ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022

ANNUAL REPORT 2008

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

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

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CORPORATE STRUCTURE

Argos Enterprise (Holdings) Limited (the "Company") is principally engaged in investment holdings. The subsidiaries of the Company (together with the Company, the "Group") carry out public transportation business and travel agent services during the year under review.

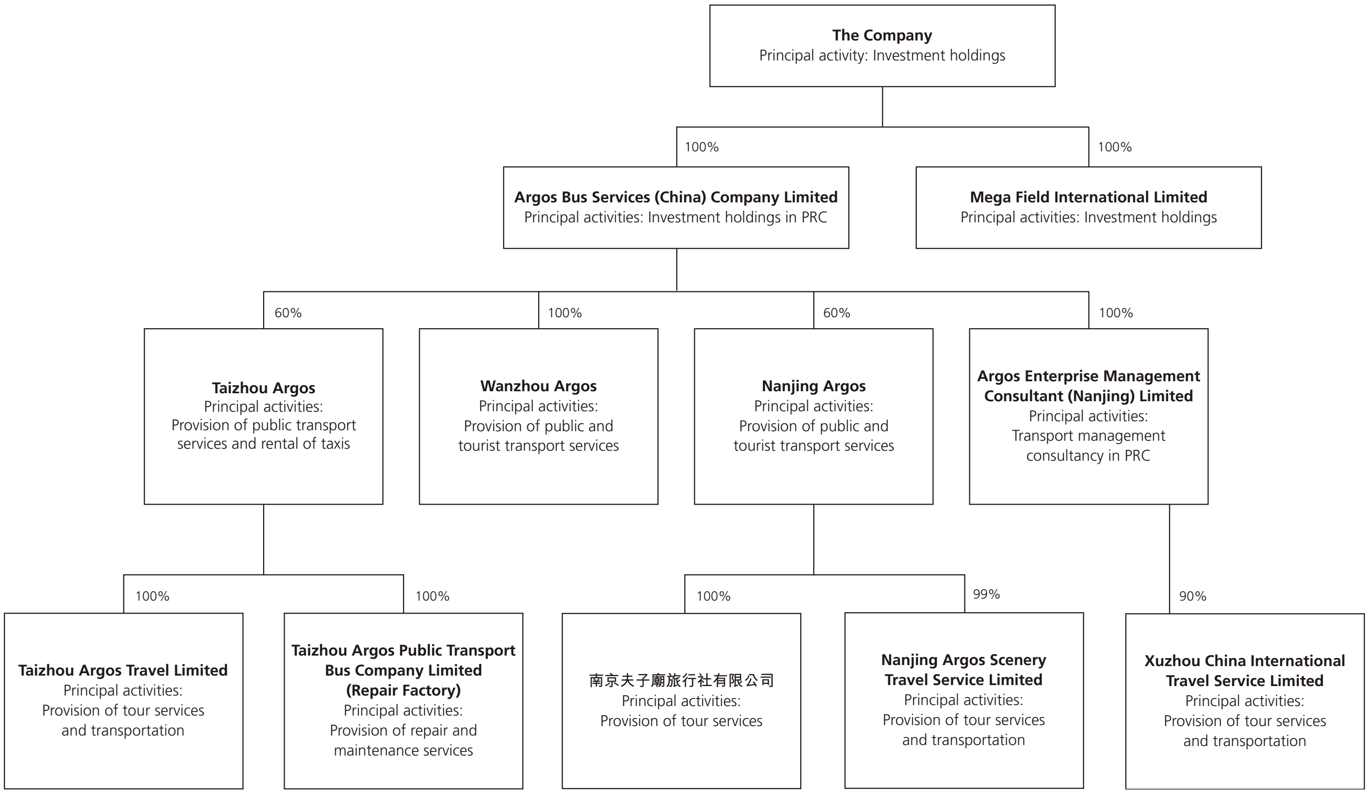
The Company has the following principal subsidiaries:

- Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos")
- Chongqing Wanzhou Area Argos Public Transport Bus Company Limited ("Wanzhou Argos")
- Taizhou Argos Public Transport Bus Company Limited ("Taizhou Argos")
- Xuzhou China International Travel Service Limited
- TLT (Shanghai) Limited (acquired on 8 January 2009)

Through the above subsidiaries, the Group provides various forms of public transport services in the PRC including (1) public routes and tourist routes bus services with fixed fares, schedules and routes; (2) taxi Services; (3) private bus chartered Services, (4) tour Services and (5) travel agents services. Also, the Group involves in the Mobile Lottery Online business and provides e-payment and e-recharge services to mobile lottery subscribers throughout PRC upon the completion of the acquisition of 65% equity interest in Wisdom In Holdings Limited on 8 January 2009.

CORPORATE STRUCTURE

The following is the organisation structure of the Group (with principal subsidiaries only):



CORPORATE INFORMATION

Honorary Chairman
* Wong Wah Sang

DIRECTORS

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

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

COMPANY SECRETARY

Mr. Cheng Wing Hong

COMPLIANCE OFFICER

Mr. Cheung Man Yau, Timothy

AUDIT COMMITTEE

Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis
Mr. Fung Wai Shing

REMUNERATION COMMITTEE

Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis
Mr. Fung Wai Shing

WEBSITE

www.argosenterprise.com

AUDITORS

CCIF CPA Limited
20th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKER

Bank of Communications
Hong Kong Branch
G/F., 1–3 Wo Yi Hop Road
Kwai Chung, New Territories
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Room A, 9th Floor
Fortis Tower
77–79 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

8022

* Mr. Wong Wah Sang has resigned as Non-executive director and Chairman on 9 March 2009 and been appointed as honorary chairman on 9 March 2009.

** Mr. Cheung Man Yau, Timothy has been re-designated from Independent Non-executive Director to Executive Director and appointed as Chief Executive Officer on 8 July 2008.

\# Mr. Chan Kin Yip has been appointed as Executive Director on 9 March 2009.

CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board, I am pleased to present to the shareholders the Group's annual report for the year ended 31 December 2008.

HIGHLIGHTS OF 2008 FISCAL YEAR OPERATION

Turnover of the Group for 2008 was approximately HK$185.1 million which was relatively stable as compared to approximately HK$185.2 million in last year. Compared to a loss for the year of HK$13 million in 2007, a significant loss for the year of HK$70.2 million was recorded. This was mainly because of prolonged high level of fuel cost in the first half of 2008 and newly promulgated Labour Law which resulted in significant rise in staff salaries and benefit. Despite of the high operational cost, certain transportation subsidiaries commenced to renew its bus fleet resulting an additional impairment loss on motor vehicles of HK$41 million was recorded. Loss per share was approximately 26.2 HK cents, compared to a loss of 5.07 HK cents per share in 2007. The Board of Directors of the Company (the "Board") does not recommend any dividend payment for 2008.

PROSPECT

During the year under review, the Group continued to confront very tough business environments in the PRC. The steep rise in the oil price in the first half of 2008 and significant increase in staff salaries and benefits as well as the difficulty in adjusting bus fares all had an adverse effect on the public transportation industry. Although various subsidies were granted by the local Government bodies, the transportation segment still recorded a significant loss for the year. In order to broaden the source of income and enhance profitability of the Group and maximize the wealth of the shareholders, the Company had acquired a company with investment in a Sino-foreign joint venture company which principally engages in the provision of nation-wide telecommunications value-added services, including packaged message subscription, e-payment or e-recharging services for mobile lottery online game to mobile lottery subscribers in the PRC. The abovesaid acquisition was already completed on 8 January 2009. The Board is anticipating a positive result to be contributed from the acquisition in near future.

On behalf of the Board, I would like to express our gratitude to each and every one of our shareholders, customers, and suppliers, for their invaluable support, their patience, and their encouragement. I would like also to express our appreciation and thanks to the previous Chairman, Mr. Wong Wah Sang, for his valued counsel and guidance in the years past. Nevertheless, with confidence and determination, a bright future is still lying ahead of us; we will keep on our hard work, to the full extent, to maximize benefits of the Company and our shareholders.

Cheung Man Yau, Timothy
Executive Director & Chief Executive Officer

Hong Kong, 30 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover in 2008 remained steady in three major bus operation subsidiaries and one major travel company, namely Nanjing Argos, Wanzhou Argos, Taizhou Argos and Xuzhou China International Travel. The increasing oil prices in first half of 2008 and fierce competition post great challenge on operation, the national-wide inflation also caused operation costs and overhead soaring to new high, thus putting pressure on the bottom line profit figure.

The policies of Government subsidy still play an important role to our bus operations subsidiaries. In fiscal year 2008, the Chinese local government provided various subsidies to the Group's companies in following areas: oil prices, new bus fleets acquisition and fare. In the coming year, the management will continue to negotiate with the local government for these subsidies together with implementing a more tight cost control on its subsidiaries.

Nanjing Argos

As compared to the year 2007, the turnover of 2008 was stable; however operating cost was up by 24%, mainly due to increase in oil prices and wages. Subsidies from local governments compensate the excessive outlays of oil expenditure and acquisition of new bus fleets incurred by Nanjing Argos.

Major operational statistics of Nanjing Argos:

	2008	2007	2006
Number of routes operated	**18**	18	18
Number of employees	**1,144**	1,067	1,131
Fleet size	**427**	410	399
Total mileage operated (mn km)	**26.96**	24.92	24.46
Total passenger trip (mn trip)	**80.69**	81.93	80.22

Outlook for Nanjing Argos

A total of 104 new motor vehicles had been acquired in the year 2008 to replace the old buses in order to improve our services. Local government still imposes limits on bus fare increase; together with inevitable hike of fuel cost, wages, and social charge, a tough challenge is lying ahead.

Wanzhou Argos

A slight net loss of RMB386,000 was recorded. Due to the effective control on operating costs, impact from high oil price had been lessened. Similar to Nanjing Argos, the oil price and wage increase at a very fast rate which has a negative impact on the Group.

Major operational statistics of Wanzhou Argos:

	2008	2007	2006
Number of routes operated	**8**	8	8
Number of employees	**277**	285	280
Fleet size	**61**	57	63
Total mileage operated (mn km)	**5.18**	5.15	4.95
Total passenger trip (mn trip)	**12.26**	12.24	10.65

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for Wanzhou Argos

A total of 22 new motor vehicles had been acquired during the year in order to improve our services. Our management will continue to negotiate with the local authority in order to extend more public routes which can broaden the Group's revenue base and hopefully lead to a more favorable operating result.

Taizhou Argos

A total of 135 new motor vehicles had been acquired during the year in order to improve our services. The turnover of Taizhou Argos remained basically steady as compared to that of previous year. Increase in both oil price and wage cost are also the major negative impact on Taizhou Argos' operation in the year 2008. The result was a loss of RMB3.8 million.

Major operational statistics of Taizhou Argos:

	2008	2007	2006
Number of routes operated	**27**	24	21
Number of employees	**734**	714	743
Fleet size	**569**	568	538
Total mileage operated (mn km)	**69.25**	60.12	58.41
Total passenger trip (mn trip)	**17.18**	16.75	19.02

Outlook for Taizhou Argos

Management expects the operation of Taizhou Argos will improve for the coming year due to the decrease in oil price. Direct costs such as wages and salary and other administrative costs would expect to stabilize in 2009. Even so, management still needs to be prudent and pay more attention to cost control to maximize profit.

Xuzhou China International Travel

The travel industry market is continued to be very competitive in the PRC. Principal business includes arrangement of major city tour in China and selling of flight tickets. Due to highly competitive nature of the market and high operating cost on wages and salary, the management expects a difficult environment in the coming years for travel industry due to the downtrend of the world economy.

We present below operating results of Xuzhou China International Travel:

	2008	2007	2006
Turnover (RMB'000)	**15,881**	20,276	14,158
Cost (RMB'000)	**15,435**	18,975	13,100
Gross Profit (RMB'000)	**446**	1,302	1,058
Number of Employee	**24**	29	26
Gross profit %	**2.81%**	6.42%	7.47%

Outlook for Xuzhou China International Travel

In the year 2009, we will concentrate on Hong Kong, and Macau tour markets. We will also focus more on cooperating with different sizes of tourist agencies in Xuzhou in the year 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2008, the total assets of the Group was approximately HK$225 million (2007: HK$213 million), including cash and bank balances and deposits of approximately HK$37 million (2007: HK$47 million) of which HK$10 million (2007: HK$10 million) were pledged to secure banking facilities. Outstanding balance of bank loans, overdrafts and other loans as at 31 December 2008 was approximately HK$34 million (2007: HK$27 million) of which HK$29 million (2007: HK$17 million) are due within one year. Motor vehicles of the Group with carrying value amounted to approximately HK$146 million (2007: HK$127 million). The gearing ratio of the Group expressed in total debt as a percentage of net assets was 160% (2007: 37%).

Significant Impairment Loss on Motor Vehicles

Due to the unsatisfactory operating performance of the bus transportation segment, the Board carried out an assessment of the recoverable amount of certain motor vehicles of Nanjing Argos, Wanzhou Argos and Taizhou Argos in 2008. Based on this assessment, the carrying amount of these motor vehicles was impaired by approximately HK$41,024,000 (2007: HK$9,872,000). The estimates of recoverable amount were assessed based on discounted cashflow method which is performed by an independent valuer, while the assessment in year 2007 was determined by reference to the recent observable market prices for similar assets.

Charges on Group's Assets

At 31 December 2008, the Company has pledged a fixed deposit of HK$10 million (2007: HK$10 million) to secure banking facilities to the Company.

Capital Structure

Pursuant to the subscription agreement dated 7 August 2007 and the extension letter dated 31 December 2007 entered into between the Company and Sharp Mode Limited (the "Subscriber"), the convertible bonds of HK$7,200,000 (the "Convertible Bonds") were officially issued on 30 June 2008. The Convertible Bonds could be converted into shares of the Company at an initial conversion price of HK$0.20 per share (subject to adjustments in accordance with the terms of the Convertible Bonds) during its conversion period. In September and December 2008, the Subscriber transferred a total of HK$5,000,000 Convertible Bonds to four different individual parties which has immediately been converted into 25,000,000 shares of the Company. On 3 December 2008, the Subscriber also converted the remaining HK$2,200,000 Convertible Bonds into 11,000,000 shares; therefore, the Convertible Bonds of HK$7,200,000 were fully converted into 36,000,000 shares during the year. As a result, the total number of issued share capital is 216,000,000 shares as at 31 December 2008.

SIGNIFICANT INVESTMENT HELD

The Group has purchased 261 motor vehicles for the year ended 31 December 2008.

CAPITAL COMMITMENTS

The details of the capital commitments incurred during the year ended 31 December 2008 are set out in note 37 to the financial statements.

MATERIAL ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The acquisition of 65% equity interest in Wisdom In Holdings Limited took place on 8 January 2009. More details of the acquisition had been published on (i) the announcements of the Company dated 15 October 2008 and 8 January 2009; (ii) the circular of the Company dated 5 November 2008; and (iii) the announcement of the Company dated 26 November 2008 of the results of extraordinary general meeting of the Company held on 26 November 2008.

Save for disclosed above and in this section of "Management Discussion and Analysis", the Group had no other material acquisitions/disposal of subsidiaries and associated corporation during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations of principal activities for the year ended 31 December 2008 is as follows:

	2008		2007	
	Turnover HK$'000	**Segment Results HK$'000**	Turnover HK$'000	Segment Results HK$'000
Public Routes	**110,789**	**(43,904)**	106,895	(16,688)
Tourist Routes	**23,588**	**(8,491)**	31,954	(1,725)
Hire-a-Bus	**34,503**	**(11,122)**	31,101	2,615
Taxi Rental	**14,006**	**(3,237)**	12,674	2,025
Bus Rental	**142**	**(20)**	170	50
Bus Management	**2,185**	**(748)**	2,275	208
	185,213	**(67,522)**	185,069	(13,515)
Unallocated operating income and interest income		**10,188**		9,524
Unallocated operating expenses		**(9,547)**		(7,039)
Operating Loss		**(66,881)**		(11,030)

No geographical analysis is presented as all turnover is attributable to services rendered in the PRC.

POST BALANCE SHEET EVENTS

Except for the acquisition of 65% equity interest in Wisdom In Holdings Limited took place on 8 January 2009 there is no other post balance sheet events of the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed above and in this section of "Management Discussion and Analysis", the Directors do not have any future plans for material investment or capital assets.

FOREIGN CURRENCY RISK

Since most of the transactions, income and expenditure of the Group are denominated in Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented, the detail is set out in note 36(d) to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2008, the Directors are not aware of any material contingent liabilities except to the note 38 to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the Group had 2,364 (2007: 2,285) full-time employees. The total of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2008 amounted to approximately HK$64 million (2007: HK$39 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

SHARE OPTION SCHEME

On 30 July 2001, a share option scheme of the Company was approved by the shareholders of the Company. As at 31 December 2008, no option was granted or outstanding under the share option scheme.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2008.

The Stock Exchange issued the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") which sets out corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the principles as set out in the CG Code that are considered to be relevant to the Company and has complied the Code Provision of the CG Code during the year ended 31 December 2008 except that the Code Provisions A.2.1 and A.4.1 of the CG Code as disclosed in the following relevant paragraphs. Throughout the year, the Company continued to strive for improvement on its Corporate Governance by (i) internal control review conducted by independent accounting firm and (ii) internal audit review.

Internal Control Reviews

In this year, the Company has again engaged Mabel Chan & Co. ("MCC"), an independent accounting firm, to review the internal control procedures, risk management system and corporate governance practices of the Group with the specific objective of identifying weak areas which should be strengthened in order to prevent future financial reporting omissions and regulatory breaches. This review serves as a follow-up action to the review report issued by MCC dated 13 September 2007 to review the progress of improvement towards the Group's internal control system.

Based on the internal control review report ("ICR report") issued by MCC dated 10 March 2009, the main contents are listed as follows:

Executive Summary

This report summarizes the results of internal audit review carried out by MCC in December 2008 for the Group. The internal audit was conducted in accordance to the approach, scope and audit objectives specified collectively in the engagement letter signed between the Company and MCC on 8 December 2008.

Internal control measures established

This report provides some recommendations for strengthening the internal control system and includes other measures adopted by the Group for monitoring purpose, which are stated as follows:

- *The Group sets up control policies and procedures such as financial reporting, budget control and cap for fixed asset purchase in order to control and find out the major and potential risks involved in our principal activity.*

- *In order to cope with the requirement of GEM Listing Rules and attain a satisfactory level of corporate governance, the Company has taken actions in different aspects. As the Company has been charged by the HKEx for improper disclosure of connected transactions, the Company has put in special efforts to build a system which ensures that reporting and disclosure of connected transactions by directors would be prompt and precise. Furthermore, an internal control system regarding the handle of price-sensitive information has been established.*

- *The financial reporting function has improved in the sense that progress has been made in the reconciliation of current accounts between PRC subsidiaries, thus making the financial statements being more reliable and accurate.*

Conclusion of Internal Control Reviews

Based on the established control activities and the findings of this report, MCC concluded that they have achieved their assurance objectives and the final results coming out are satisfactory.

CORPORATE GOVERNANCE REPORT

Internal Audit Team

As mentioned in 2007 Annual Report, the Company has set up an internal audit team, which is led by an experienced consultant and a member who has thorough experiences in the public transportation operation in PRC to ensure that the group's existing financial reporting policies, procedures and control are properly complied with.

During the year, the internal audit team continues performing review on the following areas:

(1) financial reporting,
(2) the corporate governance, and
(3) internal control and regulatory compliance.

Board Composition and Board Practices

As at 31 December 2008, the Board comprised of eight Directors including three Executive Directors, Mr. Cheung Man Yau, Timothy, Mr. Wong Man Chiu, Ronnie and Mr. Cheng Wing Hong; two Non-executive Directors, namely Mr. Wong Wah Sang and Mr. Wilkie Wong; and three Independent Non-executive Directors, namely Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

The Company has complied with rule 5.05(1) of the GEM Listing Rules throughout the year ended 31 December 2008 except for the period from 8 July 2008 to 12 August 2008. Following the re-designation of Mr. Cheung Man Yau, Timothy from Independent Non-Executive Director and Chairman of the Audit Committee to Executive Director and Chief Executive Officer of the Company on 8 July 2008, the Company has only two Independent Non-executive Directors, the number of which falls below the minimum number required under rule 5.05(1) of the GEM Listing Rules; and fails to have one Independent Non-executive Director obtained appropriate qualification, or accounting or related financial management expertise as required by rules 5.05(2) and 5.28 of the GEM Listing Rules. The Company strived to find the suitable person to fill the casual vacancy for the post of Independent Non-executive Director and the chairmanship of the audit committee. Finally, Mr. Fung Wai Shing has been appointed as the Independent Non-executive Director and chairman of the audit committee with effect from 12 August 2008 to fill the casual vacancy of the said positions and to comply with the rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules. Pursuant to the Rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each of the Independent Non-executive Directors of their independence to the Company. The Company considers that all of the Independent Non-executive Directors are independent.

The Board schedules four meetings a year at approximately quarterly intervals and will be met as necessary. During the year ended 31 December 2008, the Board held 4 regular meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association.

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

Appointment, Re-election and Removal of Directors

According to the Articles of Association of the Company, one-third of the Directors are required to retire from office at each general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years.

According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. None of the Independent Non-executive Directors have entered into an appointment letter with the Company for a specific term of service but their appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Articles of Association of the Company.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

During the year ended 31 December 2008, no individual was appointed as Chief Executive Officer of the Company (the "CEO"). The role of the CEO has been performed collectively by all the Executive Directors, including the Chairman of the Company, until the appointment of Mr. Cheung Man Yau, Timothy as the CEO on 8 July 2008 that the roles of the Chairman and CEO are segregated and performed by Mr. Wong Wah Sang and Mr. Cheung Man Yau, Timothy respectively thereon. This segregation ensures a clear distinction between the Chairman's and the CEO's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability. Save as disclosed in the section of "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO and among the members of the Board.

Upon the resignation of Mr. Wong Wah Sang as Chairman and Non-Executive Director on 9 March 2009, the office of the Chairman was vacated and the Board will appoint a suitable candidate at the earliest feasible time in order to comply with the requirements of the GEM Listing Rules.

The Board and the management team are committed to high standards of corporate governance.

Board of Directors

The primary role of the Board is to protect and enhance long term shareholder value. The Board is responsible for setting overall strategy for the group and monitoring the performance of the management.

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

Executive Directors

Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*	(Re-designated from Independent Non-Executive Director to Executive Director on 8 July 2008)
Mr. Wong Man Chiu, Ronnie	
Mr. Cheng Wing Hong	(Appointed on 14 February 2008)
Mr. Chui Wai Cheung	(Appointed on 14 February 2008 and resigned on 4 September 2008)
Mr. Yeung Wai Hung	(Resigned on 14 February 2008)
Mr. Chan Kin Yip	(Appointed on 9 March 2009)

Non-executive Directors

Mr. Wong Wah Sang *(Chairman)*	(Re-designated from Executive Director to Non-Executive Director on 14 February 2008 and resigned on 9 March 2009 respectively)
Mr. Wilkie Wong	(Resigned on 9 March 2009)

Independent Non-Executive Directors

Mr. Sung Wai Tak, Herman	
Mr. Wong Lit Chor, Alexis	
Mr. Fung Wai Shing	(Appointed on 12 August 2008)

The attendance of Directors at the Board meetings for the year ended 31 December 2008 is set out as follows:

Name of Directors	**Attendance of meeting held**
Mr. Cheung Man Yau, Timothy	12/16
Mr. Wong Man Chiu, Ronnie	16/16
Mr. Cheng Wing Hong	15/15
Mr. Chui Wai Cheung	10/12
Mr. Yeung Wai Hung	1/1
Mr. Wong Wah Sang	4/16
Mr. Wilkie Wong	1/16
Mr. Sung Wai Tak, Herman	7/16
Mr. Wong Lit Chor, Alexis	8/16
Mr. Fung Wai Shing	2/3

CORPORATE GOVERNANCE REPORT

Audit Committee

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committees are to review and supervise the Group's financial and accounting policies and practices, financial controls, internal controls and risk management systems. During the year ended 31 December 2008, the audit committee has performed their duties and the unaudited quarterly and interim together with the audited annual results in respect of the year ended 31 December 2008 have been reviewed by the audit committee.

The audit committee currently comprised three independent non-executive directors of the Company, namely, Mr. Sung Wai Tak, Herman, Mr. Fung Wai Shing and Mr. Wong Lit Chor, Alexis. Mr. Fung is the chairman of the audit committee and applies his professional qualifications in accounting and financial expertise in directing the audit committee.

The attendance of the members of audit committee at audit committee meeting for the year ended 31 December 2008 is set out as follows:

Name of Audit Committee Members	Attendance of meeting held
Mr. Fung Wai Shing (Chairman of the committee)	2/2
Mr. Sung Wai Tak, Herman	3/4
Mr. Cheung Man Yau, Timothy (Ceased on 8 July 2008)	2/2
Mr. Wong Lit Chor, Alexis	4/4

Remuneration Committee

The Company has established a Remuneration Committee on 8 October 2007 with terms of reference no less exacting terms than the CG Code. The principle of the Company's remuneration committee is to formulate and review the remuneration policies and other remuneration related matters of the Directors and senior management of the Company and to make recommendations to the Board as deemed necessary. During the year ended 31 December 2008, the remuneration committee has discussed and formulating the remuneration policies of the Company.

The remuneration committee currently consisted of three Independent Non-executive Directors, namely Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.

The attendance of the members of remuneration committee at remuneration committee meetings for the year ended 31 December 2008 is set out as follows:

Name of Remuneration Committee Members	Attendance of meeting held
Mr. Fung Wai Shing	1/1
Mr. Sung Wai Tak, Herman	1/1
Mr. Wong Lit Chor, Alexis	1/1
Mr. Cheung Man Yau, Timothy (Ceased on 8 July 2008)	0/0

Nomination of directors

The Board is responsible for considering the suitability of an individual to act as a Director and approving and terminating the appointment of a Director. The Company has not established a Nomination Committee as to currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

During the year, each of the Chairman and CEO is responsible for identifying suitable candidates as member of the Board when there is a vacancy or an additional director is considered necessary and they also propose the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

CORPORATE GOVERNANCE REPORT

Confirmation of compliance with model code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard. The directors have confirmed, following specific inquiry by the Company that they have complied with the required standard and code of conduct as set out in the Model Code during the year under review.

Auditor's remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay any aggregate of approximately HK$280,000 to the external auditors for performing the statutory audit work of 2008 of the Group. There is no non-audit service assignment provided by external auditors during the year.

Directors' Responsibility for the Financial Statements

The following statement, which sets out the responsibilities for the Directors in relation to the quarterly, interim and annual financial statements.

Annual Report and Financial Statements

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

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants.

Going Concern

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

Investor Relations and Shareholders' Right

The Company uses a number of formal communications channels to account to shareholders and investors for the performance of the Company. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) key information of the Group available on the website of the Company; and (iv) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circular, notices, and other announcements.

Looking forward

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheung Man Yau, Timothy, B.A., F.C.C.A., A.H.K.I.C.P.A., C.P.A., aged 51, was appointed as an independent non-executive director of the Company on 16 April 2004. He was re-designated from independent non-executive director to executive director and is the chief executive officer of the Company with effect from 8 July 2008. He has more than 26 years of extensive experience in the finance, audit and accounting fields. He previously worked in a number of International accounting firms and listed companies in Hong Kong. He is currently a Practicing Certified Public Accountant.

Mr. Wong Man Chiu, Ronnie, J.P., B.Sc., M.B.A., aged 57, a son of Mr. Wong Wah Sang, the honorary chairman and former non-executive director of the Company, was appointed as an executive director on 13 October 2000. Mr. Ronnie Wong has been appointed the deputy managing director of Argos Bus Services Company, Limited ("Argos Hong Kong") since 1992 and he is currently an executive director in Wong's Investment (Holdings) Co., Ltd. Mr. Ronnie Wong's experience covers areas including shipbuilding, engineering, property development, transportation, tourism and entertainment. Mr. Ronnie Wong is a very prominent figure in the community Services arena, for instance, he was a member of the Basic Law Consultative Committee and an elected Urban Councillor. Mr. Wong Man Chiu, Ronnie was a member of the Olympic committee and is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

Mr. Chui Wai Cheung, aged 57, was appointed as an executive director of the Company on 14 February 2008 and resigned on 4 September 2008. He holds a Bachelor's degree in Science (Financial Management) from University of San Francisco, the United States of America. Mr. Chui has more than twenty years of experience in banking and financial control, and specialises in financial analysis, corporate management and supervision, cost control and cash management.

Mr. Cheng Wing Hong, B.A., HKICPA, aged 35, was appointed as an executive director of the Company on 14 February 2008. He 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 Monash University. Mr. Cheng obtained the Hong Kong Institute of Certified Public Accountants since 2008. Mr. Cheng has over ten-year accounting experience and has joined the Group since June 2006. Mr. Cheng is the company secretary and qualified accountant of the Company.

Mr. Yeung Wai Hung, aged 60, has been involved in the management of Argos Hong Kong since its incorporation and was appointed the general manager in 1988. With his long reaching experience and connection in the public transport sector of Hong Kong, Mr. Yeung is one of the most prominent figures in the industry. He is currently the chairman of the Public Omnibus Operators Association Ltd., the most respected organization in the private bus operation sector of Hong Kong. Mr. Yeung Wai Hung is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company. Mr. Yeung resigned as an executive director of the Company while remained as an executive director of Argos Bus Services (China) Company Limited, a 100% owned subsidiary of the Company, on 14 February 2008.

Mr. Chan Kin Yip, aged 36, was appointed as an executive director of the Company on 9 March 2009. Mr. Chan graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. Previously, he had worked in an international professional CPA firm and has over 12 years of extensive experience in the fields of assurance, corporate restructuring, internal training and internal control review. He is also an associate member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Wong Wah Sang, B.H., M.B.E., aged 85, is the honorary chairman of the Company and is also the chairman of Wong's Investments (Holdings) Co., Ltd. Mr. Wong has been the co-founder and chairman of Argos Hong Kong. He was the Chairman of the Company and he has re-designated from executive director to non-executive director of the Company on 14 February 2008 and resigned on 9 March 2009. He is also the founder of Chung Wah Shipbuilding & Engineering (Holdings) Co., Ltd. and Argos Engineering & Heavy Industries Co., Ltd. Mr. Wong is the father of Mr. Wong Man Chiu, Ronnie, one of the executive directors of the Company, and the uncle of Mr. Wilkie Wong, a non-executive director of the Company. Mr. Wong's experience in the engineering and shipbuilding business spans across Asia in that he was the chairman of Sabah Shipbuilding, Ship- repairing Sdn. Bhd of Malaysia and Euro-Asia Rig Construction Yard in the 1970s. Mr. Wong is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

Mr. Wilkie Wong, B.Sc., M.Sc., M.B.A., aged 36, was appointed a non-executive director of the Company on 30 December 2004 and resigned on 9 March 2009. He has over 6 years of management consultancy experience gained at McKinsey & Company, a world renowned management consulting firm on advising senior executives in leading companies in Greater China. Mr. Wong is currently working as a senior manager in a private company. Mr. Wong is a director of Seabasin Limited and Twilight Enterprises Limited, the ultimate holding company of the Company, of which both are private limited companies. Mr. Wong is the son of the former Executive Director, Mr. Wilson Wong and Madam Chiu Gee Chai, the substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman, B.A. (Hons.), L.L.B. (Hons.), L.L.M., aged 50, 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 50, graduated from University of Toronto, Canada in 1981 with bachelor's degree in arts majoring in economics and commerce and has obtained a master of business administration degree from The Chinese University of Hong Kong in 1987. He has over 20 years of banking, investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of listed local and PRC financial services companies. Mr. Wong is also an independent non-executive director of Inspur International Limited, Wing Hing International (Holdings) Limited and China Fortune Holdings Limited which are companies listed on Main Board of the Stock Exchange.

Mr. Fung Wai Shing, aged 39, was appointed as an independent non-executive director of the Company on 12 August 2008. He graduated from 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 11 years experience in finance, audit and accounting fields. Mr. Fung was the qualified accountant and company secretary of Ko Yo Ecological Agrotech (Group) Limited, a company listed on the 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.

SENIOR MANAGEMENT

Mr. Zhang Dao Lin, B.Eng., aged 45, has been the General Manager of Nanjing Argos since its inception. Mr. Zhang has approximately 22 years of managerial experience in the bus industry of PRC, started as a vehicle structural engineering consultant, and served 16 years in Nanjing Public Transport Corporation before taking up the leading role in Nanjing Argos. His major strength is the formulation and the implementation of scientific and modern management policies. Under his leadership, Nanjing Argos has successfully changed the competitive landscape of the public bus industry in Nanjing.

Mr. Zhu Wing Wah, aged 64, university degree, had many years experience in large public bus enterprises. He worked as safety controller in public bus enterprises and the principal of large driving college. He worked with us in Wanzhou Argos as Assistant General Manager in 2004. He was promoted to General manager in January 2005. He was involved in all operation and planning for the whole company. He contributed in enterprise' production and development.

Ms. He Jia Mei, aged 45, the financial controller of the Company, university postgraduate. She had worked in the field of financial management for many years, extensive experience in financial management and cost control. She has sound knowledge in financial system and legal system. She had tactful knowledge in human relationship inside and outside the organization. She is aggressive in work and faced difficulties without fear.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in Note 1 to the financial statements. There was no significant change in its activities during the year.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 29.

The states of affairs of the Group and of the Company as at 31 December 2008 are set out in the balance sheets on pages 30 to 32 respectively.

The cashflows of the Group are set out in the consolidated cash flow statement on page 34 and 35.

DIVIDENDS

The directors do not recommend any payment of dividend nor transfer of any amount to reserves for the year (2007: Nil).

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	For the year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**185,213**	185,069	156,160	136,547	119,364
(Loss)/profit before taxation	**(70,154)**	(12,699)	4,256	2,305	8,870
Taxation	**0**	(277)	(2,130)	(3,205)	(3,307)
(Loss)/profit before minority interests	**(70,154)**	(12,976)	2,126	(900)	5,563
Minority interests	**21,892**	3,857	(2,220)	(1,772)	(3,305)
Net (loss)/profit from ordinary activities attributable to shareholders	**(48,262)**	(9,119)	(94)	(2,672)	2,258

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**225,108**	213,219	173,745	178,808	178,145
Total liabilities	**(203,967)**	(137,553)	(94,189)	(103,761)	(104,569)
Minority interests	**(6,270)**	(25,548)	(24,800)	(22,007)	(20,229)
Shareholders funds	**14,871**	50,118	54,756	53,040	53,347

Certain figures for the years ended 31 December 2004 and 2005 have been restated.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 13 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company has no distributable reserve calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Detail of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 35(c), 34 and 27 to the financial statements.

DONATIONS

No charitable donations was made by the Group during the year (2007: Nil).

DIRECTORS

The directors during the financial year and up to the date of this report were:

Executive Directors	
Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*	(Re-designated from Independent Non-Executive Director to Executive Director on 8 July 2008)
Mr. Wong Man Chiu, Ronnie	
Mr. Cheng Wing Hong	(Appointed on 14 February 2008)
Mr. Chui Wai Cheung	(Appointed on 14 February 2008 and resigned on 4 September 2008)
Mr. Chan Kin Yip	(Appointed on 9 March 2009)
Mr. Yeung Wai Hung	(Resigned on 14 February 2008)
Non-executive Directors	
Mr. Wong Wah Sang *(Chairman)*	(Re-designated from Executive Director to Non-Executive Director on 14 February 2008, and resigned on 9 March 2009 respectively)
Mr. Wilkie Wong	(Resigned on 9 March 2009)
Independent Non-Executive Directors	
Mr. Sung Wai Tak, Herman	
Mr. Wong Lit Chor, Alexis	
Mr. Fung Wai Shing	(Appointed on 12 August 2008)

In accordance with the Company's Articles of Association, Mr. Cheung Man Yau, Timothy, Mr. Wong Man Chiu, Ronnie, Mr. Cheng Wing Hong, Mr. Chan Kin Yip, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 17 of this Annual Report.

DIRECTORS' SERVICES CONTRACTS

Each of Mr. Wong Wah Sang, Mr. Wong Man Chiu, Ronnie and Mr. Yeung Wai Hung has entered into a service agreement with the Company for a period of three years commencing on 30 July 2001 renewable automatically for successive terms of one year each commencing from the day immediately after the expiry of the then current term of his appointment, unless terminated by either party serving on the other not less than three months' notice.

Each of Mr. Chui Wai Cheung and Mr. Cheng Wing Hong has entered into a service agreement with the Company for a period of three years commencing on 14 February 2008. Mr. Chan Kin Yip has entered into a service agreement with the Company for a period of three years commencing on 9 March 2009.

There is no service agreement nor any fixed term of service entered into between each of Mr. Cheung Man Yau, Timothy, Mr. Wilkie Wong, Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing and the Company.

Save as disclosed above, none of the Directors has a service agreement with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the foregoing, no other contracts of significance in relation to the Group's business to which the Company, any of its holding companies or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the following Directors or chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Name of Director	Company/name of its associated corporations	Nature of interests	Number of ordinary share(s) held	Approximate of percentage of the Company's issued share capital
Mr. Cheung Man Yau, Timothy	Company	Corporate	50,000,000 *(Note 1)*	23.15%
Mr. Wong Wah Sang	Company	Corporate	7,037,342 *(Note 2)*	3.26%
Mr. Wong Man Chiu, Ronnie	Company	Corporate	7,037,342 *(Note 3)*	3.26%
Mr. Wong Wilkie	Company	Corporate	4,265,999 *(Note 4)*	1.97%
	Twilight Enterprises Limited	Beneficial	1 *(Note 5)*	12.50%

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 Wah Sang, a former non-executive director of the Company, who resigned on 9 March 2009, has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Wah Sang has 7,037,342 shares as the effective interests of the Company.

3. 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 of the Company, 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.

4. 62,277,360 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 54.8% by Sinoman International Limited, which is 100% owned by Twilight Enterprises Limited. Mr. Wong Wilkie, a former non-executive director of the Company, who resigned on 9 March 2009, has 12.5% control in Twilight Enterprises Limited, therefore, Mr. Wong Wilkie has 4,265,999 shares as the effective interests of the Company.

5. Mr. Wong Wilkie has 12.5% control in Twilight Enterprises Limited, which is an associated corporation of the Company.

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

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures 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, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company's share option scheme was approved on 30 July 2001 and amended by passing an ordinary resolution on the extraordinary general meeting on 2 December 2008. Under which the Directors may, at their discretion, grant options to themselves and the full-time employees (including executive Directors) of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent. of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme). During the year ended 31 December 2008, no option has been granted or agreed to be granted to the Directors under the scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme (under which no option has yet been granted or agreed to be granted) referred to above, at no time during the year ended 31 December 2008 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 31 December 2008, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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	28.83%
Sinoman International Limited *(Note 2)*	Corporate	62,277,360	28.83%
Twilight Enterprises Limited *(Note 2)*	Corporate	62,277,360	28.83%
Madam Chiu Gee Chai *(Note 3)*	Corporate	62,277,360	28.83%
Sharp Mode Limited *(Note 4)*	Beneficial	11,000,000	5.09%
Mr. Chow Chun Yee *(Note 4)*	Corporate	11,000,000	5.09%
Mr. Yeung Wai Hung *(Notes 1 and 5)*	Corporate	15,474,683	7.16%

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. Sharp Mode Limited is the holder of the convertible bonds which were issued by the Company on 30 June 2008 and its ultimate beneficial owner is Mr. Chow Chun Yee. In September and December 2008, a total of HK$5,000,000 convertible bonds were transferred to four different individual parties and subsequently these shares were converted into 25,000,000 shares of the Company. The remaining HK$2,200,000 convertible bonds were converted into 11,000,000 shares of the Company by Sharp Mode Limited on 3 December 2008. As Mr. Chow Chun Yee owned 100% interests of Sharp Mode Limited, Mr. Chow Chun Yee is deemed to be interested in 11,000,000 shares pursuant to Part XV of the SFO.

5. Cherikoff Bakery & Confections Limited, which directly holds 1,400,000 Shares, is wholly owned by Mr. Yeung Wai Hung. By virtue of Part XV of the SFO, Mr. Yeung Wai Hung is deemed to be interested in these 1,400,000 Shares.

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

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

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, there were no transactions which need to be disclosed as connected in accordance with the requirements of the GEM Listing Rules.

The material related party transactions of the Group are disclosed in note 39 to the financial statements.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 8 and 9 to the financial statements.

REMUNERATION POLICY

A Remuneration Committee is set up on 8 October 2007 for reviewing the remuneration policies and other remuneration related matters of the Directors and senior management of the Company and making recommendations to the Board as deemed necessary.

The Company has adopted a share option scheme as incentive to directors of the Group and eligible employees, details of the scheme are set out in note 34 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the services provided to the Group's largest and five largest customers accounted for 1% and 3.27% of the Group's revenue respectively. None of the Directors, their respective associates, nor any shareholders of the Company who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers during the year.

During the year, the services provided to the Group's largest and five largest suppliers accounted for 22.91% and 31.90% of the Group's revenue respectively. None of the Directors, their respective associates, nor any shareholders of the Company who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest suppliers during the year.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (2007: Nil).

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

As at 31 December 2008, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

COMPLIANCE ADVISER'S INTERESTS

Pursuant to the agreement dated 26 June 2008 entered into between the Company and GF Capital (Hong Kong) Limited ("GF Capital"), GF Capital has received a fee for acting as the Company's compliance adviser commenced on 30 June 2008, the date on which the trading in shares of the Company were resumed, and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of compliance adviser.

Neither GF Capital nor its director or employees or associates had any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 31 December 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company, based on such confirmation, considers all of the Independent Non-executive Directors are independent.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprised three independent non-executive Directors of the Company, namely Mr. Sung Wai Tak, Herman, Mr. Fung Wai Shing (Chairman) and Mr. Wong Lit Chor, Alexis.

The audit committee has reviewed with the management and external auditors, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2008.

REPORT OF THE DIRECTORS

AUDITORS

HLB Hodgson Impey Cheng ("HLB") resigned as auditors with effect from 7 May 2007. In filling the casual vacancy following the resignation of HLB, Messrs. Ting Ho Kwan & Chan, Certified Public Accountants (Practising) ("THKC") was appointed by the Board as auditors with effect from 8 May 2007.

THKC resigned as auditors with effect from 7 January 2009. CCIF CPA Limited ("CCIF") was then appointed by the Board as auditors to fill the casual vacancy following the resignation of THKC, and will hold office until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements of the Company for the years ended 31 December 2006, 2007 were audited by THKC while CCIF prepared the audited financial statements of the Company for the year ended 31 December 2008. A resolution will be submitted to the annual general meeting to re-appoint CCIF as auditors of the Company.

The accompanying financial statements were audited by Messrs. CCIF CPA Limited.

On Behalf of the Board
Cheung Man Yau, Timothy
Executive Director & Chief Executive Officer

Hong Kong, 30 March 2009

INDEPENDENT AUDITOR'S REPORT

CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARGOS ENTERPRISE (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Argos Enterprise (Holdings) Limited (the "Company") set out on pages 29 to 95, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances as to whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

Scope limitation – Deferred tax and opening balances

As detailed in note 32(a) to the financial statements, the Group recognised the deferred tax liabilities of approximately HK$963,000 in the consolidated balance sheet as at 31 December 2007 and deferred tax charge of approximately HK$273,000 in the consolidated income statement for the year ended 31 December 2007. The directors of the Company estimated the deferred tax, but we were unable to obtain 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 2007 and the deferred tax charge for the year ended 31 December 2007 were fairly stated. We were 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 2007, and the loss of the Group for the prior year and the related disclosures thereof in the 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 2008 and the comparative figures were fairly stated.

Any adjustment that might have been found to be necessary in respect of the matters set out above would have had a consequential effect on the financial position of the Group as at 31 December 2008, and the loss of the Group for the year then ended and the related disclosures in the 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a consolidated loss attributable to equity shareholders of the Company of approximately HK$48,262,000 for the year ended 31 December 2008 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$104,494,000. 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.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the limitation on our work relating to matters described in the scope limitation above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2009

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

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

The notes on pages 36 to 95 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2008

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

CONSOLIDATED BALANCE SHEET

At 31 December 2008

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

Approved and authorised for issue by the board of directors on 30 March 2009.

Wong Man Chiu, Ronnie
Director

Cheng Wing Hong
Director

The notes on pages 36 to 95 form part of these financial statements.

BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	*13*	**286**	334
Investments in subsidiaries	*18*	**24,777**	23,658
		25,063	23,992
Current assets			
Other receivables	*22*	**104**	110
Pledged bank deposits	*23*	**10,000**	10,000
Cash and cash equivalents	*24*	**5**	–
		10,109	10,110
Current liabilities			
Bank borrowings	*25*	**10,466**	10,556
Other payables	*26*	**8,006**	2,325
Payable under convertible bond subscription	*27*	**–**	6,948
		18,472	19,829
Net current liabilities		**(8,363)**	(9,719)
NET ASSETS		**16,700**	14,273
EQUITY AND RESERVES	*35(b)*		
Share capital		**2,160**	1,800
Reserves		**14,540**	12,473
TOTAL EQUITY		**16,700**	14,273

Approved and authorised for issue by the board of directors on 30 March 2009.

Wong Man Chiu, Ronnie
Director

Cheng Wing Hong
Director

The notes on pages 36 to 95 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	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 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

The notes on pages 36 to 95 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Loss before taxation		**(70,154)**	(12,699)
Adjustments for:			
Valuation gains on investment properties	*5*	**(139)**	(201)
Depreciation	*6(c)*	**20,707**	17,390
Impairment loss on property, plant and equipment	*6(c)*	**41,024**	9,872
Amortisation of prepaid lease payments	*6(c)*	**116**	110
Amortisation of intangible assets	*6(c)*	**390**	371
Loss on sale of property, plant and equipment	*5*	**11,114**	–
Reversal of previously recognised revaluation deficit on leasehold buildings	*5*	**–**	(155)
Government grants for purchase of motor vehicles		**(1,992)**	(191)
Interest income	*5*	**(1,335)**	(825)
Finance costs	*6(a)*	**3,273**	1,669
Foreign exchange gain		**(1,400)**	–
Operating profit before changes in working capital		**1,604**	15,341
Increase in inventories		**(431)**	(498)
Decrease/(increase) in trade and other receivables		**6,331**	(605)
Increase in trade and other payables		**17,227**	23,695
Decrease in receipts in advance		**(1,659)**	(25)
Cash generated from operations		**23,072**	37,908
Tax paid			
PRC enterprise income tax		**–**	(4)
Net cash generated from operating activities		**23,072**	37,904
Investing activities			
Payment for the purchase of property, plant and equipment		**(68,406)**	(57,107)
Proceeds from sale of property, plant and equipment		**1,415**	1,504
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
Interest received		**1,335**	825
Net cash used in investing activities		**(43,505)**	(39,444)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Financing activities			
Proceeds from new bank loans		**12,643**	17,272
Repayment of bank loans		**(8,321)**	(10,259)
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)
Capital contribution from a minority equity holder		**–**	2,556
Other borrowing costs paid		**(173)**	–
Net cash generated from financing activities		**9,078**	15,310
Net (decrease)/increase in cash and cash equivalents		**(11,355)**	13,770
Cash and cash equivalents at 1 January	*24*	**26,084**	10,210
Effect of foreign exchange rate changes		**1,452**	2,104
Cash and cash equivalents at 31 December	*24*	**16,181**	26,084

The notes on pages 36 to 95 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION

Argos Enterprise (Holdings) Limited (the "Company") is a limited liability company incorporated 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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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 year ended 31 December 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$48,262,000 attributable to equity shareholders of the Company for the year ended 31 December 2008;

– the consolidated net current liabilities of approximately HK$104,494,000 as at 31 December 2008;

– the outstanding bank borrowings of approximately HK$32,581,000 (note 25), out of which an aggregate of approximately HK$28,558,000 was due for repayment within the next twelve months after 31 December 2008.

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.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 and the Company'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:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in income statement as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in income statement. The net gain or loss recognised in 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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 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 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 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 balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(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 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 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 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 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)).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

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

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.

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 income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(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 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.

– 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 income statement in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 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 income statement.

The derivative component is subsequently remeasured. The liability component is subsequently carried at amortised cost. The interest expense recognised in 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 income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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.

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 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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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 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 the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each 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 Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

- in the case of current tax assets and liabilities, the Company or 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 income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in 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 or the Company 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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 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.

(viii) Government grants

Government grants are recognised in the 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 income statement on a systematic basis over the useful life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 the balance sheet date. Exchange gains and losses are recognised in 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 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 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 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;

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

(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 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 the current year, 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 current or prior accounting periods. Accordingly, no prior period adjustments has been required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 year is as follows:

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

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

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

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) are related to compensation for the expenses incurred by the Group and approximately HK$1,992,000 (2007: HK$191,000) are related to the compensation for financing the Group's purchases of motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 **HK$'000**	2007 HK$'000
Current tax		
Provision for the PRC income tax for the year	**–**	4
Deferred tax		
Original and reversal of temporary differences	**–**	273
	–	277

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 and 2007. 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%).

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. DIRECTORS' REMUNERATION

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

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2008 Total HK$'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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. DIRECTORS' REMUNERATION (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2007 Total HK$'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

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 and 2007 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 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

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

There was no amount paid during the years ended 31 December 2008 and 2007 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$48,262,000 (2007: HK$9,119,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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$48,262,000 (2007: HK$9,119,000) and the weighted average of 184,156,000 (2007: 180,000,000) ordinary shares in issue during the year, calculated as follows.

Weighted average number of ordinary shares

	2008	2007
	’000	’000
Issued ordinary shares at 1 January	**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

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

12. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2008						
	Public routes HK$'000	Tourist routes HK$'000	Hire-a-bus HK$'000	Taxi rental HK$'000	Bus rental HK$'000	Bus management HK$'000	Consolidated 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)
Taxation							–
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

12. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2007						
	Public routes HK$'000	Tourist routes HK$'000	Hire-a-bus HK$'000	Taxi rental HK$'000	Bus rental HK$'000	Bus management HK$'000	Consolidated 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)
Taxation							(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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

12. SEGMENT REPORTING (Continued)

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 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings held for own use HK$'000	**Leasehold improvements** HK$'000	**Furniture, fixtures and equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Accumulated depreciation and impairment:					
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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

(b) Buildings held for own use were revalued as at 31 December 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.

The total revaluation surpluses amounted to HK$122,000 (2007: HK$291,000), of which HK$122,000 (2007: HK$136,000) was credited to asset valuation reserve of the Group (note 35) and nil (2007: HK$155,000) was credited to other net income in the consolidated income statements to offset previous revaluation deficit charged to the consolidated income statement

The carrying amount of these buildings as at 31 December 2008 would have been approximately HK$1,673,000 (2007: HK$2,518,000) 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).

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

	2008 **HK$'000**	2007 HK$'000
Within 1 year	**13,593**	13,269
After 1 year but within 5 years	**34,226**	24,926
After 5 years	**3,114**	4,150
	50,933	42,345

(d) At 31 December 2008, the Group's buildings with a carrying amount of nil (2007: HK$544,000) and motor vehicles with a carrying amount of HK$7,660,000 (2007: 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 statement.

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 statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvements HK$'000	**Furniture, fixtures and equipment** HK$'000	**Total** HK$'000
Cost:			
At 1 January 2007	108	28	136
Additions	78	170	248
At 31 December 2007, 1 January 2008 and 31 December 2008	186	198	384
Accumulated depreciation:			
At 1 January 2007	10	10	20
Charge for the year	7	23	30
At 31 December 2007 and 1 January 2008	17	33	50
Charge for the year	10	38	48
At 31 December 2008	27	71	98
Carrying amount:			
At 31 December 2008	159	127	286
At 31 December 2007	169	165	334

14. INVESTMENT PROPERTIES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

14. INVESTMENT PROPERTIES (Continued)

(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 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) was credited to the consolidated income statement.

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

(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 and 2007.

15. PREPAID LEASE PAYMENTS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

16. INTANGIBLE ASSETS

The Group

	Travel agency licenses HK$'000	Taxi licenses HK$'000	Total HK$'000
Cost:			
At 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 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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

17. GOODWILL

	2008 HK$'000	2007 HK$'000
Cost:		
At 1 January and 31 December	**381**	381
Accumulated impairment losses:		
At 1 January and 31 December	**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 current of the CGU and accordingly an impairment loss of approximately HK$381,000 was recognised in 2005.

18. INVESTMENTS IN SUBSIDIARIES

The Company

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**990**	990
Amounts due from subsidiaries	**23,787**	22,668
	24,777	23,658

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but settlement is not expected within one year of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

18. INVESTMENTS IN SUBSIDIARIES (Continued)

The Company (Continued)

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
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 TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

18. INVESTMENTS IN SUBSIDIARIES (Continued)

The Company (Continued)

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
	HK$'000	HK$'000
Unlisted equity securities outside Hong Kong, at cost		
At 1 January	**1,161**	1,080
Exchange adjustments	**87**	81
At 31 December	**1,248**	1,161

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
	HK$'000	HK$'000
Spare parts and stores	**2,920**	2,315

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**7,095**	5,866	**–**	–
Less: allowance for doubtful debts *(note 22(b))*	**–**	–	**–**	–
	7,095	5,866		
Compensation receivables arising from traffic accidents	**1,311**	5,134	**–**	–
Amount due from a minority equity holder *(note 22(d))*	**–**	729	**–**	–
Amount due from a related company *(note 22(e))*	**–**	–	**–**	–
Loans and receivables	**8,406**	11,729	**–**	–
Advance to suppliers	**1,372**	1,186	**–**	–
Advance to staff	**692**	1,104	**–**	–
Rental and other deposits				
– deposits at governmental travel authorities *(note 22(f))*	**2,184**	2,031	**–**	–
– other deposits	**115**	345	**104**	104
Prepaid lease payments	**116**	116	**–**	–
Other prepayments	**4,173**	5,437	**–**	6
	17,058	21,948	**104**	110

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

(a) Ageing analysis

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

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

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).

22. TRADE AND OTHER RECEIVABLES (Continued)

(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 cases the impairment loss is written off against trade debtors directly (see note 2(j)(i)).

(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
	HK$'000	HK$'000
Neither past due nor impaired	**6,091**	4,661
Less than 1 month past due	**1,004**	674
1 to 3 months past due	**–**	266
Over 3 months past due	**–**	265
	1,004	1,205
	7,095	5,866

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

Particulars of amount due from a related company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	Balance at 1 January 2007	Balance at 31 December 2007	Balance at 31 December 2008	Maximum balance outstanding during the year 2008	Maximum balance outstanding during the year 2007
	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

22. TRADE AND OTHER RECEIVABLES (Continued)

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

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.

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 and 2007 were used as security for banking facilities granted to the Group (note 25).

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**26,647**	36,640	**5**	–
Cash and cash equivalents in the balance sheets	**26,647**	36,640	**5**	–
Less: bank overdrafts *(note 25)*	**(10,466)**	(10,556)		
Cash and cash equivalents in the consolidated cash flow statement	**16,181**	26,084		

25. BANK BORROWINGS

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

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For the year ended 31 December 2008

25. BANK BORROWINGS (Continued)

At 31 December 2008, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year and on demand	**28,558**	16,485	**10,466**	10,556
After 1 year but within 2 years	**4,023**	6,467	**–**	–
After 2 years but within 5 years	**–**	3,927	**–**	–
After 5 years	**–**	226	**–**	–
Total bank loans	**32,581**	27,105	**10,466**	10,556
Less: repayable within 1 year or on demand as classified under current liabilities	**28,558**	16,485	**10,466**	10,556
Repayable after 1 year as classified under non-current liabilities	**4,023**	10,620	**–**	–

As at 31 December 2008, the bank loans and overdrafts were analysed as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured	**10,466**	11,069	**10,466**	10,556
Unsecured	**22,115**	16,036	**–**	–
	32,581	27,105	**10,466**	10,556
Bank loans secured by				
– the Group's bank deposits (note 23)	**10,466**	10,556	**10,466**	10,556
– the Group's building (note 13(d)) and land use right (note 15(a))	**–**	513	**–**	–
– 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	**–**	–
– corporate guarantee by the Company	**6,897**	–	**–**	–
	32,581	27,105	**10,466**	10,556

There were no untilised banking facilities as at 31 December 2008 and 2007.

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 2008 none of the covenants relating to drawn down facilities had been breached (2007: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors *(note 26(a))*	**2,598**	4,331	**–**	–
Accrued charges	**18,218**	14,740	**1,666**	2,325
Payables for acquisition of properties, plant and equipment	**35,280**	17,555	**–**	–
Amount due to a director *(note 26(b))*	**6,340**	–	**6,340**	–
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	**–**	–
Financial liabilities measured at amortised cost	**69,182**	40,617	**8,006**	2,325
Receipts in advance *(note 26(e))*	**8,670**	6,818	**–**	–
Other taxes and government surcharges payables	**23,593**	17,427	**–**	–
Deposits				
– security deposits received from drivers *(note 26(f))*	**30,353**	26,937	**–**	–
– other deposits	**763**	110	**–**	–
	132,561	91,909	**8,006**	2,325

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 the balance sheet date is as follows:

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

27. PAYABLE UNDER CONVERTIBLE BOND SUBSCRIPTION

The Group and the Company

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"). 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 and recognised the Convertible Bond by approximately HK$6,768,000 as liability component and approximately HK$432,000 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.

- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

27. PAYABLE UNDER CONVERTIBLE BOND SUBSCRIPTION (Continued)

The Group and the Company (Continued)

- 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) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 sheet and the movements during the year are as follows:

Deferred tax arising from:	**Depreciation allowances in excess of the related depreciation** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 January 2007	2,293	(1,603)	690
Charged/(credited) to income statement	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 **HK$'000**	2007 HK$'000
Net deferred tax asset recognised on the consolidated balance sheet	**–**	–
Net deferred tax liability recognised on the consolidated balance sheet	**1,036**	963
	1,036	963

(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) 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.

At 31 December 2008, the Group's tax losses will expire in the following years:

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

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

NOTES TO THE FINANCIAL STATEMENTS

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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.

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 shares 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 the balance sheet date (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

35. CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Convertible bond reserve HK$'000	(Accumulated) losses)/ retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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

(b) The Company

	Share capital HK$'000	Share premium HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	1,800	29,200	–	(13,168)	17,832
Equity component of convertible bonds	–	–	432	–	432
Loss for the year	–	–	–	(3,991)	(3,991)
At 31 December 2007 and 1 January 2008	1,800	29,200	432	(17,159)	14,273
Shares issued upon conversion of convertible bond	360	7,272	(432)	–	7,200
Loss for the year	–	–	–	(4,773)	(4,773)
At 31 December 2008	2,160	36,472	–	(21,932)	16,700

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

35. CAPITAL AND RESERVES (Continued)

(c) Share capital

	2008		2007	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares at HK$0.01 each	**10,000,000**	**100,000**	10,000,000	10,000
Issued and fully paid:				
At 1 January	**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

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.

(d) 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 reorgnisation 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 holders.

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35. CAPITAL AND RESERVES (Continued)

(d) 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).

(e) Distributable reserves

As at 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2007: Nil).

(f) 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 2008, the Group's strategy, which was unchanged from 2007, 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.

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

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

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

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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.

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 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 or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at 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 2008, the Group and the Company has a certain significant concentration of credit risk on deposits with banks. The Group and the Company placed 27.5% (2007: 21.5%) and 99.9% (2007: 100%) respectively of the Group and the Company's total deposits at a bank.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

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.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company'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 the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2008				2007					
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000
Bank borrowings	**32,581**	**37,318**	**29,272**	**8,046**	27,105	30,565	19,082	7,096	4,090	297
Trade and other payables	**69,182**	**69,182**	**69,182**	**–**	40,617	40,617	40,617	–	–	–
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

The Company

	2008			2007		
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Bank borrowings	**10,466**	**10,606**	**10,606**	10,556	11,047	11,047
Other payables	**8,006**	**8,006**	**8,006**	2,325	2,325	2,325
Payable under convertible bond subscription	**–**	**–**	**–**	6,948	6,948	6,948
	18,472	**18,612**	**18,612**	19,829	20,320	20,320

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For the year ended 31 December 2008

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 and the Company's net borrowings (as defined above) at the balance sheet date.

	The Group				The Company			
	2008		2007		**2008**		2007	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000	**Effective interest rate %**	**HK$'000**	Effective interest rate %	HK$'000
Net fixed rate borrowings:								
Bank borrowings		**–**	7.83%	513		**–**		–
Other loan	**12%**	**1,331**	–	–		**–**		–
Less: cash at bank and on hand	**0.01%-0.72%**	**(274)**	0.01%-0.36%	(114)	**0.36%-0.81%**	**(5)**		–
		1,057		399		**(5)**		–
Variable rate borrowings:								
Bank loans	**1.35-5.94%**	**32,581**	4.65%-8.32%	26,592	**1.75%-4.75%**	**10,466**	4.65%-5.12%	10,556
Less: cash at banks	**0.01%-3.75%**	**(36,373)**	0.72%-4.65%	(46,526)			–	–
		(3,792)		(19,934)		**10,466**		10,556
Total net (deposits)/borrowings		**(2,735)**		(19,535)		**10,461**		10,556
Net fixed rate borrowings as a percentage of total net (deposits)/borrowings		**(38.7%)**		(2.0%)		**N/A**		N/A

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(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).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at 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.

(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 can 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 and the Company's exposure at 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
Cash and cash equivalents	**900**	900
Overall net exposure	**900**	900

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

The Group

	2008		2007	
	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
Hong Kong dollars	**5**	**(33)**	5	(30)
	(5)	**33**	(5)	30

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 the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

(e) Fair values

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

37. COMMITMENTS

(a) Capital commitments in respect of acquisition of assets and liabilities through acquisition of a subsidiary outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	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 not provided for in the financial statements were as follows:

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

(c) At 31 December 2008, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**717**	736	**416**	624
After 1 year but within 5 years	**1,203**	865	**–**	416
After 5 years	**6,371**	842	**–**	–
	8,291	2,443	**416**	1,040

The Group and the Company are the lessees 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, the Company has issued a single guarantee to the extent of approximately HK$6,897,000 (2007: Nil) to a bank in respect of banking facilities granted to its subsidiary.

As at 31 December 2008, 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 under the single guarantees issued is the outstanding amount of the facility drawn down by the subsidiary of approximately HK$6,897,000 (2007: Nil). 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 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. 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 **HK$'000**	2007 HK$'000
Short-term employees benefits	**2,584**	1,664
Post-employment benefits	**83**	56
	2,667	1,720

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

39. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related parties

During the years ended 31 December 2008 and 2007, 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, the Group paid rental expenses of approximately HK$180,000 (2007: HK$180,000) to ABS for providing premises to the Group. 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, the Group paid rental expenses of approximately HK$282,000 (2007: HK$148,000) to Argos Nanjing for providing premises to the Group. As at 31 December 2007, there was no balance due from Argos Nanjing.

(iii) *Advertising income from Taizhou Public*

During the year ended 31 December 2008, the Group received advertising income of approximately HK$1,274,000 (2007: HK$1,109,000) from Taizhou Public. As at 31 December 2008, there was no outstanding balance in respect of the advertising income. As at 31 December 2007, the outstanding balance was included in 'amount due from a related company' (note 22(d)).

(iv) *Interest income from Argos Nanjing*

During the year ended 31 December 2007, the Group received interest income of approximately HK$101,000 from Argos Nanjing on the basis of 8% per annum on the advance of approximately HK$5,340,000 to Argos Nanjing. As at 31 December 2007, there was no balance due from Argos Nanjing.

39. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

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 year ended 2008 and 2007, 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, the 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 and 2007 are set out in the notes 22 and 26.

40. COMPARATIVE FIGURES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 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 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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.

PARTICULARS OF INVESTMENT PROPERTIES

INVESTMENT PROPERTIES

Particulars of investment properties as at 31 December 2008 are as follows:

Address	Area	Type	Group's Tenure	Interest
中國重慶市萬州區 五橋萬順路 42, 44, 46及48號	165.09 m^2	Commercial	Medium-term lease	100%
中國重慶市萬州區 五橋百安商業街8號 附9, 10, 11, 12及13號	195.49 m^2	Commercial	Medium-term lease	100%
中國重慶市萬州區 五橋百安商業街18號 附10, 11, 12, 13及14號	228.99 m^2	Commercial	Medium-term lease	100%
中國重慶市萬州區 五橋長嶺鎮梨樹村	5,336.43 m^2	Commercial	Medium-term lease	100%