THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Argos Enterprise (Holdings) Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 8022)

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

INCU Corporate Finance Limited

A letter from the board is set out from pages 5 to 17 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Room A, 9th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Monday, 29 June 2009 at 11:30 a.m. is set out on pages 126 to 127 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting if you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com and the Company's website at http://www.argosenterprise.com.hk for at least 7 days from the date of its postings.

12 June 2009

CHARACTERISTICS OF GEM

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 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

Page

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Accounts Date"	31 May 2009
"acting in concert"	has the meaning ascribed thereto under the Hong Kong Code on Takeovers and Mergers, as amended from time to time
"associates"	has the meaning ascribed to this term under the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Company"	Argos Enterprise (Holdings) Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on GEM
"Completion"	completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	the date falling within three Business Days after the date of fulfillment of the conditions in the Sale and Purchase Agreement
"connected persons"	has the meaning ascribed to this term under the GEM Listing Rules
"Consideration"	HK$8,000,000 (subject to adjustment) being the aggregate consideration payable for the Sale Shares and the Sale Loan
"Directors"	the directors of the Company
"Disposal"	the disposal of the Sale Shares and the Sale Loan by the Company to the Purchaser pursuant to the Sale and Purchase Agreement

"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. Law and Mr. Wang
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	10 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Management Accounts"	the unaudited consolidated balance sheet of the Group as at the Accounts Date and the unaudited consolidated profit and loss account of the Group for the period from 1 January 2009 to the Accounts Date
"Mr. Law"	Mr. Law Wing Hoi, one of the Guarantors
"Mr. Wang"	Mr. Wang Yue Hung, one of the Guarantors
"Mr. Yeung"	Mr. Yeung Wai Hung is a former Director, an existing director of the Target and one of the ultimate beneficial owners who holds 22.6% of the entire issued share capital of Sino Market Enterprises Limited, which, in turn, holds 11.44% of the entire issued share capital of the Company. Mr. Yeung and Mr. Wang jointly hold 1,400,000 Shares which are held under the name of Cherikoff Bakery & Confections Limited
"PRC"	the People's Republic of China which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

"Purchaser"	Cable Best Development Limited, a company incorporated in the British Virgin Islands with limited liability, 30% of the issued share capital of which is beneficially owned by Mr. Law and 70% of the issued share capital of which is beneficially owned by Mr. Wang
"Remaining Group"	the Company and its subsidiaries immediately after Completion
"Reorganisation"	the disposal of 雅高企業管理顧問(南京)有限公司 (Argos Enterprise Management Consultant (Nanjing) Limited#) and 徐州中國國際旅行社有限公司 (Xuzhou China International Travel Service Limited#) by the Target to a wholly owned subsidiary of the Company
"Sale and Purchase Agreement"	the agreement dated 6 May 2009 and entered into between the Company, the Purchaser and the Guarantors in relation to the sale and purchase of the Sale Shares and the Sale Loan, as amended from time to time
"Sale Loan"	all obligations, liabilities and debts owing or incurred by the Target to the Company on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, as at the date of the Sale and Purchase Agreement, the Target was indebted to the Company in the amount of HK$18,434,530
"Sale Shares"	500,000 ordinary shares of HK$1.00 in the issued share capital of the Target, representing the entire issued share capital of the Target
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target"	Argos Bus Services (China) Company Limited, a company incorporated in the Hong Kong with limited liability, whose entire issued share capital is legally and beneficially owned by the Company
"Target Group"	the Target and its subsidiaries but excluding 雅高企業管理顧問（南京）有限公司 (Argos Enterprise Management Consultant (Nanjing) Limited#) and 徐州中國國際旅行社有限公司 (Xuzhou China International Travel Service Limited#)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

the English translations of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

ARGOS ENTERPRISE (HOLDINGS) LIMITED
雅高企業（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 8022)

Executive Directors:
Mr. Cheung Man Yau, Timothy
Mr. Wong Man Chiu, Ronnie
Mr. Chan Kin Yip
Mr. Cheng Wing Hong

Non-executive Director:
Mr. Wong Wai Sing

Independent non-executive Directors:
Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis
Mr. Fung Wai Shing

Registered office and principal place of business:
Room A, 9th Floor, Fortis Tower
77-79 Gloucester Road
Wanchai
Hong Kong

12 June 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 11 May 2009, the Board announced that on 6 May 2009 (after trading hours) the Company has entered into the Sale and Purchase Agreement with the Purchaser for the disposal of the Sale Share and the Sale Loan.

The purpose of this circular is to provide further details of, among other things, the Disposal, the accountants' report of the Group, the financial information of the Group, the unaudited pro forma financial information of the Remaining Group, the general information of the Group and the notice of EGM.

THE SALE AND PURCHASE AGREEMENT

Date: 6 May 2009

Parties:	(1)	Vendor	:	the Company
	(2)	Purchaser	:	the Purchaser
	(3)	Guarantors	:	Mr. Law and Mr. Wang

The Purchaser is an investment holding company. Mr. Law and Mr. Wang beneficially hold 30% and 70% of the entire issued share capital of the Purchaser respectively. As at the Latest Practicable Date, Mr. Wang and Mr. Yeung jointly hold 1,400,000 Shares which are held under the name of Cherikoff Bakery & Confections Limited. Mr. Wang and Mr. Yeung each holds 50% of the issued share capital of Cherikoff Bakery & Confections Limited. Save as being the co-owner of those 1,400,000 Shares with Mr. Wang, Mr. Yeung has no other relationship with the Purchaser, Mr. Law and Mr. Wang.

Save as disclosed above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Purchaser and the Guarantors is third party independent of and not connected with the Company and any of its connected persons.

Assets to be disposed of

(i) The Sale Shares, being the entire issued share capital of the Target; and

(ii) The Sale Loan, being all the obligations, liabilities and debts owing or incurred by the Target to the Company (whether actual, contingent or deferred) at the Completion Date, as at the date of the Sale and Purchase Agreement, the Target was indebted to the Company in the amount of HK$18,434,530.

Consideration

The consideration for the sale and purchase of the Sale Shares is HK$1,500,000 and subject to the adjustment the consideration for the sale and purchase of the Sale Loan is HK$6,500,000. The Consideration shall be payable in cash in the following manner:

(a) HK$300,000, being the deposit and part of the Consideration, shall be paid by the Purchaser to the Company upon signing of the Agreement; and

(b) the remaining HK$7,700,000 shall be payable by the Purchaser to the Company upon Completion.

Adjustment to the consideration for the Sale Loan

In the event that the net loss attributable to the shareholders of the Target as shown in the Management Accounts exceeds HK$3,000,000, the Purchaser shall be entitled to deduct such amount equivalent to the difference between HK$3,000,000 and the net loss of the Group as shown in the Management Accounts from the consideration for the Sale Loan, provided that if such difference exceeds HK$6,500,000, the Purchaser shall only be entitled to deduct the difference up to HK$6,500,000.

Basis of determining the Consideration

The Consideration was determined through arm's length negotiations between the Purchaser and the Company and on a commercial basis with reference to (i) the continuous losses of the Target Group; (ii) the disapproval of increment in bus fare application by the local authorities in the PRC; (iii) the capital commitment for the replacement of retired buses; and (iv) the reasons and benefits as mentioned in the paragraph headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below.

In view that the Target Group recorded substantial loss after tax of approximately HK$9,323,000 and HK$63,750,000 for the financial years ended 31 December 2007 and 2008 respectively as well as taken into account the capital commitment for the replacement of retired buses, the Board considers that disposal of the Sale Loan at a discount is fair and reasonable. Given the poor financial results of the Target Group in the past two years, the Board further considers the Consideration as a whole is fair and reasonable. As such, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon and subject to:

(1) the passing by the Shareholders at the EGM of the ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated hereunder;

(2) the release of corporate guarantee given by the Target Group in favour of Bank of Communications Limited to secure the payment obligations of the Company under the bank facilities granted by Bank of Communications Limited to the Target Group;

(3) completion of the Reorganisation;

(4) the warranties given by the Purchaser in the Sale and Purchase Agreement remaining true and accurate in all material respects; and

(5) the warranties given by the Company in the Sale and Purchase Agreement remaining true and accurate in all material respects.

Conditions (1) and (3) above are not waivable. Conditions (2) and (5) above are waivable by the Purchaser in writing and condition (4) is waivable by the Company in writing. If the conditions have not been satisfied or waived (as applicable) on or before 30 June 2009, or such later date as the Company and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the above conditions has been satisfied.

Undertaking given by the Guarantors

The Guarantors have jointly and severally unconditionally and irrevocably undertaken to the Company to procure the due and punctual payment of the Consideration by the Purchaser under the Sale and Purchase Agreement and further undertake to indemnify the Company against all liabilities, losses, costs and expenses suffered by the Company in connection with any default of the Purchaser in the performance of such obligations.

Completion

Completion shall take place at 4:00 p.m. on the date falling within three Business Days after the fulfilment of the conditions or such later date as may be agreed between the Company and the Purchaser.

Upon Completion, the Target Group will cease to be subsidiaries of the Company. Upon Completion, the Vendor shall also procure Mr. Wong Man Chiu, Ronnie, an executive Director and Mr. Yeung to enter into two service agreements with the Target respectively to act as the directors of the Target for a term of three years.

INFORMATION ON THE TARGET GROUP

The Target Group is principally engaged in the provision of public bus transportation, taxi rental services and sight-seeing route bus services in the PRC.

2Set out below is the financial information of the Target Group (having taken into account of the effect of Reorganisation) for the two years ended 31 December 2007 and 31 December 2008 respectively which was prepared in accordance with the generally accepted accounting principles of Hong Kong.

	For the year ended 31 December 2007	**For the year ended 31 December 2008**
	Approximately HK$'000	*Approximately HK$'000*
	(Audited)	(Audited)
Turnover	162,349	167,370
Loss before taxation	9,046	63,711
Loss after taxation	9,323	63,711

	As at 31 December 2007	**As at 31 December 2008**
	Approximately HK$'000	*Approximately HK$'000*
	(Audited)	(Audited)
Total assets	216,928	206,657
Net asset value	62,376	6,814
– attributable to equity shareholders	36,958	675
– attributable to minority interest	25,418	6,139

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

It is estimated that, upon Completion, the Group will record a loss on Disposal of approximately HK$11.37 million. Such loss is estimated based on the aggregate of the Consideration receivable from the Disposal, i.e. HK$8 million less HK$19.37 million, being the aggregate of (i) the net asset value of Target Group being disposed of approximately HK$0.68 million as shown in the consolidated balance sheet of the Target Group as at 31 December 2008 and (ii) the Sale Loan of approximately HK$18.69 million as shown in the consolidated balance sheet of the Target Group as at 31 December 2008. The final amount of the actual gain or loss as a result of the Disposal will be determined as at the Completion. In addition, the Group will record a gain on the Reorganisation of approximately HK$29,000, being excess of the net asset value of approximately HK$3,729,000 of the two subsidiaries under the Reorganisation, namely 雅高企業管理顧問(南京)有限公司 (Argos Enterprise Management Consultant (Nanjing) Limited) and 徐州中國國際旅行社有限公司 (Xuzhou China International Travel Service Limited), over the consideration of HK$3,700,000. The consideration of HK$3,700,000 will be settled by current account with the Target Group.

Set out below is the financial effect of the Disposal and the Reorganisation on the assets, liabilities and earning of the Group:

Assets

As set out in the audited consolidated balance sheet of the Group contained in appendix I to this circular, the Group had audited total assets and audited net asset attributable to equity holders of approximately HK$225,108,000 and approximately HK$14,871,000 respectively as at 31 December 2008. As referred to the unaudited pro forma financial information of the Remaining Group as set out in appendix III to this circular, after Completion, (i) the total assets will be decreased by approximately HK$195 million to HK$30.2 million and (ii) the net asset attributable to equity holders will be decreased by approximately HK$11.3 million to approximately HK$3.5 million.

Earnings

The Group recorded a net loss attributable to equity holders of approximately HK$48,262,000 for the year ended 31 December 2008 as set out in the audited consolidated income statement of the Group contained in appendix I to this circular. As referred to the unaudited pro forma financial information of the Remaining Group in appendix III to this circular, after adjusting the effect of the Disposal, a pro forma net loss of approximately HK$17.8 million for the Remaining Group will be attributable to the equity holders of the Company for the year ended 31 December 2008.

Liabilities

As set out in the audited consolidated balance sheet of the Group contained in appendix I to this circular, the Group had audited total liabilities of approximately HK$203,967,000 as at 31 December 2008. As referred to the unaudited pro forma financial information of the Remaining Group as set out in appendix III to this circular, after Completion, the total liabilities will be decreased by approximately HK$177.5 million.

The Board intends to apply the net sale proceeds of approximately HK$6.8 million as general working capital.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular.

(i) Financial and business performance

For the year ended 31 December 2008, the Remaining Group recorded unaudited pro forma turnover of approximately HK$17,843,000 and unaudited pro forma net loss of approximately HK$70,817,000. The net loss for the Remaining Group for the year ended 31 December 2008 was mainly due to the loss on Disposal of approximately HK$11,367,000 and interest of promissory notes of approximately HK$19,233,000 and interest on convertible bonds of approximately HK$25,485,000.

(ii) Capital structure

The Remaining Group's capital structure as at 31 December 2008 consisted of shareholders' equity of approximately HK$2,600,000 as capital and reserves of approximately HK$99,439,000.

(iii) Liquidity and financial resources

The Remaining Group had pro forma cash balances of approximately HK$9,298,000 and current bank borrowing of approximately HK$10,466,000 as at 31 December 2008, there were long-term liabilities of approximately HK$539,922,000, which consists of promissory note of approximately HK$337,103,000 and convertible bonds of approximately HK$202,819,000.

(iv) Significant investments

As at 31 December 2008, the Remaining Group did not have any significant investment.

(v) Material acquisitions or disposals of subsidiaries and affiliated companies

Save for the acquisition of 65% equity interests in Wisdom In Holdings Limited, which was completed on 8 January 2009, there was no material acquisition or disposal of subsidiaries and affiliated companies.

For more details of the acquisition, please refer to the announcements of the Company dated 15 October 2008 and 8 January 2009 respectively and the circular of the Company dated 5 November 2008.

(vi) Segment information

For the year ended 31 December 2008, the Remaining Group's turnover and operating assets were attributable to the provision of travel agent service in the PRC. Accordingly, no analysis by either business or geographical segment was noted.

After Completion, the Remaining Group is expected to generate income from lottery-based mobile-on-line entertainment business and the travel agent service.

(vii) Number of employees and remuneration policies

For the year ended 31 December 2008, the Remaining Group had approximately 30 employees. Employee benefits expenses (excluding directors' remuneration) amounted to about HK$1.8 million. The Remaining Group remunerates its employees based on their performance, experience and the prevailing industry practice.

(viii) Charges on the Remaining Group's assets

There was no charge on the Remaining Group's assets as at 31 December 2008.

(ix) Future plans for material investments

As at the Latest Practicable Date, the Board did not have future material investments of the Remaining Group.

(x) Exposure to exchange rates

Most of the transactions, income and expenditure, bank borrowings of the Remaining Group were denominated in Hong Kong dollars or Renminbi. As the exchange of Renminbi to Hong Kong dollars were fairly stable, the exposure to foreign exchange risk is minimal and hence no hedging or other arrangements to reduce the risk were implemented.

(xi) Contingent liabilities

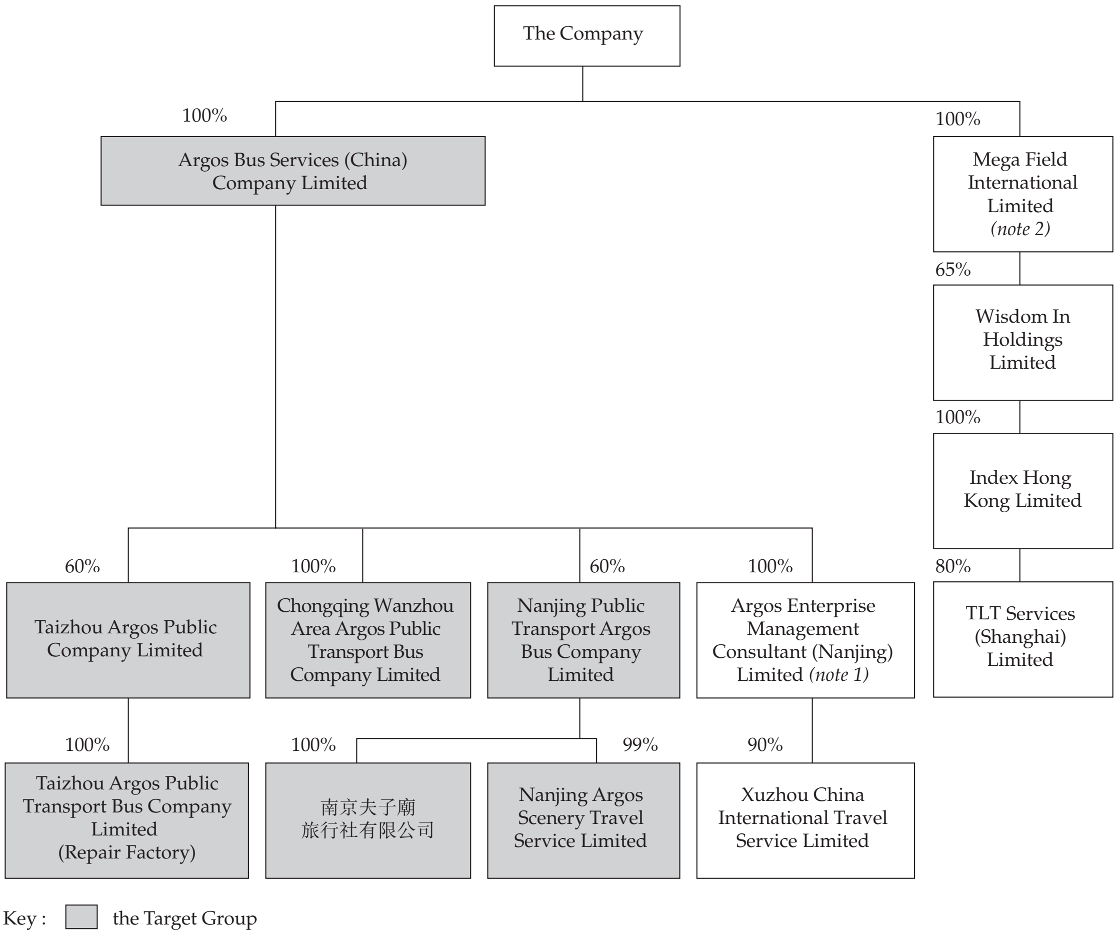
There were no contingent liabilities of the Remaining Group as at 31 December 2008.

(xii) Gearing

The Remaining Group had no non-current bank borrowings as at 31 December 2008.

GROUP STRUCTURE

The diagram below shows the structure of the Group and the ultimate shareholdings immediately before completion of the Disposal and Reorganisation:

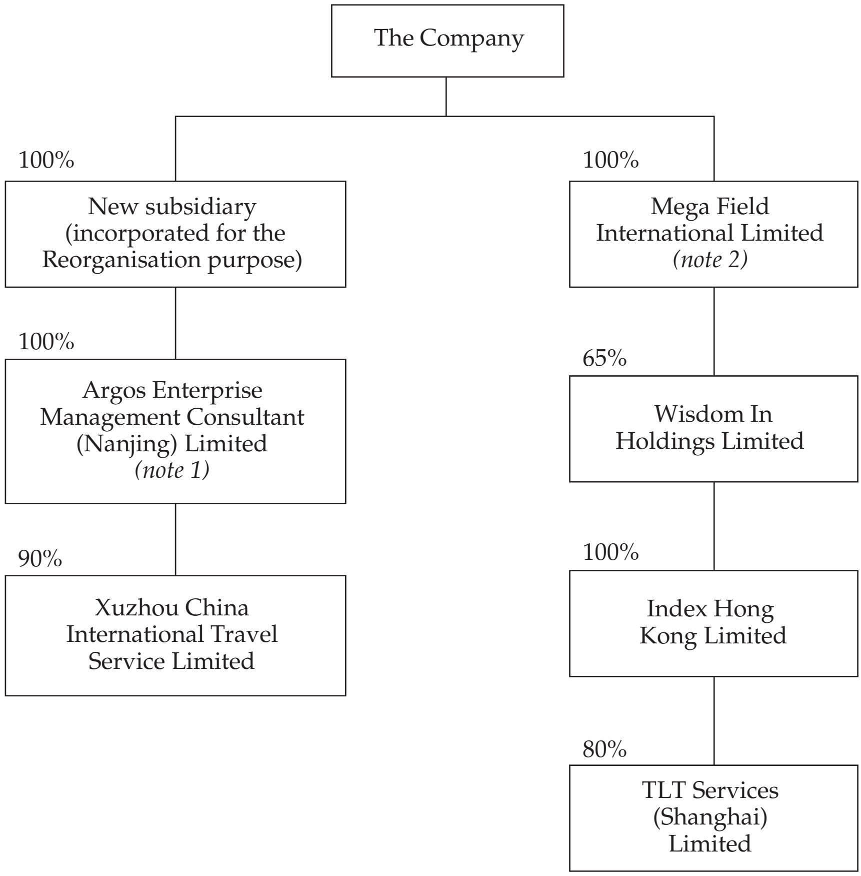


Notes:

1. Pursuant to Reorganisation, the Target must dispose of 雅高企業管理顧問(南京)有限公司 (Argos Enterprise Management Consultant (Nanjing) Limited#) and 徐州中國國際旅行社有限公司 (Xuzhou China International Travel Service Limited#) to a wholly owned subsidiary of the Company. 雅高企業管理顧問(南京)有限公司 (Argos Enterprise Management Consultant (Nanjing) Limited#) and its subsidiary are principally engaged in provision of travel agent service.

2. Mega Field International Limited and its subsidiaries are principally engaged in lottery-based mobile on-line entertainment business.

The diagram below shows the structure of the Remaining Group and the ultimate shareholdings immediately after completion of the Disposal and Reorganisation:



Notes:

1. 雅高企業管理顧問（南京）有限公司 (Argos Enterprise Management Consultant (Nanjing) Limited#) and its subsidiary are principally engaged in provision of travel agent services.

2. Mega Field International Limited and its subsidiaries are principally engaged in lottery-based mobile on-line entertainment business.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in public bus operation and travel agent services. Since the acquisition of lottery-based mobile on-line entertainment business which provides e-payment and e-recharge services to mobile lottery subscribers in the PRC in January 2009, the Group has been actively engaged in lottery-based mobile on-line entertainment business.

For the past few years, the Target Group has been operating at a loss, which was mainly due to the increase in operating cost, such as labour cost, fuel, repairs and maintenance, etc. and the disapproval of increment in bus fare application by the local authorities in the PRC. Given the PRC law stipulates that all buses having been operated for ten years must be retired, in compliance with the PRC law, the Target Group is required to replace all its ten-year old buses. Such replacement requires vast amount of capital commitment. The Group has invested approximately HK$48.81 million and approximately HK$84.41 million for the acquisition of new buses to replace the retired buses during the two financial years ended 31 December 2007 and 2008, of which approximately HK$35.28 million has not yet been paid by the Group as at 31 December 2008. The Board believes that the aforesaid outstanding payables together with the additional capital commitment in connection with replacement of buses will create great pressure on the Group's financial position and further deepen the loss of the Target Group in the coming few years.

Through the Disposal, the Company does not need to commit further capital investment to the Target Group for replacement of retired buses and may avert continuous loss in the Target Group. Upon Completion of the Disposal, the Group can lower its gearing level and streamline its businesses and focus on the travel agent services which generates stable income to the Group and lottery-based mobile on-line entertainment business which is of high growth potential and profitability.

The Board believes that both travel agent business and lottery-based mobile on-line entertainment business are able to generate stable income and profitability to the Group, for the two financial years ended 31 December 2007 and 2008, travel agent services generated income of approximately HK$21.68 million and HK$17.84 million respectively and the vendor of the lottery-based mobile on-line entertainment business has given profit guarantee to the Group of not less than the range from HK$99 million to HK$153 million for the lottery-based mobile on-line entertainment business as stated in the announcement of the Company dated 15 October 2008, which indicates a sufficient level of operation of the Group after the Disposal. Accordingly, the Board is of the view that the Disposal represents a good opportunity for the Company to dispose of the Target Group and focus the resources on lottery-based mobile on-line entertainment business and travel agent services in the PRC in order to maintain its competitiveness and achieve the greatest returns for the Shareholders in future.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS

The Group is not only principally engaged in public bus operation and travel agent services, but has also been actively engaged in lottery-based mobile on-line entertainment business since its acquisition in January 2009. As at the Latest Practicable Date, the Group has entered into six mobile lottery recharging services agreements with Shandong Sports Lottery Administrative Center, Hainan Sports Lottery Administrative Center, Qinghai Sports Lottery Administrative Center, Hubei Sports Lottery Administrative Center, Gansu Sports Lottery Administrative Center and Shaanxi Sports Lottery Administrative Center respectively. The Group is currently in final stage of negotiation to enter into the mobile lottery recharging services agreements with Liaoning Sports Lottery Administrative Center. The Group has commenced operation of lottery-based mobile on-line entertainment business in Shandong in January 2009 and is expected to commence operation of lottery-based mobile on-line entertainment business in other provinces in the PRC soon.

In light of the recent fast development of lottery-based mobile on-line entertainment industry and tourist industry in the PRC, the Board believes that it is in the best interest of the Company to focus its resources and future investment in lottery-based mobile on-line entertainment business and tourist industry in the PRC. The Board believes that both travel agent business and lottery-based mobile on-line entertainment business are able to generate stable income and profitability to the Group. The Group will focus the resources on lottery-based mobile on-line entertainment business and travel agent services in the PRC in order to maintain its competitiveness and achieve the greatest returns for the Shareholders in future.

The Company's business in the lottery business in China is subject to the relevant regulation in the PRC. Any change in the lottery regulation may affect the business operation of the Group, therefore Shareholders and potential investors should exercise cautious in dealing with the Shares.

EGM

The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules. The EGM will be held at Room A, 9th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Monday, 29 June at 11:30 a.m., the notice of which is set out on pages 126 to 127 of this circular, to consider and, if thought fit, approve the ordinary resolution to approve the Disposal and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, (i) Mr. Wang and his associates hold 1,400,000 Shares representing approximately 0.26% of the entire issued share capital of the Company; and (ii) Mr. Yeung and his parties acting in concert, which in aggregate hold 113,677,360 Shares representing approximately 20.89% of the entire issued share capital of the Company, will abstain from voting at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby its has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

There is no discrepancy between the beneficial shareholding interests of Vendors and its associates in the Company as disclosed in this circular and the number of the Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM.

The compliance adviser of the Company did not provide any advice to the Company in relation to the Disposal.

There is a form of proxy for use at the EGM accompanying this circular. Whether or not you will be able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, the resolutions proposed at the EGM will be taken by way of poll.

RECOMMENDATION

The Board considers that the terms of the Disposals are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions approving the Disposal as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the financial information of the Group, the unaudited pro forma financial information of the Remaining Group and the general information of the Group as set out in the appendices to this circular.

By order of the Board
Argos Enterprise (Holdings) Limited
Cheung Man Yau, Timothy
Chief Executive Officer and Executive Director

A. ACCOUNTANT'S REPORT ON THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the auditors of the Company, CCIF CPA Limited.

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

12 June 2009

The Board of Directors
Argos Enterprise (Holdings) Limited
Room A, 9th Floor, Fortis Tower
77-79 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Argos Enterprise (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the three years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods"), for inclusion in the circular dated 12 June 2009 (the "Circular") issued by the Company in connection with the very substantial disposal whereby the Company proposes to dispose of the Sale Shares and the Sale Loan (both terms as defined in the Circular) to Cable Best Development Limited.

The Company was incorporated on 13 October 2000 in Hong Kong as a limited liability company under the Hong Kong Companies Ordinance. The Company is an investment holding company.

We have acted as auditors of the Company for the year ended 31 December 2008. The financial statements for the years ended 31 December 2006 and 2007 were audited by Ting Ho Kwan & Chan CPAs. The audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong for each of the three years ended 31 December 2006, 2007 and 2008. The Financial Information for the Relevant Periods set out in this report has been prepared based on the audited financial statements of the Group (the "Underlying Financial Statements"). The Underlying Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified

Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong after making adjustments as we consider appropriate to restate the audited financial statements of the Group to reflect the effect of the new and revised HKFRSs that had become effective at the date of this report and has been prepared on the basis set out in note 2 of section B below. We have, for the purpose of this report, audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information which are prepared in accordance with accounting principles generally accepted in Hong Kong and which give a true and fair view. The directors of the Company are also responsible for the contents of the Circular in which this report is included. In preparing the Underlying Financial Statements and the Financial Information which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review opinion, based on our examination, on the Financial Information and to report our opinion solely to you. Except for the limitations in the scope of our work as explained below, we conducted our audit in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We believe that our work provides a reasonable basis for our opinion.

BASIS FOR QUALIFIED OPINION ON THE FINANCIAL INFORMATION

Scope limitation – Deferred tax and opening balances

As detailed in note 32(a) to the Underlying Financial Statements, the Group recognised the deferred tax liabilities of approximately HK$690,000 and HK$963,000 in the consolidated balance sheet as at 31 December 2006 and 2007 respectively, deferred tax charge of approximately HK$1,239,000 and HK$273,000 in the consolidated income statement for the year ended 31 December 2006 and 2007 respectively. The directors of the Company had estimated the deferred tax. However, we were unable to obtain adequate detailed documentation to assess the deferred tax. Due to lack of sufficient and appropriate evidence, we were not able to satisfy ourselves as to whether the carrying amount of the deferred tax liabilities as at 31 December 2006 and 2007, the deferred tax credit for the year ended 31 December 2006 and the deferred tax charge for the year ended 31 December 2007 were fairly stated. We were also not able to carry out alternative audit procedures to satisfy ourselves as to the matters set out above. Any adjustment that might have been found to be necessary in respect thereof had we obtained sufficient and appropriate evidence would have had a consequential effect on the financial position of the Group as at 31 December 2006 and 2007, and the loss of the Group for the years preceding 2006 and the related disclosures thereof in the Underlying Financial

Statements. In respect of the limitation of scope in the areas as described above, we were not able to express our opinion as to whether the balances brought forward as at 1 January 2006, 2007 and 2008 were fairly stated.

Any adjustments that might have been found to be necessary in respect of the matters set out above would have a consequential effect on the financial position of the Group as at 31 December 2006, 2007 and 2008, and the loss of the Group for each of the year then ended and the related disclosures in the Underlying Financial Statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters as set out in the basis for qualified opinion section, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, 2007 and 2008 and of the Group's loss and cash flows for each of the years then ended in accordance with the Hong Kong Financial Reporting Standards.

Without qualifying our opinion, we draw attention to note 2(b) to the Underlying Financial Statements which indicates that the Group incurred a consolidated loss attributable to equity shareholders of the Company of approximately HK$94,000, HK$9,119,000 and HK$48,262,000 for the years ended 31 December 2006, 2007 and 2008 respectively, and, as of that respective date, the Group's current liabilities exceeded its current assets by approximately HK$27,957,000, HK$44,439,000 and HK$104,494,000 respectively. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

B. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December

	Note	2008 HK$'000	2007 HK$'000	2006 HK$'000
Turnover	4 & 12	185,213	185,069	156,160
Cost of sales		(199,860)	(173,300)	(136,648)
Gross (loss)/profit		(14,647)	11,769	19,512
Other revenue	5	42,387	20,365	14,583
Other net (loss)/income	5	(11,005)	356	145
Operating and administrative expenses		(42,592)	(33,648)	(28,525)
Impairment loss on property, plant and equipment		(41,024)	(9,872)	–
(Loss)/profit from operations		(66,881)	(11,030)	5,715
Finance costs	6(a)	(3,273)	(1,669)	(1,459)
(Loss)/profit before taxation	6	(70,154)	(12,699)	4,256
Income tax	7(a)	–	(277)	(2,130)
(Loss)/profit for the year		(70,154)	(12,976)	2,126
Attributable to:				
Equity shareholders of the Company	10, 35	(48,262)	(9,119)	(94)
Minority interests	35	(21,892)	(3,857)	2,220
(Loss)/profit for the year	35	(70,154)	(12,976)	2,126
Loss per share attributable to the equity shareholders of the Company – Basic and diluted	11	HK26.2 cents	HK5.07 cents	HK0.05 cents

CONSOLIDATED BALANCE SHEETS

At 31 December

	Note	2008 HK$'000	2007 HK$'000	2006 HK$'000
Non-current assets				
Property, plant and equipment	13	154,280	133,415	104,519
Investment properties	14	1,626	1,380	1,097
Prepaid lease payments	15	5,417	5,140	4,882
Intangible assets	16	912	1,220	1,480
Goodwill	17	–	–	–
Available-for-sale financial assets	19	1,248	1,161	1,080
Deposit for acquisition of a subsidiary	20	5,000	–	–
		168,483	142,316	113,058
Current assets				
Inventories	21	2,920	2,315	1,616
Trade and other receivables	22	17,058	21,948	20,912
Pledged bank deposits	23	10,000	10,000	17,428
Cash and cash equivalents	24	26,647	36,640	20,731
		56,625	70,903	60,687
Current liabilities				
Bank borrowings	25	28,558	16,485	21,011
Trade and other payables	26	132,561	91,909	67,633
Payable under convertible bond subscription	27	–	6,948	–
		161,119	115,342	88,644
Net current liabilities		(104,494)	(44,439)	(27,957)
Total assets less current liabilities		63,989	97,877	85,101
Non-current liabilities				
Bank borrowings	25	4,023	10,620	476
Other loan	28	1,331	–	–
Other payables	29	1,071	–	–
Receipts in advance	30	2,847	3,763	4,379
Government grants	31	32,540	6,865	–
Deferred tax liabilities	32(a)	1,036	963	690
		42,848	22,211	5,545
NET ASSETS		21,141	75,666	79,556

	Note	2008 HK$'000	2007 HK$'000	2006 HK$'000
CAPITAL AND RESERVES	*35(a)*			
Share capital		2,160	1,800	1,800
Reserves		12,711	48,318	52,956
Total equity attributable to equity shareholders of the Company		14,871	50,118	54,756
Minority interests		6,270	25,548	24,800
TOTAL EQUITY		21,141	75,666	79,556

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December

	Note	2008 HK$'000	2007 HK$'000	2006 HK$'000
Operating activities				
(Loss)/profit before taxation		(70,154)	(12,699)	4,256
Adjustments for:				
Valuation gains on investment properties	5	(139)	(201)	(42)
Depreciation	6(c)	20,707	17,390	15,281
Impairment loss on property, plant and equipment	6(c)	41,024	9,872	–
Amortisation of prepaid lease payments	6(c)	116	110	102
Amortisation of intangible assets	6(c)	390	371	341
Loss/(gain) on sale of property, plant and equipment	5	11,114	–	(102)
Reversal of previously recognised revaluation deficit on leasehold buildings	5	–	(155)	(1)
Government grants for purchase of motor vehicles		(1,992)	(191)	–
Interest income	5	(1,335)	(825)	(1,473)
Finance costs	6(a)	3,273	1,669	1,459
Foreign exchange gain		(1,400)	–	–
Impairment loss on bad and doubtful debts		–	–	167
Operating profit before changes in working capital		1,604	15,341	19,988
Increase in inventories		(431)	(498)	(222)
Decrease/(increase) in trade and other receivables		6,331	(605)	3,776
Increase in trade and other payables		17,227	23,695	1,994
Decrease in receipts in advance		(1,659)	(25)	(583)
Cash generated from operations		23,072	37,908	24,953
Tax paid				
PRC enterprise income tax		–	(4)	(380)
Net cash generated from operating activities		23,072	37,904	24,573

	Note	2008 HK$'000	2007 HK$'000	2006 HK$'000
Investing activities				
Payment for the purchase of property, plant and equipment		(68,406)	(57,107)	(14,476)
Proceeds from sale of property, plant and equipment		1,415	1,504	149
Payment for deposit in respect of acquisition of a subsidiary		(5,000)	–	–
Proceeds from government grants for purchase of motor vehicles		27,151	7,056	–
Decrease in pledged deposits		–	8,278	(3,259)
Interest received		1,335	825	1,473
Net cash used in investing activities		(43,505)	(39,444)	(16,113)
Financing activities				
Proceeds from new bank loans		12,643	17,272	24,172
Repayment of bank loans		(8,321)	(10,259)	(35,714)
Proceeds from convertible bond subscription		–	7,200	–
Proceeds from other loan		5,600	–	–
Repayment of other loan		(4,269)	–	–
Advance from a director		6,340	–	–
Advance from a minority equity holder		358	–	–
Interest paid		(3,100)	(1,459)	(1,459)
Capital contribution from a minority equity holder		–	2,556	–
Other borrowing costs paid		(173)	–	–
Net cash generated from/(used in) financing activities		9,078	15,310	(13,001)
Net (decrease)/increase in cash and cash equivalents		(11,355)	13,770	(4,541)
Cash and cash equivalents at 1 January	*24*	26,084	10,210	15,386
Effect of foreign exchange rate changes		1,452	2,104	(635)
Cash and cash equivalents at 31 December	*24*	16,181	26,084	10,210

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December

(a) The Group

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Merger reserve	Exchange reserve	Statutory reserve	Asset revaluation reserve	Convertible bond reserve	(Accumulated) losses)/ retained profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	1800	29,200	(490)	2,806	3,227	79	–	16,418	53,040	22,007	75,047
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	1,841	–	–	–	–	1,841	573	2,414
Revaluation deficit	–	–	–	–	–	(31)	–	–	(31)	–	(31)
(Loss)/profit for the year	–	–	–	–	–	–	–	(94)	(94)	2,220	2,126
At 1 January 2007	1,800	29,200	(490)	4,647	3,227	48	–	16,324	54,756	24,800	79,556
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	3,913	–	–	–	–	3,913	2,049	5,962
Revaluation surpluses	–	–	–	–	–	136	–	–	136	–	136
Equity component of convertible bonds	–	–	–	–	–	–	432	–	432	–	432
Capital contribution from a minority equity	–	–	–	–	–	–	–	–	–	2,556	2,556
Loss for the year	–	–	–	–	–	–	–	(9,119)	(9,119)	(3,857)	(12,976)
At 31 December 2007 and 1 January 2008	1,800	29,200	(490)	8,560	3,227	184	432	7,205	50,118	25,548	75,666
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	5,693	–	–	–	–	5,693	2,614	8,307
Shares issued upon conversion of convertible bond	360	7,272	–	–	–	–	(432)	–	7,200	–	7,200
Revaluation surpluses	–	–	–	–	–	122	–	–	122	–	122
Loss for the year	–	–	–	–	–	–	–	(48,262)	(48,262)	(21,892)	(70,154)
At 31 December 2008	2,160	36,472	(490)	14,253	3,227	306	–	(41,057)	14,871	6,270	21,141

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Argos Enterprise (Holdings) Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Room A, 9th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the business of provision of public bus transportation and related services in the People's Republic of China (the "PRC").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the years ended 31 December 2006, 2007 and 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting polices set out below. The functional currencies of the Company and its subsidiaries in the PRC are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 41.

In preparing the financial statements, the directors have considered the future liquidity of the Group notwithstanding:

– the consolidated loss of approximately HK$94,000, HK$9,119,000 and HK$48,262,000 attributable to equity shareholders of the Company for the years ended 31 December 2006, 2007 and 2008, respectively;

– the consolidated net current liabilities of approximately HK$27,957,000, HK$44,439,000 and HK$104,494,000 as at 31 December 2006, 2007 and 2008, respectively;

– the outstanding bank borrowings of approximately HK$21,487,000, HK$27,105,000 and HK$32,581,000 (note 25), out of which an aggregate of approximately HK$21,011,000, HK$16,485,000 and HK$28,558,000 was due for repayment within the next twelve months after 31 December 2006, 2007 and 2008 respectively.

The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, immediate liquidity and cash flow position of the Group:

(i) The Group will negotiate with its bankers to secure the necessary facilities in order to meet the Group's working capital and financial requirements in the near future.

(i) The Group is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group.

(iii) The Group is expected to derive sufficient operating cash flow from its existing operation, and new operation which is to be operated in the mobile lottery recharging services in the sports lottery business in the PRC, through acquisition of a subsidiary in January 2009 (note 37(a)).

(iv) The Group would take relevant measures in order to tighten cost controls over various operating expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. The Group is expected to derive sufficient cash flow in 2009.

In the opinion of the directors, in light of the various measures/arrangements implemented to date together with the expected results of other measures, the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests *(Continued)*

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet depending on the nature of the liability.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(j)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in income statement.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Other investments in equity securities *(Continued)*

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in consolidated income statement as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in consolidated income statement. The net gain or loss recognised in consolidated income statement does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(t)(vi) and (vii).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the consolidated balance sheet at cost less impairment losses (see note 2(j)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the consolidated balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in consolidated income statement. Rental income from investment properties is accounted for as described in note 2(t)(v).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

(g) Other property, plant and equipment

The building component of leasehold properties held for own use is stated in the consolidated balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at each of the balance sheet date.

Construction in progress represents buildings under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction as well as interest charges during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

The other items of property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Other property, plant and equipment *(Continued)*

– when a surplus arises on revaluation, it will be credited to consolidated income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to consolidated income statement.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in consolidated income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to accumulated losses/retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

– Furniture, fixtures, equipment 5 years

– Motor vehicles 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the consolidated balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to consolidated income statement on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– travel agent licences 10 years

– taxi licences 8 years

Both the period and method of amortisation are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets (other than goodwill) *(Continued)*

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to consolidated income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(f)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries (see note 2(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses to equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in consolidated income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– prepaid lease payments classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to consolidated income statement in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unlisted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bond is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in consolidated income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the note is converted or redeemed.

If the bond is converted, the convertible bond reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible bond reserve is released directly to retained profits.

(ii) Other convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in consolidated income statement.

The derivative component is subsequently remeasured. The liability component is subsequently carried at amortised cost. The interest expense recognised in consolidated income statement on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(iii) Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's share. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits/accumulated losses).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each of the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at each of the balance sheet date. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each of the balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the "guarantor") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in consolidated income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in consolidated income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in consolidated income statement as follows:

(i) Revenue from public route, tourist route and "Hire-a-bus" services

Fare revenue from public route, tourist route and "Hire-a-bus" services is recognised when the related services are provided.

(ii) Revenue from sightseeing tickets sales and touring

Revenue from sightseeing ticket sales and touring is recognised when the tickets are sold.

(iii) Bus management and other service income

Revenue is recognised when the related services are rendered.

(iv) Revenue from advertising on fleet body

Advertising income on fleet body, including revenue invoiced in advance, is recognised over the terms of the relevant agreements.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in consolidated income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vi) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(viii) Government grants

Government grants are recognised in the consolidated balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as revenue in consolidated income statement on a systematic basis over the useful life of the asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at each of the balance sheet date. Exchange gains and losses are recognised in consolidated income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at each of the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) Borrowing costs

Borrowing costs are expensed in consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties *(Continued)*

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format, and geographical segment information as the secondary reporting format for the purposes of these consolidated financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In year 2008, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendment)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on the results and financial position for the year 2008 or prior accounting periods. Accordingly, no prior period adjustments has been required.

4. TURNOVER

Turnover comprises revenue from the operation of bus transportation and related services. The amount of each significant category of revenue recognised in turnover during the years is as follows:

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Fare revenue from public route services	110,789	106,895	105,944
Revenue from tourist route and tour related services	23,588	31,954	22,708
Revenue from "Hire-a-bus" services	34,503	31,101	9,938
Taxi rental income	14,006	12,674	13,001
Bus rental income	142	170	2,505
Management fee income	2,185	2,275	2,064
	185,213	185,069	156,160

5. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Other revenue			
Interest income from banks	1,022	724	612
Other interest income	313	101	861
Total interest income on financial assets not at fair value through profit or loss	1,335	825	1,473
Government grants *(note)*	32,199	10,841	5,819
Advertising income on fleet body	7,460	6,418	4,745
Repair service income	497	505	371
Handling fee income	176	1,154	816
Sundry income	720	622	1,359
	42,387	20,365	14,583
Other net (loss)/income			
Net (loss)/gain on sale of property, plant and equipment	(11,144)	–	102
Net fair value gains on investment properties *(note 14)*	139	201	42
Reversal of previously recognised revaluation deficit on leasehold buildings *(note 13(b))*	–	155	1
	(11,005)	356	145

5. OTHER REVENUE AND OTHER NET (LOSS)/INCOME *(Continued)*

Note: Government grants represent various forms of incentives and subsidies given to the Group by the local governmental authorities in the PRC. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The Group received these government grants because of its investments and operations of bus business in the PRC. Government grants approximately of HK$30,207,000 (2007: HK$10,650,000; 2006: 5,819,000) are related to compensation for the expenses incurred by the Group and approximately HK$1,992,000 (2007: HK$191,000; 2006: Nil) are related to the compensation for financing the Group's purchases of motor vehicles.

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

		2008	**2007**	**2006**
		HK$'000	*HK$'000*	*HK$'000*
(a)	**Finance costs**			
	Interest on bank advances and other borrowings wholly repayable within five years	2,806	1,459	1,429
	Interest on convertible bond	294	–	–
	Others	173	210	30
	Total interest expense on financial liabilities not at fair value through profit or loss	3,273	1,669	1,459
(b)	**Staff costs (including directors' remuneration)**			
	Contributions to defined contribution retirement plans	8,758	7,249	6,783
	Salaries, wages and other benefits	54,876	32,141	26,412
		63,634	39,390	33,195
(c)	**Other items**			
	Amortisation			
	– prepaid lease payments	116	110	102
	– intangible assets	390	371	341
	Depreciation			
	– assets held for use under operating leases	3,561	3,905	3,034
	– other assets	17,146	13,485	12,247
	Impairment loss on property, plant and equipment	41,024	9,872	–
	Allowance for impairment of bad and doubtful debts	–	–	167
	Net foreign exchange loss	1,151	549	298
	Auditors' remuneration			
	– current year	280	380	980
	– under-provision in respect of prior years	75	106	–
	Operating lease charges in respect of property rentals: minimum lease payments	1,061	537	120
	Cost of inventories	79,370	59,331	48,380

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

(a) Taxation in the consolidated income statements represents:

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
Provision for the PRC income tax for the year	–	4	891
Deferred tax			
Original and reversal of temporary differences	–	273	1,239
	–	277	2,130

No provision for Hong Kong Profit Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 December 2008, 2007 and 2006. PRC income tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the year. The applicable PRC income tax rate is 25% (2007: 33%; 2006: 33%).

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/profit before taxation	(70,154)	(12,699)	4,256
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	(17,538)	(4,190)	745
Effect of different tax rates in other tax jurisdictions	773	673	643
Tax effect on non-deductible expenses	15,102	4,456	1,121
Tax effect of non-taxable income	(415)	(535)	(529)
Tax effect of unused tax losses not recognised	2,078	41	276
Tax losses utilised from previous period	–	–	(126)
Decrease in deferred tax liabilities resulting from decrease in applicable tax rate	–	(168)	–
Actual tax expense	–	277	2,130

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	2008 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Wong Wah Sang *(Chairman) (note i)*	–	–	–	–
Wong Man Chiu, Ronnie	–	140	3	143
Yeung Wai Hung *(note ii)*	–	286	12	298
Cheng Wing Hong *(note iii)*	–	490	11	501
Chui Wai Cheung *(note iv)*	–	118	6	124
Cheung Man Yau, Timothy *(note v)*	24	–	–	24
Non-executive directors				
Wong Wah Sang *(Chairman) (note i)*	–	–	–	–
Wong Wilkie *(note i)*	–	–	–	–
Independent non-executive directors				
Sung Wai Tak, Herman	50	–	–	50
Cheung Man Yau, Timothy *(note v)*	26	–	–	26
Wong Lit Chor, Alexis	50	–	–	50
Fung Wai Shing & *(note vi)*	19	–	–	19
	169	1,034	32	1,235

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	2007 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Wong Wah Sang *(Chairman) (note i)*	–	–	–	–
Wong Man Chiu, Ronnie	–	170	–	170
Yeung Wai Hung *(note ii)*	–	230	10	240
Non-executive directors				
Wong Wilkie	–	–	–	–
Independent non-executive directors				
Sung Wai Tak, Herman	50	–	–	50
Cheung Man Yau, Timothy *(note v)*	50	–	–	50
Wong Lit Chor, Alexis	50	–	–	50
	150	400	10	560

8. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2006 Total HK$'000
Executive directors				
Wong Wah Sang *(Chairman) (note i)*	–	–	–	–
Wong Man Chiu, Ronnie	–	340	–	340
Yeung Wai Hung *(note ii)*	–	545	9	554
Non-executive directors				
Wong Wilkie	–	–	–	–
Independent non-executive directors				
Sung Wai Tak, Herman	50	–	–	50
Cheung Man Yau, Timothy *(note v)*	50	–	–	50
Wong Lit Chor, Alexis	50	–	–	50
	150	885	9	1,044

Notes:

(i) Re-designated from executive director to non-executive director on 14 February 2008.

(ii) Resigned on 14 February 2008.

(iii) Appointed on 14 February 2008.

(iv) Appointed on 14 February 2008 and resigned on 4 September 2008.

(v) Re-designated from independent non-executive director to executive director and chief executive officer on 8 July 2008.

(vi) Appointed on 12 August 2008.

There was no amount paid during the years ended 31 December 2008, 2007 and 2006 to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2008, 2007 and 2006.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five individuals with the highest emoluments, three (2007: two; 2006: three) are directors, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2007: three; 2006: two) individuals are as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other emoluments	1,405	1,114	1,532
Retirement scheme contributions	51	46	77
	1,456	1,160	1,609

The emoluments of two (2007: three; 2006: two) individuals with the highest emoluments are within the following band:

	2008	**2007**	**2006**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil to HK$1,000,000	2	3	2

There was no amount paid during the years ended 31 December 2008, 2007 and 2006 to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss for the year attributable to equity shareholders of the Company includes a loss of HK$94,000, HK$9,119,000 and HK$48,262,000 for the year ended 31 December 2006, 2007 and 2008 respectively which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$94,000, HK$9,119,000 and HK$48,262,000 and the weighted average of ordinary shares in issue during the years, calculated as follows.

Weighted average number of ordinary shares

	2008	**2007**	**2006**
	'000	*'000*	*'000*
Issued ordinary shares at 1 January	180,000	180,000	180,000
Effect of conversion of convertible bonds	4,156	–	–
Weighted average number of ordinary shares at 31 December	184,156	180,000	180,000

The diluted loss per share for the year ended 31 December 2008 is equal to the basic loss per share as the outstanding convertible bonds were anti-dilutive.

11. LOSS PER SHARE *(Continued)*

The diluted loss per share for the years ended 31 December 2007 and 2006 were equal to the basic loss per share as there were no diluted potential ordinary shares in existence during the years ended 31 December 2007 and 2006.

12. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Public routes:	the provision of bus service by designated routes as approved by local transport authorities in the PRC
Tourist routes:	the provision of bus service to tourists connecting various sightseeing points and travel related services including sightseeing tickets sales and touring
Hire-a-Bus :	the provision of bus service offered for the carriage of members of the public to and/or from designated destinations with no fixed schedule on route
Taxi rental:	the provision of taxi rental services
Bus rental:	the provision of bus rental services
Bus management:	the provision of management of bus related service

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	2008						
	Public routes	Tourist routes	Hire-a-bus	Taxi rental	Bus rental	Bus management	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	110,789	23,588	34,503	14,006	142	2,185	185,213
Segment results	(43,904)	(8,491)	(11,122)	(3,237)	(20)	(748)	(67,522)
Interest income							1,335
Unallocated operating income							8,853
Unallocated operating expenses							(9,547)
Loss from operations							(66,881)
Finance costs							(3,273)
Loss before taxation							(70,154)
Income tax							–
Loss for the year							(70,154)
Depreciation and amortisation for the year	12,981	766	4,095	3,313	58	–	21,213
Impairment of property, plant and equipment	38,148	–	2,876	–	–	–	41,024
Valuation gain on investment properties	–	–	–	–	–	–	139
Segment assets	94,754	39,538	42,525	28,973	3,580	790	210,160
Unallocated corporate assets							14,948
Consolidated total assets							225,108
Segment liabilities	128,926	5,524	23,902	13,392	129	2,181	174,054
Unallocated corporate liabilities							29,913
Consolidated total liabilities							203,967
Capital expenditure incurred during the year	78,365	–	–	7,517	–	–	85,882

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	2007						
	Public routes	Tourist routes	Hire-a-bus	Taxi rental	Bus rental	Bus management	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	106,895	31,954	31,101	12,674	170	2,275	185,069
Segment results	(16,688)	(1,725)	2,615	2,025	50	208	(13,515)
Interest income							825
Unallocated operating income							8,699
Unallocated operating expenses							(7,039)
Loss from operations							(11,030)
Finance costs							(1,669)
Loss before taxation							(12,699)
Income tax							(277)
Loss for the year							(12,976)
Depreciation and amortisation for the year	11,952	1,478	2,005	2,311	125	–	17,871
Impairment of property, plant and equipment	9,636	31	205	–	–	–	9,872
Valuation gain on investment properties	–	–	–	–	–	–	201
Reversal of previously recognised revaluation deficit on leasehold buildings – unallocated	–	–	–	–	–	–	155
Segment assets	116,628	9,256	9,127	22,067	4,720	2,852	164,650
Unallocated corporate assets							48,569
Consolidated total assets							213,219
Segment liabilities	66,840	3,666	3,551	13,153	2,973	2,241	92,424
Unallocated corporate liabilities							45,129
Consolidated total liabilities							137,553
Capital expenditure incurred during the year	38,554	143	3,060	7,743	–	–	49,500

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	2006						
	Public routes	Tourist routes	Hire-a-bus	Taxi rental	Bus rental	Bus management	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	105,944	22,708	9,938	13,001	2,505	2,064	156,160
Segment results	(959)	(1,018)	775	858	1,490	355	1,501
Interest income							1,473
Unallocated operating income							13,255
Unallocated operating expenses							(10,514)
Profit from operations							5,715
Finance costs							(1,459)
Profit before taxation							4,256
Income tax							(2,130)
Profit for the year							2,126
Depreciation and amortisation for the year	10,380	636	1,591	2,964	–	153	15,724
Allowance for impairment of bad and doubtful debts	–	–	–	–	–	–	167
Valuation gain on investment properties	–	–	–	–	–	–	42
Reversal of previously recognised revaluation deficit on leasehold buildings – unallocated	–	–	–	–	(1)	–	(1)
Segment assets	88,126	8,116	14,919	22,385	1,878	1,380	136,804
Unallocated corporate assets							36,941
Consolidated total assets							173,745
Segment liabilities	44,768	3,182	776	12,174	57	1,945	62,902
Unallocated corporate liabilities							31,287
Consolidated total liabilities							94,189
Capital expenditure incurred during the year	10,567	–	2,052	765	–	309	13,693

Geographical segments

No analysis of the Group's turnover and contribution from operations by geographical segment has been presented as almost all the Group's operating activities are carried out in the PRC. There is no other geographical segment with segment assets equal to or greater than 10 per cent of the Group's total assets.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation:					
At 1 January 2006	2,221	2,744	4,891	151,393	161,249
Exchange adjustments	55	65	120	3,743	3,983
Additions	–	130	558	13,005	13,693
Disposals	–	–	(82)	(107)	(189)
Deficit on revaluation	(33)	–	–	–	(33)
Less: elimination of accumulated depreciation	(61)	–	–	–	(61)
At 31 December 2006	2,182	2,939	5,487	168,034	178,642
Representing:					
Cost	–	2,939	5,487	168,034	178,642
Valuation – 2006	2,182	–	–	–	–
	2,182	2,939	5,487	168,034	178,642
At 1 January 2007	2,182	2,939	5,487	168,034	178,642
Exchange adjustments	163	211	408	12,627	13,409
Additions	–	78	614	48,808	49,500
Disposals	–	–	(127)	(27,778)	(27,905)
Surplus on revaluation	291	–	–	–	291
Less: elimination of accumulated depreciation	(64)	–	–	–	(64)
At 31 December 2007	2,572	3,228	6,382	201,691	213,873
Representing:					
Cost	–	3,228	6,382	201,691	211,301
Valuation – 2007	2,572	–	–	–	2,572
	2,572	3,228	6,382	210,691	213,873
At 1 January 2008	2,572	3,228	6,382	201,691	213,873
Exchange adjustments	193	229	465	13,206	14,093
Additions	–	28	1,448	84,406	85,882
Disposals	–	–	(207)	(32,414)	(32,621)
Surplus on revaluation	122	–	–	–	122
Less: elimination of accumulated depreciation	(78)	–	–	–	(78)
At 31 December 2008	2,809	3,485	8,088	266,889	281,271
Representing:					
Cost	–	3,485	8,088	266,889	278,462
Valuation – 2008	2,809	–	–	–	2,809
	2,809	3,485	8,088	266,889	281,271

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Buildings held for own use	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment:					
At 1 January 2006	–	578	3,042	54,047	57,667
Exchange difference	–	14	75	1,328	1,417
Charge for the year	61	128	613	14,479	15,281
Written back on disposals	–	–	(74)	(107)	(181)
Eliminated on revaluation	(61)	–	–	–	(61)
At 31 December 2006	–	720	3,656	69,747	74,123
At 1 January 2007	–	720	3,656	69,747	74,123
Exchange adjustments	–	53	273	5,212	5,538
Charge for the year	64	146	653	16,527	17,390
Impairment loss	–	–	–	9,872	9,872
Written back on disposals	–	–	(110)	(26,291)	(26,401)
Elimination on revaluation	(64)	–	–	–	(64)
At 31 December 2007	–	919	4,472	75,067	80,458
At 1 January 2008	–	919	4,472	75,067	80,458
Exchange adjustments	1	71	345	4,555	4,972
Charge for the year	77	154	710	19,766	20,707
Impairment loss	–	–	–	41,024	41,024
Written back on disposals	–	–	(178)	(19,914)	(20,092)
Elimination on revaluation	(78)	–	–	–	(78)
At 31 December 2008	–	1,144	5,349	120,498	126,991
Carrying amount:					
At 31 December 2008	2,809	2,341	2,739	146,391	154,280
At 31 December 2007	2,572	2,309	1,910	126,624	133,415
At 31 December 2006	2,182	2,219	1,831	98,287	104,519

(a) The analysis of carrying amount of buildings is as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Outside Hong Kong, at fair value – medium-term leases	2,809	2,572	2,182

13. **PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

The Group *(Continued)*

(b) Buildings held for own use were revalued as at 31 December 2006, 2007 and 2008 on the basis of their depreciated replacement costs method, taking into account the historical construction cost of buildings by Chongqing Dahua Assets Appraisal Co., Ltd., Taizhou HengRui Assets Appraisal Office Co., Ltd., and徐州華興房地產估價諮詢有限公司, independent professional valuer firms with appropriate qualification and recent experience in the location and category of property being valued.

For the year ended 31 December 2008 and 2007, the total revaluation surplus amounted to HK$122,000 and HK$291,000, respectively, of which HK$122,000 and HK$136,000 was credited to asset valuation reserve of the Group (Note 35) and nil and HK$155,000 was credited to other net income in the consolidated income statements to offset previous revaluation deficit charged to the consolidated income statements.

For the year ended 31 December 2006, the total revaluation deficit amounted to HK$33,000, of which HK$31,000 was charged to asset valuation reserve of the Group (Note 35) and HK$2,000 was charged to the consolidated income statements.

The carrying amount of these buildings as at 31 December 2008 would have been approximately HK$1,673,000 (2007: HK$2,518,000; 2006: HK$3,084,000) had they been carried at cost less accumulated depreciation.

(c) *Property, plant and equipment leased out under operating leases*

The Group leases out a number of motor vehicles under operating leases. The lease typically runs for an initial period of one to five years. The leases do not include renewal option. None of the leases includes contingent rentals.

At 31 December 2008, the carrying amount of motor vehicles of the Group held for use under operating leases were approximately HK$29,853,000 (2007: HK$28,617,000; 2006: HK$22,161,000).

The Group's total future minimum lease payments in respect of the motor vehicles under non-cancellable operating leases are receivable as follows:

	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	13,593	13,269	8,992
After 1 year but within 5 years	34,226	24,926	6,074
After 5 years	3,114	4,150	537
	50,933	42,345	15,603

(d) At 31 December 2008, the Group's buildings with a carrying amount of nil (2007: HK$544,000; 2006: HK$389,000) and motor vehicles with a carrying amount of HK$7,660,000 (2007: Nil; 2006: Nil) were pledged to banks to secure banking facilities granted to the Group as set out in note 25.

(e) In 2008, the management has carried out an assessment of the recoverable amount of certain motor vehicles of the Group due to their unsatisfactory operating performance. Based on this assessment, the carrying amount of these motor vehicles was written down by approximately HK$41,024,000. The estimates of recoverable amount were based on the value-in-use calculations by using the discount rate of 12%. The impairment loss was charged to the consolidated income statements.

In 2007, the management has carried out an assessment of the recoverable amount of certain motor vehicles of the Group due to their poor physical condition. Based on this assessment, the carrying amount of these motor vehicles was written down by approximately HK$9,872,000. The estimates of recoverable amount were based on the motor vehicles' fair value less costs to sell, determined by reference to the recent observable market prices for similar assets. The impairment loss was charged to the consolidated income statements.

14. INVESTMENT PROPERTIES

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	1,379	1,097	1,029
Exchange adjustments	108	82	26
Fair value adjustments	139	201	42
At 31 December	1,626	1,380	1,097

(a) The investment properties are held under the medium-term leases and situated outside Hong Kong.

(b) The fair value of the Group's investment properties as at 31 December 2008, 2007 and 2006 have been arrived at based on a valuation carried out by Chongqing Dahua Assets Appraisal Co., Ltd., an independent valuer firm with appropriate qualification and recent experience in the location and category of the investment property being valued. The valuation on the land use rights in respect of the investment properties was determined by reference to the governmental standard land price in the nearby area and taking into the account the market transaction price of similar properties in the nearby area. The buildings in respect of the investment properties were valued using the depreciated replacement cost method, taking into account the historical construction cost of the buildings. During the year ended 31 December 2008, the total valuation gain of approximately HK$139,000 (2007: HK$201,000; 2006: HK$42,000) was credited to the consolidated income statement.

(c) The investment properties had not been leased out during the years ended 31 December 2008, 2007 and 2006.

(d) No significant direct operating expenses were incurred in relation to the investment properties that did not generate rental income for the years ended 31 December 2008, 2007 and 2006.

15. PREPAID LEASE PAYMENTS

The Group's land use rights are analysed as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Outside Hong Kong, held on:			
– Leases of between 10 to 50 years	5,533	5,146	4,937

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purposes as			
– Current assets	116	116	110
– Non-current assets	5,417	5,140	4,882
	5,533	5,256	4,992

(a) At 31 December 2008, the Group's land use rights with a carrying amount of nil (2007: HK$797,000; 2006: HK$762,000) were pledged to a bank to secure banking facilities granted to the Group as set out in note 25.

(b) The amortisation charge for each of the year is included in "operating and administrative expenses" in the consolidated income statement.

16. INTANGIBLE ASSETS

The Group

	Travel agency licenses	Taxi licenses	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January 2006	742	2,320	3,062
Exchange adjustment	20	57	77
At 31 December 2006 and 1 January 2007	762	2,377	3,139
Exchange adjustments	57	178	235
At 31 December 2007 and 1 January 2008	819	2,555	3,374
Exchange adjustments	61	163	224
At 31 December 2008	880	2,718	3,598
Accumulated amortisation:			
At 1 January 2006	73	1,212	1,285
Exchange adjustments	3	30	33
Charge for the year	76	265	341
At 31 December 2006 and 1 January 2007	152	1,507	1,659
Exchange adjustments	11	113	124
Charge for the year	86	285	371
At 31 December 2007 and 1 January 2008	249	1,905	2,154
Exchange adjustments	21	121	142
Charge for the year	90	300	390
At 31 December 2008	360	2,326	2,686
Carrying amount:			
At 31 December 2008	520	392	912
At 31 December 2007	570	650	1,220
At 31 December 2006	610	870	1,480

Travel agency licenses represent the rights to operate travel agency business within and outside the PRC.

Taxi licenses represent the rights acquired to operate taxi business within Taizhou, the PRC.

The amortisation charge for the year is included in "operating and administrative expenses" in the consolidated income statement.

17. GOODWILL

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January and 31 December	381	381	381
Accumulated impairment losses:			
At 1 January and 31 December	381	381	381
Carrying amount:			
At 31 December	–	–	–

Goodwill arising from the acquisition of Xuzhou China International Travel Service Limited is allocated to the Group's cash-generating unit ("CGU"), namely tourist routes, identified according to business segment. Due to unsatisfactory operating performance, the value-in-use calculated by using the discount rate was lower than the carrying amount of the CGU and accordingly an impairment loss of approximately HK$381,000 was recognised in 2005.

18. THE INFORMATION OF SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affect the results, assets and liabilities of the Group.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Proportion of ownership interest Group's effective holding	Held by the Company	Held by a subsidiary	Principal activity
Argos Bus Services (China) Company Limited ("Argos China")	Hong Kong	500,000 ordinary shares of HK$1 each	100%	100%	–	Investment holding
Mega Field International Limited	Hong Kong	1 ordinary share of HK$1 each	100%	100%	–	Inactive
Argos Enterprise Management Consultant (Nanjing) Limited ("Argos Management") *(note i)*	PRC	Registered RMB4,000,000	100%	–	100%	Provision of administrative services to group companies
Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos") *(note ii)*	PRC	Registered RMB45,732,679	60%	–	60%	Bus operation
Chongqing Wanzhou Area Argos Public Transport Bus Company Limited ("Wanzhou Argos") *(note i)*	PRC	Registered RMB10,000,000	100%	–	100%	Bus operation
Taizhou Argos Public Bus Company Limited ("Taizhou Argos") *(note iii)*	PRC	Registered RMB16,000,000	60%	–	60%	Bus operation

18. THE INFORMATION OF SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Proportion of ownership interest Group's effective holding	Held by the Company	Held by a subsidiary	Principal activity
Nanjing Argos Scenery Travel Service Limited ("Nanjing Scenery") *(note iv)*	PRC	Registered RMB2,500,000	59.4%	–	99%	City touring and sighting agent
Taizhou Argos Public Transport Bus Company Limited ("Repair Factory") *(note iv)*	PRC	Registered RMB200,000	60%	–	60%	Provision of repair service
Xuzhou China International Travel Service Limited ("Xuzhou China") *(note iv)*	PRC	Registered RMB1,500,000	90%	–	90%	International and local travel agent
Taizhou Argos Travel Services Limited ("Taizhou Travel") *(note iv)*	PRC	Registered RMB1,500,000	100%	–	100%	City touring and sightseeing agent

Notes:

(i) Registered under the laws of the PRC as wholly foreign-owned enterprise.

(ii) Registered under the laws of the PRC as sino-foreign co-operative joint venture enterprise.

(iii) Registered under the laws of the PRC as sino-foreign equity enterprise.

(iv) Registered under the laws of the PRC as limited liability enterprise.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group 2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Unlisted equity securities outside Hong Kong, at cost			
At 1 January	1,161	1,080	1,024
Exchange adjustments	87	81	56
At 31 December	1,248	1,161	1,080

The available-for-sale financial assets are not traded in an open market and there is no quoted market price. The directors are of the opinion that the fair value of available-for-sale financial assets cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The available-for-sale financial assets are stated at cost less any impairment losses, if any.

There are no impairment provisions on available-for-sale financial assets.

20. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

The amount represents deposits paid for acquisition of a subsidiary, the acquisition of which is subject to certain conditions which are not yet satisfied at the balance sheet date. Further details are set out in note 37(a).

21. INVENTORIES

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Spare parts and stores	2,920	2,315	1,616

22. TRADE AND OTHER RECEIVABLES

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Trade debtors	7,095	5,866	4,724
Less: allowance for doubtful debts *(note 22(b))*	–	–	–
	7,095	5,866	4,724
Compensation receivables arising from traffic accidents	1,311	5,134	3,946
Amount due from a minority equity holder *(note 22(d))*	–	729	679
Amount due from a related company *(note 22(e))*	–	–	2,681
Loans and receivables	8,406	11,729	12,030
Advance to suppliers	1,372	1,186	428
Advance to staff	692	1,104	1,001
Rental and other deposits			
– deposits at governmental travel authorities *(note 22(f))*	2,184	2,031	1,833
– other deposits	115	345	108
Prepaid lease payments	116	116	110
Other prepayments	4,173	5,437	5,402
	17,058	21,948	20,912

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered or recognised expense within one year.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

An ageing analysis of trade debtors at each of the balance sheet date is as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	4,945	4,655	4,189
More than 1 month but within 3 months	896	680	243
More than 3 months but within 6 months	250	266	93
More than 6 months	1,004	265	199
	7,095	5,866	4,724

Trade debtors are generally granted with credit terms ranging from 30 days to 180 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' requests. Further details on the Group's credit policy are set out in note 36(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

Movements in the allowance for doubtful debts:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	–	–	–
Impairment loss recognised *(note i)*	–	–	17
Uncollectible amounts written off	–	–	(17)
At 31 December	–	–	–

Note i: As at 31 December 2008, trade receivables of the Group amounting to Nil (2007: Nil; 2006: HK$17,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 365 days as at each of the balance sheet date or were due from companies with financial difficulties. Accordingly, specific allowances for doubtful debts of Nil (2007: Nil; 2006: HK$17,000) were recognised. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	6,091	4,661	4,189
Less than 1 month past due	1,004	674	243
1 to 3 months past due	–	266	93
Over 3 months past due	–	265	199
	1,004	1,205	535
	7,095	5,866	4,724

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

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, management believes that no impairment allowance is necessary in respect of these balances as there has 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.

(d) Amount due from a minority equity holder

The amount due from 泰州市公共交通總公司, a minority equity holder, is unsecured, interest-free and repayable on demand. The amount was fully repaid in 2008.

(e) Amount due from a related company

	Balance at 31 December 2006	Balance at 31 December 2007	Balance at 31 December 2008	Maximum balance outstanding during the year 2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Argos Recreation and Sport (Nanjing) Company Limited ("Argos Nanjing")	2,681	–	–	N/A	5,340	15,422

The amount is unsecured and repayable on demand. Interest is charged on the outstanding balance at 8% per annum. The amount was fully repaid in 2007.

The directors of the Company, Mr. Wong Man Chiu, Ronnie and Mr. Yeung Wai Hung, have beneficial interests in Argos Nanjing.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) Amount due from a related company *(Continued)*

As Argos Nanjing is a connected corporation of the Company, the lending of loan to Argos Nanjing constitutes a connected transaction for the Company under Chapter 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited which is subject to the approval of shareholders of the Company. The required shareholders' approval has not been obtained.

(f) Deposits at governmental travel authorities

The Group placed security deposits at the local governmental travel authorities in the PRC for its operation of travel related services business.

23. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 December 2008, 2007 and 2006 were used as security for banking facilities granted to the Group (note 25).

24. CASH AND CASH EQUIVALENTS

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and in hand	26,647	36,640	20,731
Cash and cash equivalents in the consolidated balance sheets	26,647	36,640	20,731
Less: bank overdrafts *(note 25)*	(10,466)	(10,556)	(10,521)
Cash and cash equivalents in the consolidated cash flow statements	16,181	26,084	10,210

25. BANK BORROWINGS

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Bank overdrafts *(note 24)*	10,466	10,556	10,521
Bank loans	22,115	16,549	10,966
	32,581	27,105	21,487

25. BANK BORROWINGS *(Continued)*

At each of the balance sheet date, the bank loans and overdrafts were repayable as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within one year and on demand	28,558	16,485	21,011
After 1 year but within 2 years	4,023	6,467	48
After 2 years but within 5 years	–	3,927	164
After 5 years	–	226	264
Total bank loans	32,581	27,105	21,487
Less: repayable within 1 year or on demand as classified under current liabilities	28,558	16,485	21,011
Repayable after 1 year as classified under non-current liabilities	4,023	10,620	476

As at each of the balance sheet date, the bank loans and overdrafts were analysed as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Secured	10,466	11,069	13,505
Unsecured	22,115	16,036	7,982
	32,581	27,105	21,487
Bank loans secured by			
– the Group's bank deposits *(note 23)*	10,466	10,556	13,505
– the Group's building *(note 13(d))* and land use right *(note 15(a))*	–	513	521
– the Group's motor vehicles *(note 13(d))*, and corporate guarantee by Nanjing Argos, a subsidiary of the Company	4,298	–	–
– corporate guarantee by Argos China and Taizhou Argos, subsidiaries of the Company	10,920	16,036	1,493
– corporate guarantee by the Company	6,897	–	5,968
	32,581	27,105	21,487

There were no unutilised banking facilities as at 31 December 2008, 2007 and 2006.

All of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 36(b). As at 31 December 2006, 2007 and 2008 none of the covenants relating to drawn down facilities had been breached.

26. TRADE AND OTHER PAYABLES

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Trade creditors *(note 26(a))*	2,598	4,331	4,629
Accrued charges	18,218	14,740	16,142
Payables for acquisition of properties, plant and equipment	35,280	17,555	–
Amount due to a director *(note 26(b))*	6,340	–	100
Amount due to a related company *(note 26(c))*	4,548	2,256	–
Amounts due to minority equity holders *(note 26(d))*	2,198	1,735	7,542
Financial liabilities measured at amortised cost	69,182	40,617	28,413
Receipts in advance *(note 26(e))*	8,670	6,818	4,446
Other taxes and government surcharges payables	23,593	17,427	12,734
Deposits			
– security deposits received from drivers *(note 26(f))*	30,353	26,937	21,760
– other deposits	763	110	280
	132,561	91,909	67,633

All of trade and other payables are expected to be settled within one year or are repayable on demand.

(a) Ageing analysis

The ageing analysis of trade creditors at each of the balance sheet date is as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	1,861	3,405	958
More than 1 month but within 2 months	383	377	2,582
More than 2 months but within 3 months	61	154	747
Over 3 months	293	395	342
	2,598	4,331	4,629

26. TRADE AND OTHER PAYABLES *(Continued)*

(b) The amount due to Mr. Cheung Man Yau, Timothy, is unsecured, interest-free and repayable on demand.

(c) The amount due to Argos Bus Services Company Limited ("ABS") is unsecured, interest-free and repayable on demand.

(d) The amounts are unsecured, interest-free and repayable on demand.

(e) The amounts represent prepaid advertising fees and other service income from customers, for which the related services are expected to be rendered within one year of the balance sheet date.

(f) The amount represents security deposits received from drivers as compensation to the Group for any loss in case of traffic accidents.

27. PAYABLE UNDER CONVERTIBLE BOND SUBSCRIPTION

On 7 August 2007 (the "Agreement Date"), the Company and an independent third party (the "Subscriber") entered into an agreement (the "Subscription Agreement") whereby the Company would issue convertible bond (the "Convertible Bond") at par with a principal amount of HK$7,200,000 on or before 31 December 2007 (the "Long Stop Date"). The Convertible Bond is unsecured, bears interest rate at 1% per annum and will be redeemed at the principal amount on the first anniversary of the date of issue of the Convertible Bond (the "Maturity Date"). The Convertible Bond cannot be redeemed by the Company until the Maturity Date.

The holder of Convertible Bond has the right to convert all or any portion of Convertible Bond into shares of the Company at an initial conversion price of HK$0.2 per share ("Conversion Price"), subject to adjustment. The conversion right can be exercised at any time from the date on which Convertible Bond is issued up to, and including, the Maturity Date.

At any time on or before the Maturity Date by serving at least 30 days' prior written notice on the holder of the Convertible Bond, the Company may require the holder of the Convertible Bond to convert the Convertible Bond in whole or in part into the shares of the Company at the Conversion Price.

During the year ended 31 December 2007, the Group and the Company received the subscription money of HK$7,200,000 (2006: Nil) and recognised the Convertible Bond by approximately HK$6,768,000 (2006: Nil) as liability component and approximately HK$432,000 (2006: Nil) as equity component on the Agreement Date on the following grounds which:

- Full amount of the subscription money for the Convertible Bond of HK$7,200,000 has been received from the Subscriber upon the entering of the Subscription Agreement on 7 August 2007 prior to completion.

- The subscriber has remained interested in subscribing for the Convertible Bond and has expressed firm intention to proceed with the subscription without any indication of requesting for the refund of the subscription money paid to the Company notwithstanding the then current status of prolonged suspension in the trading of the Company's shares after the expiration of the Long Stop Date for completion of the Subscription Agreement. The deposited subscription money had in fact been utilised by the Company to resolve its property, plant and equipment acquisition requirements on a mutual understanding that the deposit paid for subscription of the Convertible Bond will unlikely need to be refunded to the Subscriber in the foreseeable future.

27. PAYABLE UNDER CONVERTIBLE BOND SUBSCRIPTION *(Continued)*

- Ordinary resolution for approving the issue of the Convertible Bond and the conversion shares to be allotted and issued upon the exercise of the conversion rights attaching the Convertible Bond has been duly passed by the shareholders of the Company in an extraordinary general meeting held on 8 October 2007.

- Except for the application to the Stock Exchange for listing of and dealing in the conversion shares, the permission of which have not been obtained, all other conditions precedent to the Subscription Agreement have been fulfilled. The Subscriber has been closely updated with the ongoing enquiries made by and application for resumption of trading made to the Stock Exchange. To the best knowledge and understanding of the directors, the Subscriber is confident about the eventual resumption of trading in the shares of the Company.

- Subsequent to the entering of the Subscription Agreement and prior to the first Long Stop Date, the Subscriber is fully made aware of and agreeable to the situation that the Company will need to utilise most of the funds received from the Subscriber for the subscription of Convertible Bond in paying the cost for acquisition of property, plant and equipment.

- Both the Company and the Subscriber have no reason to believe that the then current status of the Company's shares being under a prolonged suspension in trading will remotely lead to a de-listing, rendering therefore the legal completion of the subscription of the Convertible Bond only consequential under the then current circumstances. Trading in the shares of the Company was resumed on 30 June 2008.

Having regarded to various facts surrounding the subscription money received before 31 December 2007 that it purports to represent, the directors are of the opinion that it is necessary to account for and present it in accordance with its substance and economic reality and not merely its legal form though the legal formality for the issuance of the Convertible Bond to the Subscriber has not been completed as at 31 December 2007.

The Convertible Bond was issued on 30 June 2008 and all of the Convertible Bond has been converted into the ordinary shares of the Company during the year ended 31 December 2008.

Interest expense on the Convertible Bond is calculated using the effective interest method by applying the effective interest rate of 7% per annum to the liability component. During the year ended 31 December 2008, interest expenses of approximately HK$173,000 (2007: HK$180,000, 2006: Nil) were charged.

28. OTHER LOAN

The amount is unsecured, interest bearing at 12% per annum and due in January 2010.

29. OTHER PAYABLES

The amounts represent payables for acquisition of properties, plant and equipment. The amounts are unsecured, interest-free and due for repayment in February 2010.

30. RECEIPTS IN ADVANCE

Receipts in advance represent prepaid advertising fees received from customers, for which the related services are expected to be rendered after more than one year of each of the balance sheet date.

31. GOVERNMENT GRANTS

Government grants obtained from the local governmental authorities in the PRC for the purpose of financing the purchases of motor vehicles are recognised as other revenue over the useful lives of the related depreciable assets.

32. INCOME TAX IN THE BALANCE SHEET

(a) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheets and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	1,280	(1,829)	(549)
Charged to consolidated income statements	1,013	226	1,239
At 31 December 2006 and 1 January 2007	2,293	(1,603)	690
Charged/(credited) to consolidated income statements	407	(134)	273
At 31 December 2007 and 1 January 2008	2,700	(1,737)	963
Exchange adjustments	203	(130)	73
At 31 December 2008	2,903	(1,867)	1,036

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Net deferred tax asset recognised on the consolidated balance sheets	–	–	–
Net deferred tax liability recognised on the consolidated balance sheets	1,036	963	690
	1,036	963	690

(b) Deferred taxation not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of tax losses of approximately HK$10,559,000 (2007: HK$1,927,000; 2006: 8,209,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

32. INCOME TAX IN THE BALANCE SHEET *(Continued)*

(b) Deferred taxation not recognised *(Continued)*

At each of the balance sheet date, the Group's tax losses will expire in the following years:

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
In 2013	8,505	–	–
In 2012	133	124	–
In 2011	1,096	1,019	5,081
In 2010	627	583	745
In 2009	198	183	1,129
In 2008	–	18	1,236
In 2007	–	–	18
	10,559	1,927	8,209

The Group had no other significant deferred taxation not provided for during the year and at each of the balance sheet date.

33. EMPLOYEE RETIREMENT BENEFITS

(a) The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

(b) Pursuant to the relevant labour rules and regulations in the Mainland, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Schemes at 21%-22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees which are calculated based on a certain percentage of the basic payroll.

34. SHARE OPTION

The Company operates a share option scheme (the "Scheme") which is adopted on 30 July 2001. Subject to the terms of the Scheme, the directors may, at their absolute discretion, invite full-time employees of the Group, including directors of the Company or any of its subsidiaries to take up options to subscribe for shares.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) at any time under this scheme shall not, when aggregated with any shares subject to any other schemes involving the issue or grant of option over shares by the Company, or for the benefit of the eligible participants, exceed such number of shares as shall represent 10% of the issued share capital of the Company at the adoption date (the "Scheme Mandate Limit"). Options that lapse in accordance with the terms of this scheme will not be counted for the purpose of calculating the Scheme Mandate Limit unless the Company obtains a fresh approval from shareholders to renew the 10% limit provided that the maximum number of shares in respect of which options may be granted under the Scheme together with any options outstanding and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the issued shares from time to time.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of the grant of each eligible participant shall not exceed 0.1% of the total issued shares.

34. SHARE OPTION *(Continued)*

The offer of a grant of share option may be accepted within a period of 28 days from the date of offer. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the eligible participant together with the consideration of HK$1 is received by the Company.

The exercise price for share options will not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant, which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of the grant.

An option may be exercised at any time during the period to be determined and identified by the board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the new share option scheme.

No share options were granted during the year and there were no outstanding share options under the Scheme at each of the balance sheet date.

35. CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Merger reserve	Exchange reserve	Statutory reserve	Asset revaluation reserve	Convertible bond reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	1800	29,200	(490)	2,806	3,227	79	-	16,418	53,040	22,007	75,047
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	1,841	-	-	-	-	1,841	573	2,414
Revaluation deficit	-	-	-	-	-	(31)	-	-	(31)	-	(31)
(Loss)/profit for the year	-	-	-	-	-	-	-	(94)	(94)	2,220	2,126
At 1 January 2007	1,800	29,200	(490)	4,647	3,227	48	-	16,324	54,756	24,800	79,556
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	3,913	-	-	-	-	3,913	2,049	5,962
Revaluation surpluses	-	-	-	-	-	136	-	-	136	-	136
Equity component of convertible bonds	-	-	-	-	-	-	432	-	432	-	432
Capital contribution from a minority equity	-	-	-	-	-	-	-	-	-	2,556	2,556
Loss for the year	-	-	-	-	-	-	-	(9,119)	(9,119)	(3,857)	(12,976)
At 31 December 2007 and 1 January 2008	1,800	29,200	(490)	8,560	3,227	184	432	7,205	50,118	25,548	75,666
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	5,693	-	-	-	-	5,693	2,614	8,307
Shares issued upon conversion of convertible bond	360	7,272	-	-	-	-	(432)	-	7,200	-	7,200
Revaluation surpluses	-	-	-	-	-	122	-	-	122	-	122
Loss for the year	-	-	-	-	-	-	-	(48,262)	(48,262)	(21,892)	(70,154)
At 31 December 2008	2,160	36,472	(490)	14,253	3,227	306	-	(41,057)	14,871	6,270	21,141

35. CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2008		2007		2006	
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
	'000	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*
Authorised:						
Ordinary shares at HK$0.01 each	10,000,000	100,000	10,000,000	10,000	10,000,000	10,000
Issued and fully paid:						
At 1 January	180,000	1,800	180,000	1,800	180,000	1,800
Shares issued upon conversion of convertible bonds	36,000	360	–	–	–	–
At 31 December	216,000	2,160	180,000	1,800	180,000	1,800

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by section 48B of the Hong Kong Companies Ordinance.

(ii) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of shares of subsidiaries acquired over the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group's reorganisation in 2001.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

(iv) Statutory reserve

Transfers from 10% of net profits to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of their registered capital.

The Company's subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity shareholders of the Company.

35. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(v) Asset revaluation reserve

The asset revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for buildings in note 2(g). The revaluation reserve is not distributable to the equity shareholders of the Company.

(vi) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 2(m).

(d) Distributable reserves

As at each of the balance sheet date, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes bank borrowings, other loan, payable under convertible bond subscription, and amounts due to a director, related company and minority equity holders). Adjusted capital comprises all components of equity, other than amounts recognised in equity relating to convertible bond.

During the year ended 31 December 2006, 2007 and 2008, the Group's strategy, was to maintain the net debt-to-adjusted capital ratio at a level acceptable by the directors. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

35. CAPITAL AND RESERVES *(Continued)*

(e) Capital management *(Continued)*

The net debt-to-adjusted capital ratio at 31 December 2008, 2007 and 2006 was as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings	32,581	27,105	21,487
Payable under convertible bond subscription	–	6,948	–
Other loan	1,331	–	–
Amount due to a director	6,340	–	100
Amount due to a related company	4,548	2,256	–
Amounts due to minority shareholders	2,198	1,735	7,542
Net debt	46,998	38,044	29,129
Total equity	21,141	75,666	79,556
Less: Convertible bond reserve	–	(432)	–
Adjusted capital	21,141	75,234	79,556
Net debt-to-adjusted capital	222%	51%	37%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

36. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's trade and other receivables and deposits with banks.

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

In respect of trade and other receivables, 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 customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers. The impairment losses on bad and doubtful debts account are within management's expectation.

36. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At each of the balance sheet date, the Group does not have significant concentration of credit risk.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 38, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at each of the balance sheet date is disclosed in note 38.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

In respect of deposits with banks, the Group limits its exposure to credit risk by placing deposits with financial institutions with no recent history of default. Management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2006, 2007 and 2008, the Group has certain concentration of credit risk as HK$38,057,000, HK$46,527,000 and HK$36,431,000 respectively of total cash and cash equivalents and pledged bank deposits deposited at several financial institutions in the Hong Kong and the PRC with high credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at each of the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at each of the balance sheet date) and the earliest date the Group can be required to pay:

The Group

	2008				2007						2006					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	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	Over 5 years	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	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	32,581	37,318	29,272	8,046	27,105	30,565	19,082	7,096	4,090	297	21,487	22,983	22,252	81	260	390
Trade and other payables	69,182	69,182	69,182	-	40,617	40,617	40,617	-	-	-	28,413	28,413	28,413	-	-	-
Payable under convertible bond subscription	-	-	-	-	6,948	6,948	6,948	-	-	-	-	-	-	-	-	-
Other loan	1,331	1,504	159	1,345	-	-	-	-	-	-	-	-	-	-	-	-
Other payables	1,071	1,071	-	1,071	-	-	-	-	-	-	-	-	-	-	-	-
	104,165	109,075	98,613	10,462	74,670	78,130	66,647	7,096	4,090	297	49,900	51,396	50,665	81	260	390

36. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits and bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. Borrowings at fixed rate are insensitive to any change in market rates. A change in interest rates at the balance sheet date would not affect profit or loss. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at each of the balance sheet date.

	The Group					
	2008		2007		2006	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*
Net fixed rate borrowings:						
Bank borrowings		–	7.83%	513	6.73%	521
Other loan	12%	1,331	–	–	–	–
Less: cash at bank and on hand	0.01%-0.72%	(274)	0.01%-0.36%	(114)	–	–
		1,057		399		521
Variable rate borrowings:						
Bank borrowings and overdraft	1.35-5.94%	32,581	4.65%-8.32%	26,592	1.75%-5.61%	20,966
Less: cash at banks	0.01%-3.75%	(36,373)	0.72%-4.65%	(46,526)	1%-4.5%	(38,159)
		(3,792)		(19,934)		(17,193)
Total net (deposits)/borrowings		(2,735)		(19,535)		(16,672)
Net fixed rate borrowings as a percentage of total net (deposits)/borrowings		(38.7%)		(2.0%)		(3.1%)

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$38,000 (2007: HK$109,000; 2006: HK$11,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at each of the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007 and 2006.

36. FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is Renminbi as substantially all the turnover is in Renminbi. The Group's transactional foreign exchange exposure was insignificant.

The Group is exposed to currency risks primarily arising from cash and cash equivalents. The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

As all the Group's trade receivables and trade payables are denominated in Renminbi, management does not expect that there will be any significant currency risk associated with them.

(i) Exposure to currency risk

The following table details the Group's exposure at each of the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2008 Hong Kong dollars *HK$'000*	2007 Hong Kong dollars *HK$'000*	2006 Hong Kong dollars *HK$'000*
Cash and cash equivalents	900	900	4,040
Overall net exposure	900	900	4,040

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's (loss)/profit after tax (and accumulated losses) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at each of the balance sheet date. There is no change in other components of consolidated equity.

The Group

	2008		2007		2006	
	Increase/ (decrease) in foreign exchange rates *%*	Effect on loss after tax and accumulated losses *HK$'000*	Increase/ (decrease) in foreign exchange rates *%*	Effect on loss after tax and accumulated losses *HK$'000*	Increase/ (decrease) in foreign exchange rates *%*	Effect on profit after tax and accumulated losses *HK$'000*
Hong Kong dollars	5	(33)	5	(30)	5	(168)
	(5)	33	(5)	30	(5)	168

36. FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis (Continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at each of the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007 and 2006.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008, 2007 and 2006.

(f) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Cash and cash equivalents, pledged deposits, trade and other receivables, trade and other payables

The carrying values of these financial assets and liabilities approximate fair value because of the short maturities of these instruments.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees issued

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made.

37. COMMITMENTS

(a) Capital commitments in respect of acquisition of assets and liabilities through acquisition of a subsidiary outstanding at each of the balance sheet date not provided for in the financial statements were as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Contracted for *(note)*	690,000	–	–

Note: During the year ended 31 December 2008, the Group entered into a sale and purchase agreement dated 23 September 2008 with an independent third party for the acquisition of equity interest of a company, which indirectly held a subsidiary to be operated in the mobile lottery recharging services in the sporty lottery business in the PRC. The total purchase consideration was at the maximum of approximately HK$695,000,000 at which (i) HK$5,000,000 in cash, (ii) the allotment and issue of 44,000,000 ordinary shares of the Company, (iii) the issue of convertible bonds of HK$409,200,000, and (iv) the issue of promissory notes of HK$254,400,000 by the Company. At 31 December 2008, approximately HK$5,000,000 had been paid and recognised as "Deposit for acquisition of a subsidiary" in the consolidated balance sheet as at 31 December 2008, resulting in a capital commitment of approximately HK$690,000,000. The transaction was completed in January 2009. The fair value of the shares issued by the Company amounted to approximately HK$22,400,000 at the date of completion.

(b) Capital commitments in respect of acquisition of property, plant and equipment outstanding at 31 December 2008, 2007 and 2006 not provided for in the financial statements were as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Contracted for	690	920	–

(c) At each of the balance sheet date, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	The Group		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	717	736	146
After 1 year but within 5 years	1,203	865	630
After 5 years	6,371	842	1,394
	8,291	2,443	2,170

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to ten years. The leases did not include extension options. None of the leases includes contingent rentals.

38. CONTINGENT LIABILITIES

(a) Financial guarantee issued to a subsidiary of the Company

As at 31 December 2008, 2007 and 2006, the Company has issued a single guarantee to the extent of approximately HK$6,897,000, Nil and HK$5,968,000) to banks in respect of banking facilities granted to its subsidiaries respectively.

As at 31 December 2008, 2007 and 2006, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at 31 December 2008, 2007 and 2006 under the single guarantees issued is the outstanding amount of the facility drawn down by the subsidiary of approximately HK$6,897,000, Nil and HK$5,968,000 respectively). No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

(b) Financial guarantee issued to a related company

As at 31 December 2007, the Company has issued a single guarantee to the extent of approximately HK$1,000,000 (2006: HK$1,000,000) to a bank in respect of banking facilities granted to a related company. The guarantee was discharged in March 2008.

As at 31 December 2007, the directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company at 31 December 2007 under the guarantee issued is the outstanding amount of the facility drawn down by the related company of approximately HK$1,000,000 (2006: HK$1,000,000). No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Short-term employees benefits	2,584	1,664	1,532
Post-employment benefits	83	56	77
	2,667	1,720	1,609

Total remuneration is included in "staff costs" (see note 6(b)).

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with other related parties

During the years ended 31 December 2008, 2007 and 2006, the directors consider that the following are related parties of the Group:

Name of party	**Relationship with the Group**
Argos Bus Services Company Limited ("ABS")	Mr. Wong Man Chiu, Ronnie ("Mr. Wong"), a director of the Company, is one of the shareholders of ABS
Argos Recreation and Sport (Nanjing) Company Limited ("Argos Nanjing")	Mr. Wong and Mr. Yeung Wai Hung ("Mr. Yeung"), a director of the Company, have beneficial interest in Argos Nanjing
Argos Recreation & Sports Development Limited ("Argos Recreation")	Mr. Yeung is one of the shareholders of Argos Recreation
泰州市公共交通總公司 ("Taizhou Public")	A minority equity holder of the Group
南京市公共交通總公司 ("Nanjing Public")	A minority equity holder of the Group

(i) Rental expenses to ABS

During the year ended 31 December 2008, 2007 and 2006, the Group paid rental expenses of approximately HK$180,000, HK$180,000, and HK$120,000 to ABS for providing premises to the Group respectively. The rental expenses were included in "amount due to a related company" (note 26(c)).

(ii) Rental expenses to Argos Nanjing

During the year ended 31 December 2008, 2007 and 2006, the Group paid rental expenses of approximately HK$282,000, HK$148,000 and HK$95,000 to Argos Nanjing for providing premises to the Group respectively. As at 31 December 2008, 2007 and 2006, the amount due from Argos Nanjing was Nil, Nil and HK$2,681,000 respectively.

(iii) Advertising income from Taizhou Public

During the year ended 31 December 2008, 2007 and 2006, the Group received advertising income of approximately HK$1,274,000, HK$1,109,000 and HK$942,000 from Taizhou Public respectively. As at 31 December 2008, there was no outstanding balance in respect of the advertising income. As at 31 December 2007 and 2006, the outstanding balance was included in "amount due from a minority equity holder" (note 22(d)).

(iv) Interest income from Argos Nanjing

During the years ended 31 December 2007 and 2006, the Group received interest income of approximately HK$101,000 and HK$753,000 from Argos Nanjing on the basis of 8% per annum on the outstanding advancement and on the basis of 5.58% to 5.841% per annum on a loan of RMB12,000,000 for the year ended 31 December 2006. During the years ended 31 December 2007 and 2006, the maximum outstanding balance was HK$5,340,000 and HK$15,422,000 respectively and as at 31 December 2007 and 2006, the amount due from Argos Nanjing was Nil and HK$2,681,000 respectively.

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with other related parties *(Continued)*

(v) Disposal of property, plant and equipment to Argos Nanjing

During the year ended 31 December 2007, the Group disposed of its motor vehicles to Argos Nanjing at a consideration of approximately HK$43,000 and recorded no gain or loss on the disposal. As at 31 December 2007, there was no balance due from Argos Nanjing.

(vi) Banking facilities granted to ABS

During the years ended 31 December 2008, 2007 and 2006, a bank granted overdraft facilities to the extent of approximately HK$11,500,000, of which HK$10,500,000 was granted to the Company and HK$1,000,000 was granted to ABS. The facilities were secured by the bank deposits of HK$10,000,000 of the Company. The facilities to ABS were discharged in March 2008.

(vii) Performance guarantee for Argos Recreation

A subcontracting agreement dated 19 September 2003 was entered into by Argos Recreation and Nanjing Fitness Centre Limited ("Nanjing Fitness") for the operation of Nanjing Fitness Centre in which Argos Enterprises Management and Consultant (Nanjing) Limited, a subsidiary of the Company, acted as a guarantor in favour of Nanjing Fitness to the extent of RMB5,000,000 in respect of the due observance of ARSHK's obligation stipulated in the subcontracting agreement. The performance guarantee was discharged in October 2007.

(viii) Advance from a director

During the year ended 31 December 2008, Mr. Cheung Man Yau, Timothy, ("Mr. Cheung") a director the Company, advanced approximately HK$6,340,000 to the Company. As at 31 December 2008, the outstanding amount due to Mr. Cheung was included in "amount due from a directors" (note 26(b)).

(ix) Advance from a minority equity holder

During the year ended 31 December 2008, Nanjing Public advance approximately HK$358,000 to the Group. As at 31 December 2008, the outstanding amount due to Nanjing Public was included in "amounts due to minority equity holder" (note 26(d)).

(c) Balance with related parties

Details of the balances with related parties as at 31 December 2008, 2007 and 2006 are set out in the notes 22 and 26.

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the year 2008's presentation.

41. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at each of the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Impairment of property, plant and equipment, prepaid lease payments and intangible assets

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Impairment of receivables

The Group maintains impairment allowance for doubtful debts accounts based upon evaluation of the recoverability of the accounts receivable and other receivables. The estimates are based on the ageing of the accounts receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(iii) Income taxes and deferred taxation

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax and tax in the periods in which such estimate is changed.

(iv) Valuation of investment properties

Investment properties are included in the consolidated balance sheet at their fair value, after taking into consideration all readily information and current market environment.

The assumptions adopted in the property valuations are based on the market conditions existing at each of the balance sheet date, with reference to current market sales prices, the appropriate capitalisation rate and other estimates. Changes in these estimates could have a significant impact on the fair value amounts.

41. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Critical accounting judgement in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at each of the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Going concern

As disclosed in note 2(b), the directors have prepared the financial statements on a going concern basis as they are of the opinion that the Group will be able to generate adequate cash flows from its operations and secure the necessary facilities from the banks in the next twelve months to enable the Group to operate as a going concern. This conclusion is arrived at after reviewing the cash flow forecast prepared by the Group's management and taking into account the expected outcome of discussions with its banks. Any significant deviations from the assumptions adopted by management in preparing the cash flows forecast of the Group and discontinuation of bank facilities would affect the conclusion that the Group is able to continue as going concern.

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008 *(Continued)*

In addition, the following developments may result in new or amended disclosures in the financial statements:

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 (Amendments)	Amendment to HKAS 39 Financial Instrument: Recognization and measurement – Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except for 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

6 Effect for transfers of assets from customers received on or after 1 July 2009

The application 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.

HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary.

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

C. SUBSEQUENT EVENT

On 6 May 2009, the Company entered into an agreement with Cable Best Development Limited (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to sell the entire issued share capital of the Target (terms as defined in the Circular), which principally engaged in bus operation in the PRC, for cash consideration of HK$8,000,000 subject to the terms and conditions of the Sale and Purchase Agreement. Upon the completion of the above transactions, the Company will not have any shareholding in the Target and the Target will cease to be a subsidiary of the Company. As at 31 December 2008, no deposit for the transaction has been received by the Group from Cable Best Development Limited. Pursuant to the GEM Listing Rules, the disposal is subject to the approval by the shareholders at a general meeting of the Company by poll. As at the date of this report, the general meeting has not been held.

The disposal of the Sale Shares and the Sale Loan is not considered as a discontinued operation as at 31 December 2008 since the sale was not highly probable according to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at that date.

(i) Included below are the results of the Target Group incorporated into the Group's consolidated income statements for the Relevant Periods:

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	167,370	162,349	141,416
Cost of sales	(182,237)	(152,953)	(123,584)
Gross (loss)/profit	(14,867)	9,396	17,832
Other revenue	41,897	20,081	13,961
Other net (loss)/income	(11,005)	–	101
Operating and administrative expenses	(36,221)	(27,814)	(23,775)
Impairment loss on property, plant and equipment	(41,024)	(9,872)	–
(Loss)/profit from operations	(61,220)	(8,209)	8,119
Finance costs	(2,491)	(837)	(835)
(Loss)/profit before taxation	(63,711)	(9,046)	7,284
Income tax	–	(277)	(2,119)
(Loss)/profit for the year	(63,711)	(9,323)	5,165
Attributable to:			
Equity shareholders of the Company	(41,797)	(5,443)	2,926
Minority interests	(21,914)	(3,880)	2,239
(Loss)/profit for the year	(63,711)	(9,323)	5,165

(ii) Included below are the assets and liabilities of the Target Group incorporated into the Group's consolidated balance sheets as at 31 December 2006, 2007 and 2008:

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	152,809	131,971	103,718
Investment properties	1,626	1,379	1,097
Investment in subsidiaries	3,738	3,738	3,738
Prepaid lease payments	4,479	4,360	4,141
Intangible assets	392	650	870
Goodwill	–	–	–
Available-for-sale financial assets	1,248	1,161	1,080
Deposit for acquisition of a subsidiary	–	–	–
	164,292	143,259	114,644
Current assets			
Inventories	2,913	2,314	1,615
Trade and other receivables	14,027	18,235	15,397
Pledged bank deposits	–	–	7,428
Cash and cash equivalents	25,425	34,554	19,445
	42,365	55,103	43,885
Current liabilities			
Bank borrowings	18,092	–	10,445
Trade and other payables	120,211	92,440	64,070
Payable under convertible bond subscription	–	–	–
Amount due to intermediate holding company	18,692	22,750	15,736
	156,995	115,190	90,251
Net current liabilities	(114,630)	(60,087)	(46,366)
Total assets less current liabilities	49,662	83,172	68,278

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Bank borrowings	4,023	16,036	–
Other loan	1,331	–	–
Other payables	1,071	–	–
Receipts in advance	2,847	3,763	4,379
Government grants	32,540	–	–
Deferred tax liabilities	1,036	957	684
	42,848	20,756	5,063
NET ASSETS	6,814	62,416	63,215
CAPITAL AND RESERVES			
Share capital	500	500	500
Reserves	175	36,498	38,024
Total equity attributable to equity shareholders of the Company	675	36,998	38,524
Minority interests	6,139	25,418	24,691
TOTAL EQUITY	6,814	62,416	63,215

(iii) Included below are cash flows of the Target Group incorporated into the Group's consolidated cash flow statements for the Relevant Periods:

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
(Loss)/profit before taxation	(63,711)	(9,323)	5,165
Adjustments for:			
Valuation gains on investment properties	(139)	(201)	(42)
Depreciation	20,567	17,359	15,271
Impairment loss on property, plant and equipment	41,024	9,872	–
Amortisation of prepaid lease payments	100	94	86
Amortisation of intangible assets	302	285	265
Loss/(gain) on sale of property, plant and equipment	11,114	–	(102)
Reversal of previously recognised revaluation deficit on leasehold buildings	–	(155)	(1)
Government grants for purchase of motor vehicles	(1,992)	–	–
Interest income	(1,101)	(440)	(1,033)
Interest paid	2,491	837	835
Foreign exchange gain	(1,400)	–	–
Operating (loss)/profit before changes in working capital	7,255	18,328	20,444
Decrease/(Increase) in inventories	(437)	(497)	(221)
(Increase)/decrease in trade and other receivables	5,841	1,615	3,160
(Decrease)/increase in trade and other payables	15,007	26,556	2,022
Increase/(decrease) in receipts in advance	(1,659)	(1,260)	(209)
Cash generated from operations	26,007	44,742	25,196
Tax paid			
PRC enterprise income tax	–	(4)	(380)
Net cash generated from operating activities	26,007	44,738	24,816

	Year ended 31 December		
	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets	(68,406)	(57,107)	(14,476)
Proceeds from sale of property, plant and equipment	1,415	868	149
Proceeds from government grants for purchase of motor vehicles	27,151	7,056	–
Decrease/(increase) in pledged deposits	–	8,278	(3,259)
Interest received	1,101	440	1,033
Net cash used in investing activities	(38,739)	(40,465)	(16,553)
Financing activities			
Proceeds from new bank loans	12,643	17,272	24,172
Repayment of bank loans	(8,321)	(10,259)	(26,906)
Advance from a minority equity holder	358	–	–
Interest paid	(2,491)	(837)	(835)
Capital contribution from a minority equity holder	–	2,556	–
Net cash generated/(used in) from financing activities	2,189	8,732	(3,569)
Net increase/(decrease) in cash and cash equivalents	(10,543)	13,005	4,694
Cash and cash equivalents at 1 January	34,554	19,445	15,386
Effect of foreign exchange rate changes	1,414	2,104	(635)
Cash and cash equivalents at 31 December	25,425	34,554	19,445

(iv) Included below are the capital and reserve of the Target Group incorporated into the Group's consolidated statements of changes in equity for the Relevant Periods:

	Attributable to equity shareholders of the Company							
	Share capital	Exchange reserve	Statutory reserve	Asset revaluation reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	500	2,806	3,227	79	24,937	31,549	22,007	53,556
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	4,080	–	–	–	4,080	445	4,525
Revaluation deficit	–	–	–	(31)	–	(31)	–	(31)
Profit for the year	–	–	–	–	2,926	2,926	2,239	5,165
At 31 December 2006 and 1 January 2007	500	6,886	3,227	48	27,863	38,524	24,691	63,215
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	3,781	–	–	–	3,781	2,051	5,832
Revaluation surpluses	–	–	–	136	–	136	–	136
Capital contribution from a minority equity	–	–	–	–	–	–	2,556	2,556
Loss for the year	–	–	–	–	(5,443)	(5,443)	(3,880)	(9,323)
At 31 December 2007 and 1 January 2008	500	10,667	3,227	184	22,420	36,998	25,418	62,416
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	5,352	–	–	–	5,352	2,635	7,987
Revaluation surpluses	–	–	–	122	–	122	–	122
Loss for the year	–	–	–	–	(41,797)	(41,797)	(21,914)	(63,711)
At 31 December 2008	500	16,019	3,227	306	(19,377)	675	6,139	6,814

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2008.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Kwok Cheuk Yuen
Practising Certificate Number P02412

1. FIRST QUARTERLY REPORT 2009

The board of directors (the "Directors") of Argos Enterprise (Holdings) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months ended 31 March 2009 together with comparative unaudited figures for the corresponding period in 2008 (the "Relevant Periods"), as follows:

		Unaudited Three months ended 31 March	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
TURNOVER	*2*	50,873	43,246
COST OF SALES		(51,339)	(38,537)
GROSS (LOSS)/PROFIT		(466)	4,709
OTHER NET INCOME	*2*	7,454	1,644
OPERATING AND ADMINISTRATIVE EXPENSES		(32,478)	(8,469)
LOSS FROM OPERATIONS		(25,490)	(2,116)
FINANCE COSTS	*3*	(15,699)	(776)
LOSS BEFORE TAXATION		(41,189)	(2,892)
INCOME TAX	*4*	–	–
LOSS FOR THE PERIOD		(41,189)	(2,892)
ATTRIBUTABLE TO:			
EQUITY SHAREHOLDERS OF THE COMPANY		(29,922)	(1,867)
MINORITY INTERESTS		(11,267)	(1,025)
		(41,189)	(2,892)
LOSS PER SHARE			
– BASIC (cent)	*5*	(11.20)	(1.04)
– DILUTED (cent)	*5*	N/A	N/A

Notes:

1. **Basis of preparation**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies adopted in preparing the unaudited first quarterly consolidated results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2008.

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

All significant intra-group transactions and balances within the Group have been eliminated on consolidation.

As at 31 March 2009, the Group had net current liabilities of approximately HK$125,359,000. The Directors are of the opinion that the Group should be able to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments and the consolidated financial statements are prepared on a going concern basis.

2. Turnover and revenue

The Group is engaged in the rendering of bus services through the operation of public routes, tourist routes, hire-a-bus and employee services, sub-contracting, taxi rental, sightseeing ticket sales and touring as well as provision of lottery-based mobile online game. Revenue recognized during the Relevant Periods is as follows:

	Unaudited Three months ended 31 March	
	2009	**2008**
	HK$'000	*HK$'000*
Turnover		
Public routes	34,835	29,199
Tourist routes	5,158	3,043
'Hire a bus' services and sightseeing ticket	6,551	5,520
Taxi rental	3,310	4,093
Rental income	–	559
Management fee	955	832
Lottery-based mobile online game	64	–
Sub-total	50,873	43,246
Other net (loss)/income		
Advertising income on fleet body	245	283
Subsidy from local authority	5,706	592
Sundries	1,485	685
Interest income	18	84
Sub-total	7,454	1,644
Total revenue	58,327	44,890

3. Finance costs

	Unaudited Three months ended 31 March	
	2009	**2008**
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	352	776
Interest on convertible bonds	9,575	–
Interest on promissory notes	5,772	–
Total finance costs	15,699	776

4. Taxation

The taxation charge comprises:

	Unaudited Three months ended 31 March 2009 *HK$'000*	2008 *HK$'000*
Hong Kong profits tax	–	–
Enterprise income-tax in the PRC	–	–
	–	–

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the relevant period.

Taxation arising in the PRC is calculated at the rates prevailing in the PRC.

5. Loss per share

The calculation of the basic loss per share is based on basic loss from the ordinary activities for the three months ended 31 March 2009 of HK$29,922,000 (2008: HK$1,867,000) and on 300,000,000 (2008: 180,000,000) shares in issue during the period.

There were no potentially dilutive shares outstanding during the Relevant Periods. No dilutive loss per share is presented.

6. Reserves

	Share capital *HK$'000* (unaudited)	Share premium *HK$'000* (unaudited)	Merger reserve *HK$'000* (unaudited)	Exchange reserve *HK$'000* (unaudited)	Statutory reserve *HK$'000* (unaudited)	Assets revaluation reserve *HK$'000* (unaudited)	Convertible bonds reserve *HK$'000* (unaudited)	(Accumulated loss)/ retained profits *HK$'000* (unaudited)	Total *HK$'000* (unaudited)	Minority *HK$'000* (unaudited)	Total equity *HK$'000* (unaudited)
At 1 January 2008	1,800	29,200	(490)	8,560	3,227	184	432	7,205	50,118	29,705	79,823
Loss for the period	–	–	–	–	–	–	–	(1,867)	(1,867)	(1,025)	(2,892)
Currency translation Difference	–	–	–	1,217	–	–	–	–	1,217	–	1,217
As at 31 March 2008	1,800	29,200	(490)	9,777	3,227	184	432	5,338	49,468	28,680	78,148
At 1 January 2009	2,160	36,472	(490)	14,253	3,227	306	–	(41,057)	14,871	6,270	21,141
Equity components of convertible bonds	–	–	–	–	–	–	140,552	–	140,552	–	140,552
Shares issued upon conversion of convertible bonds	840	51,960	–	–	–	–	–	–	52,800	–	52,800
Arising from acquisition of subsidiary	–	–	–	–	–	–	–	–	–	268,297	268,297
Loss for the period	–	–	–	–	–	–	–	(29,922)	(29,922)	(11,267)	(41,189)
Currency translation Difference	–	–	–	1,810	–	–	–	–	1,810	–	1,810
As at 31 March 2009	3,000	88,432	(490)	16,063	3,227	306	140,552	(70,979)	180,111	263,300	443,411

7. Interim Dividends

The Board does not recommend the payment of any dividend for the three months ended 31 March 2009 (2008: Nil).

BUSINESS REVIEW

The unaudited consolidated turnover of the Group for the three months ended 31 March 2009 was approximately HK$50,873,000 representing an increase of 18% over the corresponding period in 2008. The turnover attributable from transportation business was quite stable for the 3 months ended 31 March 2009. On 8 January 2009, the acquisition of 52% equity interest of TLT (Shanghai) Limited was completed and the lottery-based mobile online game commenced its business in Shandong on 10 January 2009.

The loss was approximately HK$29,922,000 in the first quarter of 2009. The loss was mainly due to the increase in operating costs, general administrative costs and amortization of intangible assets incurred during the period. The finance costs were substantially increased as additional costs on the convertible bonds of approximately HK$9,575,000 and promissory notes of approximately HK$5,772,000 were incurred (which are calculated based on notional interest rate and do not have material cashflow effect on the financial statements) after the completion of acquisition of lottery-based mobile online game service on 8 January 2009. Loss per share for the three months ended 31 March 2009 was HK11.20 cents as compared to loss per share of HK1.04 cents for the corresponding period in 2008.

FUTURE PROSPECTS

On 6 May 2009, the Company as vendor has entered into a Sale and Purchase Agreement with Cable Best Development Limited, as purchaser, and Mr. Law Wing Hoi and Mr. Wang Yue Hung, as guarantors, pursuant to which the Company has agreed to sell 100% of Argos Bus Services (China) Company Limited ("Argos Bus"), a company wholly-owned by the Company and the sale loan amounting to HK$18,434,530 for a consideration of totalling HK$8,000,000, subject to adjustment (the "Disposal"). The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules.

The Group is not only principally engaged in public bus operation and travel agent services, but has also been actively engaged in lottery-based mobile on-line entertainment business since its acquisition in January 2009. The Group has entered into six mobile lottery recharging services agreements with Shandong Sports Lottery Administrative Center, Hainan Sports Lottery Administrative Center, Qinghai Sports Lottery Administrative Center, Hubei Sports Lottery Administrative Center, Gansu Sports Lottery Administrative Center and Shaanxi Sports Lottery Administrative Center respectively. The Group is currently in final stage of negotiation to enter into the mobile lottery recharging services agreement with Liaoning Sports Lottery Administrative Center. The Group has commenced operation of lottery-based mobile on-line entertainment business in Shandong in January 2009 and is expected to commence operation of lottery-based mobile on-line entertainment business in other provinces in the PRC soon.

In light of the recent fast development of lottery-based mobile on-line entertainment industry and tourist industry in the PRC, the Board believes that it is in the best interest of the Company to focus its resources and future investment in lottery-based mobile online entertainment business and tourist industry in the PRC. The Board believes that both travel agent business and lottery-based mobile on-line entertainment business are able to generate stable income and profitability to the Group. Accordingly, the Board is of the view that the Disposal represents a good opportunity for the Company to dispose of Argos Bus and its subsidiaries but excluding Argos Enterprise Management Consultant (Nanjing) Limited and Xuzhou China International Travel Service Limited and focus the resources on lottery-based mobile on-line entertainment business and travel agent services in the PRC in order to maintain its competitiveness and achieve the greatest returns for the shareholders of the Company in future.

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of ascertaining certain information relation to this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$643,684,572, the Disposal Group had outstanding borrowings of approximately HK$19,663,698 and the Remaining Group had outstanding borrowings of approximately HK$624,020,874, details of which are set out below:

	The Group							The Target Group			The Remaining Group				
	Bank borrowings	Overdraft	Shareholder loans	Other loans	Convertible bonds	Promissory notes	Total	Bank borrowings	Other loans	Total	Overdraft	Shareholder loans	Convertible bonds	Promissory notes	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
No fixed term of repayment	-	10,476,911 [2]	15,283,963 [3]	6,692,567 [4]	-	-	32,453,441	-	6,692,567	6,692,567	10,476,911	15,283,963	-	-	25,760,874
Repayable within one year	10,551,724 [1]	-	-	695,269 [5]	-	-	11,246,993	10,551,724	695,269	11,246,993	-	-	-	-	-
Repayable in the second year	1,724,138 [1]	-	-	-	-	-	1,724,138	1,724,138	-	1,724,138	-	-	-	-	-
Repayable in the third year	-	-	-	-	343,860,000	254,400,000	598,260,000	-	-	-	-	-	343,860,000	254,400,000	598,260,000
	12,275,862	10,476,911	15,283,963	7,387,836	343,860,000	254,400,000	643,684,572	12,275,862	7,387,836	19,663,698	10,476,911	15,283,963	343,860,000	254,400,000	624,020,874

Notes:

1. The loans are guaranteed by the Target and Nanjing Argos and Argos Bus Services Company Limited which are unsecured, with interest charged at 4% to 6% and with fixed terms of payment.

2. The overdraft is pledged against a fixed deposit of HK$10,000,000.

3. The shareholder loans are interest free, unsecured and with no fixed terms of repayment.

[4] The loans provided by minority shareholders of Nanjing Argos and Argos Bus Services Company Limited, a related company of the Group are interest free, unsecured and with no fixed terms of payment.

[5] The loan is unsecured, with interest charged at 12% and with fixed terms of repayment.

Securities and guarantees

As at 30 April 2009 the Group had bank borrowings of fixed repayment terms of approximately HK$12,275,862 which were guaranteed by the Target and Nanjing Argos and Argos Bus Services Company Limited.

As at 30 April 2009 the Group had shareholder loans of approximately HK$15,283,963 which are unsecured, interest free and has no fixed terms of repayment.

A fixed deposit of the Group of approximately HK$10,000,000 has been pledged to a bank in Hong Kong to secure the overdraft facilities granted to the Group. No short-term bank loan was drawn down as at 30 April 2009.

As at 30 April 2009, the Company provided corporate guarantees to a bank in the PRC in respect of a bank facilities granted to Nanjing Public Transport Argos Bus Company Limited. It is a condition precedent that such corporate guarantees must be released before Completion.

Contingent liabilities

As at the close of business on 30 April 2008, the Group did not have any material contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 April 2009, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008 (being the date to which the latest audited financial statements of the Group were made up).

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the Group will have sufficient working capital for at least twelve months from the date of this circular.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma consolidated balance sheet, consolidated income statement and consolidated cash flow statement of the Remaining Group have been prepared in accordance with Rule 7.31 of the Rule Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on the basis of the notes set out below for the purpose of illustrating the effect of the disposal (the "Disposal") of Argos Bus Services (China) Company Limited (the "Target") and its subsidiaries (the "Target Group") after the disposal of Argos Enterprise Management Consultant (Nanying) Limited and Xuzhou China International Travel Service Limited (the "Reorganisation") as if it had taken place on 31 December 2008 for the unaudited pro forma consolidated balance sheet and as at 1 January 2008 for the unaudited pro forma consolidated income statement and consolidated cash flow statement for the year ended 31 December 2008. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the Disposal been completed as at 31 December 2008 or at any future date or the financial results and cash flows of the Remaining Group for the year ended 31 December 2008 had the Disposal been completed as at 1 January 2008 or for any future period. As the Company has completed the acquisition (the "Acquisition") of 65% of the entire issued share capital of Wisdom In Holdings Limited (together with its subsidiaries refer as the "Wisdom In Group") on 8 January 2009, the accompanying unaudited pro forma financial information of the Remaining Group has also included the illustration of the effect arising from the Acquisition. Details of the Acquisition please refer to the announcement and circular of the Company dated 15 October 2008 and 5 November 2008 respectively.

I. Unaudited Pro Forma Consolidated Balance Sheet

The unaudited pro forma balance sheet of the Remaining Group was prepared to demonstrate the effect of the Disposal and the Acquisition on the consolidated balance sheet of the Group as if the Disposal and the Acquisition had been completed as at 31 December 2008 based on:

(i) the audited consolidated balance sheet of the Group as at 31 December 2008 is extracted from the financial information as set out in appendix I to this circular;

(ii) the audited combined balance sheet of the Wisdom In Group as at 31 July 2008 is extracted from the accountants' report, as set out in appendix II to the circular of the Company dated 5 November 2008 in relation to the Acquisition (the "VSA Circular"); and

(iii) the pro forma adjustments relating to the Disposal and the Acquisition that are (a) directly attributable to the transactions and (b) factually supportable, as set out in the accompanying notes.

The unaudited pro forma balance sheet has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Remaining Group at any future date.

	Unadjusted audited consolidated balance sheet of the Group as at 31 December 2008	Pro forma adjustments For the Disposal			Subtotal	For the Acquisition			Adjusted pro forma consolidated balance sheet of Remaining Group as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 1)	*(note 2)*	*(note 3)*		*(note 4)*	*(note 5)*	*(note 6)*	
Non-current assets									
Property, plant and equipment	154,280	(152,809)	–	–	1,471	3,195	–	–	4,666
Investment properties	1,626	(1,626)	–	–	–	–	–	–	–
Prepaid lease payments	5,417	(4,479)	–	–	938				938
Intangible assets	912	(392)	–	–	520	3,089	–	–	3,609
Goodwill	–	–	–	–	–	–	643,930(i)	–	643,930
Available-for-sale financial assets	1,248	(1,248)	–	–	–	–	–	–	–
Investment in subsidiaries	–	(3,738)	–	3,738	–	–	–	–	–
Deposit for acquisition of a subsidiary	5,000	–	–	–	5,000	–	(5,000)(ii)	–	–
	168,483				7,929				653,143
Current assets									
Inventories	2,920	(2,913)	–	–	7	–	–	–	7
Trade and other receivables	17,058	(14,027)	–	–	3,031	2,121	–	–	5,152
Pledged bank deposits	10,000	–	–	–	10,000	–	–	–	10,000
Amount due from a minority shareholder					–	655	–	–	655
Cash and cash equivalents	26,647	(25,425) 1,500(i)	6,500		9,222	76	–	–	9,298
	56,625				22,260				25,112
Current liabilities									
Bank borrowings	28,558	(18,092)	–	–	10,466	–	–	–	10,466
Trade and other payables	132,561	(120,211)	–	–	12,350	1,299	–	–	13,649
Amount due to intermediate holding company	–	(18,692)	18,692	–	–	–	–	–	–
Amount due to/(from) a shareholder of wisdom in Group	–	–	–	~	–	18,282	(11,883)(i)	(6,399)(i)	–
Amount due to a major shareholder of the Company	–	–	–	3,700	3,700	–	–	6,399(i)	10,099
	161,119				26,516				34,214
Net current liabilities	(104,494)				(4,256)				(9,102)

	Unadjusted audited consolidated balance sheet of the Group as at 31 December 2008	Pro forma adjustments							Adjusted pro forma consolidated balance sheet of Remaining Group as at 31 December 2008
		For the Disposal			Subtotal	For the Acquisition			
	HK$'000	*HK$'000* *(note 1)*	*HK$'000* *(note 2)*	*HK$'000* *(note 3)*	*HK$'000*	*HK$'000* *(note 4)*	*HK$'000* *(note 5)*	*HK$'000* *(note 6)*	*HK$'000*
Total assets less current liabilities	63,989				3,673				644,041
Non-current liabilities									
Bank borrowings	4,023	(4,023)	–	–	–	–	–	–	–
Other loan	1,331	(1,331)	–	–	–	–	–	–	–
Other payables	1,071	(1,071)	–	–	–	–	–	–	–
Receipts in advance	2,847	(2,847)	–	–	–	–	–	–	–
Government grants	32,540	(32,540)	–	–	–	–	–	–	–
Convertible bonds	–	–	–	–	–	–	337,103[v]	–	337,103
Promissory note	–	–	–	–	–	–	202,819[vi]	–	202,819
Deferred tax liabilities	1,036	(1,036)	–	–	–	–	–	–	–
	42,848	–	–	–	3,673				539,922
NET ASSETS	21,141				3,673				104,119
CAPITAL AND RESERVES									
Share capital	2,160	–	–	–	2,160	8	432[iii]		2,600
Reserves	12,711	825[ii]	(12,192)	29 9	1,382	(12,402)	110,459[iv]		99,439
Total equity attributable to equity shareholders of the Company	14,871	–	–	–	3,542	–	–	–	102,039
Minority interests	6,270	(6,139)	–	–	131	1,949	–	–	2,080
TOTAL EQUITY	21,141				3,673				104,119

II. Unaudited Pro Forma Consolidated Income Statement

The unaudited pro forma income statement of the Remaining Group was prepared to demonstrate the effect of the Disposal and the Acquisition on the consolidated income statement of the Group as if the Disposal and the Acquisition had been completed on 1 January 2008 based on:

(i) the audited consolidated income statement of the Group for the year ended 31 December 2008 is extracted from the financial information, as set out in appendix I to this circular;

(ii) the audited combined income statement of the Wisdom In Group for the 7 months ended 31 July 2008 is extracted from the accountant's report, as set out in appendix II to the VSA Circular; and

(iii) the pro forma adjustments relating to the Disposal and the Acquisition that are (a) directly attributable to the transactions and (b) factually supportable, as set out in the accompanying notes.

The unaudited pro forma income statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Remaining Group for any future financial periods.

	Unadjusted audited consolidated income statement of the Group for the year ended 31 December 2008	**Pro forma adjustment**						**Adjusted pro forma consolidated income statement of Remaining Group for the year ended 31 December 2008**
		For the Disposal			**Subtotal**	**For the Acquisition**		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 7)	*(note 8)*	*(note 9)*		*(note 10)*	*(note 11)*	
Turnover	185,213	(167,370)	–	–	17,843	–	–	17,843
Cost of sales	(199,860)	182,237	–	–	(17,623)			(17,623)
Gross (loss)/profit	(14,647)	–	–	–	220	–	–	220
Other revenue	42,387	(41,897)	–	–	490	75	–	565
Other net (loss)/income	(11,005)	11,005	–	–	–	–	–	–
Operating and administrative expenses	(42,592)	36,221	–	–	(6,371)	(8,188)	–	(14,559)
Loss on disposal of subsidiaries	–	–	(11,367)	–	(11,367)	–	–	(11,367)
Gain on Reorganisation	–	–	–	29	29	–	–	29
Impairment loss on property, plant and equipment	(41,024)	41,024	–	–	–			–
Loss from operations	(66,881)	–	–	–	(16,999)	–	–	(25,112)
Finance costs	(3,273)	2,491	–	–	(782)	(205)	(44,718)[i]	(45,705)
Loss before taxation	(70,154)	–	–	–	(17,781)	–	–	(70,817)
Income tax	–	–	–	–	–	–	–	–
Loss for the year	(70,154)				(17,781)			(70,817)
Attributable to:								
Equity shareholders of the Company	(48,262)	41,797	(11,367)	29	(17,803)	(7,305)	(44,718)	(69,826)
Minority interests	(21,892)	21,914	–	–	22	(1,013)	–	(991)
Loss for the year	(70,154)				(17,781)			(70,817)

Notes:

1. The adjustment reflects the de-consolidation of the assets and liabilities, of the Target Group as at 31 December 2008, assuming that the Disposal had taken place on 31 December 2008.

   (i) The adjustment reflects the receipt of the consideration for the Sale Shares of HK$1.5 million.

   (ii) The estimated gain on disposal of Sale Shares of approximately HK$825,000 is arising from the consideration for the Sale Shares of HK$1.5 million less the net asset value of the Target Group attributable to the equity shareholders of the Company, assuming that the Disposal had taken place on 31 December 2008.

	HK$'000
Consideration of the Sale Shares	1,500
Net asset value of the Target Group attributable to the equity shareholders of the Company	675
Gain on disposal of Sale Shares	825

2. The adjustment reflects the proceeds of HK$6.5 million as the consideration for the purchase of all obligations, liabilities and debts owing or incurred by the Target to the Company (the "Sale Loan") on the completion date of the sale and purchase of Sale Loan, as stated in the Sale and Purchase Agreement.

   The estimated loss on Sale Loan of approximately HK$12.2 million is arising from the Sale Loan, assuming that disposal of the Sale Loan had taken place on 31 December 2008. The final amount of the loss on disposal of Sale Loan is subject to the terms and conditions of the Sale and Purchase Agreement, assets and liabilities of the Target Group and the loss on disposal of Sale Loan may be different from the amount described above.

	HK$'000
Amount due to intermediate holding company	(18,692)
Consideration on Sale Loan	6,500
Loss on disposal of Sale Loan	(12,192)

3. The adjustment reflects the effects on the Reorganisation assuming that the Reorganisation had taken place on 31 December 2008.

	HK$'000
* Investment cost in subsidiaries to be disposed of by the Target to a wholly owned subsidiary of the Company	3,738
Decrease in net asset value	(9)
† Net asset value of subsidiaries to be disposal of by the Target to a wholly owned subsidiary of the Company	3,729
Consideration for the Reorganisation	3,700
Gain on the Reorganisation	29

* *Investment cost represents the capital injection in PRC which is close to the net assets value of Argos Enterprise Management Consultant (Nanjing) Limited.*

† *The initial accounting for the acquisition of Argos Enterprise Management Consultant (Nanjing) Limited and its subsidiary involve identifying and then determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities and the cost of the business combination. The initial accounting for the acquisition has been determined provisionally by 31 December, 2008, awaiting for the finalisation of identification of and fair values of identifiable assets and liabilities of Argos Enterprise Management Consultant (Nanjing) Limited and its subsidiary and may be subject to further changes upon finalisation of initial accounting.*

4. The adjustment reflects the inclusion of the assets and liabilities of the Wisdom In Group as at 31 December 2008, assuming that the Acquisition had taken place on 31 December 2008. The adjustments in this unaudited pro forma statement was extracted from the VSA Circular that reflects the financial position of Wisdom In Group and all related pro forma adjustment stated in the VSA Circular.

5. In accordance with Hong Kong Financial Reporting Standard 3 Business Combinations ("HKFRS 3"), the Group will apply the purchase method to account for Wisdom In Group, refer to the VSA Circular. Under the purchase method, the identifiable assets, liabilities and contingent liabilities of Wisdom In Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. Excess of the purchase price to be incurred by the Group over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Wisdom In Group is recognized as goodwill in the unaudited pro forma consolidated balance sheet as if the Acquisition had taken place on 31 December 2008.

5(i). The total consideration for the acquisition of Wisdom In Group is HK$695,000,000 which has been settled in the following manner:

(a) Cash consideration of HK$5,000,000 which has already been paid by the purchaser to the vendor as at the date of the VSA Circular;

(b) HK$26,400,000 was paid by the allotment of 44,000,000 new ordinary shares ("Consideration Shares") of the Company at HK$0.6 per Consideration Share upon completion of the Acquisition;

(c) HK$409,200,000 convertible bonds has been convertible at HK$0.66 per Share by the Company to the Vendor upon completion of the Acquisition; and

(d) HK$254,400,000 promissory notes has been issued by the Company to the Vendor upon completion of the Acquisition.

Details of net identifiable liabilities acquired and the goodwill arising on the Acquisition are as follows:

		HK$'000
Cost of investment	Cash payment	5,000
	Consideration shares	26,400
	Convertible bonds	409,200
	Promissory note (Present Value)*	202,819
		643,419
	Less: Amount due to a shareholder of Wisdom In as at 31 July 2008	(11,883)
	Total	631,536

* *The present value of the promissory note was calculated based on the discount rate approximately of 15.42%.*

	Acquiree's carrying amount
The identifiable assets and liabilities	
Property, plant and equipment	3,195
Intangible asset	3,089
Prepayments, deposits and other receivables	2,121
Amount due from a minority shareholder	655
Cash and cash equivalents	76
Other payables and accruals	(1,299)
Amount due to a shareholder	(18,282)
	(10,445)
Minority interest	(1,949)
Net identifiable liabilities to be acquired	(12,394)
Goodwill arised	643,930

It is assumed that the fair value of the identifiable assets and liabilities of Wisdom In Group as at 31 Jul 2008 is the carrying amounts as recorded in the books of Wisdom In Group as extracted from the VSA Circular.

On completion, the fair value of the consideration and the net identifiable assets and liabilities of Wisdom In Group including the operating rights for mobile lottery recharge services will have to be assessed. As a result of the assessment, the amount of goodwill/negative goodwill may be different from that estimated based on the basis stated above for the purpose of preparation of unaudited pro-forma financial information. Accordingly, the actual goodwill/negative goodwill at the date of completion may be different from that presented above.

5(ii). The pro forma adjustment of HK$5,000,000 represents the payment of the cash consideration as described in note 5(i)(a) above.

5(iii). The pro forma adjustment represents the combined effect of the elimination of share capital of Wisdom In of HK$7,800 on consolidation, and the allotment of 44,000,000 Consideration Shares at HK$0.6 per share by the Company as described in note 5(i)(b) above.

	HK$'000
Nominal value of 44,000,000 Consideration Shares at HK$0.01	440
Elimination of share capital of Wisdom In on consolidation	(8)
Pro forma adjustment	432

5(iv). The pro forma adjustment represents the share premium arising from the allotment of the Consideration Shares amounting to approximately HK$25,960,000, equity component of convertible bonds amounting to approximately HK$72,097,000 (note 5(v)) and the elimination of the pre-acquisition reserves of Wisdom In Group on consolidation of approximately HK$12,401,000.

	HK$'000
Share premium of 44,000,000 Consideration Shares (share premium of HK$0.59 for each Consideration Share)	25,960
Equity component of convertible bonds *(note 5(v))*	72,097
Elimination of the pre-acquisition reserves of Wisdom In Group on consolidation	12,402
Pro forma adjustment	110,459

5(v). The convertible bonds are to be issued as described in note 5(i) above. Under Hong Kong Accounting Standard 32 and 39, the liability and equity component of convertible bonds are accounted for separately. The liability component is calculated at the discounted present value of the cash flows of future principal and interest payments at the market rate of interest applicable to similar liabilities that do not have a conversion option. The equity component is calculated as the excess of the issued proceeds over the liability component.

The present value of the liability component is approximately HK$337,103,000, with the balance of HK$72,097,000 (note 5(iv)) accounted for as a component of equity. The fair value is estimates using the discounted cash flow approach at the prevailing market rate of approximately 7.56%.

5(vi). The pro forma adjustment of HK$202,819,000 represents the present value of the promissory notes issuable to the vendor as described in note 5(i)(d) above.

6. The pro forma adjustment represents the reallocation of amount due to a shareholder of Wisdom In Group, totalling HK$6,399,000 to amount due to major shareholder of the Company.

7. The adjustment reflects the de-consolidation of the results of the Target Group for the year ended 31 December 2008, assuming the Disposal had taken place on 1 January 2008.

8. The adjustment reflects the estimated loss of approximately HK$11.4 million resulting from the Disposal, assuming that the Disposal had taken place on 31 December 2008.The estimated loss is calculated by (i) gain on disposal of Sale Shares of HK$825,000 being the excess of the consideration of approximately HK$1.5 million over the net asset value of the Target Group of approximately HK$675,000; and (ii) loss disposal on Sale Loan of approximately HK$12.2 million resulting from the sale of the loan due to the Company of approximately HK$18.7 million at a consideration of approximately HK$6.5 million.

9. The adjustment reflects the estimated gain resulting from the Reorganisation as described in note 3 above, assuming that the Reorganisation had taken place on 1 January 2008.

10. The adjustment reflects the inclusion of the result of the Acquisition for the year ended 31 December 2008, assuming that the Acquisition had taken place on 1 January 2008. The result of Wisdom In Group was extracted from the VSA Circular.

11(i). The pro forma adjustment represents one-year interest on promissory notes of approximately HK$19,233,000 and one-year interest on convertible bonds of approximately HK$25,485,000. The proforma adjustment will have a continuing effect on the income statement of the Company and its subsidiary immediately after the completion of the Acquisition until the financial year end on 31 December assuming that none of the convertible bond and promissory note is exercised or redempted during the period.

11(ii). For the purpose of the preparation of the unaudited pro forma financial information, transaction costs are assumed to be nil.

III. Unaudited Pro Forma Consolidated Cash Flow Statement

The unaudited pro forma cash flow statement of the Remaining Group was prepared to demonstrate the effect of the Disposal and the Acquisition on the consolidated cash flow statement of the Group as if the Disposal and the Acquisition had been completed as at 1 January 2008 based on:

(i) the audited consolidated cash flow statement of the Group for the year ended 31 December 2008 is extracted from the financial information as set out in appendix I to this circular;

(ii) the audited combined cash flow statement of the Wisdom In Group for the 7 months ended 31 July 2008 is extracted from the accountant's report, as set out in appendix II to the VSA Circular; and

(iii) the pro forma adjustments relating to the Disposal and the Acquisition that are (a) directly attributable to the transactions and (b) factually supportable, as set out in the accompanying notes.

The unaudited pro forma cash flow statement has been prepared for illustrative purposes only and because of the nature, it may not give a true picture of the cash flows of the Remaining Group for any future financial periods.

	Unadjusted audited consolidated cash flow statement of the Group for the year ended 31 December 2008	For the Disposal		Pro forma adjustments	Subtotal	For the Acquisition			Adjusted pro forma consolidated cash flow statement of Remaining Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 12)	*(note 8)*	*(note 9)*		*(note 13)*	*(note 13)*	*(note 13)*	
Operating activities									
Loss before taxation	(70,154)	63,711	(11,367)	29	(17,781)	(8,318)	(44,718)	–	(70,817)
Adjustments for:									
Valuation gains on investment properties	(139)	139	–	–	–	–	–	–	–
Depreciation	20,707	(20,567)	–	–	140	234	–	–	374
Impairment loss on property, plant and equipment	41,024	(41,024)	–	–	–	–	–	–	–
Amortisation of prepaid lease payments	116	(100)	–	–	16	–	–	–	16
Amortisation of intangible assets	390	(302)	–	–	88	–	–	–	88
Loss on sale of property, plant and equipment	11,114	(11,114)	–	–	–	–	–	–	–
Loss on disposal of subsidiaries	–	–	11,367	–	11,367	–	–	–	11,367
Gain on Reorganisation	–	–	–	(29)	(29)	–	–	–	(29)
Government grants for purchase of motor vehicles	(1,992)	1,992	–	–	–	–	–	–	–
Interest income	(1,335)	1,101	–	–	(234)	(5)	–	–	(239)
Interest paid	3,273	(2,491)	–	–	782	205(i)	44,718(ii)	4,092(iii)	49,797
Foreign exchange gain	(1,400)	1,400	–	–	–	–	–	–	–
Operating profit before changes in working capital	1,604	(7,255)	–	–	(5,651)	(7,884)	–	4,092	(9,443)
Increase in inventories	(431)	437	–	–	6	–	–	–	6
Decrease/(increase) in trade and other receivables	6,331	(5,841)	–	–	490	(1,988)	–	–	(1,498)
Increase in trade and other payables	17,227	(15,007)	–	–	2,220	1,156	–	–	3,376
Decrease in receipts in advance	(1,659)	1,659	–	–	–	–	–	–	–

	Unadjusted audited consolidated cash flow statement of the Group for the year ended 31 December 2008	Pro forma adjustments						Adjusted pro forma consolidated cash flow statement of Remaining Group for the year ended 31 December 2008
		For the Disposal		Subtotal	For the Acquisition			
	HK$'000	*HK$'000* *(note 12)*	*HK$'000* *(note 8)*	*HK$'000*	*HK$'000* *(note 13)*	*HK$'000* *(note 13)*	*HK$'000* *(note 13)*	*HK$'000*
Cash generated from operations	23,072	(26,007)	–	(2,935)	(8,716)	–	4,092	(7,559)
Tax paid								
PRC enterprise income tax	–	–	–	–	–	–	–	–
Net cash generated from operating activities	23,072	(26,007)	–	(2,935)	(8,716)	–	4,092	(7,559)
Investing activities								
Payment for the purchase of property, plant and equipment and intangible assets	(68,406)	68,406	–	–	(2,671)	–	–	(2,671)
Proceeds from sale of property, plant and equipment	1,415	(1,415)	–	–	–	–	–	–
Payment for deposit in respect of acquisition of a subsidiary	(5,000)	–	–	(5,000)	–	5,000	–	–
Payment in respect of Reorganisation	–	–	–	–	–	–	–	–
Proceeds from government grants for purchase of motor vehicles	27,151	(27,151)	–	–	–	–	–	–
Interest received	1,335	(1,101)	–	234	5	–	–	239
Net cash used in investing activities	(43,505)	38,739	–	(4,766)	(2,666)	5,000	–	(2,432)

	Unadjusted audited consolidated cash flow statement of the Group for the year ended 31 December 2008	Pro forma adjustments For the Disposal		Subtotal	For the Acquisition			Adjusted pro forma consolidated cash flow statement of Remaining Group for the year ended 31 December 2008
	HK$'000	*HK$'000* *(note 12)*	*HK$'000* *(note 8)*	*HK$'000*	*HK$'000* *(note 13)*	*HK$'000* *(note 13)*	*HK$'000* *(note 13)*	*HK$'000*
Financing activities								
Proceeds from new bank loans	12,643	(12,643)	–	–	–	–	–	–
Proceeds from Sale of Sale Loan	–	–	6,500	6,500	–	–	–	6,500
Proceeds from sales of subsidiaries	–	–	1,500	1,500	–	–	–	1,500
Repayment of bank loans	(8,321)	8,321	–	–	–	–	–	–
Proceeds from other loan	5,600	–	–	5,600	–	–	–	5,600
Repayment of other loan	(4,269)	–	–	(4,269)	(4,700)	–	–	(8,969)
Advance from a director	6,340	–	–	6,340	–	(5,000)	–	1,340
Advance from a shareholder	–	–	–	–	16,607	–	–	16,607
Advance from a minority equity holder	358	(358)	–	–	(3,362)	–	–	(3,362)
Interest paid	(3,100)	2,491	–	(609)	(313)	–	(4,092)	(5,014)
Capital contribution from a minority equity holder	–	–	–	–	3,204	–	–	3,204
Other borrowing costs paid	(173)	–	–	(173)	–	–	–	(173)
Net cash generated from financing activities	9,078	(2,189)	8,000	14,889	11,436	(5,000)	(4,092)	17,233
Net (decrease)/increase in cash and cash equivalents	(11,355)	10,543	8,000	7,188	54	–	–	7,242
Cash and cash equivalents at 1 January	26,084	(34,554)	–	(8,470)	708	–	–	(7,762)
Effect of foreign exchange rate changes	1,452	(1,414)	–	38	(686)	–	–	(648)
Cash and cash equivalents at 31 December	16,181	(25,425)	8,000	(1,244)	76	–	–	(1,168)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS								
Cash and bank balances	26,647	(25,425)	8,000	9,222	76	–	–	9,298
Bank Overdraft	(10,466)	–	–	(10,466)	–	–	–	(10,466)
	16,181	(25,425)	8,000	(1,244)	76	–	–	(1,168)

Notes:

12. The adjustment reflects the de-consolidation of the cash flows of the Target Group for the year ended 31 December 2008, assuming that the Disposal had taken place on 1 January 2008.

13. The adjustment reflects the inclusion of the cash flows of the Acquisition for the year ended 31 December 2008, assuming that the Acquisition had taken place on 1 January 2008.

13(i) The pro forma adjustment reflects the finance costs of Wisdom In Group for year ended 31 December 2008, assuming that the Acquisition had taken place on 1 January 2008.

13(ii) The pro forma adjustment represents one-year interest on Promissory Notes of approximately HK$19,233,000 and one-year interest on convertible bonds of approximately HK$25,485,000.

13(iii) The pro forma adjustment represents the expected cash outflow on interest expenses on convertible bonds with a fixed interest rate of 1% per annum. The pro-forma adjustment will have a continuing effect on the cashflow statement of the Remaining Group until the settlement of the convertible bonds.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

TO THE DIRECTORS OF ARGOS ENTERPRISE (HOLDINGS) LIMITED

We report on the unaudited pro forma financial information of Argos Enterprise (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed disposal of entire equity interest in Argos Bus Services (China) Company Limited and its subsidiaries might have affected the financial information presented, for inclusion in Appendix III to the circular dated 12 June 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Remaining Group (as defined in the Circular) as at 31 December 2008 or any future date; or
- the results and cash flows of the Remaining Group (as defined in the Circular) for the year ended 31 December 2008 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

CCIF CPA Limited
Certified Public Accountants
Kwok Cheuk Yuen
Practising Certificate Number P02412

Hong Kong, 12 June 2009

(1) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

(2) SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised	*HK$*
10,000,000,000 Shares	100,000,000.00
Issued and credited as fully paid	
544,181,818 Shares	5,441,818.18

As at the Latest Practicable Date, save as the convertible bonds issued on 9 January 2009 with principal amount of HK$221,640,000 convertible into 335,818,182 Shares at HK$0.66 per Share, the Company did not have any outstanding convertible securities or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

(3) DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of each director and chief executive of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of 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 and short positions which he or she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the

SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules or the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) *Shares:*

Name of Director	Nature of Interests	Number of ordinary share(s) held	Approximate of percentage of the Company's issued share capital
Mr. Cheung Man Yau, Timothy	Corporate	50,000,000 *(note 1)*	9.19%
Mr. Wong Man Chiu, Ronnie	Corporate	7,037,342 *(note 2)*	1.29%
Mr. Wong Wai Sing	Corporate	14,500,000 *(note 3)*	2.67%

Notes:

1. Wonderful Source Limited, which directly holds 50,000,000 Shares, is wholly owned by Mr. Cheung Man Yau, Timothy, the executive Director and chief executive officer of the Company. By virtue of Part XV of the SFO, Mr. Cheung Man Yau, Timothy is deemed to be interested in these 50,000,000 Shares.

2. 62,277,360 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 22.6% by Mellin Enterprises Limited. Mr. Wong Man Chiu, Ronnie, an executive Director, has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Man Chiu, Ronnie has 7,037,342 Shares as the effective interests of the Company.

3. 14,500,000 Shares are held by Shiny Galaxy Enterprises Limited which is beneficially owned by Mr. Wong Wai Sing, the non-executive Director and chairman of the Board. By virtue of Part XV of the SFO, Mr. Wong Wai Sing is deemed to be interests in these 14,500,000 Shares.

All the interests disclosed above represent long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the Company or their respective associates (within the meaning of the GEM Listing Rules) had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of 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 and short positions which he or she was taken or deem to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the registered maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.47

of the GEM Listing Rules or the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules to be notified to the Company and the Stock Exchange.

(b) Director's interest in assets and/or arrangement

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up) acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

(c) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Substantial shareholders of the Company:

Name of Shareholder	Capacity and nature of interests	Number of ordinary Shares held	Percentage of the Company's issued share capital
Sino Market Enterprises Limited *(note 1)*	Beneficial	62,277,360	11.44%
Sinoman International Limited *(note 2)*	Corporate	62,277,360	11.44%
Twilight Enterprises Limited *(note 2)*	Corporate	62,277,360	11.44%
Madam Chiu Gee Chai *(note 3)*	Corporate	62,277,360	11.44%
Premier Capital Enterprises Limited *(note 4)*	Beneficial	64,000,000	11.76%
Zhang Weiting *(note 4)*	Corporate	64,000,000	11.76%

Notes:

1. These 62,277,360 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 54.8% by Sinoman International Limited and as to 22.6% by Mellin Enterprises Limited and as to 22.6% by Mr. Yeung Wai Hung, a former executive Director who resigned on 14 February 2008.

2. Sinoman International Limited is beneficially owned as to 100% by Twilight Enterprises Limited which is beneficially owned by Mr. Wilkie Wong, a non-executive Director, as to 12.5%; Mr. Wong Wai Lok, William, as to 12.5%; Ms. Wong Wai Yee, Winnie, as to 12.5%; Ms. Wong Wai Ying, Vivian, as to 12.5%; and as to 50% by Madam Chiu Gee Chai.

3. By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 62,277,360 Shares.

4. Premier Capital Enterprises Limited is the beneficial owner of 64,000,000 Shares and the convertible bonds entitling to convert into 335,818,182 Shares. The entire issued share capital of Premier Capital Enterprises Limited is beneficially owned by Mr. Zhang Weiting. By virtue of Part XV of the SFO, Mr. Zhang Weiting is deemed to be interested in 64,000,000 Shares and 335,818,182 Shares to be issued under the conversion right attached to the Convertible Bonds.

All the interests disclosed above represent long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(4) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, Mr. Cheng Wing Hong had entered into a service agreement with the Company for a term of three years commencing from 14 February 2008 subject to the retirement and re-election requirements of the articles of association of the Company at the annual general meetings of the Company. His emoluments which were determined based on the prevailing market conditions and his roles and responsibilities are HK$552,500 per annum.

As at the Latest Practicable Date, Mr. Chan Kin Yip had entered into a service agreement with the Company for a term of three years commencing from 9 March 2009 subject to the retirement and re-election requirements of the articles of association of the Company at the annual general meetings of the Company. His emoluments which were determined based on the prevailing market conditions and his roles and responsibilities are HK$1,080,000 per annum.

Save as disclosed herein, none of the Directors had entered or proposed to enter into any service agreements with any members of the Group, (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(5) COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates has any interest in a business which competes or may compete with the business of the Group or have or may have any conflicts of interests with the Group.

(6) LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

(7) QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the expert who has made its statement in this circular:

Name	Qualification
CCIF CPA Limited	Certified Public Accountants

CCIF CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the copy of its report or letter or advice and the references to their name in the form and context they respectively appear therein.

As at the Latest Practicable Date, CCIF CPA Limited was not beneficially interested in the share capital of any members of the Group or had any rights, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

CCIF CPA Limited did not have any interests, either directly or indirectly, in any assets which have been, since 31 December 2008 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group.

(8) MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date and which is or may be material:

(a) the subscription agreement dated 7 August 2007 and entered into between the Company as issuer and Sharp Mode Limited as subscriber in relation to the subscription and issue of the convertible bonds of principal amount of HK$7,200,000 at initial conversion price of HK$0.20 per Share;

(b) the share transfer agreement dated 23 September 2008 (as amended by a supplemental agreement dated 6 April 2009) and both entered into between Mr. Zhang Weiting (張偉庭) as vendor and Mega Field International Limited as purchaser in relation to the acquisition of 65% equity interest in Wisdom In Holdings Limited and 65% of the shareholders' loan being owed by the Index Hong Kong Limited (明德香港有限公司), a wholly-owned subsidiary of Wisdom In Holdings Limited, to Mr. Zhang Weiting upon Completion at a consideration of not more than HK$695 million; and

(c) the Sale and Purchase Agreement.

(9) MISCELLANEOUS

(a) The registered office and principal place of business of the Company is located at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong.

(b) The share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Mr. Cheng Wing Hong, who is also an executive Director ("**Mr. Cheng**"). Mr. Cheng holds Bachelor's degrees in Finance and International Business from the University of Hawaii at Manoa and a Master's degree in Practicing Accounting granted jointly by the University of Hong Kong and the Monash University. Mr. Cheng has obtained the qualification of Certified Practising Accountant, Australia, since 2001 and Hong Kong Institute of Certified Public Accountants since 2008.

(d) The compliance officer of the Company is Mr. Cheung Man Yau, Timothy, who is also an executive Director. Mr. Cheung is qualified professional accountant with more than 25 years of extensive experience in finance, audit and accounting fields. Mr. Cheung is also the practicing director of Vision A. S. Limited, a practicing certified public accountants firm in Hong Kong. He had previously worked in a number of international accounting firms and was an independent non-executive director of China Oil and Gas Group Limited, a company listed on the main board of the Stock Exchange.

(e) The audit committee of the Company comprises of Mr. Fung Wai Sing (the chairman of the committee), Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

Mr. Fung Wai Sing, aged 38, graduated from the University of London with bachelor degree in banking and finance. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants with over 10 years experience in finance, auditing and accounting fields. Mr. Fung was the qualified accountant and company secretary of Ko Yo Ecological Agrotech (Group) Limited (Stock code: 8042), a company listed on GEM, from February 2002 to December 2005. He is currently the chief financial officer of Win Label Company Limited and is responsible for financial management of the group of Win Label Company Limited since 2006.

Mr. Sung Wai Tak, Herman, B.A. (Hons.), L.L.B. (Hons.), L.L.M., aged 49, was appointed as an independent non-executive director of the Company on 2 January 2001. Mr. Sung is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of New South Wales in Australia.

Mr. Wong Lit Chor, Alexis, aged 49, was appointed as an independent non-executive director of the Company on 24 September 2004. Mr. Wong graduated from the University of Toronto, Canada with a Bachelor's degree in Arts majoring in economics and commerce. He also holds a Master's degree in Business Administration obtained from the Chinese University of Hong Kong. Mr. Wong has over 21 years of banking, investment, corporate finance and securities dealing experience gained from working as a senior executive in a number of listed local and PRC financial services companies. He is currently a director and responsible person of Quam Securities Company Limited for types 1 and 4 regulated activities under the SFO. He is also an independent non-executive director of Inspur International Limited, Wing Hing International (Holdings) Limited and Fortune Telecom Holdings Limited, which are companies listed on GEM or the Main Board of the Stock Exchange.

The audit committee of the Company is principally responsible for the reviewing and providing supervision over the financial reporting process and internal control of the Group. The terms of reference of the audit committee of the Company is substantially the same as the provisions of the code of corporate governance practices as set out in Appendix 15 to the GEM Listing Rules.

(f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

(10) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong, during normal business hours on any business day, from the date of this circular up to 29 June 2009:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix IV;

(c) the annual reports of the Company for each of the two financial years ended 31 December 2007 and 31 December 2008 respectively;

(d) the first quarterly report 2009 of the Group as set out in appendix II to this circular;

(e) the accountants' report of the Group as set out in appendix I to this circular;

(f) the report on unaudited pro-forma financial information on the Remaining Group as set out in appendix III to this circular;

(g) the written consents from CCIF CPA Limited as referred to in the paragraph headed "Qualification and Consent of Experts" in this appendix IV;

(h) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2008, the date of the latest published audited consolidated financial statements of the Group were made up; and

(i) a copy of this circular.

ARGOS ENTERPRISE (HOLDINGS) LIMITED
雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 8022)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of Argos Enterprise (Holdings) Limited (the "**Company**") will be held at Room A, 9th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Monday, 29 June 2009 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"THAT

(a) the conditional agreement (the "**Agreement**") dated 6 May 2009 and entered into between the Company as vendor and Cable Best Development Limited as purchaser in relation to (i) the sale and purchase of 50,000 shares of HK$1.00 each in the share capital of Argos Bus Services (China) Company Limited (the "**Target**"), representing its entire issued share capital; and (ii) all the obligations, liabilities and indebtedness owing or incurred by the Target to the Company, whether actual, contingent or deferred and irrespective whether or not the same is due and payable as at completion of the Agreement for a consideration of HK$8,000,000 subject to adjustment (a copy of the Agreement is marked "A" and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) any one or more directors of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal) which he/she/they consider necessary or expedient to give effect to the Agreement and the transactions contemplated thereunder."

By order of the Board
Argos Enterprise (Holdings) Limited
Cheung Man Yau, Timothy
Executive Director and Chief Executive Officer

Hong Kong, 12 June 2009

Registered office and principal place of business:
Room A, 9th Floor, Fortis Tower
77-79 Gloucester Road
Wanchai
Hong Kong

Notes:

1. A member of the Company may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting (or the adjourned meeting, as the case may be).

3. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said person so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders thereof.