TLT LOTTOTAINMENT GROUP LIMITED

彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022

ANNUAL REPORT 2009

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

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

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

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This report, for which the directors of TLT Lottotainment Group Limited (the "Company") 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 the Company. The directors of the Company, 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 PROFILE

TLT Lottotainment Group Limited (the "Company") is principally engaged in investment holdings. The subsidiaries of the Company (together with the Company, the "Group") carry out lottery-based mobile online game recharge service, travel agent services and public transportation business (the operation has been ceased from 1 July 2009) during the year under review.

The Company has the following principal subsidiaries:

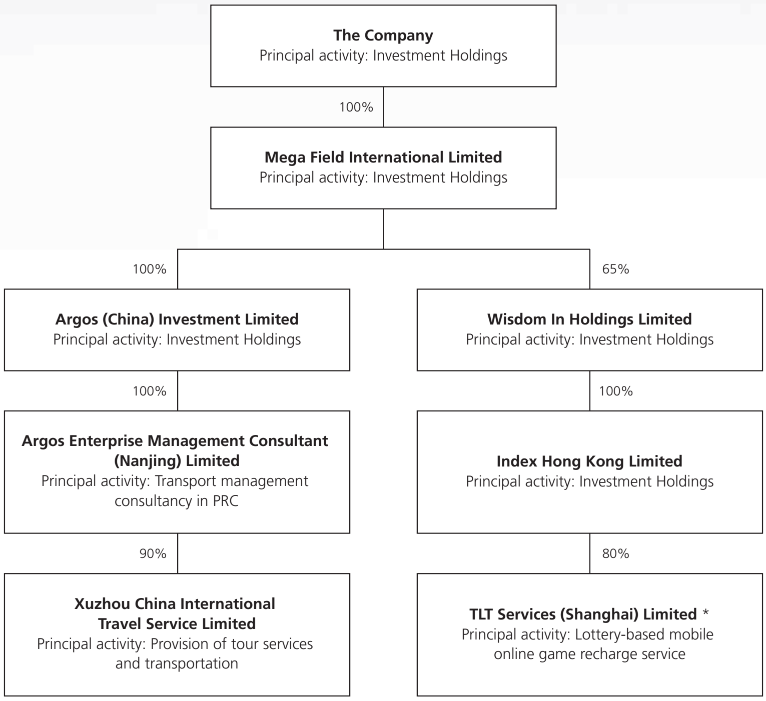
- 上海唐路科技服務有限公司 (TLT Services (Shanghai) Limited)*
- Xuzhou China International Travel Service Limited
- Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos") (ceased to be subsidiaries of the Company from 1 July 2009)
- Chongqing Wanzhou Area Argos Public Transport Bus Company Limited ("Wanzhou Argos") (ceased to be subsidiaries of the Company from 1 July 2009)
- Taizhou Argos Public Transport Bus Company Limited ("Taizhou Argos") (ceased to be subsidiaries of the Company from 1 July 2009)

The Group mainly involves in (1) The Mobile Lottery Online business which provides e-payment and e-recharge services to mobile lottery subscribers throughout PRC; (2) Sports Betting Outlets in various cities in PRC; (3) Tour and Travel agent services. The subsidiaries disposed of during the year 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 and (4) tour Services.

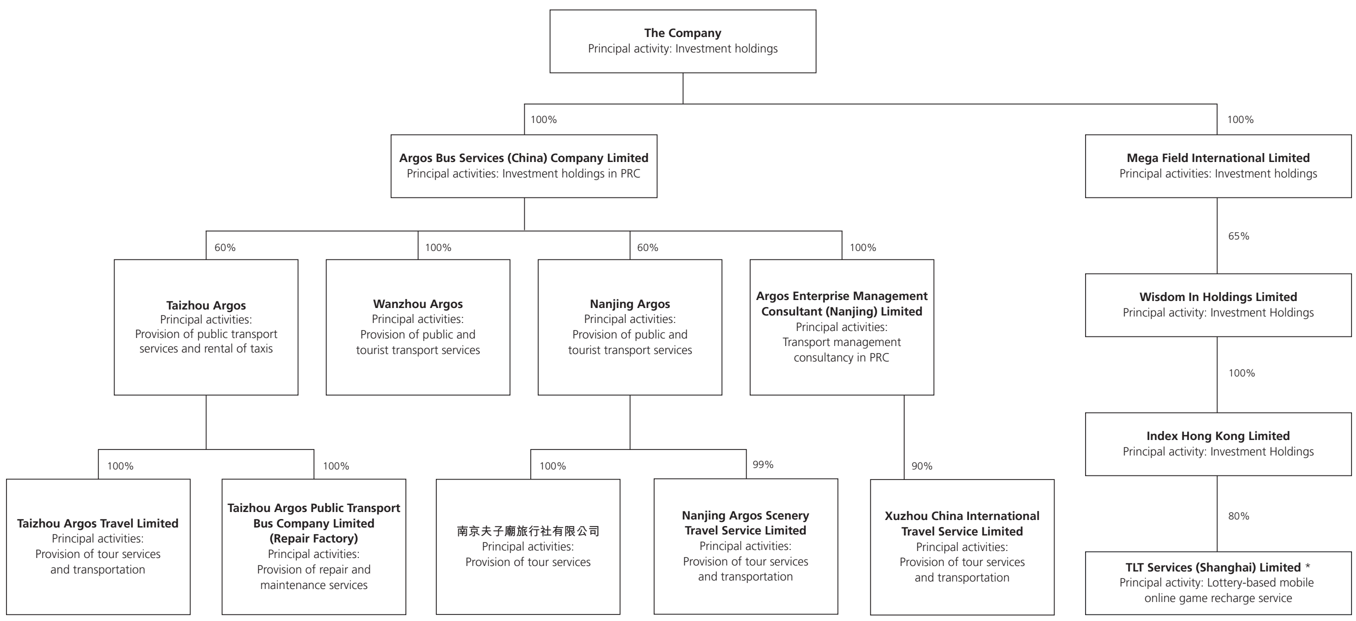
* *For identification purpose only*

CORPORATE STRUCTURE

The following is the organisation structure of the Group (with principal subsidiaries only):
As at 31 December 2009:



As at 30 June 2009:



* *For identification purpose only*

CORPORATE INFORMATION

DIRECTORS

Executive Directors

* Mr. Wong Wai Sing *(Chairman)*
Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*
Mr. Chan Kin Yip
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. Cheung Man Yau, Timothy
Mr. Wong Wai Sing
Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis
Mr. Fung Wai Shing

WEBSITE

www.lottotainment.com.hk

AUDITORS

CCIF CPA Limited
34/F., The Lee Gardens
33 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 Wai Sing has been appointed as Chairman and Non-Executive Director of the Company on 17 April 2009. He has been re-designated from Non-Executive Director to Executive Director on 1 February 2010.

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 2009.

HIGHLIGHTS OF 2009 FISCAL YEAR OPERATION

Turnover of the Group for 2009 was approximately HK$22 million which was increased by 24% as compared to approximately HK$17 million in last year. Compared to a loss for the year of HK$70 million in 2008, a significant loss for the year of HK$636 million was recorded. This was mainly because of an impairment loss on intangible assets and goodwill of HK$483 million and HK$55 million respectively were recorded. Loss per share was approximately 81.82 HK cents, compared to a loss of 26.21 HK cents per share in 2008. The Board of Directors of the Company (the "Board") does not recommend any dividend payment for 2009.

OVERVIEW FOR 2009 OPERATION

The year 2009 is a "year of transformation" to the Group. Through the acquisition of a high growth potential mobile lottery online recharging business in January 2009 and the disposal of loss-making public transportation business in June 2009, the core business of the Group has been changed from public transportation business to mobile lottery online recharging business. To better reflect the Group's future development and the business stream, the Company's name had been also changed as "TLT Lottotainment Group Limited". Lottotainment can be read as "Lottery + Entertainment" which exhibits the Group's future focus on developing the lottery and entertainment market segments. In order to enhance the Group values which in turn create greater returns to the shareholders of the Company, notwithstanding the mobile lottery online recharging business, the Group further steps in the lottery market by establishment of two Sports Betting outlets at Qingdao and Linyi of Shandong province and one at Haikou of Hainan province in 2009.

The transformation also occurred at the corporate level of the Company. During the year of 2009, the Group has made great effort in improving the composition of the board of directors, by inviting professionals from the fields of accounting, finance and risk control to join the board to enhance the overall corporate governance of the Group.

PROSPECT

During the last five years, the lottery industry in China maintained an average annual growth rate of 30%. After the financial tsunami, the China lottery industry did not even setback as expected. In contrary to the pessimistic view, the lottery sales in 2009 reached a record high of RMB132.5 billion which was increased by 25% comparing to 2008, according to the statistics issued latest by Ministry of Finance of China. The introduction of the first nationwide "Regulations of Administration of Lottery" specifies the regulatory framework for all aspects of the lottery operation, including lottery ticket issue, sales, prize, fund management and legal responsibility of misbehaviors in Mainland China. We strongly believe the issuance of the official regulatory framework will strengthen the market orders and improve the operating environment and our rights as service provider in the industry.

According to the PRC lottery statistics and past experience, the launching of new and remote, but regulated lottery sales platform like mobile online, as well as the launching of more high frequent, interactive and entertaining games will definitely be the future growth drivers of China lottery market. We strongly believe that the Mobile Lottery Online which allows players to buy lottery or play interactive online games through their mobile handset is an ideal distribution network for China lottery market. Mobile lottery online is a new lottery distribution channel that we will continue to focus on. Given a huge size of lottery population and mobile phone subscribers in China, we are fully optimistic that our mobile lottery online recharging business will be the growth driver of our Company. In addition to Shandong province business which has already launched in January 2009, the Group is coordinating with Sports Lottery Administration Centre to work out the schedule to launch the business in other five provinces in China.

The Sports Betting (single match betting on football and basketball) business will also be a rising star for the China lottery market based on the fact that it has operations over the country and has the highest payout rate resulting of more attractive than other types of lotteries. As the World Cup 2010 is coming in June this year, it definitely will have a huge boost to the Group's Sports Betting Business.

On behalf of the Board, I would like to express our gratitude to each and every one of our stakeholders, for their invaluable support, their patience, and their encouragement. Nevertheless, with confidence and determination, a bright future is lying ahead of us; we will keep on our hard work, to the full extent, to maximize benefits of the Company and our shareholders as a whole.

Cheung Man Yau, Timothy
Executive Director & Chief Executive Officer

Hong Kong, 22 March 2010

Mobile Lottery online ("MLO") recharge and Sports Betting Sales Outlet business

With the lottotainment business launched in Shandong province in January 2009, we have over 5,259 agents and 18,100 subscribers using our Tanglu Mobile Payment platform ("TMP platform") for participating in MLO as at the end of 2009. We expect these numbers would grow further once the operations in other provinces have been launched.

Due to the unexpected delay in launching out the MLO business in other provinces by Sports Lottery Administration Centre ("SLAC") of which service agreements have been entered into and the performance of MLO business is less satisfactory, an impairment loss on intangible assets and goodwill of MLO recharging business of HK$483 million and HK$55 million respectively were recognised. We will however work closely with SLAC to schedule the launch out plan of MLO in other provinces.

Travel Agency operation

The travel industry market is continued to be very competitive in the PRC as more and more travel agents are entering the market. 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 the operation will continue to face a difficult environment in the coming years for travel industry.

In the year 2010, we will concentrate on Hong Kong and Macau tour markets. As the Expo 2010 is forth coming, we expect the number of tourists visiting China would increase and will be beneficial to our operation. Hence, we will also focus more on cooperating with different sizes of tourist agencies in central China in the year 2010.

Public transportation operation (disposed of during the year)

Turnover in 2009 remained steady in three major bus operation subsidiaries, namely Nanjing Argos, Wanzhou Argos and Taizhou Argos. The frustration in oil prices and the national-wide inflation 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 public transportation operations. In fiscal year 2009, the Chinese local government provided various subsidies to the Group's companies in following areas: oil prices, new bus fleets acquisition and fare. However, the Government still pose a limitation in raising fare.

In considering the limited growth potential and the uncertain prospect of the operation, the operation was disposed of during the year.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2009, the total assets of the Group was approximately HK$363 million (2008: HK$225 million), including cash and bank balances and deposits of approximately HK$13 million (2008: HK$37 million) of which HK$10 million (2008: HK$10 million) were pledged to secure banking facilities. Outstanding balance of bank loans, overdrafts and other loans as at 31 December 2009 was approximately HK$39 million (2008: HK$34 million) of which HK$11 million (2008: HK$29 million) are due within one year. The gearing ratio of the Group expressed in total debt as a percentage of net assets was 615% (2008: 160%).

Significant Impairment Loss on Intangible Assets

Due to the unexpected delay in launch out of mobile lottery online by Sports Lottery Administration Centres in other provinces, and undesirable operating performance of the mobile lottery online recharging segment, the Board carried out an assessment of the recoverable amount of intangible assets and goodwill as at year end of 2009. Based on this assessment, the carrying amount of these intangible assets and goodwill were impaired by approximately HK$483 million and HK$55 million respectively. The estimates of recoverable amount were assessed based on discounted cashflow method which is performed by an independent valuer.

Charges on Group's Assets

At 31 December 2009, the Company has pledged a fixed deposit of HK$10 million (2008: HK$10 million) to secure banking facilities to the Company.

Capital Structure

During the year, there were a total of HK$409,200,000 Convertible Bonds has been issued, in which HK$258,890,000 convertible bonds were converted into 392,257,575 ordinary shares of the Company.

SIGNIFICANT INVESTMENT HELD

The Group has no significant investment held for the year ended 31 December 2009.

CAPITAL COMMITMENTS

The details of the capital commitments incurred during the year ended 31 December 2009 are set out in note 42 to the financial statements.

MATERIAL ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Acquisition of Lottotainment Business

During the year, the Group, through the acquisition of 65% equity interests in Wisdom In Holdings Limited, acquired the mobile lottery online recharging business. References are made to (i) the announcements of the Company dated 15 October 2008 and 8 January 2009 in relation to the very substantial acquisition pursuant to the terms and conditions set out in the Master Agreement; (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. The acquisition was completed on 8 January 2009.

Disposal of Public Transportation Business

The Company entered into a sale and purchase agreement dated 6 May 2009 with an independent third party in relation to the disposal of the entire issued share capital of its subsidiary, Argos Bus Services (China) Company Limited ("Argos Bus China"), at the consideration of HK$1,500,000, and Argos Bus China's indebtedness to the Company at the consideration of HK$6,500,000, subject to the adjustment. The completion of the disposal took place on 30 June 2009. References are made to the announcements of the Company dated 11 May 2009 and 30 June 2009, respectively and the circular of the Company dated 12 June 2009 in relation to the very substantial disposal.

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.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations of principal activities for the year ended 31 December 2009 is set out in note 14 to the financial statements:

POST BALANCE SHEET EVENTS

Downward Adjustment to Convertible Bonds of HK$148 million

Reference is made to the Company's announcement dated 9 March 2010. Pursuant to the sale and purchase agreement ("Master Agreement") dated 23 September 2008 entered into between Mega Field International Limited, a wholly owned subsidiary of the Company and Mr. Zhang Wei Ting (the "Vendor") and its supplemental agreements, the Vendor undertakes to obtain the Mobile Lottery Recharging Services Agreements for the Liaoning Business within fourteen months after the Completion (i.e. 9 January 2009 to 8 March 2010) ("Undertaking Period"). As the Vendor is not able to obtain the Mobile Lottery Recharging Services Agreement for the Liaoning Business within the Undertaking Period, the principal amount of the Convertible Bonds has been adjusted downward by HK$148 million on 9 March 2010 and such amount of the Convertible Bonds, being part of the Consideration, has also been cancelled by the Company accordingly.

Under the Master Agreement, the Vendor also undertakes that the profits after enterprise income tax but before minority interests shown in the audited financial statements of the TLT Services (Shanghai) Limited for the year ended 31 December 2009 would not be less than HK$114 million. As TLT Services (Shanghai) Limited recorded an audited loss of HK$22 million after enterprise income tax but before minority interests for the year ended 31 December 2009, the principal amount of Promissory note of the Company has been adjusted downward by HK$71 million accordingly. The downward adjustment was already reflected in the financial statements of the Company for the year ended 31 December 2009.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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 Hong Kong dollar and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented, the detail is set out in note 41(d) to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2009, the Directors are not aware of any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group had 117 (2008: 2,364) full-time employees. The total of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2009 amounted to approximately HK$50 million (2008: HK$64 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

SHARE OPTION SCHEME

A share option scheme was adopted on 30 July 2001 and amended on 2 December 2008 by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees 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).

Details of the movements in the share options granted and exercised during the year ended 31 December 2009 under the share option scheme are disclosed in the section of "Report of Directors".

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 2009.

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 2009 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.

Board Composition and Board Practices

As at 31 December 2009, the Board comprised of seven Directors including three Executive Directors, Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip and Mr. Cheng Wing Hong; one Non-executive Director, namely Mr. Wong Wai Sing; and three Independent Non-executive Directors, namely Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

The Board schedules four meetings a year at approximately quarterly intervals and will be met as necessary. During the year ended 31 December 2009, 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.

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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2009, Mr. Wong Wah Sang was the Chairman of the Company until 9 March 2009. The role of the Chairman has been performed collectively by all the Directors of the Company, until the appointment of Mr. Wong Wai Sing as the Chairman on 17 April 2009 that the roles of the Chairman and Chief Executive Officer of the Company (the "CEO") are segregated and performed by Mr. Wong Wai Sing 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.

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 2009 and up to the date of this annual report were:

Executive Directors

Mr. Wong Wai Sing *(Chairman)*	(Appointed as Non-Executive Director on 17 April 2009 and re-designated from Non-Executive Director to Executive Director on 1 February 2010)
Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*	
Mr. Cheng Wing Hong	
Mr. Chan Kin Yip	(Appointed on 9 March 2009)
Mr. Wong Man Chiu, Ronnie	(Resigned on 16 November 2009)

Non-Executive Directors

Mr. Wong Wah Sang	(Resigned on 9 March 2009)
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

The attendance of Directors at the Board meetings for the year ended 31 December 2009 is set out as follows:

Name of Directors	**Attendance of meeting held**
Mr. Wong Wai Sing	7/13
Mr. Cheung Man Yau, Timothy	20/21
Mr. Cheng Wing Hong	21/21
Mr. Chan Kin Yip	17/17
Mr. Wong Wah Sang	0/5
Mr. Wilkie Wong	0/5
Mr. Wong Man Chiu, Ronnie	13/21
Mr. Sung Wai Tak, Herman	6/21
Mr. Wong Lit Chor, Alexis	10/21
Mr. Fung Wai Shing	4/21

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 2009, 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 2009 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 Wai Shing 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 2009 is set out as follows:

Name of Audit Committee Members	Attendance of meeting held
Mr. Fung Wai Shing (Chairman of the committee)	4/4
Mr. Sung Wai Tak, Herman	4/4
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 2009, the remuneration committee has discussed and formulating the remuneration policies of the Company.

The remuneration committee currently consisted of two executive directors and three independent non-executive directors, namely Mr. Wong Wai Sing, Mr. Cheung Man Yau, Timothy, 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 2009 is set out as follows:

Name of Remuneration Committee Members	Attendance of meeting held
Mr. Wong Wai Sing	1/1
Mr. Cheung Man Yau, Timothy	1/1
Mr. Fung Wai Shing	1/1
Mr. Sung Wai Tak, Herman	1/1
Mr. Wong Lit Chor, Alexis	1/1

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.

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$300,000 to the external auditors for performing the statutory audit work of 2009 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. Wong Wai Sing, aged 25, is also the chairman and non-executive director of Ming Kei Holdings Limited which is a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Wong holds a Bachelor of Science degree in International Business from Canterbury University, London and a Master Degree in International Business Administration from Stratford University, USA. Mr. Wong is also an associate member of The Hong Kong Institute of Directors. He has been re-designated from Chairman and Non-executive director to Chairman and Executive Director on 1 February 2010.

Mr. Wong has entered into a service agreement for a period of three years with the Company for a term of three years commencing from 17 April 2009. He has re-entered into a new service agreement with the Company for a term of three years on 1 February 2010 and the previous agreement was cancelled accordingly. Under the new service agreement, he is entitled to a monthly salary of HK$150,000.00, a monthly director fee of HK$10,000.00 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities to the Company.

Mr. Cheung Man Yau, Timothy, aged 52, 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 27 years of extensive experience in the finance, audit and accounting fields. Mr. Cheung graduated from the University of Hong Kong and has previously worked in a number of International accounting firms and listed companies in Hong Kong. He is currently a Practicing Certified Public Accountant.

Mr. Cheung has entered into a service agreement with the Company for a term of three years commencing from 1 February 2010. Under the new service agreement, he is entitled to a monthly salary of HK$120,000.00, a monthly director fee of HK$10,000.00 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities to the Company.

Mr. Cheng Wing Hong, aged 36, 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 11 years of accounting experience and has joined the Group since June 2006. Mr. Cheng is the company secretary and qualified accountant of the Company.

Mr. Cheng has entered into a service agreement with the Company for a term of three years commencing from 14 February 2008. Under the service agreement, Mr. Cheng is entitled to a monthly salary of HK$42,500 per month and one month equivalent salary for each completed year of service plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities to the Company.

Mr. Chan Kin Yip, aged 37, 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 13 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.

Mr. Chan has entered into a service agreement with the Company for a term of three years commencing from 9 March 2009. He is entitled to a monthly salary of HK$90,000 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman, aged 51, 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. Sung is the director of Tak Sing (Asia) Limited, Prosper Get Investments Limited, Silver Shores Limited and is also appointed as an independent non-executive director of Ming Kei Holdings Limited, a company listed on the GEM Board.

Mr. Wong Lit Chor, Alexis, aged 51, was appointed as an independent non-executive director on 24 September 2004. He 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 21 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. He is currently a director and responsible person of Quam Securities Company Limited for Types 1 and 4 regulated activities under the Securities and Futures Ordinance. Mr. Wong is also an independent non-executive director of Inspur International Limited and China Fortune Holdings Limited which are companies listed on Main Board of the Stock Exchange.

Mr. Fung Wai Shing, aged 40, was appointed as an independent non-executive director of the Company on 12 August 2008. Mr. Fung 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 12 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.

The Company has not entered into any service agreement nor any fixed term of service between each of Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.

SENIOR MANAGEMENT

Mr. Wu Hong, aged 51, is the president and CEO of TLT Services (Shanghai) Limited, one of the major subsidiaries of the Company. He is one of the founders of TLT Services (Shanghai) Limited and is responsible for the operation, strategic development and marketing of TLT Services (Shanghai) Limited. Mr. Wu previously worked for the PRC Air Force.

Mr. Zhang Wei Ting, aged 63, is the Executive Director of TLT Services (Shanghai) Limited. He is one of the founders of TLT Services (Shanghai) Limited and is responsible for the general administration of TLT Services (Shanghai) Limited. Mr. Zhang was previously employed by the PRC Department of Foreign Trade and various PRC companies and is experienced in business administration and management.

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 2009.

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.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 28.

The states of affairs of the Group and of the Company as at 31 December 2009 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 to 35.

DIVIDENDS

The directors do not recommend any payment of dividend nor transfer of any amount to reserves for the year (2008: Nil).

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				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**118,493**	185,213	185,069	156,160	136,547
(Loss)/profit before taxation	**(764,466)**	(70,154)	(12,699)	4,256	2,305
Gain on disposal of discontinued operations	**3,110**	–	–	–	–
Taxation	**125,238**	0	(277)	(2,130)	(3,205)
(Loss)/profit before minority interests	**(636,118)**	(70,154)	(12,976)	2,126	(900)
Net (loss)/profit from ordinary activities					
attributable to shareholders	**(387,060)**	(48,262)	(9,119)	(94)	(2,672)
attributable to minority interests	**(249,058)**	21,892	3,857	2,220	1,772

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**362,943**	225,108	213,219	173,745	178,808
Total liabilities	**(356,610)**	(203,967)	(137,553)	(94,189)	(103,761)
Minority interests	**(53,153)**	(6,270)	(25,548)	(24,800)	(22,007)
Shareholders funds	**(46,820)**	14,871	50,118	54,756	53,040

Certain figures for the year ended 31 December 2005 has been restated.

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 15 and 16 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, 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, CONVERTIBLE BONDS AND PROMISSORY NOTES

Detail of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 37(c), 39, 34 and 35 to the financial statements.

DONATIONS

No charitable donations was made by the Group during the year (2008: Nil).

DIRECTORS

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

Executive Directors	
Mr. Wong Wai Sing *(Chairman)*	(Appointed as Non-Executive Director on 17 April 2009 and re-designated from Non-Executive Director to Executive Director on 1 February 2010)
Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*	
Mr. Wong Man Chiu, Ronnie	(Resigned on 16 November 2009)
Mr. Cheng Wing Hong	
Mr. Chan Kin Yip	(Appointed on 9 March 2009)
Non-Executive Directors	
Mr. Wong Wah Sang	(Resigned on 9 March 2009)
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	

In accordance with the Company's Articles of Association, Mr. Cheung Man Yau, Timothy, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 & 16 of this Annual Report.

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 2009, 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	Capacity/nature of interests	Number of ordinary share(s) held	Number of underlying share(s) held	Approximate of aggregate percentage of the Company's issued share capital
Mr. Cheung Man Yau, Timothy	Interest of Corporation Controlled	50,000,000 *(Note 1)*	–	7.67%
Mr. Wong Wai Sing	Beneficial Owner	3,350,000	–	0.51%
	Interest of Corporation Controlled	64,500,000 *(Note 2)*	–	9.89%
Mr. Chan Kin Yip	Beneficial Owner	–	3,000,000 *(Note 3)*	0.46%
Mr. Cheng Wing Hong	Beneficial Owner	–	1,500,000 *(Note 3)*	0.23%
Mr. Sung Wai Tak, Herman	Beneficial Owner	–	500,000 *(Note 3)*	0.08%
Mr. Wong Lit Chor, Alexis	Beneficial Owner	–	500,000 *(Note 3)*	0.08%
Mr. Fung Wai Shing	Beneficial Owner	–	500,000 *(Note 3)*	0.08%

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. These 64,500,000 Shares are held by Shiny Galaxy Enterprises Limited which is beneficially owned by Mr. Wong Wai Sing, an Executive Director of the Company. By virtue of Part XV of the SFO, Mr. Wong Wai Sing is deemed to be interested in these 64,500,000 Shares.

3. The share options of the Company have been granted to directors and employees on 29 June 2009 and outstanding as at 31 December 2009.

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

Save as disclosed above, as at 31 December 2009, 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.

SHARE OPTION SCHEME

A share option scheme was adopted on 30 July 2001 and amended on 2 December 2008 by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees 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).

Details of the movements in the share options granted to various Directors and employees of the Group and exercised during the year ended 31 December 2009 under the share option scheme are as follows:

Name or category	Date of grant	Exercisable period	Subscription price per share of the Company	Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2009
Directors								
Mr. Chan Kin Yip	29/06/2009	29/06/2009 to 28/06/2019	HK$0.614	–	3,000,000	–	–	3,000,000
Mr. Cheng Wing Hong	29/06/2009	29/06/2009 to 28/06/2019	HK$0.614	–	1,500,000	–	–	1,500,000
Mr. Sung Wai Tak, Herman	29/06/2009	29/06/2009 to 28/06/2019	HK$0.614	–	500,000	–	–	500,000
Mr. Wong Lit Chor, Alexis	29/06/2009	29/06/2009 to 28/06/2019	HK$0.614	–	500,000	–	–	500,000
Mr. Fung Wai Shing	29/06/2009	29/06/2009 to 28/06/2019	HK$0.614	–	500,000	–	–	500,000
Other Employees	29/06/2009	29/06/2009 to 28/06/2019	HK$0.614	–	3,800,000	–	–	3,800,000
In aggregate				–	9,800,000	–	–	9,800,000

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 2009 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 2009, 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
Premier Capital Enterprises Limited *(Note 4)*	Beneficial Owner	291,742,425	44.73%
Mr. Zhang Wei Ting *(Note 4)*	Interest of Corporation Controlled	291,742,425	44.73%
Shiny Galaxy Enterprises Limited *(Note 2 above)*	Beneficial Owner	64,500,000	9.89%
Wonderful Source Limited *(Note 1 above)*	Beneficial Owner	50,000,000	7.67%
Wu Hong	Beneficial Owner	50,000,000	7.67%

Note 4: These shares are owned by Premier Capital Enterprises Limited, a company wholly owned by Mr. Zhang Wei Ting. The 291,742,425 Shares held by Premier Capital Enterprises Limited consist of convertible bonds which can be converted into 227,742,425 shares of the Company during its conversion period of three years from 9 January 2009. Mr. Zhang is deemed to be interested in 291,742,425 Shares pursuant to Part XV of the SFO.

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

Save as disclosed above, as at 31 December 2009, 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 2009, 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 44 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 notes 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 39 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 0.71% and 2.39% 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 10.32% and 23.91% 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (2008: 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 2009, 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 2009.

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 2009.

AUDITORS

The financial statements of the Company for the years ended 31 December 2006, 2007 were audited by Messrs. Ting Ho Kwan & Chan, Certified Public Accountants (Practising) while Messrs. CCIF CPA Limited ("CCIF") prepared the audited financial statements of the Company for the year ended 31 December 2008 and 2009. 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, 22 March 2010

CCIF

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF TLT LOTTOTAINMENT GROUP LIMITED
(FORMERLY KNOWN AS ARGOS ENTERPRISE (HOLDINGS) LIMITED)
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of TLT Lottotainment Group Limited (the "Company") set out on pages 28 to 108, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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.

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.

Opinion

In our opinion, 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 2009 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 18(a) to the consolidated financial statements. The key assumptions used for value-in-use calculations of recoverable amounts of Exclusive Operating Licenses are based on directors' best estimates. This valuation is sensitive to these assumptions which include growth in revenue year-on-year, penetration rate of mobile lottery on-line to the whole Sports Lottery and Welfare Lottery in the PRC, discount rate, and more on-line games will be launched in June 2011 in Shandong province and the businesses in Heinan province, Qinghai province, Hubei province, Gansu province and Shaanxi province will be started in 2012. Changes in these parameters could lead to a material revision of the valuation which may have adverse effects on the business and results of the Group.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 22 March 2010

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	*4 & 14*	**22,113**	17,844
Cost of sales		**(18,636)**	(17,623)
Gross profit		**3,477**	221
Other revenue	*5*	**99**	646
Operating and administrative expenses		**(34,081)**	(6,556)
Amortization of intangible assets	*18*	**(137,025)**	–
Impairment loss on intangible assets	*18*	**(483,375)**	–
Impairment loss on goodwill	*19*	**(55,010)**	–
Loss from operations		**(705,915)**	(5,689)
Finance costs	*6(a)*	**(57,465)**	(752)
Loss before taxation	*6*	**(763,380)**	(6,441)
Income tax	*7*	**127,640**	–
Loss after income tax from continuing operations		**(635,740)**	(6,441)
Discontinued operations			
Loss from discontinued operations	*12*	**(378)**	(63,713)
Loss for the year		**(636,118)**	(70,154)
Attributable to:			
Equity shareholders of the Company		**(387,060)**	(48,262)
Minority interests		**(249,058)**	(21,892)
Loss for the year		**(636,118)**	(70,154)
(Loss)/earning per share	*13*		
From continuing and discontinued operations			
Basic		**(81.82 cents)**	(26.21 cents)
Diluted		**(81.82 cents)**	(26.21 cents)
From continuing operations			
Basic		**(81.74 cents)**	8.39 cents
Diluted		**(81.74 cents)**	8.39 cents
From discontinued operations			
Basic		**(0.08 cents)**	(34.60 cents)
Diluted		**(0.08 cents)**	(34.60 cents)

The notes on pages 36 to 108 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Loss for the year		**(636,118)**	(70,154)
Other comprehensive (expenses)/ income for the year (after tax and reclassification adjustment)	*11*		
Exchange differences on translation of overseas financial statements of subsidiaries		**(7,881)**	8,307
Reserves released upon disposal of discontinued operations		**(19,142)**	–
Revaluation surpluses		**–**	122
Other comprehensive (expenses)/ income for the year		**(27,023)**	8,429
Total comprehensive expenses for the year		**(663,141)**	(61,725)
Attributable to:			
Equity shareholders of the company		**(407,709)**	(42,447)
Minority interests		**(255,432)**	(19,278)
Total comprehensive expenses for the year		**(663,141)**	(61,725)

The notes on pages 36 to 108 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**5,917**	154,280
Investment properties	*16*	**–**	1,626
Prepaid lease payments	*17*	**794**	5,417
Intangible assets	*18*	**186,717**	912
Goodwill	*19*	**–**	–
Available-for-sale financial assets	*20*	**–**	1,248
Deposit for acquisition of a subsidiary	*21*	**–**	5,000
Deposit for acquisition of exclusive operating licences	*22*	**148,000**	–
		341,428	168,483
Current assets			
Inventories	*24*	**1**	2,920
Trade and other receivables	*25*	**8,095**	17,058
Pledged bank deposits	*26*	**10,000**	10,000
Cash and cash equivalents	*27*	**3,419**	26,647
		21,515	56,625
Current liabilities			
Bank borrowings	*28*	**10,511**	28,558
Trade and other payables	*29*	**9,232**	132,561
		(19,743)	(161,119)
Net current assets/(liabilities)		**1,772**	(104,494)
Total assets less current liabilities		**343,200**	63,989
Non-current liabilities			
Receipts in advance	*30*	**–**	2,847
Other payables	*31*	**25,968**	1,071
Other loan	*32*	**28,460**	1,331
Bank borrowings	*28*	**–**	4,023
Government grants	*33*	**–**	32,540
Convertible bonds	*34*	**110,254**	–
Promissory notes	*35*	**131,687**	–
Deferred tax liabilities	*36*	**40,498**	1,036
		(336,867)	(42,848)
NET ASSETS		**6,333**	21,141

The notes on pages 36 to 108 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES	*37(a)*		
Share capital		**6,523**	2,160
Reserves		**(53,343)**	12,711
Total equity attributable to equity shareholders of the Company		**(46,820)**	14,871
Minority interests		**53,153**	6,270
TOTAL EQUITY		**6,333**	21,141

Approved and authorised for issue by the board of directors on 22 March 2010.

Cheung Man Yau, Timothy
Director

Cheng Wing Hong
Director

The notes on pages 36 to 108 form part of these financial statements.

BALANCE SHEET

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**245**	286
Interests in subsidiaries	*23*	**265,872**	24,777
		266,117	25,063
Current assets			
Other receivables	*25*	**–**	104
Pledged bank deposits	*26*	**10,000**	10,000
Cash and cash equivalents	*27*	**1**	5
		10,001	10,109
Current liabilities			
Bank borrowings	*28*	**10,511**	10,466
Other payables	*29*	**2,213**	8,006
		(12,724)	(18,472)
Net current liabilities		**(2,723)**	(8,363)
Total assets less current liabilities		**263,394**	16,700
Non-current liabilities			
Convertible bonds	*34*	**110,254**	–
Promissory notes	*35*	**131,687**	–
Other payables	*31*	**13,353**	–
		(255,294)	–
NET ASSETS		**8,100**	16,700
EQUITY AND RESERVES	*37(b)*		
Share capital		**6,523**	2,160
Reserves		**1,577**	14,540
TOTAL EQUITY		**8,100**	16,700

Approved and authorised for issue by the board of directors on 22 March 2010.

Cheung Man Yau, Timothy	**Cheng Wing Hong**
Director	*Director*

The notes on pages 36 to 108 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	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	Share option reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	1,800	29,200	(490)	8,560	3,227	184	432	7,205	–	50,118	25,548	75,666
Loss for the year	–	–	–	–	–	–	–	(48,262)	–	(48,262)	(21,892)	(70,154)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	5,693	–	–	–	–	–	5,693	2,614	8,307
Revaluation surpluses	–	–	–	–	–	122	–	–	–	122	–	122
Total comprehensive income/(expense) for the year	–	–	–	5,693	–	122	–	(48,262)	–	(42,447)	(19,278)	(61,725)
Share issued upon conversion of convertible bond	360	7,272	–	–	–	–	(432)	–	–	7,200	–	7,200
At 31 December 2008	2,160	36,472	(490)	14,253	3,227	306	–	(41,057)	–	14,871	6,270	21,141
At 1 January 2009	2,160	36,472	(490)	14,253	3,227	306	–	(41,057)	–	14,871	6,270	21,141
Loss for the year	–	–	–	–	–	–	–	(387,060)	–	(387,060)	(249,058)	(636,118)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(4,216)	–	–	–	–	–	(4,216)	(3,665)	(7,881)
Disposal of discontinued operations	–	–	490	(13,749)	(3,174)	–	–	–	–	(16,433)	(2,709)	(19,142)
Revaluation surpluses	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income/(expense) for the year	–	–	490	(17,965)	(3,174)	–	–	(387,060)	–	(407,709)	(255,432)	(663,141)
Share issued upon conversion of convertible bonds	3,923	266,177	–	–	–	–	(94,776)	–	–	175,324	–	175,324
Acquisition of subsidiaries	–	–	–	360	–	–	–	–	–	360	236,777	237,137
Deemed contribution from minority interests	–	–	–	–	–	–	–	–	–	–	65,538	65,538
Asset revaluation reserve released through disposal of discontinued operations	–	–	–	–	–	(211)	–	211	–	–	–	–
Issuance of convertible bonds	–	–	–	–	–	–	149,802	–	–	149,802	–	149,802
Shares issued for acquisition of subsidiary	440	17,600	–	–	–	–	–	–	–	18,040	–	18,040
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	–	2,492	2,492	–	2,492
At 31 December 2009	6,523	320,249	–	(3,352)	53	95	55,026	(427,906)	2,492	(46,820)	53,153	6,333

The notes on pages 36 to 108 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Loss before taxation			
From continuing operations	*7(b)*	**(763,380)**	(6,441)
From discontinued operations	*7(b)*	**(1,086)**	(63,713)
Adjustments for:			
Net fair value gains on investment properties	*5*	**–**	(139)
Depreciation	*6(c)*	**13,434**	20,707
Impairment loss on property, plant and equipment	*6(c)*	**109**	41,024
Impairment loss on available-for-sale financial assets	*6(c)*	**378**	–
Impairment loss on intangible assets	*18*	**483,375**	–
Impairment loss on goodwill	*19*	**55,010**	–
Reversal of impairment loss of other receivables	*5*	**(3,776)**	–
Amortisation of prepaid lease payments	*6(c)*	**65**	116
Amortisation of intangible assets	*6(c)*	**137,025**	390
Loss on disposal of property, plant and equipment	*5*	**379**	11,114
Government grants for purchase of motor vehicles	*5*	**(1,698)**	(1,992)
Equity-settled share-based payment expenses	*6(b)*	**2,492**	–
Interest income	*5*	**(258)**	(1,335)
Finance costs	*6(a)*	**57,950**	3,273
Foreign exchange gain		**–**	(1,400)
Operating (loss)/profit before changes in working capital		**(19,981)**	1,604
Increase in inventories		**(139)**	(431)
(Increase)/decrease in trade and other receivables		**(22,396)**	6,331
Increase in trade and other payables		**37,388**	15,925
Increase/(decrease) in receipts in advance		**5,772**	(1,659)
Cash generated from operations		**644**	21,770
Tax paid			
PRC enterprise income tax		**(2,402)**	–
Net cash generated from operating activities		**(1,758)**	21,770

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Investing activities			
Payment for purchase of property, plant and equipment		**(20,532)**	(68,406)
Proceeds from disposal of property, plant and equipment		**32**	1,415
Payment for purchase of intangible assets		**(2,344)**	–
Payment for deposit in respect of acquisition of a subsidiary		**–**	(5,000)
Proceeds from government grants for purchase of motor vehicles		**–**	27,151
Interest received		**258**	1,335
Disposal of discontinued operations, net outflow of cash	*40(a)*	**(34,990)**	–
Acquisition of subsidiaries, net inflow of cash	*40(b)*	**1,018**	–
Net cash used in investing activities		**(56,558)**	(43,505)
Financing activities			
Proceeds from new bank loans		**26,644**	12,643
Repayment of bank loans		**(14,966)**	(8,321)
Proceeds from other loan		**39,176**	5,600
Repayment of other loan		**(11,405)**	(4,269)
Advance from a director		**–**	6,340
Advance from minority interests		**–**	358
Interest paid		**(4,758)**	(3,100)
Other borrowing costs paid		**–**	(173)
Net cash generated from financing activities		**34,691**	9,078
Net decrease in cash and cash equivalents		**(23,625)**	(12,657)
Cash and cash equivalents at 1 January	*27*	**16,181**	26,084
Effect of foreign exchange rate changes		**352**	2,754
Cash and cash equivalents at 31 December	*27*	**(7,092)**	16,181

The notes on pages 36 to 108 form part of these financial statements.

1. GENERAL INFORMATION

TLT Lottotainment Group Limited (The "Company") was incorporated and registered in Hong Kong and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

Pursuant to a special resolution duly approved by the shareholders in the extraordinary general meeting held on 29 June 2009, the Company had changed its name from "Argos Enterprise (Holdings) Limited 雅高企業(集團)有限公司" to "TLT Lottotainment Group Limited 彩娛集團有限公司" to reflect the change in the business focus of the Group.

The Company (with its subsidiaries is collectively referred to as the "Group") is an investment holding company. Its subsidiaries are principally engaged in investment holding, provision of lottery-based mobile on-line game recharging services, and rendering of tourist routes and tour related services. The Group was also engaged in the business of provision of public bus transportation and related services in the People's Republic of China (the "PRC"). This activity was discontinued in the current year as a result of the disposal of former subsidiaries (see notes 12 and 40(a)).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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 2009 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 46.

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

– the consolidated loss of approximately HK$387,060,000 attributable to equity shareholders of the Company for the year ended 31 December 2009;

– the outstanding bank borrowings of approximately HK$10,511,000 (note 28), out of which an aggregate of approximately HK$10,511,000 was due for repayment within the next twelve months after 31 December 2009.

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 and the Company:

(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 and the Company is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group and the Company.

(iii) The Group is expected to derive sufficient operating cash flows from its existing operation, and the further development of the lottery-based mobile online game recharging services in the sports lottery business in the PRC of which operated since January 2009.

(iv) The Group and the Company 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 flows in 2010.

(v) Wong Wai Sing, a substantial shareholder and executive director of the Company, has undertaken to provide continuous financial support to the Group so as to enable the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future difficulties to be experienced by the Group.

(vi) Zhang Wei Ting, a director of a subsidiary of the Group and holder of promissory notes, agreed not to demand for repayment of promissory notes on or after the maturity date (i.e. 7 January 2012) when the Group is incapable to do so.

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 and the Company 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 and the Company 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)).

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)(vii) and 2(t)(viii).

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.

(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 undertermined 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)(vi).

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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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)).

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 and 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.

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(v)). 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:

–	Exclusive operating licenses	5 years
–	TMP platform	5 years
–	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.

(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.

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.

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.

(m) Convertible bonds

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Convertible bonds (Continued)

Convertible bonds that contain an equity component (Continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(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 a Black-Scholes Option 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 shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits/accumulated losses).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

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:

– 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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.

(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 mobile recharging service income

Revenue from mobile recharging service income is recognised when the related services are provided.

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

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

(iii) Revenue from sightseeing tickets sales and touring

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

(iv) Bus management and other service income

Revenue from bus management and other service income is recognised when the related services are rendered.

(v) 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.

(vi) 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.

(vii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition (Continued)

(viii) Interest income

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

(xi) 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.

(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 other comprehensive income and accumulated separately in equity in the exchange reserve. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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;

(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

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(y) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal. It also occurs if the operation is abandoned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Discontinued operations (Continued)

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

•	HKFRS 8	Operating segments
•	HKAS 1 (revised 2007)	Presentation of financial statements
•	Amendments to HKFRS 7	Financial instruments: Disclosures – improving disclosures about financial instruments
•	Improvements to HKFRSs (2008)	
•	Amendments to HKAS 27	Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
•	HKAS 23 (revised 2007)	Borrowing costs
•	Amendments to HKFRS 2	Share-based payment – vesting conditions and cancellations
•	HK(IFRIC) 15	Agreements for the construction of real estate
•	HK(IFRIC) 16	Hedges of a net investment in a foreign operation

The improvements to HKFRSs (2008), amendments to HKAS 23, HKFRS 2 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 14). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

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

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 41(e) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4. TURNOVER

Turnover comprises revenue from the provision of lottery-based mobile online game recharge services and tourist routes and rendering of tour related services. The Group ceased the business of provision of public transportation and related services in the PRC following the disposal of those subsidiaries in 2009 as set out in note 12. The amount of each significant category of revenue recognised in turnover during the year is analyzed as follows:

	2009 **HK$'000**	2008 (restated) HK$'000
Continuing operations		
– Mobile recharging service income	**2,811**	–
– Revenue from tourist routes and tour related services	**19,302**	17,844
	22,113	17,844
Discontinued operations		
– Bus fare from public routes	**69,628**	110,789
– Revenue from "Hire-a-bus" services and sightseeing ticket	**18,324**	40,247
– Bus management fee income	**8,428**	16,333
	96,380	167,369
	118,493	185,213

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

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK'000**	2008 HK$'000
Other revenue						
Interest income from banks	**65**	229	**159**	793	**224**	1,022
Other interest income	**34**	234	**–**	79	**34**	313
Total interest income on financial assets not at fair value through profit or loss	**99**	463	**159**	872	**258**	1,335
Government grants *(note)*	**–**	–	**16,373**	32,199	**16,373**	32,199
Advertising income on fleet body	**–**	–	**2,832**	7,460	**2,832**	7,460
Repair service income	**–**	–	**256**	497	**256**	497
Handling fee income	**–**	–	**261**	176	**261**	176
Sundry income	**–**	183	**817**	537	**817**	720
	99	646	**20,698**	41,741	**20,797**	42,387
Other net income						
Reversal of impairment loss of other receivables	**–**	–	**3,776**	–	**3,776**	–
Net loss on disposal of property, plant and equipment *(note 15)*	**–**	–	**(379)**	(11,144)	**(379)**	(11,144)
Net fair value gains on investment properties *(note 16)*	**–**	–	**–**	139	**–**	139
	–	–	**3,397**	(11,005)	**3,397**	(11,005)

Note: Government grants represent various forms of incentives and subsidies gave to the Group by local governmental in PRC. These grants are generally made as business support and are awarded to enterprises on a discretionary basis. The Group received these grants because of its investments in and provision of public bus services. Government grants of approximately HK$16,116,000 (2008: HK$30,207,000) are related to compensation for the expenses incurred by the Group and approximately HK$1,698,000 (2008: HK$1,992,000) are related to financing the Group in purchasing new motor vehicles.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		Continuing operations		Discontinued operations		Consolidated	
		2009	2008	**2009**	2008	**2009**	2008
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK'000**	HK$'000
(a)	**Finance costs**						
	Interest on bank advances other borrowings wholly repayable within five years	**1,561**	447	**471**	2,359	**2,032**	2,806
	Interest on promissory notes	**27,012**	–	**–**	–	**27,012**	–
	Interest on convertible bonds	**28,869**	294	**–**	–	**28,869**	294
	Others	**23**	11	**14**	162	**37**	173
	Total interest expenses on financial liabilities not at fair value through profit or loss	**57,465**	752	**485**	2,521	**57,950**	3,273
(b)	**Staff costs (including directors' remuneration)**						
	Contributions to defined contribution retirement plans	**1,641**	386	**8,172**	8,372	**9,813**	8,758
	Salaries, wages and other benefits	**11,038**	1,533	**26,336**	53,343	**37,374**	54,876
	Equity-settled share-based payment expenses	**2,492**	–	**–**	–	**2,492**	–
		15,171	1,919	**34,508**	61,715	**49,679**	63,634
(c)	**Other items**						
	Amortisation						
	– prepaid lease payments	**18**	20	**47**	96	**65**	116
	– intangible assets	**136,788**	90	**237**	300	**137,025**	390
	Depreciation						
	– assets held for use under operating leases	**–**	–	**4,716**	3,561	**4,716**	3,561
	– other assets	**994**	140	**7,724**	17,006	**8,718**	17,146
	Impairment loss on property, plant and equipment	**–**	–	**109**	41,024	**109**	41,024
	Impairment loss on available-for-sale financial assets	**–**	–	**378**	–	**378**	–
	Net foreign exchange loss/(gain)	**29**	–	**(108)**	1,151	**(79)**	1,151
	Auditor's remuneration						
	– current year	**300**	280	**–**	–	**300**	280
	– under-provision in respect of prior years	**5**	75	**–**	–	**5**	75
	Operating lease charges in respect of property rentals: minimum lease payments	**4,721**	848	**33**	213	**4,754**	1,061
	Cost of inventories	**–**	–	**35,029**	79,370	**35,029**	79,370

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK'000**	HK$'000
Current tax						
Provision for the PRC Enterprise Income Tax for the year	**–**	–	**–**	–	**–**	–
Under provision in respect of prior year						
PRC Enterprise Income Tax	**–**	–	**2,402**	–	**2,402**	–
Deferred tax						
Original and reversal of temporary differences	**(127,640)**	–	**–**	–	**(127,640)**	–
	(127,640)	–	**2,402**	–	**(125,238)**	–

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 December 2009 and 2008. PRC Enterprise Income Tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the year. The applicable PRC Enterprise Income Tax rate is 25% (2008: 25%).

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

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK'000**	HK$'000
Loss before taxation	**(763,380)**	(6,441)	**(1,086)**	(63,713)	**(764,466)**	(70,154)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(190,845)**	(1,610)	**(271)**	(15,928)	**(191,116)**	(17,538)
Effect of different tax rates in other tax jurisdictions	**6,844**	438	**248**	335	**7,092**	773
Tax effect on non-deductible expenses	**188,257**	1,541	**1,225**	13,561	**189,482**	15,102
Tax effect of non-taxable income	**(4,148)**	(311)	**(2,099)**	(104)	**(6,247)**	(415)
Tax effect of unused tax losses not recognised	**(108)**	44	**897**	2,034	**789**	2,078
Under provision in prior year	**–**	–	**2,402**	–	**2,402**	–
Tax effect on reversal of deferred tax liability	**(127,640)**	–	**–**	–	**(127,640)**	–
Actual tax expense	**(127,640)**	102	**2,402**	(102)	**(125,238)**	–

8. DIRECTORS' REMUNERATION

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

	2009				
	Directors' fees	Salaries, allowances and benefits-in-kind	Retirement scheme contributions	Share-based payments *(note xi)*	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Wong Man Chiu, Ronnie *(note ii)*	–	457	–	–	457
Chan Kin Yip *(note iii)*	–	869	17	763	1,649
Cheng Wing Hong *(note iv)*	–	541	24	381	946
Cheung Man Yau, Timothy *(note v)*	50	–	–	–	50
Non-executive directors					
Wong Wai Sing *(note vi)*	35	–	–	–	35
Wong Wah Sang *(note i)*	–	–	–	–	–
Wong Wilkie *(note vii)*	–	–	–	–	–
Independent non-executive directors					
Sung Wai Tak, Herman	50	–	–	127	177
Wong Lit Chor, Alexis	50	–	–	127	177
Fung Wai Shing *(note viii)*	50	–	–	127	177
	235	1,867	41	1,525	3,668

8. DIRECTORS' REMUNERATION (Continued)

	2008			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Wong Wah Sang *(note i)*	–	–	–	–
Wong Man Chiu, Ronnie *(note ii)*	–	140	3	143
Yeung Wai Hung *(note ix)*	–	286	12	298
Cheng Wing Hong *(note iv)*	–	490	11	501
Chui Wai Cheung *(note x)*	–	118	6	124
Cheung Man Yau, Timothy *(note v)*	24	–	–	24
Non-executive directors				
Wong Wah Sang *(note i)*	–	–	–	–
Wong Wilkie *(note vii)*	–	–	–	–
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 viii)*	19	–	–	19
	169	1,034	32	1,235

Notes:

(i) Re-designated from executive director to non-executive director on 14 February 2008. Resigned as non-executive director and chairman on 9 March 2009.

(ii) Resigned as executive director on 16 November 2009.

(iii) Appointed as executive director on 9 March 2009.

(iv) Appointed as executive director on 14 February 2008.

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

(vi) Appointed as chairman and non-executive director on 17 April 2009. Re-designated as chairman and executive director on 1 February 2010.

(vii) Resigned as non-executive director on 9 March 2009.

(viii) Appointed as independent non-executive director on 12 August 2008.

(ix) Resigned as independent non-executive director on 14 February 2008.

(x) Appointed as independent non-executive director on 14 February 2008 and resigned on 4 September 2008.

(xi) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payments as set out in note 2(q)(iii). The details of these benefits-in-kind, including the principal terms and number of options granted, are disclosed in note 39.

There was no amount paid during the years ended 31 December 2009 and 2008 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 2009 and 2008.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five individuals with the highest emoluments, two (2008: three) are directors, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2008: two) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other emoluments	**1,324**	1,405
Retirement scheme contributions	**–**	51
Share-based payments	**204**	–
	1,528	1,456

The emoluments of three (2008: two) individuals with the highest emoluments are within the following band:

	2009 Number of individuals	2008 Number of individuals
Nil to HK$1,000,000	**3**	2

There was no amount paid during the years ended 31 December 2009 and 2008 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$354,258,000 (2008: HK$4,773,000) which has been dealt with in the financial statements of the Company.

11. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

		2009			2008	
	Before- tax amount HK$'000	**Tax (expense) benefit HK$'000**	**Net-of- tax amount HK$'000**	Before- tax amount HK$'000	Tax (expense) benefit HK$'000	Net-of– tax amount HK$'000
Exchange differences on translating foreign operations	**(7,881)**	**–**	**(7,881)**	8,307	–	8,307
Disposal of discontinued operations	**(19,142)**	**–**	**(19,142)**	–	–	–
Gain on property revaluation	**–**	**–**	**–**	122	(20)	102
	(27,023)	**–**	**(27,023)**	8,429	(20)	8,409

12. DISCONTINUED OPERATIONS

On 6 May 2009, the Company entered into a sale and purchase agreement (the "Sale Agreement") with Cable Best Development Limited ("Cable Best"), an independent third party, for the disposal of the Group's 100% equity interest in Argos Bus Services (China) Company Limited ("Argos Bus") and for assignment of the shareholder's loan owned by Argos Bus to the Company for appropriately HK$1,932,000. Upon completion of the disposal on 30 June 2009, the Group discontinued the business of providing public bus transportation and related services in the PRC.

The results and cash flows from the discontinued operations for the period from 1 January 2009 to 30 June 2009 are as follows:

	2009 HK$'000	2008 HK$'000
Turnover	**96,380**	167,369
Cost of sales	**(97,921)**	(182,237)
Gross loss	**(1,541)**	(14,868)
Other revenue	**20,698**	41,741
Other net (loss)/income	**3,397**	(11,005)
Operating and administrative expenses	**(22,668)**	(36,036)
Impairment loss on property, plant and equipment	**(109)**	(41,024)
Impairment loss on available-for-sale financial assets	**(378)**	–
Finance cost	**(485)**	(2,521)
Loss before taxation from discontinued operations	**(1,086)**	(63,713)
Income tax	**(2,402)**	–
Loss after income tax from discontinued operations	**(3,488)**	(63,713)
Gain on disposal of discontinued operations *(note 40(a))*	**3,110**	–
Loss from discontinued operations recognised in the consolidated income statement	**(378)**	(63,713)

	2009 HK$	2008 HK$
Cash flows from discontinued operations:		
Net cash generated from operating activities	**18,623,000**	56,614,000
Net cash used in investing activities	**(17,552,000)**	(58,210,000)
Net cash generated from financing activities	**10,443,000**	4,890,000
Net cash inflow	**11,514,000**	3,294,000

13. (LOSS)/EARNING PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$387,060,000 (2008: HK$48,262,000) and the weighted average of 473,037,000(2008: 184,156,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009 **HK$'000**	2008 HK$'000
Issued ordinary shares at 1 January	**216,000**	180,000
Effect of issue of consideration shares	**43,035**	–
Effect of conversion of convertible bonds	**214,002**	4,156
Weighted average number of ordinary shares at 31 December	**473,037**	184,156

The diluted loss per share for the years ended 31 December 2009 and 2008 is equal to the basic loss per share as the outstanding convertible bonds were anti-dilutive.

(b) From continuing operations

The calculation of basic loss per share from continuing operations attributable to ordinary equity shareholders of the Company.

Loss figures are calculated as follows:

	2009 **HK$'000**	2008 HK$'000
Loss for the year attributable to ordinary equity shareholders of the Company	**(387,060)**	(48,262)
Less: Loss for the year from discontinued operations	**378**	63,713
(Loss)/earning for the purpose of basic loss per share from continuing operations	**(386,682)**	15,451

The denominators used are the same as these detailed above (a) for basic loss per share.

The diluted (loss)/earning per share from continuing operations for the years ended 31 December 2009 and 2008 is equal to the basic (loss)/earning per share as the outstanding convertible bonds were anti-dilutive.

(c) From discontinued operations

Basic and diluted loss per share for the discontinued operations are the same and is HK$0.08 cents per share (2008: HK$34.60 cents) based on the loss for the year from the discontinued operations of HK$378,000 (2008: HK$63,713,000) and the denominators used are the same as these detailed above at (a).

14. SEGMENT REPORTING

The Group manages its business by divisions. The reportable segments are in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment.

In 2009, the Group had three business segments, namely (i) mobile lottery on-line recharging services; (ii) provision of public routes and hire-a-bus services, sale of sightseeing ticket and bus management services and (iii) travel agent services. The business of public routes and hire-a-bus services, sale of sightseeing ticket; bus management fee were discontinued in the current year and hence the relevant segment information is presented under discontinued operations.

Continuing operations

– Mobile lottery on-line recharging services income: this segment relates to the provision of nationwide telecommunications value-added services, including package message subscription, payment or recharging services for mobile phone subscribers in PRC.

– Travel agent services income: this segment engaged in the provision of tourist routes and tour related services. Currently, the Group's activities in this regard are carried out in PRC.

Discontinued operations

– Public routes: the provision of bus service for designated routes as approved by local transport authorities in the PRC.

– Hire-a-bus: the provision of bus services for the carriage of the hirers who are general public to and/or from places and time designated by them.

– Bus management: the provision of management of bus related service.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segment, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include trade creditors, accruals and other payable to the services and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measured used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest is regarded as including investment income and "depreciation" and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by the segments; depreciation , amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

14. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2009						
	Continuing operations			Discontinued operations			
	Mobile lottery on-line recharging services HK$'000	Tourist routes and tour related services HK$'000	Total HK$'000	Public routes HK$'000	Hire-a-bus services and sightseeing tickets HK$'000	Bus management HK$'000	Total HK$'000
Revenue from external customers	2,811	19,302	22,113	69,628	18,323	8,429	96,380
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	2,811	19,302	22,113	69,628	18,323	8,429	96,380
Reportable segment profit / (loss) (adjusted EBITDA)	(15,147)	390	(14,757)	7,832	1,301	1,952	11,085
Interest income from bank deposits	5	54	59	121	34	4	159
Interest expense	(55,881)	–	(55,881)	(303)	(80)	(35)	(418)
Depreciation and amortisation for the year	(137,487)	(207)	(137,694)	(9,013)	(2,115)	(1,596)	(12,724)
Impairment of							
– property, plant and equipment	–	–	–	(109)	–	–	(109)
– available-for-sale financial assets	–	–	–	(378)	–	–	(378)
– goodwill	(55,010)	–	(55,010)	–	–	–	–
– intangible assets	(483,375)	–	(483,375)	–	–	–	–
Reportable segment assets	352,293	7,222	359,515	–	–	–	–
Additions to non-current segment assets during the year	814,538	11	814,549	–	–	–	–
Reportable segment liabilities	(276,234)	(3,880)	(280,114)	–	–	–	–

14. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2008						
	Continuing operations			Discontinued operations			
	Mobile lottery on-line recharging services HK$'000	Tourist routes and tour related services HK$'000	Total HK$'000	Public routes HK$'000	Hire-a-bus services and sightseeing tickets HK$'000	Bus management HK$'000	Total HK$'000
Revenue from external customers	–	17,844	17,844	110,789	40,247	16,333	167,369
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	–	17,844	17,844	110,789	40,247	16,333	167,369
Reportable segment profit / (loss) (adjusted EBITDA)	–	(965)	(965)	12,766	(2,758)	(12,278)	(2,270)
Interest income from bank deposits	–	24	24	567	180	39	786
Interest expense	–	(145)	(145)	(1,351)	(449)	(105)	(1,905)
Depreciation and amortisation for the year	–	(201)	(201)	(13,459)	(4,384)	(3,169)	(21,012)
Impairment of							
– property, plant and equipment	–	–	–	(38,148)	(2,876)	–	(41,024)
– available-for-sale financial assets	–	–	–	–	–	–	–
– goodwill	–	–	–	–	–	–	–
– intangible assets	–	–	–	–	–	–	–
Reportable segment assets	–	30,135	30,135	133,596	47,579	23,615	204,790
Additions to non-current segment assets during the year	–	–	–	78,365	–	7,517	85,882
Reportable segment liabilities	–	(26,985)	(26,985)	(116,453)	(36,214)	(18,829)	(171,496)

14. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2009			2008		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue						
Reportable segment revenue	**22,113**	**96,380**	**118,493**	17,844	167,369	185,213
Elimination of inter-segment revenue	**–**	**–**	**–**	–	–	–
Consolidated turnover	**22,113**	**96,380**	**118,493**	17,844	167,369	185,213
Profit						
Reportable segment profit /(loss)	**(14,757)**	**11,085**	**(3,672)**	(965)	(2,270)	(3,235)
Elimination of inter-segment profits	**–**	**–**	**–**	–	–	–
Reportable segment loss derived from group's external customers	**(14,757)**	**11,085**	**(3,672)**	(965)	(2,270)	(3,235)
Other revenue and net income	**99**	**24,095**	**24,194**	646	30,736	31,382
Depreciation and amortisation	**(137,800)**	**(12,724)**	**(150,524)**	(250)	(20,963)	(21,213)
Finance costs	**(57,465)**	**(485)**	**(57,950)**	(752)	(2,521)	(3,273)
Impairment losses on non-current assets	**(483,375)**	**(593)**	**(483,968)**	–	(41,024)	(41,024)
Unallocated head office and corporate expenses	**(70,082)**	**(22,464)**	**(92,546)**	(5,120)	(27,671)	(32,791)
Consolidated loss before tax	**(763,380)**	**(1,086)**	**(764,466)**	(6,441)	(63,713)	(70,154)

14. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2009			2008		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Assets						
Reportable segment assets	**359,515**	**–**	**359,515**	30,135	204,790	234,925
Elimination of inter-segment receivable	**–**	**–**	**–**	–	(22,997)	(22,997)
	359,515	**–**	**359,515**	30,135	181,793	211,928
Non-current financial assets	**–**	**–**	**–**	–	1,248	1,248
Unallocated head office and corporate assets	**3,428**	**–**	**3,428**	7,048	4,884	11,932
Consolidated total assets	**362,943**	**–**	**362,943**	37,183	187,925	225,108
Liabilities						
Reportable segment liabilities	**(280,114)**	**–**	**(280,114)**	(26,985)	(171,496)	(198,481)
Elimination of inter-segment payable	**–**	**–**	**–**	22,752	245	22,997
	(280,114)	**–**	**(280,114)**	(4,233)	(171,251)	(175,484)
Current tax liabilities	**–**	**–**	**–**	–	–	–
Deferred tax liabilities	**(40,498)**	**–**	**(40,498)**	–	(1,036)	(1,036)
Unallocated head office and corporate liabilities	**(35,998)**	**–**	**(35,998)**	(18,582)	(8,865)	(27,447)
Consolidated total liabilities	**(356,610)**	**–**	**(356,610)**	(22,815)	(181,152)	(203,967)

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.

Major customers

No analysis of the Group's turnover and contribution from operations by major customers has been presented as there are no transactions with a single external customer equal to or greater than 10 per cent of the Group's total revenues.

15. 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 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
At 1 January 2009	2,809	3,485	8,088	266,889	281,271
Exchange adjustments	(50)	73	139	6,106	6,268
Additions	93	1,614	925	17,900	20,532
Additions through acquisition of subsidiaries	–	–	1,569	1,518	3,087
Disposals of discontinued operations	(2,332)	(3,049)	(7,724)	(287,356)	(300,461)
Disposals on deregistration of subsidiaries	–	–	(10)	–	(10)
Disposals	–	–	(163)	(2,804)	(2,967)
Loss on revaluation	(14)	–	–	–	(14)
Less: elimination of accumulated depreciation	–	–	–	–	–
At 31 December 2009	506	2,123	2,824	2,253	7,706
Representing:					
Cost	–	2,123	2,824	2,253	7,200
Valuation – 2009	506	–	–	–	506
	506	2,123	2,824	2,253	7,706

15. 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 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
At 1 January 2009	–	1,144	5,349	120,498	126,991
Exchange adjustments	–	1	225	5,746	5,972
Charge for the year	14	129	762	12,529	13,434
Impairment loss	–	–	–	109	109
Written back on disposals	–	–	(66)	(2,087)	(2,153)
Written back on disposal of discontinued operations	(44)	(1,158)	(5,216)	(136,170)	(142,588)
Written back on deregistration of subsidiaries	–	–	(6)	–	(6)
Elimination on revaluation	30	–	–	–	30
At 31 December 2009	–	116	1,048	625	1,789
Carrying amount:					
At 31 December 2009	506	2,007	1,776	1,628	5,917
At 31 December 2008	2,809	2,341	2,739	146,391	154,280

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	The Group	
	2009	2008
	HK$'000	HK$'000
Outside Hong Kong, at fair value		
– medium-term leases	**506**	2,809

(b) Buildings held for own use were revalued as at 31 December 2009 on the basis of their depreciated replacement costs method, taking into account the historical construction cost of buildings by 徐州華興房地產估價諮詢有限公司, an independent professional valuer firm with appropriate qualification and recent experience in the location and category of property being valued.

The carrying value of these buildings as at 31 December 2009 would have been approximately HK$526,000 (2008: HK$1,673,000) had they been carried at cost less accumulated depreciation.

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

During the year ended 31 December 2009 and 2008, 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 2009, the carrying amount of motor vehicles of the Group held for use under operating leases was HK$ Nil through the disposal of discontinued operations (2008:HK$29,853,000).

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

	2009	2008
	HK$'000	HK$'000
Within 1 year	**–**	13,593
After 1 year but within 5 years	**–**	34,226
After 5 years	**–**	3,114
	–	50,933

(d) At 31 December 2009, the Group's motor vehicles with a carrying amount of HK$Nil (2008: HK$7,660,000) were pledged to banks to secure banking facilities granted to the Group as set out in note 28.

(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 by using the discounts rate of 12%. The impairment loss was charged to the consolidated income statement.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:			
At 1 January 2008, 31 December 2008 and 1 January 2009	186	198	384
Additions	–	11	11
At 31 December 2009	186	209	395
Accumulated depreciation and impairment:			
At 1 January 2008	17	33	50
Charge for the year	10	38	48
At 31 December 2008 and 1 January 2009	27	71	98
Charge for the year	10	42	52
At 31 December 2009	37	113	150
Carrying amount:			
At 31 December 2009	149	96	245
At 31 December 2008	159	127	286

16. INVESTMENT PROPERTIES

The Group

	2009 HK$'000	2008 HK$'000
At 1 January	**1,626**	1,379
Exchange adjustments	**(18)**	108
Fair value adjustments	**–**	139
Disposal of discontinued operations	**(1,608)**	–
At 31 December	**–**	1,626

16. INVESTMENT PROPERTIES (Continued)

(a) The investment properties are held under medium-term leases and are 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 was credited to the consolidated income statement. The investment properties were disposed of through the disposal of discontinued operations on 30 June 2009.

(c) The investment properties had not been leased out during the years ended 31 December 2009 and 2008.

(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 2009 and 2008.

17. PREPAID LEASE PAYMENTS

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

	The Group	
	2009	2008
	HK$'000	HK$'000
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**812**	5,533

	2009	2008
	HK$'000	HK$'000
Analysed for reporting purposes as		
– Current assets	**18**	116
– Non-current assets	**794**	5,417
	812	5,533

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

18. INTANGIBLE ASSETS

The Group

	Exclusive operating licenses HK$'000	TMP platform HK$'000	Travel agency licenses HK$'000	Taxi licenses HK$'000	Total HK$'000
Cost:					
At 1 January 2008	–	–	819	2,555	3,374
Exchange adjustments	–	–	61	163	224
At 31 December 2008 and 1 January 2009	–	–	880	2,718	3,598
Additions through acquisition of subsidiaries	672,552	2,690	–	–	675,242
Additions	136,538	2,344	–	–	138,882
Disposal of discontinued operations	–	–	–	(2,452)	(2,452)
Exchange adjustments	(7,642)	(34)	(10)	(266)	(7,952)
At 31 December 2009	801,448	5,000	870	–	807,318
Accumulated amortisation and impairment loss:					
At 1 January 2008	–	–	249	1,905	2,154
Exchange adjustments	–	–	21	121	142
Charge for the year	–	–	90	300	390
At 31 December 2008 and 1 January 2009	–	–	360	2,326	2,686
Charge for the year	136,164	624	87	150	137,025
Impairment loss	483,375	–	–	–	483,375
Written back on disposals of discontinued operations	–	–	–	(2,213)	(2,213)
Exchange adjustments	–	(5)	(4)	(263)	(272)
At 31 December 2009	619,539	619	443	–	620,601
Carrying amount:					
At 31 December 2009	181,909	4,381	427	–	186,717
At 31 December 2008	–	–	520	392	912

18. INTANGIBLE ASSETS (Continued)

(a) Exclusive operating licenses refer to six licenses granted to the Group's subsidiary, 上海唐路科技服務有限公司, by PRC's Sports Lottery Administrative Centre (體育彩票管理中心) pursuant to six agreements entered into between the two parties. The licenses enable the subsidiary to act as a sole service provider for mobile lottery on-line recharging services for games approved by PRC government authority for a fixed term of five years in the related provinces. The six provinces are Shandong province, Heinan province, Qinghai province, Hubei province, Gansu province, and Shaanxi province. During the year, one lottery game has been launched on a trial basis in Shandong province and the Group started earning income therefrom. Other than this, no other games have been launched.

Due to unexpected delay in launching of games, the directors consider that the intangible assets may be impaired. As a result, the directors re-assess the recoverable amount of those intangible assets.

The recoverable amounts of the intangible assets are determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with the key assumptions stated below.

Key assumptions used by the directors of the Company for value-in-use calculations:

–	Growth in revenue year-on-year	20%
–	Penetration rate of mobile lottery on-line to the whole Sports Lottery and Welfare Lottery in the PRC	5-27%
–	Discount rate	15.92%

– More on-line games will be launched in June 2011 in Shandong province and the businesses in Heinan province, Qinghai province, Hubei province, Gansu province and Shaanxi province will be started in 2012;

The growth in revenue is based on historical market data and management's expectations of future market development. The discount rate reflects the specific risks relating to the PRC's lottery industry.

The above value-in-use calculations as at 31 December 2009 were carried out by an independent professional valuer, Asset Appraisal Limited who has recent experience in the category of intangible assets being valued.

Based on the above assessments, the carrying amounts of the valued intangible assets are greater than its recoverable amount and the management considered that impairment loss of approximately HK$483,375,000 is necessary and is recognized in the consolidated income statement for the year ended 31 December 2009. The remaining amortisation period of the intangible assets is ranged from 4 to 5 years.

(b) TMP Platform represents Tanglu Mobile Payment platform providing e-payment and e-recharge services to lottery-based mobile online game subscribers.

The Group carried out the impairment test for the TMP Platform of which the assessment was carried out by Asset Appraisal Limited, an independent qualified professional valuer. The assessment basis is consistent with that of the exclusive operating licences as stated in note 18(a).

The recoverable amount of TMP Platform is greater than its carrying amount and therefore no impairment loss is recognized for the year.

18. INTANGIBLE ASSETS (Continued)

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

(d) Taxi licenses represent the rights acquired to operate taxi business within Taizhou, the PRC. Taxi licenses were disposed of through the disposal of discontinued operations on 30 June 2009.

19. GOODWILL

The Group

	2009 HK$'000	2008 HK$'000
Cost:		
At 1 January	**381**	381
Arising on acquisition of subsidiaries *(note 40(b))*	**105,849**	–
At 31 December	**106,230**	381
Accumulated impairment losses:		
At 1 January	**381**	381
Profit guarantee and adjustment *(note 35)*	**50,839**	–
Impairment loss for the year	**55,010**	–
At 31 December	**106,230**	381
Carrying amount:		
At 31 December	**–**	–

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and reportable segment as follows:

	2009 HK$'000	2008 HK$'000
Lottery-based mobile online game recharge services *(note a)*	**–**	–
Tourist routes and tour related services *(note b)*	**–**	–
	–	–

19. GOODWILL (Continued)

Notes:

(a) The goodwill relates to the acquisition of 65% equity interest in Wisdom In Holdings Limited in January 2009 with details set out in note 40(b). As at 31 December 2009, the Group engaged Asset Appraisal Limited, an independent qualified professional valuer to assess the recoverable amount of the goodwill and determined that goodwill associated with the Group's cash generating unit ("CGU"). The recoverable amount of CGU is determined based on value-in-use calculations. These calculations used cash flow projection based on a five-year financial budget approved by management. A discount factor of approximately 15.92% p.a. was applied in the calculations. The discount rate used is pre-tax and reflect specific risks relating to the industry. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Based on the valuation, due to unsatisfactory operating performance, the recoverable amount of goodwill is HK$ Nil. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

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

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2009	2008
	HK$'000	HK$'000
Unlisted equity securities outside Hong Kong, at cost		
At 1 January	**1,248**	1,161
Exchange adjustments	**(8)**	87
Impairment for the year	**(378)**	–
Disposal of discontinued operations	**(862)**	–
At 31 December	**–**	1,248

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 was impairment provision of approximately HK$378,000 on available-for-sale financial assets.

The assets were disposed through the disposal of discontinued operations on 30 June 2009.

21. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

The amount represented deposit paid for the acquisition of a subsidiary. The acquisition was subject to certain conditions which were not yet satisfied as at 31 December 2008. The acquisition was completed on 8 January 2009 and details are set out in note 40(b).

22. DEPOSIT FOR ACQUISITION OF EXCLUSIVE OPERATING LICENSES

The amount represents deposits paid to the vendor for getting the mobile lottery on-line recharging services license of Liaoning province identified and recognised upon the completion of the acquisition of 65% equity interest in Wisdom In Holdings Limited on 8 January 2009 (see note 40(b)). The Company has the right to reduce the principal amount of the convertible bonds downward by HK$148,000,000 if the vendor is unable to obtain the mobile lottery on-line recharging services license of Liaoning province for the subsidiary. As at 31 December 2009, the negotiation on the mobile lottery on-line recharging service license of Liaoning province was still under progress. On 9 March 2010, this arrangement was cancelled and the deposit will be adjusted by offsetting the convertible bond of the same amount.

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	990
Amounts due from subsidiaries	**542,234**	23,787
Less: impairment loss	**(276,362)**	–
	265,872	24,777

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.

23. INTERESTS IN SUBSIDIARIES (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
Mega Field International Limited	Hong Kong	1 ordinary share of HK$1 each	100%	100%	–	Investment holding
Agros (China) Investment Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	100%	Investment holding
Argos Enterprise Management Consultant (Nanjing) Limited ("Argos Management") *(note i)*	PRC	Registered capital of RMB4,000,000	100%	–	100%	Provision of administrative services to group companies
Xuzhou China International Travel Service Limited ("Xuzhou China") *(note ii)*	PRC	Registered capital of RMB1,500,000	90%	–	90%	International and local travel agent
Wisdom In Holdings Limited	British Virgin Islands	1,000 ordinary share of US$1 each	65%	–	65%	Investment holding
Index Hong Kong Limited	Hong Kong	1,000 ordinary share of HK$1 each	65%	–	100%	Investment holding
TLT Services (Shanghai) Limited 上海唐路科技服務有限公司 *(note iii)*	PRC	Registered capital of USD2,273,316	52%	–	80%	Provision of lottery-based mobile on-line game recharging services

Notes:

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

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

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

24. INVENTORIES

	The Group	
	2009	2008
	HK$'000	HK$'000
Spare parts and consumables	**1**	2,920

25. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**216**	7,095	**–**	–
Less: allowance for doubtful debts *(note 25(b))*	**–**	–	**–**	–
	216	7,095	**–**	–
Compensation receivables arising from traffic accidents	**–**	1,311	**–**	–
Loans and receivables	**216**	8,406	**–**	–
Advance to suppliers	**–**	1,372	**–**	–
Advance to staff	**18**	692	**–**	–
Rental and other deposits				
– deposits at governmental travel authorities *(note 25(d))*	**–**	2,184	**–**	–
– other deposits	**1,738**	115	**–**	104
Prepaid lease payments *(note 17)*	**18**	116	**–**	–
Other prepayments and receivables	**6,105**	4,173	**–**	–
	8,095	17,058	**–**	104

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

25. TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

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

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 1 month	**141**	4,945
More than 1 month but within 3 months	**56**	896
More than 3 months but within 6 months	**14**	250
More than 6 months	**5**	1,004
	216	7,095

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 41(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (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	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**211**	6,091
Less than 1 month past due	**5**	1,004
	216	7,095

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.

25. TRADE AND OTHER RECEIVABLES (Continued)

(d) 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.

26. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 December 2009 and 2008 were used as security for banking facilities granted to the Group (note 28).

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**3,419**	26,647	**1**	5
Cash and cash equivalents in the balance sheets	**3,419**	26,647	**1**	5
Less: bank overdrafts *(note 28)*	**(10,511)**	(10,466)		
Cash and cash equivalents in the consolidated cash flow statement	**(7,092)**	16,181		

28. BANK BORROWINGS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts *(note 27)*	**10,511**	10,466	**10,511**	10,466
Bank loans	**–**	22,115	**–**	–
	10,511	32,581	**10,511**	10,466

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

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year and on demand	**10,511**	28,558	**10,511**	10,466
After 1 year but within 2 years	**–**	4,023	**–**	–
Total bank loans	**10,511**	32,581	**10,511**	10,466
Less: repayable within 1 year or on demand as classified under current liabilities	**10,511**	28,558	**10,511**	10,466
Repayable after 1 year as classified under non-current liabilities	**–**	4,023	**–**	–

28. BANK BORROWINGS (Continued)

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

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured	**10,511**	10,466	**10,511**	10,466
Unsecured	**–**	22,115	**–**	–
	10,511	32,581	**10,511**	10,466
Bank borrowings are secured by				
– the Group's bank deposits *(note 26)*	**10,511**	10,466	**10,511**	10,466
– the Group's motor vehicles *(note 15(d))*, and corporate guarantee by Nanjing Public Transport Argos Bus Company Limited*	**–**	4,298	**–**	–
– corporate guarantee by Argos Bus Services (China) Company Limited* and Taizhou Argos Public Bus Company Limited*	**–**	10,920	**–**	–
– corporate guarantee by the Company	**–**	6,897	**–**	–
	10,511	32,581	**10,511**	10,466

* The companies were subsidiaries of the Company as at 31 December 2008 and were disposed through the disposal of discontinued operations on 30 June 2009.

There was no unutilized banking facilities as at 31 December 2009 and 2008.

All of the Group's banking facilities are subject to 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 41(b). As at 31 December 2009 none of the covenants relating to drawn down facilities had been breached (2008: nil).

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Trade creditors *(note 29(a))*	**147**	2,598	**–**	–
Accrued charges	**3,737**	18,218	**2,213**	1,666
Payables for acquisition of property, plant and equipment and intangible assets	**2,006**	35,280	**–**	–
Amount due to a director *(note 29(b))*	**–**	6,340	**–**	6,340
Amount due to a related company *(note 29(c))*	**–**	4,548	**–**	–
Amount due to minority equity holders *(note 29(d))*	**–**	2,198	**–**	–
Financial liabilities measured at amortised cost	**5,890**	69,182	**2,213**	8,006
Receipts in advance *(note 29(e))*	**3,071**	8,670	**–**	–
Other taxes and government surcharges payables	**65**	23,593	**–**	–
Deposits				
– security deposits received from drivers *(note 29(f))*	**–**	30,353	**–**	–
– other deposits	**206**	763	**–**	–
	9,232	132,561	**2,213**	8,006

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	
	2009 HK$'000	2008 HK$'000
Within 1 month	**38**	1,861
More than 1 month but within 2 months	**87**	383
More than 2 months but within 3 months	**–**	61
Over 3 months	**22**	293
	147	2,598

(b) As at 31 December 2008, the amount due to Mr. Cheung Man Yau, Timothy, was unsecured, interest-free and repayable on demand.

(c) As at 31 December 2008, the amount due to Argos Bus Services Company Limited was unsecured, interest-free and repayable on demand.

(d) The amounts were 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.

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. OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accrued charges	**4,184**	–	**2,761**	–
Payables for acquisition of property, plant and equipment and intangible assets	**–**	1,071	**–**	–
Amount due to a director *(note 31(a))*	**13,592**	–	**10,592**	–
Amount due to a related company *(note 31(b))*	**1,705**	–	**–**	–
Amount due to a minority equity holder *(note 31(c))*	**6,487**	–	**–**	–
Financial liabilities measured at amortised cost	**25,968**	1,071	**13,353**	–

All of other payables are not expected to be settled within one year or are not repayable on demand.

(a) The amount due to Mr. Cheung Man Yau, Timothy, is unsecured, interest-free and repayable in December 2011.

(b) As at 31 December 2008, the amount due to Argos Bus Services Company Limited was unsecured, interest-free and repayable on demand. As at 31 December 2009, the amount due to 明基(中國)置業有限公司 is unsecured, interest-free and repayable in December 2011.

(c) The amount due to Mr. Zhang Wai Ting is unsecured, interest-free and repayable in December 2011.

32. OTHER LOAN

As at 31 December 2008, the amount was unsecured, interest bearing at 12% per annum, due in January 2010. As at 31 December 2009, the amount was unsecured, interest bearing at 5% per annum and not repayable within twelve months from 31 December 2009.

33. GOVERNMENT GRANTS

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

34. CONVERTIBLE BONDS

The Group and the Company

On 8 January 2009, the Company issued convertible bonds in an aggregate principal amount of HK$409,200,000 at 1% interest per annum payable quarterly. Subject to certain conditions, the bond holders have the right to convert them into ordinary shares of the Company at an initial conversion price of HK$0.66 per share in whole or in part of the principal amount of the convertible bonds in integral multiple of HK$1,000,000 at any time between 8 January 2009 and 7 January 2012. The Company will redeem the convertible notes on the maturity date (i.e. 7 January 2012) at 100% of its outstanding principal amount together with the accrued interest.

The convertible bonds are freely transferable (in integral multiple of HK$1,000,000 or such lesser amount representing the entire outstanding principal amount of the convertible bonds) to transferee other than a connected person (as defined under the GEM Listing Rules) of the Company, which is subject to the consent of the Company and in compliance with the GEM Listing Rules.

The convertible bonds contain two components, the liability and the equity components. The equity component is presented in equity as a "convertible bond". The effective interest rate of the liability component is approximately 17.12%.

The movement of the liability component of the convertible bonds for the year is set out below:

	HK$'000
Face value of the convertible bonds at date of issue	409,200
Equity component *(note 37)*	(149,802)
Liability component at date of issue	259,398
Interest charge *(note 6(a))*	28,869
Interest paid / payable	(2,689)
Conversion of convertible bonds during the year	(175,324)
Carrying amount at 31 December 2009	110,254

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

The holder of 2007 Convertible Bond had the right to convert all or any portion of 2007 Convertible Bond into shares of the Company at an initial conversion price of HK$0.2 per share, subject to adjustment. The conversion right could be exercised at any time from the date on which 2007 Convertible Bond was issued up to, and including, the Maturity Date.

The 2007 Convertible Bond was official issued on 30 June 2008 and all of the 2007 Convertible Bond has been converted into the ordinary shares of the Company during the year ended 31 December 2008.

Interest expense on the 2007 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$294,000 were charged.

35. PROMISSORY NOTES

The Group and the Company

On 8 January 2009, the Company issued promissory notes in an aggregate principal amount of HK$254,400,000 in two tranches, Promissory Note I and II, in the principal amount of HK$154,400,000 and HK$100,000,000 respectively issued upon the completion of the acquisition of subsidiaries (as details in note 40(b)). The Promissory Note II shall be released to the holder within ten days after the audit of the financial statements of TLT Services (Shanghai) Limited for the year ended 31 December 2009. The Promissory Note II is subject to the downward adjustment in the event that the guaranteed profit is not attained, calculated based on the audited profits after enterprise income tax but before minority interests of TLT Services (Shanghai) Limited for the year ended 31 December 2009. In case the downward adjustment exceeds the principal amount of the Promissory Note II, the holder shall be required to pay the corresponding shortfall to the Company.

The promissory notes are interest-free and transferable. At the sole discretion of the Company, the principal amount of the promissory notes may be repaid before the maturity date (i.e. 7 January 2012) at a 3% discount. Otherwise, payment of principal of the promissory notes shall be made in full at maturity.

The fair value of promissory notes is approximately HK$155,514,000 as at the issue date, calculated based on the effective interest rate of 16.42% per annum. The promissory notes are classified as non-current liabilities and are carried at amortised cost until extinguished on redemption. Taking into account the accrued effective interest of approximately HK$27,012,000, the carrying amount of promissory notes before the downward adjustment was amounted to HK$182,526,000 as at 31 December 2009. According to the audited profit of TLT Services (Shanghai) Limited, the guaranteed profit was not attained and as such, a downward adjustment of approximately HK$50,839,000 was made to Promissory Note II as at 31 December 2009. In this regard, a corresponding adjustment is made to the cost of the business combination arising on the acquisition of the subsidiary as mentioned in note 40(b).

36. 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$'000	**Fair value adjustment on intangible assets** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 January 2008	2,700	–	(1,737)	963
Charged/(credited) to income statement	203	–	(130)	73
At 31 December 2008 and 1 January 2009	2,903	–	(1,867)	1,036
Acquisition of subsidiaries	–	168,138	–	168,138
Reversal on disposal of discontinued operations	(2,903)	–	1,867	(1,036)
Credited to income statement	–	(127,640)	–	(127,640)
At 31 December 2009	–	40,498	–	40,498

	2009 **HK$'000**	2008 HK$'000
Net deferred tax asset recognised in the consolidated balance sheet	**–**	–
Net deferred tax liability recognised in the consolidated balance sheet	**40,498**	1,036
	40,498	1,036

(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$12,013,000 (2008: HK$10,559,000) 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 2009, the Group's tax losses will expire in the following years.

	2009 **HK$'000**	2008 HK$'000
In 2014	**26**	8,505
In 2013	**11,592**	133
In 2012	**41**	1,096
In 2011	**82**	627
In 2010	**272**	198
	12,013	10,559

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

37. 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	Share option reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 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 overseas subsidiaries	–	–	–	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 and 1 January 2009	2,160	36,472	(490)	14,253	3,227	306	–	(41,057)	–	14,871	6,270	21,141
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(4,216)	–	–	–	–	–	(4,216)	(3,665)	(7,881)
Shares issued upon conversion of convertible bond	3,923	266,177	–	–	–	–	(94,776)	–	–	175,324	–	175,324
Asset revaluation reserve released through disposal of discontinued operation	–	–	–	–	–	(211)	–	211	–	–	–	–
Deemed contribution from minority interests *(Note 40(b)(i))*	–	–	–	–	–	–	–	–	–	–	65,538	65,538
Issuance of convertible bonds	–	–	–	–	–	–	149,802	–	–	149,802	–	149,802
Shares issued for acquisition of subsidiary	440	17,600	–	–	–	–	–	–	–	18,040	–	18,040
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	–	2,492	2,492	–	2,492
Acquisition of subsidiaries	–	–	–	360	–	–	–	–	–	360	236,777	237,137
Disposal of discontinued operation	–	–	490	(13,749)	(3,174)	–	–	–	–	(16,433)	(2,709)	(19,142)
Loss for the year	–	–	–	–	–	–	–	(387,060)	–	(387,060)	(249,058)	(636,118)
At 31 December 2009	6,523	320,249	–	(3,352)	53	95	55,026	(427,906)	2,492	(46,820)	53,153	6,333

37. CAPITAL AND RESERVES (Continued)

(b) The Company

	Share capital HK$'000	Share premium HK$'000	Convertible bond reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 January 2009	2,160	36,472	–	–	(21,932)	16,700
Equity component of convertible bonds	–	–	149,802	–	–	149,802
Shares issued upon conversion of convertible bonds	3,923	266,177	(94,776)	–	–	175,324
Issue of new shares for acquisition of subsidiary	440	17,600	–	–	–	18,040
Recognition of share-based payment	–	–	–	2,492	–	2,492
Loss for the year	–	–	–	–	(354,258)	(354,258)
At 31 December 2009	6,523	320,249	55,026	2,492	(376,190)	8,100

(c) Share capital

	2009 Number of shares '000	**2009** Amount HK$'000	2008 Number of shares '000	2008 Amount HK$'000
Authorised:				
Ordinary shares at HK$0.01 each	**10,000,000**	**10,000**	10,000,000	100,000
Issued and fully paid:				
At 1 January	**216,000**	**2,160**	180,000	1,800
Shares issued upon conversion of convertible bonds *(note i and ii)*	**392,258**	**3,923**	36,000	360
Share issued upon acquisition of subsidiaries *(note iii)*	**44,000**	**440**	–	–
At 31 December	**652,258**	**6,523**	216,000	2,160

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.

37. CAPITAL AND RESERVES (Continued)

(c) Share capital (Continued)

Notes:

(i) On 30 June 2008, the Company issued 36,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.2 per share (the conversion price), being the entire convertible bonds issued on 7 August 2007 converted into the ordinary shares on its maturity date.

(ii) During the period from 9 March 2009 to 30 November 2009, the Company issued in aggregate amount of 392,257,575 ordinary shares of HK$0.01 each at the issued price of HK$0.66 per share (the conversion price), being partial convertible bonds converted. The convertible bonds are issued on 8 January 2009 for the acquisition of the subsidiary and details set out in note 40(b).

(iii) On 9 January 2009, the Company issued 44,000,000 ordinary shares of HK$0.01 each issue price of HK$0.41 (being the market price on the date of completion) as part of the consideration of the acquisition of subsidiary and details set out in note 40(b).

(iv) The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2009.

(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 reorganisation in 2001.

(iii) Exchange reserve

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

(iv) Statutory reserve

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

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

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

(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.

37. CAPITAL AND RESERVES (Continued)

(d) Nature and purpose of reserves (Continued)

(vi) Convertible bond reserve

The convertible bond 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).

(vii) Share option reserve

The share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, and recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(iii).

(e) Distributable reserves

As at 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2008: 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, amounts due to a director, related company, minority shareholders, convertible bonds and promissory notes). Adjusted capital comprises all components of equity.

During 2009, the Group's strategy, which was unchanged from 2008, 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.

37. CAPITAL AND RESERVES (Continued)

(f) Capital management (Continued)

The net debt-to-adjusted capital ratio at 31 December 2009 and 2008 was as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Bank borrowings	**10,511**	32,581
Other loan	**28,460**	1,331
Amount due to a director	**13,592**	6,340
Amount due to a related company	**1,705**	4,548
Amount due to a minority shareholder	**6,487**	2,198
Convertible bonds	**110,254**	–
Promissory notes	**131,687**	–
Net debt	**302,696**	46,998
Total equity *(note a)*	**6,333**	21,141
Net debt-to-adjusted capital *(note b)*	**4,780%**	222%

Note:

(a) Total equity includes all share capital and reserves of the Group.

(b) In the opinion of the Company's directors, due to the fact that the holder of promissory notes agreed not to demand for repayment of promissory notes on or after the maturity date when the Group is incapable to do so and certain convertible bonds were cancelled subsequent to the balance sheet date, the net debt-to-adjusted capital is considered at a level acceptable by the director when the amount of convertible bonds and promissory notes is excluded in the net debt.

38. 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 PRC, the Group participates in defined contribution retirement benefit schemes (the "Retirement Scheme") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Retirement Scheme 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.

39. SHARE-BASED PAYMENT TRANSACTION

The Company operates a share option scheme (the "Option Scheme") which is adopted on 30 July 2001. Subject to the terms of the Option 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 Option Scheme together with any options outstanding and yet to be exercised under the Option Scheme and any other schemes shall not exceed 30% of the issued shares from time to time.

(a) The terms and conditions of the grants that exists during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	**Vesting conditions**	**Contractual life of options**
Options granted to directors:			
– 29 June 2009	6,000,000	No vesting condition	29 June 2009 to 28 June 2019
Options granted to employees:			
– 29 June 2009	3,800,000	No vesting condition	29 June 2009 to 28 June 2019
Total share options granted	9,800,000		

39. SHARE-BASED PAYMENT TRANSACTION (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2009		2008	
	Weighted average exercise price	**Number of options ’000**	Weighted average exercise price	Number of options ’000
Outstanding at the beginning of the period	**–**	**–**	–	
Granted during the period	**HK$0.614**	**9,800**	–	–
Exercised during the period	**–**	**–**	–	–
Forfeited during the period	**–**	**–**	–	–
Outstanding at the end of the period	**HK$0.614**	**9,800**	–	–
Exercisable at the end of the period	**HK$0.614**	**9,800**	–	–

The options outstanding at 31 December 2009 had an exercise price of HK$0.614 and a weighted average remaining contractual life of 9.5 years (2008: not applicable).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options grants is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Option Pricing Model.

Fair Value of share options and assumptions

	2009	2008
Fair value at measurement date	**HK$0.254**	–
Share price	**HK$0.60**	–
Exercise price	**HK$0.614**	–
Expected volatility (represents the 52-week weekly volatility)	**110%**	–
Options life	**10 years**	–
Expected dividends	**n/a**	–
Risk-free interest rate (based on Exchange Fund Note)	**11%**	–

The expected volatility is based on the historic volatility (represented the 52-week weekly return on the Company’s share. According to the dividend policy of the Company, no dividend yield is adopted in the above valuation. There were no service condition or market condition associated with the share options granted.

40. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of discontinued operations (note 12)

	30/6/2009 HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	157,873
Investment properties	1,626
Prepaid lease payments	4,527
Intangible assets	239
Available-for-sale financial assets	862
Inventories	3,058
Trade and other receivables	38,186
Amounts due from minority shareholders	670
Bank balances and cash	36,922
Bank borrowings	(33,793)
Other loan	(582)
Trade and other payables	(128,914)
Amounts due to related companies	(22,252)
Receipts in advance	(8,619)
Government grants	(30,803)
Deferred tax liabilities	(1,036)
Net assets disposed of	17,964
Minority interest	(2,709)
Exchange reserve released	(13,749)
Statutory reserve released	(3,174)
Merger reserve released	490
Gain on disposal of discontinued operations *(note 12)*	3,110
Total consideration	1,932
Satisfied by:	
Cash	1,932
Net cash outflow arising on disposal of discontinued operations:	
Cash consideration	1,932
Less: Bank balances and cash of discontinued operations disposed of	(36,922)
	(34,990)

The impact of the Disposal Group on the Group's results and cash flows in the current and prior periods is disclosed in note 12.

40. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries

On 23 September 2008, Mega Field International Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Mr. Zhang Weiting ("Mr. Zhang"), an independent third party, to acquire the 65% of the issued share capital of Wisdom In Holdings Limited ("Wisdom In") and 65% of the shareholders' loan being owned by the Index Hong Kong Limited , a wholly-owned subsidiary of Wisdom In to Mr. Zhang for a total consideration of not more than HK$695,000,000. Wisdom In is principally engaged in investment holding of 80% equity interest in TLT Services (Shanghai) Limited which is principally engaged in research and development in network communication software, provision of communication technology services, as well as provision of installation and consulting services for network communication engineering in the PRC.

The consideration was satisfied by the Company in the following manner:

(i) as to HK$26,400,000 by the issue and allotment 44,000,000 of new shares of HK$0.01 each in its ordinary share capital at the issue price of HK$0.60 per share. At the completion date, the fair value of the consideration share is at HK$0.41 per share, being the market price of the share of the Company (note 37);

(ii) as to HK$254,400,000 by the issue of promissory notes (note 35);

(iii) as to HK$409,200,000 by the issue of convertible notes (note 34); and

(iv) as to HK$5,000,000 by cash.

The acquisition was completed on 8 January 2009 upon the approval duly passed by the shareholders at the special general meeting held on 26 November 2008.

40. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries (Continued)

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount of net assets before combination HK$'000	Fair value adjustments of net assets at acquisition HK$'000	Fair value of net assets at acquisition HK$'000
Intangible assets	2,690	672,552	675,242
Plant and equipment	3,087	–	3,087
Deposit, prepayment and other receivables	2,688	–	2,688
Cash and bank balances	1,018	–	1,018
Accruals and other payables	(7,509)	–	(7,509)
Minority interests	(1,415)	(100,883)	(102,298)
Amount due to a director	(19,053)	–	(19,053)
Deferred tax liability	–	(168,138)	(168,138)
	(18,494)	403,531	385,037
Minority interests			(134,763)
Assignment of current account			12,631
Deposit for acquisition of exclusive operating licenses *(Note i)*			219,000
Goodwill *(Note ii)*			105,849
Total consideration			587,754
Total consideration satisfied by:			
Cash			5,000
Fair value of the consideration shares at the issue price of HK$0.41 per share as at the completion date			18,040
Convertible bonds			409,200
Promissory notes at fair value			155,514
			587,754

Notes:

(i) The amount represents deposits of HK$148,000,000 and HK$71,000,000 paid by the Company to the vendor, upon completion of acquisition of 65% equity interest in Wisdom In for getting the mobile lottery on-line recharging license of Liaoning province and Shaanxi province respectively for TLT Services (Shanghai) Limited. These two amounts also represent the consideration of getting the Group's 52% effective interests in these two licenses. During the year, TLT Services (Shanghai) Limited obtained the license of Shaanxi province. The license was initially recognised at HK$136,538,000 as an addition to intangible assets. The difference of HK$65,538,000 between the initial cost and the prepayment was considered as a deemed contribution from minority interest and was therefore recognised directly in equity.

(ii) In the opinion of the directors of the Company, the goodwill attributable to the potential of acquired business, non-contractual relationship with Sports Lottery Administrative Centre and the assembled workforce of TLT Services (Shanghai) Limited.

40. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries (Continued)

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	HK$'000
Total consideration settled in cash	(5,000)
Less: Deposit paid in prior year	5,000
Cash and cash equivalents in subsidiaries acquired	1,018
Cash inflow on acquisition of subsidiaries	1,018

Wisdom In and its subsidiaries contributed loss of HK$619,255,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been completed on 1 January 2009, total group revenue for the year would have been changed to HK$22,113,000 and loss for the year would have been changed to HK$636,118,000. The pro-forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

41. 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.

In respect of 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.

41. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

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 43, 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 43.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25.

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 2009, the Group and the Company has a certain significant concentration of credit risk on deposits with banks. The Group and the Company placed 74.5% (2008: 27.5%) and 99.9% (2008: 99.9%) 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.

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.

41. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

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

	2009				2008			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year of 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
Bank borrowings	10,511	10,517	10,517	–	32,581	37,318	29,272	8,046
Trade and other payables	32,129	32,129	6,161	25,968	69,182	69,182	69,182	–
Payable under convertible bonds subscription	110,254	153,080	1,503	151,577	–	–	–	–
Payable under promissory notes	131,687	183,542	–	183,542	–	–	–	–
Other loan	28,460	29,883	–	29,883	1,331	1,504	159	1,345
Other payables	–	–	–	–	1,071	1,071	–	1,071
	313,041	409,151	18,181	390,970	104,165	109,075	98,613	10,462

The Company

	2009				2008		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Bank borrowings	10,511	10,517	10,517	–	10,466	10,606	10,606
Other payables	15,566	15,566	2,213	13,353	8,006	8,006	8,006
Payable under convertible bond subscription	110,254	153,080	1,503	151,577	–	–	–
Payable under promissory note	131,687	183,542	–	183,542	–	–	–
	268,018	362,705	14,233	348,472	18,472	18,612	18,612

41. 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			
	2009		2008		**2009**		2008	
	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		**–**	–	–		**–**		–
Other loan	**5%**	**28,460**	12%	1,331		**–**		–
Less: cash at bank and on hand	**0.01%**	**(10,000)**	0.01% -0.72%	(274)		**–**	0.36% -0.81%	(5)
		18,460		1,057		**–**		(5)
Variable rate borrowings:								
Bank loans	**1.01%**	**10,511**	1.35% -5.94%	32,581	**1.01%**	**10,511**	1.75% -4.75%	10,466
Less: cash at banks	**0.01% – 0.7%**	**(3,419)**	0.01%-3.75%	(36,373)	**0.01%**	**(1)**		–
		7,092		(3,792)		**10,510**		10,466
Total net (deposits)/borrowings		**25,552**		(2,735)		**10,510**		10,461
Net fixed rate borrowings as a percentage of total net (deposits)/borrowings		**72.2%**		(38.7%)		**N/A**		N/A

41. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2009, 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$71,000 (2008: HK$38,000).

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 2008.

(d) Currency risk

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

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

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

(i) Exposure to currency risk

The following table details the Group's significant exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a foreign currency.

The Group

	2009		2008	
	HKD'000	**RMB'000**	HKD'000	RMB'000
Trade and other receivables	**–**	**442**	–	–
Cash and cash equivalents	**–**	**–**	900	–
Overall net exposure	**–**	**442**	900	–

41. 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

	2009		2008	
	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
HKD	**5**	**–**	5	(33)
	(5)	**–**	(5)	33
RMB	**5**	**20**	5	–
	(5)	**(20)**	(5)	–

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 recognized assets and liabilities 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 2008.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008.

(f) Estimation of fair values

The following summarises 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.

42. 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	
	2009	2008
	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, resulting in a capital commitment of approximately HK$690,000,000. The transaction was completed in January 2009 and details set out in note 41.

(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	
	2009	2008
	HK$'000	HK$'000
Contracted for	**–**	690

(c) At 31 December 2009, 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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**1,909**	717	**–**	416
After 1 year but within 5 years	**803**	1,203	**–**	–
After 5 years	**–**	6,371	**–**	–
	2,712	8,291	**–**	416

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.

43. CONTINGENT LIABILITIES

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

As at 31 December 2009, the Company had provided a single guarantee to the extent of approximately HK$Nil (2008: HK$6,897,000) to a bank in respect of banking facilities granted to its subsidiary.

As at 31 December 2008, the directors did 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 guarantee issued was the outstanding amount of the facility drawn down by the subsidiary of approximately HK$Nil (2008: HK$6,897,000). 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.

44. 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:

	2009 HK$'000	2008 HK$'000
Short-term employees benefits	**5,005**	2,584
Post-employment benefits	**41**	83
	5,046	2,667

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

(b) Transactions with other related parties

During the years ended 31 December 2009 and 2008, 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 interests in Argos Nanjing
Argos Recreation & Sports Development Limited	Mr. Yeung is one of the shareholders of Argos Recreation
泰州市公共交通總公司 ("Taizhou Public")	A minority shareholder of the Group
南京市公共交通總公司 ("Nanjing Public)	A minority shareholder of the Group
明基 (中國) 置業有限公司 ("明基(中國)")	Mr. Wong Wai Sing is a director of Ming Kei Properties Investment Limited ("Ming Kei") that holds 100% equity interest in 明基(中國)

* ceased to be a related party since Mr. Wong Man Chiu, Ronnie resigned as director of the Company on 16 November 2009.

44. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related parties (Continued)

(i) Rental expenses to ABS

During the year ended 31 December 2009, the Group paid rental expenses of approximately HK$Nil (2008: HK$180,000) to ABS for providing premises to the Group. The rental expenses were included in 'amount due to a related company' under 'trade and other payables' (note 29).

(ii) Rental expenses to Argos Nanjing

During the year ended 31 December 2009, the Group paid rental expenses of approximately HK$Nil (2008: HK$282,000) to Argos Nanjing for providing premises to the Group. As at 31 December 2008, the outstanding balance was included in.

(iii) Advertising income from Taizhou Public

During the year ended 31 December 2009, the Group received advertising income of approximately HK$Nil (2008: HK$1,274,000) from Taizhou Public. As at 31 December 2009 and 2008, there was no outstanding balance in respect of the advertising income.

(iv) Banking facilities granted to ABS

During the years ended 2008, 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.

(v) Advance from a director

During the year ended 2009 and 2008, Mr. Cheung Man Yau, Timothy, ("Mr. Cheung") a director of the Company, advanced approximately HK$13,592,000 and HK$6,340,000 respectively to the Company. As at 31 December 2009 and 2008, the outstanding amount due to Mr. Cheung was included in 'amount due to a director' under "trade and other payables" (note 29).

(vi) Advance from a minority shareholder

During the year ended 31 December 2008, Taizhou Public advance approximately HK$358,000 to the Group. As at 31 December 2008, the outstanding amount due to Taizou Public was included in 'amounts due to a minority shareholder' under "trade and other payables" (note 29).

(vii) Advance from a related company

During the year ended 2009, 明基 (中國) advance approximately HK$1,705,000 to the Group. As at 31 December 2009, the outstanding amount due to 明基 (中國) was included in amount due to related companies' under "trade and other payables" (note 29).

(c) Balances with related parties

Details of the balances with related parties as at 31 December 2009 and 2008 are set out in the note 29.

45. COMPARATIVE FIGURES

Due to the disposal of subsidiaries during the year, which constituted a discontinued operation under HKFRS 5 "non-current Assets Held for Sale and Discontinued Operation", and as a result of the application of HKAS 1 (Revised 2007), Presentation of financial statements and HKFRS 8, Operating segments, certain comparative figures have been reclassified or adjusted to conform to current year's presentation. However since the restatement does not affect any balance sheet and therefore the balance sheet as at the beginning of the earliest comparative period is not presented.

46. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainties

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 the level of revenue and the 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.

(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.

47. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 and which have not been adopted in these financial statements.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures (Revised 2009)[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 2 (Amendment)	Group Cash-Settled Share-Based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int. 14 (Amendment)	Prepayments of Minimum Funding Requirement[5]
HK (IFRIC) – Int. 17	Distributions of Non-Cash Assets to Owners[1]
HK (IFRIC) – Int. 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013

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.

48. NON-ADJUSTING POST BALANCE SHEET EVENTS

Upon the completion of the acquisition of 65% equity interest in Wisdom In Holdings Limited, deposit of HK$148,000,000 were paid to the vendor for getting the mobile lottery on-line recharging services license of Liaoning province. The Company has the right to reduce the principal amount of the convertible bonds downward by HK$148,000,000 if the vendor is unable to obtain the license.

As the vendor was unable to obtain the license as at 8 March 2010, the convertible bonds were adjusted downward by HK$148,000,000 and were cancelled by the Company accordingly within fourteen months after the completion of the acquisition (i.e. 9 January 2009 to 8 March 2010).