 January 2008	(2,000)	(2)
Issue of shares on 28 August 2008	50,000	50
Ordinary shares of HK\$0.001 each at 31 December 2008	537,314	537

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Performance

For the six months ended 30 June 2009, the Group recorded a turnover of approximately HK\$37,033,000 (six months ended 30 June 2008: approximately HK\$6,777,000), representing an increase of approximately 446.5% as compared to the last corresponding period. The substantial increase in turnover was mainly contributed by developing the new business model of being a One-Stop Value Chain Provision including trading, packaging and logistics solutions.

Turnover from telecommunications business was HK\$2,563,000 (six months ended 30 June 2008: approximately HK\$2,078,000), representing an increase of approximately 23.3% as compared to the last corresponding period. Turnover derived from computer telephony business decreased from approximately HK\$4,699,000 in the last corresponding period to approximately HK\$3,716,000 representing a decrease of approximately 20.9% as compared to the last corresponding period. Turnover derived from one-stop value chain service were approximately HK\$30,754,000 and the segmental section was acquired in August 2008.

Administrative expenses for the six months ended 30 June 2009 was approximately HK\$22,608,000 (six months ended 30 June 2008: approximately HK\$27,263,000). The reduction in expenses was primarily due to decrease in consultancy and legal and professional fees during the period as compared to the corresponding period in 2008, which were incurred in relation to the dealing and resolving of problems encountered during the investigation and negotiation process in its railway logistics transportation business.

The loss attributable to equity holders was approximately HK\$16,406,000 (six months ended 30 June 2008: approximately HK\$12,096,000). The basic loss per share was approximately HK2.99 cents (six months ended 30 June 2008: HK2.48 cents).

In line with our expectation, the IT and telecommunications markets during the period under review remained stable from which generated steady income to the Group. Following a new developing business model of One-Stop Value Chain Provision, in which there is a significant increase in the revenue in the first half of fiscal year 2009.

Outlook

On 10 March 2009, Asiaciti Management Limited ("Asiaciti"), a wholly-owned subsidiary of the Company, entered into the formal agreement with Gold Wide Holdings Limited, following completion of the formal agreement, the Company shall be effectively interested in 44% of the Changsha Xinxing Development Limited ("Changsha Xinxing"). The possible acquisition was approved by the shareholders of the Company at the special general meeting held on 19 June 2009 and still subject to the fulfillment of certain conditions in the agreement.

Outlook (Continued)

The Company shall work closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the remaining shareholders of Changsha Xinxing, to modify the property owned by Changsha Xinxing from a hotel to an electronic products shopping mall. The Company is confident that the project will transpire into a good opportunity for the Group to expand into the electronic retail market in the PRC.

With the recovery of China's economy during the first half of 2009, the global and local economic situation continues to improve and steadily emerge from the global financial crisis. While volatility may reign for the rest of 2009, the Board believes that a long term strategy with active risks control will generate positive returns for the shareholders of the Company independent of market situations. The Board continues to be cautiously optimistic about the future prospect of the Group and has taken, and will continue to take a prudent approach to its future business development.

The Group currently maintains a strong cash position and the Board will carefully seek business opportunity for the Group to reduce the risk of its overall investment and to enhance the Group's earning potentials.

Liquidity and Financial Resources

The Group generally finances its operation with internally generated cash flows and the bank balance.

As at 30 June 2009, the Group had cash and cash equivalent of approximately HK\$705,989,000 (31 December 2008: approximately HK\$802,629,000) and had no bank borrowings (31 December 2008: Nil). The gearing ratio, measured on the basis of total non-current liabilities to total assets less current liabilities, was zero times (2008: zero times).

Capital Structure

As at 30 June 2009, the Company's issued share capital is HK\$563,814 and the number of its issued ordinary shares is 563,814,000 shares. On 20 April 2009, the Company issued and allotted 26,500,000 new shares as part of the consideration in respect of the acquisition of 25% of the entire issued share capital of Great Hill.

Fund Raising Activities

On 29 December 2008, the Company announced that it had entered into a placing agreement on 15 December 2008 and a supplemental placing agreement on 22 December 2008 with a placing agent to place a private sale of 150,000,000 convertible preference shares ("CP Share") of Linefan Technology Holdings Limited ("Linefan"), a subsidiary of the Company, at a price of HK\$0.53 per CP Share. The transaction was not yet completed as at the date of this report.

Fund Raising Activities (Continued)

On 29 May 2009, Linefan entered into a placing agreement with a placing agent in relation to a placement of 14,000,000 new ordinary shares to independent investors under general mandate of Linefan at a price of HK\$0.70 per share. The transaction was not yet completed as at the date of this report.

The Company had entered a non-listed warrants ("Warrants") placing agreement with a placing agent on 10 June 2009 to place up to 110,000,000 Warrants at the warrant issue price of HK\$0.05 per Warrant. The Warrants entitle the placees to subscribe for a maximum of 110,000,000 new ordinary share(s) of HK\$0.001 each in the capital of the Company ("New Share") at an initial warrant exercise price of HK\$1.40 per New Share for a period of 36 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share. The transaction was not yet completed as at the date of this report.

Charge on Group Assets and Contingent Liabilities

The Group did not have any charges on its assets and there were no contingent liabilities as at 30 June 2009.

Capital Commitment

As at 30 June 2009, the Group had outstanding capital commitment in respect of the acquisition of 44% of equity interests in Changsha Xinxing of approximately HK\$5,555,000.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The reporting currency adopted by the Group was Hong Kong dollars ("HK\$"). Majority of the Group's sales, receivables and expenditures were denominated in HK\$, United States dollars or Renminbi ("RMB"). HK\$ is closely linked with United States dollars. On the other hand, although the exchange rate of HK\$ against RMB had been steadily depreciated for the period under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk as any specific five years currency other than RMB. Therefore, no hedging devices or other alternative have been implemented.

Significant Investment

On 25 June 2009, Oasis Choice Holdings Limited ("Oasis Choice"), a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Rapid Move Group Limited in relation to the acquisition of a property at a cash consideration of HK\$47,000,000. The property is located at Flat B, 22nd Floor, The Mayfair, No. 1 May Road, Hong Kong with an aggregate gross floor area of approximately 2,838 square feet. As at 30 June 2009, Oasis Choice paid an initial deposit of HK\$2,350,000. Details of the transaction are set out in the announcement of the Company dated 25 June 2009.

Material Acquisitions and Disposals

On 19 January 2009, a share sale and purchase agreement (“Agreement”) was entered into between General Win International Limited (“General Win”), Money Holder Limited (“Money Holder”), a direct wholly-owned subsidiary of the Company, and the Company. Pursuant to the Agreement, General Win agreed to purchase and the Company agreed to sell the entire issued share capital of Money Holder at a total consideration of HK\$1,200,000. The transaction was completed on 19 January 2009 resulting in a loss on disposal of Money Holder of approximately HK\$29,000.

On 23 January 2009, Ultra Million Limited (“Ultra Million”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Wisdom First Limited to acquire 25% equity interest in Great Hill at an aggregate consideration of HK\$20,755,000. This acquisition was completed on 20 April 2009.

On 22 April 2009, Ultra Million entered into a conditional sale and purchase agreement with Richy Spring International Limited to further acquire 75% equity interest in Great Hill at an aggregate consideration of HK\$34,000,000. This acquisition was completed on 8 May 2009 and Great Hill became a wholly-owned subsidiary of the Company.

On 10 March 2009, Asiaciti entered into a conditional sale and purchase agreement (the “SP Agreement”) to acquire 44% effective interest in Changsha Xinxing at an aggregate consideration of RMB72,600,000. At the special general meeting of the Company held on 19 June 2009, the resolution for approving this acquisition was passed by the shareholders of the Company. As at the date of this report, the completion of this acquisition was still subject to the fulfillment of certain conditions in the SP Agreement.

On 29 June 2009, Centre World Holding Limited (“Centre World”), a wholly-owned subsidiary of the Company entered into the agreement with Best Access Investment Holdings Limited (“Best Access”) pursuant to which Centre World has agreed to sell and Best Access has agreed to acquire 100,000 ordinary shares of HK\$1.00 each in the entire issued share capital of Proactive International Limited (“Proactive”), a wholly-owned subsidiary of the Company and a loan of HK\$3,616,117 owing by Proactive to Centre World as at the date of the agreement at the aggregate consideration of HK\$1,000,000. The transaction was completed on 2 July 2009.

Employee and Remuneration Policy

The Group (excluding its associates) employed 63 full time employees (31 December 2008: 60) in Hong Kong and the PRC as at 30 June 2009.

We offer competitive remuneration package, including medical and retirement benefits, and share option scheme to eligible employees. Apart from basic salary, executive directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2009, the interests and short positions of the Directors and chief executive's 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 Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "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 were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") adopted by the Company, or to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares and underlying shares of the Company:

Name of director	Type of interests	Number of issued ordinary shares held	Total interests	Total approximate percentage of the issued share capital
Ms. Chan Shui Sheung Ivy	Beneficial owner	60,000	60,000	0.011%

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

At no time during the six months ended 30 June 2009 was the Company or any of its subsidiaries a party to any arrangements to enable any of the Directors or Company's members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2009.

SHARE OPTION SCHEME

On 22 November 2002, the Company adopted a share option scheme ("2002 Option Scheme") under which the Board may, at its discretion, grant options to the participants fall within the definition prescribed in the 2002 Option Scheme including the employees, non-executive directors of the Company or its subsidiaries, etc. The 2002 Option Scheme will remain in force for a period of 10 years starting from 22 November 2002.

Details of the outstanding options under the 2002 Option Scheme are as follow:

Name	Date of share option granted	Vesting period	Exercise price	Exercisable period	Number of share options outstanding
					as at 1 January 2009 and 30 June 2009
Employee	3 April 2007	None	7.35	3 April 2007 to 2 April 2017	1,000,000
Consultants	3 April 2007	None	7.35	3 April 2007 to 2 April 2017	1,200,000
Total					2,200,000

Note: No option under the 2002 Option Scheme was granted, exercised, cancelled or lapsed during the period under review.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 30 June 2009 or at any time the three months ended 30 June 2009.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, persons who had interests or short positions directly or indirectly in the Company's shares, underlying shares and debentures were recorded in the register kept by the Company pursuant to section 336 of the SFO or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules were as follows.

Long positions in the ordinary shares of the Company:

Name of Shareholders	Capacity	Number of shares held	Percentage of interests
PME Group Limited	Interest of corporation controlled	80,254,000 (Note 1)	14.23%
Sunbright Asia Limited	Beneficial owner	71,000,000 (Note 1)	12.59%
Well Support Limited	Beneficial owner	52,415,466 (Note 2)	9.30%
Liu Yi Dong	Trust of Liu Yi Dong Family Trust	52,415,466 (Note 2)	9.30%

Notes:

1. Pursuant to the corporate substantial shareholder notices filed by PME Group Limited dated 20 April 2009 and by Sunbright Asia Limited dated 20 April 2009, through its various controlled corporations is interested in an aggregate of 80,254,000 shares of the Company.
 - (i) 71,000,000 shares are directly held by Sunbright Asia Limited, by virtue of CR Investment Group Limited's 100% interest in Sunbright Asia Limited and PME Group Limited's 100% interests in CR Investment Group Limited; and
 - (ii) 9,254,000 shares are directly held by Betterment Enterprises Limited, by virtue of Richcom Group Limited's 99.49% interest in Betterment Enterprises Limited, CR Investment Group Limited's 100% interest in Richcom Group Limited and PME Group Limited's 100% interest in CR Investment Group Limited.
2. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited dated 28 June 2007 and the individual substantial shareholder notice filed by Liu Yi Dong dated 28 June 2007, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, the Directors were not aware of any other shareholders or other persons who had an interest or a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of the Company, or any other substantial shareholders whose interest or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO as at 30 June 2009.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or substantial shareholder of the Company or any of their respective associates had an interest in business which competes or may compete with the business of the Group or has any other conflict of interest which any such persons has or may have with the Group during the six months ended 30 June 2009.

CODE ON CORPORATE GOVERNANCE

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules ("CG Code") for the six months ended 30 June 2009 except the following deviation:

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

Subsequent to the resignation of the former Chairman, Mr. Lim Kwok Choi on 6 October 2008 and the former Chief Executive Officer, Mr. Ha Shu Tong on 11 March 2008, the two posts have been vacant as at 30 June 2009. The Board will keep reviewing the current structure from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the posts as appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

During the six months ended 30 June 2009, the Company had adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by directors.

NON-COMPLIANCE WITH RULES 5.05(1) AND 5.28

Following the resignation of Mr. Lam Raymond Shiu Cheung as independent non-executive director of the Company and audit committee member of the Company on 17 June 2009, the Company has had only two independent non-executive directors and two audit committee members up to the date of this report, which fall below the minimum number of three independent non-executive directors and three audit committee members as required under Rules 5.05(1) and 5.28 respectively of the GEM Listing Rules. In this regard, the Company will use its best endeavours to identify suitable candidate(s) to fill the vacancy of an independent non-executive director(s) and a member(s) of the audit committee of the Company as soon as practicable. Further announcement will be made by the Company once the new appointment is confirmed in due course in accordance with the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2009.

AUDIT COMMITTEE

The Company has established an Audit Committee with terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises all independent non-executive directors of the Company. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, interim reports and quarterly reports and to provide advice and comments thereon to the Board.

The unaudited financial results of the Group and the interim report for the six months ended 30 June 2009 have been reviewed by the Audit Committee.

On behalf of the Board
Chan Shui Sheung Ivy
Executive Director

Hong Kong, 7 August 2009

As at the date of this report, the Company's executive directors are Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy, and the Company's independent non-executive directors are Ms. Yuen Wai Man and Mr. Lam Ka Wai Graham.