THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Argos Enterprise (Holdings) Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares of the Company.

Argos

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

(Incorporated in Hong Kong with limited liability)

(Stock code: 8022)

VERY SUBSTANTIAL ACQUISITION

A letter from the board of directors of the Company is set out from pages 7 to 43 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Function Room, Kowloon Bowling Green Club, 123 Austin Road, Kowloon, Hong Kong on Wednesday, 26 November 2008 at 11:00 a.m. or any adjournment is set out from pages 186 to 187 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the extraordinary general meeting of the Company should you so wish.

This circular will remain on the "Latest Company Announcements" page of the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and the Company's website at http://www.argosenterprise.com.hk for at least 7 days from the date of its postings.

5 November 2008

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

CONTENTS

		Page
CHARACTERISTICS OF GEM		i
DEFINITIONS		1
LETTER FROM THE BOARD		7
APPENDIX I	**– FINANCIAL INFORMATION OF THE GROUP**	44
APPENDIX II	**– ACCOUNTANTS' REPORT OF THE TARGET GROUP**	99
APPENDIX III	**– UNAUDITED PRO-FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP**	125
APPENDIX IV	**– VALUATION REPORT ON THE JV COMPANY**	137
APPENDIX V	**– VALUATION REPORT ON THE ENLARGED GROUP**	162
APPENDIX VI	**– ADDITIONAL FINANCIAL INFORMATION**	176
APPENDIX VII	**– GENERAL INFORMATION**	178
NOTICE OF EGM		186

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

"Acquisition"	the acquisition of 65% equity interest in the Target Company and the Sale Loan from the Vendor by Mega Field pursuant to the terms and conditions set out in the Master Agreement
"Announcement"	the announcement of the Company dated 15 October 2008 in relation to the Master Agreement and the transactions contemplated thereunder
"Asset Appraisal"	Asset Appraisal Limited, an independent valuer
"associate(s)"	shall have the meaning as ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bonds
"Business Day(s)"	a day (excluding Saturday) on which banks are generally open for business in Hong Kong
"Company"	Argos Enterprise (Holdings) Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on GEM
"Completion"	the completion of the Master Agreement
"connected person(s)"	shall have the meaning as ascribed to it under the GEM Listing Rules
"Consideration"	the consideration of not more than HK$695 million payable by the Purchaser to the Vendor for the Acquisition pursuant to the Master Agreement
"Consideration Share(s)"	44,000,000 new Shares to be allotted and issued to the Vendor, credited as fully paid at the Issue Price in accordance with the terms of the Master Agreement
"Conversion Price"	HK$0.66 per Conversion Share, subject to adjustments in accordance with the conditions of the Convertible Bonds
"Conversion Share(s)"	a maximum number of 620,000,000 new Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to all Convertible Bonds

"Convertible Bonds"	the convertible redeemable bonds in the principal amount of HK$409.20 million at maximum to be issued by the Company to the Vendor in accordance with the terms and conditions set out in the Master Agreement
"Co-operative Agreement"	the co-operative agreement entered into between the JV Company and TLT (Shanghai) on 22 January 2008
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened on 26 November 2008 to consider and, if thought fit, approve the Master Agreement and the transactions contemplated thereunder, and the Specific Mandate by the Shareholders
"Enlarged Group"	the Company and its subsidiaries immediately after the Completion
"Existing Provinces Businesses"	the development of mobile lottery recharging technology and the provision of marketing services in relation to the mobile lottery recharging services in the sports lottery business in Shandong province, Hainan province, Qinghai province, Hubei province and Gansu province pursuant to the Mobile Lottery Recharging Services Agreements entered into by the JV Company with Shandong Sports Lottery Administrative Center (山東省體育彩票管理中心), Hainan Sports Lottery Administrative Center (海南省體育彩票管理中心), Qinghai Sports Lottery Administrative Center (青海省體育彩票管理中心) Hubei Sports Lottery Administrative Center (湖北省體育彩票管理中心) and Gansu Sports Lottery Administrative Center (甘肅省體育彩票管理中心) respectively
"GEM"	the Growth Enterprises Market of the Stock Exchange
"GEM Listing Committee"	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HK Company"	Index Hong Kong Limited (明德香港有限公司), a wholly-owned subsidiary of the Target Company and was incorporated in Hong Kong with limited liability on 10 April 2007

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
"Issue Price"	the issue price of HK$0.60 per Consideration Share
"JV Company"	上海唐路科技服務有限公司 (TLT Services (Shanghai) Limited*), a sino-foreign equity joint venture with limited liability incorporated on 30 July 2007
"Last Trading Day"	23 September 2008, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of the Announcement
"Latest Practicable Date"	3 November 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Liaoning Business"	the development of mobile lottery recharging technology and the provision of marketing services in relation to the mobile lottery recharging services in the sports lottery business in Liaoning province pursuant to the Mobile Lottery Recharging Services Agreement to be entered into by the JV Company with Liaoning Sports Lottery Administrative Center (遼寧省體育彩票管理中心)
"Master Agreement"	the share transfer agreement in relation to the Acquisition which was entered into between the Purchaser and the Vendor on 23 September 2008
"Memorandum of Understanding"	a non-legally binding commitment dated 30 July 2008 which was entered into between the Purchaser and the Vendor
"Mobile Lottery Recharging Services Agreement(s)"	the mobile lottery recharging services agreement(s) (i) entered into by the JV Company with Shandong Sports Lottery Administrative Center, Hainan Sports Lottery Administrative Center, Qinghai Sports Lottery Administrative Center, Hubei Sports Lottery Administrative Center and Gansu Sports Lottery Administrative Center; and (ii) to be entered into by the JV Company with Liaoning Sports Lottery Administrative Center and Shaanxi Sports Lottery Administrative Center
"PRC"	the People's Republic of China

"Profit Guarantee"	the guarantee given by the Vendor under which the profits after enterprise income tax but before minority interests of the JV Company for the year ending 31 December 2009 shall not be less than (i) HK$99 million for the Existing Provinces Businesses; or (ii) HK$138 million for the Existing Provinces Businesses and the Liaoning Business; or (iii) HK$114 million for the Existing Provinces Businesses and the Shaanxi Business; or (iv) HK$153 million for the Existing Provinces Businesses, the Liaoning Business and the Shaanxi Business
"Promissory Note I"	a promissory note of HK$154.40 million to be issued by the Company to the Vendor upon Completion as part of the Consideration
"Promissory Note II"	a promissory note of HK$100.00 million subject to adjustments to be issued by the Company to the Vendor upon Completion and shall be released by the Purchaser to the Vendor within ten days after the issue of the audited consolidated financial statements of the JV Company for the year ending 31 December 2009
"Promissory Notes"	Promissory Note I and Promissory Note II to be issued by the Company in an aggregate principal amount of HK$254.40 million at maximum
"Purchaser" or "Mega Field"	Mega Field International Limited (偉大國際有限公司), a company incorporated in Hong Kong on 22 November 2006 and a wholly-owned subsidiary of the Company, being the purchaser to the Acquisition under the Master Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Loan"	65% of the shareholders' loan being owed by the HK Company to the Vendor upon Completion. As at the date of the Master Agreement, the total amount of the shareholders' loan owed by the HK Company to the Vendor was amounted to approximately HK$18.28 million. The Sale Loan was equivalent to 65% of the said loan and therefore as at the date of the Master Agreement, the Sale Loan was amounted to approximately HK$11.88 million
"Sale Shares"	650 shares of US$1.00 each in the issued share capital of Wisdom In, representing 65% of the issued share capital of Wisdom In as at the date of the Master Agreement
"Service Agreement(s)"	the service agreement(s) to be entered into by the Target Group with each of the Vendor and Mr. Wu Hong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shaanxi Business"	the development of mobile lottery recharging technology and the provision of marketing services in relation to the mobile lottery recharging services in the sports lottery business in Shaanxi province pursuant to the Mobile Lottery Recharging Services Agreement to be entered into by the JV Company with Shaanxi Sports Lottery Administrative Center (陝西省體育彩票管理中心)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Specific Mandate"	the specific mandate to be granted to the Directors by the Shareholders at the EGM to issue the Consideration Shares and the Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholders(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
"Target Company" or "Wisdom In"	Wisdom In Holdings Limited, a company incorporated in the British Virgin Islands on 29 January 2008 and is owned as to 99% by the Vendor
"Target Group"	the Target Company and its subsidiaries (including the HK Company and the JV Company)
"TLT (Shanghai)"	上海唐路科技有限公司 (TLT (Shanghai) Limited*), a company incorporated in the PRC with limited liability on 17 January 2006
"Undertaking Period"	the period within three months after the Completion
"US$"	US dollars, the lawful currency of United States
"Vendor"	Mr. Zhang Weiting (張偉庭)
"%"	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK$ using the exchange rate of RMB1.00:HK$1.14. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entitles mentioned in this circular and their English translations, the Chinese names shall prevail.

* *For identification purpose only*

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

(Incorporated in Hong Kong with limited liability)

(Stock code: 8022)

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

Non-executive Directors:
Mr. Wong Wah Sang *(Chairman)*
Mr. Wilkie Wong

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

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

5 November 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 15 October 2008 regarding the Acquisition.

On 30 July 2008, Mega Field, a wholly-owned subsidiary of the Company, entered into the Memorandum of Understanding with the Vendor pursuant to which the Vendor agreed to dispose of and Mega Field agreed to acquire certain percentage (being not less than 51%) equity interest in the Target Company. In addition, the Company had also paid HK$1 million by cash to the Vendor as refundable earnest money pursuant to the Memorandum of Understanding.

Subsequently, on 23 September 2008 (after trading hours), the Purchaser entered into the Master Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares and the Sale Loan at a total consideration of not more than HK$695 million.

The purpose of this circular is (i) to provide further details of the Acquisition, including but not limited to the Consideration Shares, the Convertible Bonds and the Promissory Notes; and (ii) to give you a notice of EGM at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Master Agreement and the transactions contemplated thereunder, and the Specific Mandate.

Set out below are the details of the Master Agreement:

THE MASTER AGREEMENT

Date:

23 September 2008 (after trading hours)

Parties involved:

Purchaser

Mega Field, being a wholly-owned subsidiary of the Company, is an investment holding company incorporated in Hong Kong on 22 November 2006 with limited liability.

Vendor

Mr. Zhang Weiting

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and his associates are (i) Independent Third Parties; and (ii) not a party acting in concert with any substantial shareholders of the Company as defined under the Takeovers Code. In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and his associates do not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date.

The Vendor was introduced to the Company through one of the Directors, Mr. Cheung Man Yau, Timothy ("**Mr. Cheung**") in early July 2008. Mr. Cheung was the owner of a certified public accountant firm which provided auditing and taxation services to one of the Vendor's privately–owned company in Hong Kong from 1990 to 2006. Save as and except for the prior business relationship between Mr. Cheung and the Vendor as disclosed, Mr. Cheung confirmed that he has no other relationship with the Vendor.

Guarantor

The Company

Assets to be acquired:

Pursuant to the Master Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares and the Sale Loan at the Consideration.

The Target Company is an investment holding company incorporated in the British Virgin Islands on 29 January 2008 with limited liability. The Target Company is owned as to 99% by the Vendor and 1% by Mr. Wu Hong. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Wu Hong and his associates are (i) Independent Third Parties; and (ii) not a party acting in concert with any substantial shareholders of the Company as defined under the Takeovers Code. In addition, the Directors also confirmed that no prior transaction among the Group, Mr. Wu Hong, the Vendor and/or their respective associates would require aggregation under Rule 19.22 of the GEM Listing Rules.

The HK Company is a company incorporated in Hong Kong with limited liability on 10 April 2007 and is a wholly-owned subsidiary of the Target Company. The HK Company is interested in 80% equity interest in the JV Company, which is a sino-foreign equity joint venture incorporated on 30 July 2007 with limited liability. The JV Company 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.

Upon Completion, the Group will become a 65% shareholder of the Target Company and therefore be effectively interested in 52% of the equity interest in the JV Company, and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Save as and except for the entire equity interest in the HK Company and 80% equity interest in the JV Company, the Target Company had no other material assets and properties as at the Latest Practicable Date.

The Consideration:

The Consideration of not more than HK$695 million will be settled by the Company in the following manner:

(i) as to HK$5 million by cash, out of which HK$1 million had been paid to the Vendor on 1 August 2008 as refundable earnest money pursuant to the Memorandum of Understanding and will be transformed as refundable deposit for the Acquisition, and the remaining balance of the cash Consideration of HK$4 million shall be settled by the Company within 60 days after the date of the Master Agreement;

(ii) as to HK$26.40 million by the issue of 44,000,000 Consideration Shares at the Issue Price of HK$0.60 per Consideration Share upon Completion;

(iii) as to HK$409.20 million at maximum by the issue of the Convertible Bonds in the principal amount of HK$409.20 million with the Conversion Price of HK$0.66 per Conversion Share. Adjustments may be made to the principal amount of the Convertible Bonds and details are set out in the paragraph headed "Adjustments to the Consideration" of this letter; and

(iv) as to HK$254.40 million at maximum by the issue of the Promissory Notes in two tranches: (a) Promissory Note I in the principal amount of HK$154.40 million shall be issued upon Completion; and (b) Promissory Note II in the principal amount of HK$100.00 million at maximum shall be issued upon Completion but retained by the Purchaser and shall be released by the Purchaser to the Vendor within ten days after the issue of the audited consolidated financial statements of the JV Company for the year ending 31 December 2009 without any adjustments to the principal amount of Promissory Note II in the event that the Profit Guarantee is attained. The actual amount of Promissory Note II to be released to the Vendor is based on the audited profits after enterprise income tax but before minority interests of the JV Company for the year ending 31 December 2009. Details of the Profit Guarantee and mechanism for the issue of Promissory Note II are set out in the paragraph headed "Profit Guarantee" of this letter.

As at the Latest Practicable Date, the cash consideration of HK$1 million in total had been paid to the Vendor.

Basis of the Consideration:

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations taking into account the following:

(i) the Acquisition will provide an opportunity for the Group to gain access to the promising mobile value-added services business and sports lottery market in the PRC and broaden the income base of the Group, thereby enhancing the Group's future financial performance and profitability;

(ii) the valuation on the JV Company (assuming that the JV Company will obtain all the Mobile Lottery Recharging Services Agreements for the Liaoning Business and the Shaanxi Business) of approximately RMB1,318.64 million (equivalent to approximately HK$1,503.25 million) as at 31 August 2008 by an independent valuer, Asset Appraisal (the "**Valuation Report**"). In this respect, 52% of the equity interest in the JV Company (assuming that the JV Company will obtain all the Mobile Lottery Recharging Services Agreements for the Liaoning Business and the Shaanxi Business) is equivalent to approximately RMB685.69 million (equivalent to approximately HK$781.69 million); and

(iii) the value of the Sale Loan.

Asset Appraisal has applied the market approach for the valuation of the JV Company in the Valuation Report. Under the market approach, a list of comparable companies were selected for valuation purpose. Assets Appraisal considered those comparable companies to be representative and applied their enterprises value to revenue multiple to estimate the preliminary value of the JV Company. The Valuation Report, including details of the assumptions, basis and methodology of the valuation of the JV Company, has been set out in Appendix IV to this circular. The Directors and Asset Appraisal confirmed that the valuation of the JV Company does not constitute a profit forecast under Rules 19.61 and 19.62 of the GEM Listing Rules. In addition, the valuation of the JV Company was estimated without taking into account the net assets of the JV Company as at 31 August 2008 since the JV Company was not subject to any loans and liabilities as at 31 August 2008.

The Directors confirmed that the arm's length negotiations between the Vendor and the Purchaser on the Consideration have already taken into consideration the amount of the Sale Loan.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent:

Completion of the Acquisition is subject to the satisfactory fulfillment and/or waiver by the Purchaser of the following conditions:

1. the Shareholders at the extraordinary general meeting of the Company approved the resolution(s) in relation to the Master Agreement, the purchase of the Sale Shares and the Sale Loan and the transactions contemplated thereunder;

2. the GEM Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares, whether subject to conditions or not;

3. the Purchaser being reasonably satisfied with the results of the due diligence review of the Target Group;

4. the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser covering matters (including but not limited to the asset, liabilities and the business operation of the Target Group) in relation to the Acquisition;

5. the auditor issuing an audited report of the Target Company on its financial statements (including the consolidated statements) for the year ended 31 December 2007 and the seven months ended 31 July 2008 (to the satisfactory acceptance of the Purchaser);

6. the obtaining of a valuation report (in form and substance satisfactory to the Purchaser) from an independent valuer;

7. the Target Group entered into the Service Agreements with Mr. Wu Hong and the Vendor (in form and substance satisfactory to the Purchaser);

8. the Vendor is not in breach of its warranties in the Master Agreement;

9. the loan (including interests, if any) owed by TLT (Shanghai) to the JV Company being repaid in full *(Note)*; and

10. prior to the Completion, the Vendor and the Target Group are not in material breach of the terms and conditions of the Master Agreement.

Note: As at the date of the Master Agreement, the balance of such loan was amounted to RMB0.57 million (equivalent to approximately HK$0.65 million) and the loan is unsecured, interest free with no fixed term of repayment. To the best of the Directors' knowledge, such loan was utilized as general working capital for TLT (Shanghai).

The Purchaser has the rights to waive in writing the conditions as mentioned above (save as and except for conditions (1) and (2)). If the aforementioned conditions precedent have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before 31 March 2009 (or such other dates agreed by parties to the Master Agreement in writing), none of the parties shall have any claims against the other parties (other than any antecedent breaches) under the Master Agreement. Nevertheless, the Vendor shall refund all the cash paid by the Company with an annual interest rate of 5%.

As at the Latest Practicable Date, conditions 3 and 9 above had been fulfilled.

Warranties:

Under the Master Agreement, the Vendor has given certain warranties and representations in relation to the Vendor, the Sale Shares, the Sale Loan and the affairs of the Target Group. The principal warranties cover the following matters: power and legal status of the Vendor, title and ownership of the Sale Shares and the Sale Loan, legal status of the members of the Target Group, the Target Group's business, accounts, financial affairs, insurance, taxation, contingent liabilities, employees, litigation, intellectual property rights and other matters.

Completion:

Completion shall take place at 2:00 p.m. on the fifth day (or such other dates agreed by parties to the Master Agreement in writing) after the fulfillment and/or waiver of all the conditions precedent set out in the paragraph headed "Conditions precedent" of this letter.

The Company has no present intention to change the composition of the Board upon Completion. The Directors confirmed that the Company does not intend to appoint the Vendor, Mr. Wu Hong and/or their respective associates as Directors as a result of the Acquisition. The Directors further confirmed that the Acquisition will not result in a change of control of the Company.

Given that the terms of the Master Agreement were negotiated on an arm's length basis and the Consideration of approximately HK$695 million represents a discount of approximately 11.09% to the equity interest of 52% in the JV Company (equivalent to approximately HK$781.69 million) based on the Valuation Report, the Board considers that the terms of the Master Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Consideration Shares:

HK$26.40 million of the Consideration is to be satisfied by the issue of 44,000,000 Consideration Shares at the Issue Price of HK$0.60 per Consideration Share by the Company to the Vendor (or its nominees).

The Issue Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account of the market condition and the prevailing market price of the Shares. The Issue Price represents:

(i) a premium of approximately 76.47% over the closing price of HK$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 20% over the closing price of HK$0.50 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 21.46% over the average of the closing price of HK$0.494 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 13.21% over the average of the closing price of HK$0.53 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 50.17% over the unaudited consolidated net asset value of the Company per Share of approximately HK$0.40 as at 30 June 2008 (based on the unaudited consolidated net asset value of the Company of approximately HK$77,910,000 as at 30 June 2008 and 195,000,000 issued Shares as at the date of the Master Agreement).

The Consideration Shares represent (i) approximately 22.56% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 18.41% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (iii) approximately 5.12% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the maximum number of Conversion Shares upon full conversion of all Convertible Bonds at the Conversion Price.

The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue. Under the Master Agreement, subsequent sales of the Consideration Shares are prohibited within six months after the Completion unless prior written consent is granted by the Purchaser.

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares. The Consideration Shares shall be allotted and issued under the Specific Mandate.

The Convertible Bonds:

A maximum amount of HK$409.20 million of the Consideration is to be satisfied by the issue of the Convertible Bonds at the Conversion Price of HK$0.66 per Conversion Share by the Company to the Vendor (or its nominees).

The principal terms of the Convertible Bonds are summarized as follows:

Issuer

The Company

Bondholder(s)

The Vendor (or its nominees)

Principal amount

HK$409.20 million (subject to adjustments, details of which are set out in the paragraph headed "Adjustments to the Consideration" of this letter)

Maturity date

The Business Day falling on the third anniversary from the issue date of the Convertible Bonds.

Interest

Interest shall accrue on the principal amount of the Convertible Bonds at 1% per annum and is payable quarterly.

Transferability

The Convertible Bonds will be 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 consent of the Company and in compliance with the GEM Listing Rules.

Voting rights

The Bondholders are not entitled to attend or vote at any meetings of the Company.

Conversion

The Bondholders shall have the rights to convert at any time the part of the Convertible Bonds released to them or after the expiry of the Undertaking Period in relation to the part of the Convertible Bonds which have not been released to the Vendor during the Undertaking Period in whole or in part of the principal amount of the Convertible Bonds in integral multiple of HK$1,000,000 into Conversion Shares.

The conversion of the Convertible Bonds is also subject to certain restrictions as highlighted in note (7) to the shareholding chart in the paragraph headed "Changes in the shareholding structure of the Company" of this letter.

Conversion Price

The Conversion Price of HK$0.66 per Conversion Share (subject to adjustments) represents:

(i) a premium of approximately 94.12% over the closing price of HK$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 32.00% over the closing price of HK$0.50 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 33.60% over the average of the closing price of HK$0.494 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 24.53% over the average of the closing price of HK$0.53 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 65.19% over the unaudited consolidated net asset value of the Company per Share of approximately HK$0.40 as at 30 June 2008 (based on the unaudited consolidated net asset value of the Company of approximately HK$77,910,000 as at 30 June 2008 and 195,000,000 issued Shares as at the date of the Master Agreement).

The Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account of the market condition and the prevailing market price of the Shares. In view of that (i) the maximum principal amount of the Conversion Bonds is substantially different and higher than the monetary value of the Consideration Shares; (ii) the Convertible Bonds involve time value; (iii) the Convertible Bonds have conversion rights being attached; (iv) conversion to the Conversion Shares are subject to the terms of the Convertible Bonds; and (v) the entire terms of the Convertible Bonds were determined after arm's length negotiations between the Company and the Vendor, the Conversion Price is higher than the Issue Price.

Redemption

Unless previously converted, purchased and cancelled, the Company shall redeem the Convertible Bonds at their outstanding principal amount plus any accrued interest by cash on the date of maturity of the Convertible Bonds.

Ranking of the Conversion Shares

The Conversion Shares falling to be issued upon exercise of the conversion rights attached to the Convertible Bonds shall, when issued, rank pari passu in all respects with all other Shares in issue as at the date of conversion.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Conversion Shares. The Conversion Shares shall be allotted and issued under the Specific Mandate.

Assuming full conversion of all Convertible Bonds at the Conversion Price, a maximum of 620,000,000 Conversion Shares will be issued, representing (i) approximately 317.95% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 259.41% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (iii) approximately 72.18% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the maximum number of Conversion Shares upon full conversion of all Convertible Bonds at the Conversion Price.

Adjustments to the Consideration

The Vendor undertakes and guarantees to the Purchaser that he will obtain the Mobile Lottery Recharging Services Agreements for the Liaoning Business and the Shaanxi Business within the Undertaking Period, whereupon, pursuant to the Master Agreement, the Purchaser shall release the certificates of the Convertible Bonds within three days after the signing of the Mobile Lottery Recharging Services Agreements for the Liaoning Business and the Shaanxi Business.

The Purchaser reserves the rights to reduce the principal amount of the Convertible Bonds in the following situations: the Vendor being (i) unable to obtain the Mobile Lottery Recharging Services Agreement for the Liaoning Business, the principal amount of the Convertible Bonds shall be adjusted downward by HK$148 million; and (ii) unable to obtain the Mobile Lottery Recharging Services Agreements for the Shaanxi Business, the principal amount of the Convertible Bonds shall be adjusted downward by HK$71 million, within three days after the Undertaking Period.

In the event that the Vendor is unable to obtain the Mobile Lottery Recharging Services Agreements for the Liaoning Business and the Shaanxi Business during the Undertaking Period, the principal amount of the Convertible Bonds shall be deducted by HK$219 million accordingly.

Pursuant to the Master Agreement, the adjusted principal amounts of the Convertible Bonds being reduced under each of the situations as mentioned above will be cancelled by the Company.

The adjustments as aforementioned were determined after arm's length negotiations between the Purchaser and the Vendor with reference to the considerations for the Liaoning Business and the Shaanxi Business based on the preliminary valuation of the Liaoning Business and the Shaanxi Business of approximately RMB328 million (equivalent to approximately HK$373.92 million) and RMB139 million (equivalent to approximately HK$158.46 million) as at 31 August 2008 respectively as estimated by Asset Appraisal in the Valuation Report. Given that the adjustment amounts for the Liaoning Business and the Shaanxi Business are equal to the considerations for the Liaoning Business and the Shaanxi Business respectively, the Directors consider that such adjustments have been fairly and reasonably determined.

The Promissory Notes:

A maximum of HK$254.40 million of the Consideration is to be satisfied by the issue of the Promissory Notes by the Company to the Vendor (or its nominees) in two tranches. Promissory Note I in the principal amount of HK$154.40 million shall be issued upon Completion. Promissory Note II in the principal amount of HK$100 million shall be issued upon Completion and shall be released by the Purchaser to the Vendor within ten days after the issue of the audited consolidated financial statements of the JV Company for the year ending 31 December 2009 subject to the downward adjustment to the principal amount of Promissory Note II (details of the adjustment is set out in the paragraph headed "Profit Guarantee" below) in the event that the Profit Guarantee is not attained. The actual amount of Promissory Note II being released to the Vendor will be based on the audited profits after enterprise income tax but before minority interests of the JV Company for the year ending 31 December 2009. Details of the Profit Guarantee and mechanism for the issue of Promissory Note II are set out in the paragraph headed "Profit Guarantee" of this letter.

The principal terms of the Promissory Notes are summarized as follows:

Issuer

The Company

Aggregated principal amounts

HK$254.40 million (subject to adjustments, details of which are set out in the paragraph headed "Profit Guarantee" of this letter)

Maturity

The Business Day falling on the third anniversary from the issue date of the Promissory Notes.

Interest rate

The Promissory Notes are interest-free.

Repayment

At the sole discretion of the Company, the principal amount of the Promissory Notes may be repaid before the maturity date of the Promissory Notes at a 3% discount. Otherwise, payment of principal of the Promissory Notes shall be made in full upon their date of maturity.

Profit Guarantee:

Pursuant to the Master Agreement, the Vendor undertakes to the Purchaser that the profits after enterprise income tax but before minority interests shown in the audited financial statements of the JV Company in accordance with Hong Kong Financial Reporting Standards for the year ending 31 December 2009 shall not be less than (i) HK$99 million for the Existing Provinces Businesses; or (ii) HK$138 million for the Existing Provinces Businesses and the Liaoning Business; or (iii) HK$114 million for the Existing Provinces Businesses and the Shaanxi Business; or (iv) HK$153 million for the Existing Provinces Businesses, the Liaoning Business and the Shaanxi Business.

In the event that the audited profits after enterprise income tax but before minority interests of the JV Company for the year ending 31 December 2009 are unable to meet the profit guarantees under any of the four scenarios as just mentioned, the principal amount of Promissory Note II to be released to the Vendor will be adjusted downwards by 52% of the difference between the respective guaranteed profit and the actual profits after enterprise income tax but before minority interests of the JV Company for the year ending 31 December 2009. In the event that the JV Company recorded losses after enterprise income tax but before minority interests for the year ending 31 December 2009, the principal amount of Promissory Note II to be released to the Vendor will be adjusted downward by 52% of the respective guaranteed profit plus the actual losses after enterprise income tax but before minority interests of the JV Company for the year ending 31 December 2009. The adjusted principal amount of Promissory Note II being reduced will be cancelled accordingly.

In case the downward adjustment exceeds the amount of HK$100 million, being the principal amount of Promissory Note II, the Vendor shall be required to pay the corresponding shortfall to the Purchaser by cash within three days upon receipt of notification from the Purchaser.

Service Agreements:

Pursuant to the Master Agreement, the Vendor and Mr. Wu Hong will enter into the Service Agreements with the Target Group upon Completion. Currently, the Vendor and Mr. Wu Hong are directors of the Target Group. To the best of the Directors' knowledge, the Vendor and Mr. Wu Hong will continue to work as directors for the Target Group until and after the Completion. The parties have agreed that the Service Agreements will contain the following major terms:

1) the duration of the Service Agreements would be at least for two years but not exceeding three years; and

2) the Target Group has the rights to terminate the Service Agreements by giving notice period of less than one year.

The Directors are of the view that the Service Agreements would allow the JV Company to continue its normal operation after the Completion and also enable the Purchaser to secure certain key personnel of the JV Company. Therefore, the Directors consider that it is beneficial to the Company and the Shareholders as a whole to include the Service Agreements as one of the conditions precedent of the Master Agreement.

Since it is envisaged that Rule 17.90 of the GEM Listing Rules would not be applicable to the Service Agreements, the continuation of the Service Agreements after the Completion would be a connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31(6) of the GEM Listing Rules.

Non-competition undertaking:

Under the Master Agreement, the Vendor also undertakes to the Purchaser that he and his associates would not directly or indirectly engage in businesses which would compete with the businesses of the Target Group in the PRC for a period of four years after the date of the Master Agreement.

INFORMATION ON THE TARGET GROUP

The Target Company

As aforementioned, the Target Company is an investment holding company incorporated in the British Virgin Islands on 29 January 2008 with limited liability. The Target Company is owned as to 99% by the Vendor and 1% by Mr. Wu Hong.

The HK Company and the JV Company

The HK Company is a company incorporated in Hong Kong with limited liability on 10 April 2007 and is a wholly-owned subsidiary of the Target Company. The HK Company is interested in 80% equity interest in the JV Company, which is a sino-foreign equity joint venture incorporated on 30 July 2007 with limited liability. The JV Company 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. Upon Completion, the Group will be effectively interested in 52% of the equity interest in the JV Company.

The registered capital of the JV Company is US$3 million, of which US$2.40 million and US$0.60 million shall be contributed by the HK Company and TLT (Shanghai) respectively and as at the date of the Master Agreement, the HK Company and TLT (Shanghai) had contributed the amounts of approximately US$1.39 million and US$0.40 million as registered capital to the JV Company respectively. The HK Company is hence responsible for contributing the remaining unpaid registered capital of US$1.01 million to the JV Company. Pursuant to the Master Agreement, shareholders of the Target Company (including the Purchaser, the Vendor and Mr. Wu Hong) shall contribute to the remaining unpaid registered capital of the JV Company being responsible by the HK Company in proportion to their respective shareholdings in the Target Company. In other words, the outstanding capital contribution of US$1.01 million to be contributed by the HK Company will be made on the basis of the Purchaser, the Vendor and Mr. Wu Hong's respective effective interests in the HK Company in the ratio of 65%: 34%: 1% respectively.

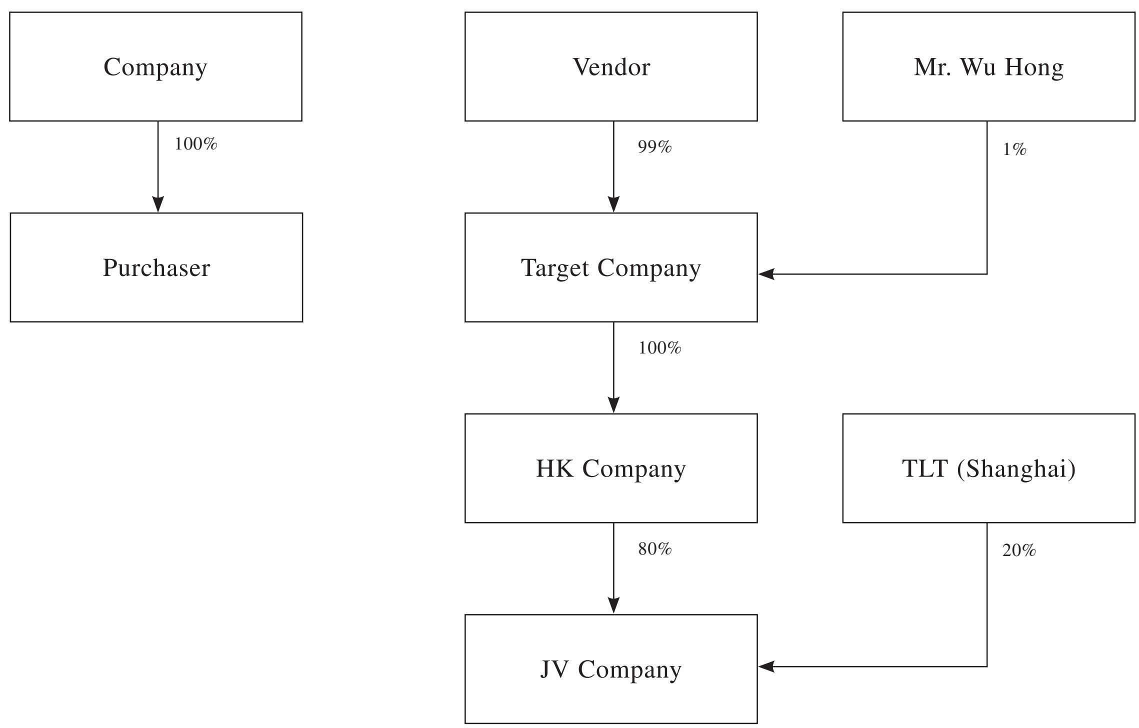
Save as and except for the entire equity interest in the HK Company and the 80% equity interest in the JV Company, the Target Company had no other material assets and properties as at the Latest Practicable Date.

According to the unaudited financial statements of the Target Group prepared under Hong Kong Financial Reporting Standards, the net loss before and after taxation of the Target Group were approximately HK$5.85 million for the period from 10 April 2007 to 31 December 2007, while the net loss before and after taxation of the Target Group for the seven months ended 31 July 2008 were approximately HK$8.32 million. The net liabilities of the Target Group were approximately HK$5.72 million and HK$10.4 million as at 31 December 2007 and 31 July 2008 respectively.

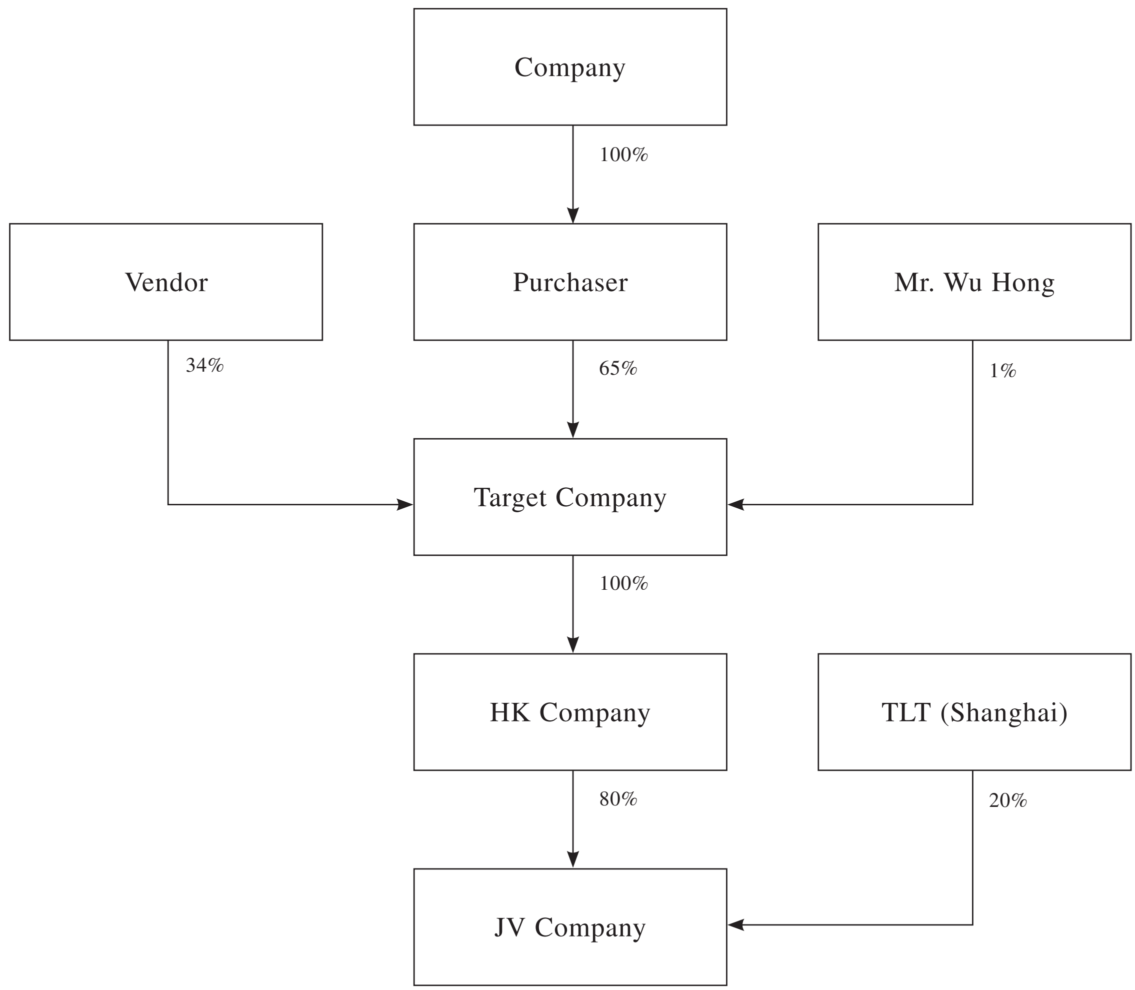
Shareholding chart

The following charts show the shareholding structure of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after the Completion:

Simplified shareholding structure as at the Latest Practicable Date



Simplified shareholding structure immediately after the Completion



Note:

The Vendor shall become a substantial shareholder of the Company upon Completion.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of public bus transportation and related services in the PRC.

The Group has been seeking suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income. In this regard, the Directors believe that the Acquisition will provide an opportunity for the Group to gain access to the promising mobile value-added services business and sports lottery market in the PRC and broaden the income base of the Group, thereby enhancing the Group's financial position and profitability in the future. It is also the intention of the Company to continue its existing businesses depending on the then business environment and prospects.

The Mobile Lottery Recharging Services Agreements

Since 2007, the JV Company has signed five Mobile Lottery Recharging Services Agreements with entities in five regions of the PRC, namely, Shandong Sports Lottery Administrative Center (山東省體育彩票管理中心), Hainan Sports Lottery Administrative Center (海南省體育彩票管理中心), Qinghai Sports Lottery Administrative Center (青海省體育彩票管理中心), Hubei Sports Lottery Administrative Center (湖北省體育彩票管理中心) and Gansu Sports Lottery Administrative Center (甘肅省體育彩票管理中心). Pursuant to the Mobile Lottery Recharging Services Agreements, the JV Company was authorized to provide the mobile lottery recharging services in the sports lottery business for a fixed term of five years in Shandong province, Hainan province, Qinghai province, Hubei province and Gansu province respectively.

Under the Mobile Lottery Recharging Services Agreements, the JV Company shall receive certain percentage of the payment as service fee income from the China Sports Lottery Administrative Center (中國體育彩票管理中心) for recharging service provided by the JV Company to mobile lottery users in the PRC. In addition, it is stated in the Mobile Lottery Recharging Services Agreements that relevant government authorities shall not procure another services provider in the mentioned provinces in the PRC under normal circumstances and the JV Company has the priority rights to renew the Mobile Lottery Recharging Services Agreements under the same terms offered by other services providers upon expiry of the respective Mobile Lottery Recharging Services Agreements.

As far as the Directors are aware of, the Target Group has not yet commenced any business, operation and did not generate any significant revenue for the period from 10 April 2007 to 31 December 2007 and the seven months ended 31 July 2008 as the JV Company has just entered into the aforesaid five Mobile Lottery Recharging Services Agreements. The JV Company made losses for the said periods due to operation and administration expenses.

Furthermore, the JV Company is in the progress of negotiating and signing two Mobile Lottery Recharging Services Agreements with entitles in two other provinces of the PRC, namely, Liaoning Sports Lottery Administrative Center (遼寧省體育彩票管理中心) and Shaanxi Sports Lottery Administrative Center (陝西省體育彩票管理中心). Further announcement(s) will be made by the Company in respect of any material development on the aforementioned services agreements with Liaoning Sports Lottery Administrative Center and Shaanxi Sports Lottery Administrative Center to comply with the disclosure requirements under the GEM Listing Rules as and when appropriate.

The sports lottery market in the PRC

The lottery sector in the PRC is strictly regulated by the PRC government which currently intends to tighten regulations against illegal gambling activities in the PRC. Currently, the sports lottery market is regulated by various authorities in the PRC and the JV Company is one of the qualified sports lottery service providers for the mobile lottery recharging services administered by the China Sports Lottery Administrative Center (中國體育彩票管理中心) in the PRC.

The consumer spending and gross domestic products per capita in the PRC have been demonstrating an increasing trend in recent years and it is expected that the PRC citizens will increase its spending on lottery entertainment accordingly. As referred to the statistics released by the Ministry of Finance of the PRC, the total revenue generated from the lottery business in the PRC was approximately RMB81.96 billion and RMB101.70 billion in 2006 and 2007 respectively, representing an increase of approximately 24.08%. Such considerable growth corresponded with the growth of the PRC's gross domestic products of approximately 12% as quoted on Bloomberg for the same said period.

In addition, taking into account the increase in popularity and penetration of mobile phones in the PRC, related value-added services for mobile phone, which is considered to be complementary to mobile phone users, also presents numerous business opportunities. Given the rising popularity of both of the lottery market and demand for valued-added services from mobile phones users in the PRC, the Directors are optimistic about the prospects of the JV Company despite its current loss-making position. For this reason, the Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Possible continuing connected transactions

On 22 January 2008, the JV Company and TLT (Shanghai) entered into the Co-operative Agreement for developing the lottery recharging services business. Pursuant to the Co-operative Agreement, TLT (Shanghai), holder of the Operating License for Telecommunications Recharging Business of the PRC and the Certificate for Use of Access Code of Short Message Services of the PRC, will provide the network services to support the JV Company's lottery recharging business at an annual service fee of RMB480,000 (the "**Network Service Fee**"). Shanghai Hengye Law Firm, the PRC legal adviser to the Company (the "**PRC Legal Adviser**") confirmed that such licenses are necessary and valid for conducting the business of 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 PRC Legal Adviser also confirmed that the form and contents of the Co-operative Agreement are legal and valid in the PRC.

Upon Completion, the Company, through the Purchaser, will become an indirect controlling shareholder of the JV Company and the aforesaid transactions entered into between the JV Company and TLT (Shanghai) will become continuing connected transactions for the Company under the GEM Listing Rules. As the applicable ratios for the Co-operative Agreement are more than 0.1% but less than 2.5% and the annual consideration is less than HK$1 million, the continuing connected transactions contemplated by the Network Service Fee are exempt from reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the Consideration Shares; and (iii) immediately after the issue of the Consideration Shares and the maximum number of Conversion Shares upon full conversion of all Convertible Bonds; and (iv) immediately after the issue of the Consideration Shares and Conversion Shares upon full conversion of the Convertible Bonds subject to the conversion restrictions under the Master Agreement and the terms of the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		After the issue of the Consideration Shares		After the issue of the Consideration Shares and the maximum number of Conversion Shares upon full conversion of all Convertible Bonds		After the issue of the Consideration Shares and the maximum number of Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 19.90% of the issued share capital of the Company *(Note 7)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Sino Market Enterprises Limited ("**Sino Market**") *(Notes 1, 2 & 3)*	62,284,000	31.94	62,284,000	26.06	62,284,000	7.25	62,284,000	25.58
Yeung Wai Hung ("**Mr. Yeung**") *(Note 4)*	1,400,000	0.72	1,400,000	0.59	1,400,000	0.16	1,400,000	0.58
Wonderful Source Limited ("**Wonderful Source**") *(Note 5)*	50,000,000	25.64	50,000,000	20.92	50,000,000	5.82	50,000,000	20.54
The Vendor	–	–	44,000,000	18.41	664,000,000	77.30	48,444,000	19.90
Public Shareholders *(Note 6)*	81,316,000	41.70	81,316,000	34.02	81,316,000	9.47	81,316,000	33.40
Total	195,000,000	100	239,000,000	100	859,000,000	100	243,444,000	100

Notes:

1. Sino Market is owned by Sinoman International Limited as to approximately 54.8%, Mellin Enterprises Limited as to approximately 22.6% and Mr. Yeung (see note (4) below for description of Mr. Yeung's identity) as to approximately 22.6%.

2. Sinoman International Limited is wholly-owned by Twilight Enterprises Limited which is owned by Mr. Wilkie Wong (a non-executive Director) as to 12.5%, Mr. Wong Wai Lok, William (not a director of the Company or its subsidiaries) as to 12.5%, Ms. Wong Wai Yee, Winnie (not a director of the Company or its subsidiaries) as to 12.5%, Ms. Wong Wai Ying, Vivian (not a director of the Company or its subsidiaries) as to 12.5%, and Madam Chiu Chee Chai (not a director of the Company or its subsidiaries) as to 50%.

3. Mellin Enterprises Limited is owned by Mr. Wong Wah Sang, the Chairman and a non-executive Director as to 50% and Mr. Wong Man Chiu, Ronnie, an executive Director as to 50%.

4. Mr. Yeung is a former Director, still a director of Argos Bus Services (China) Company Limited (a wholly-owned subsidiary of the Company) and one of the ultimate beneficial owners of Sino Market. The 1,400,000 Shares are held under the name of Cherikoff Bakery & Confections Limited and by virtue of Part XV of the SFO, Mr. Yeung is deemed to be interested in the entire issued capital of Cherikoff Bakery & Confections Limited which is interested in the 1,400,000 Shares.

5. Wonderful Source is a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Cheung, an executive Director.

6. Sharp Mode Limited is the holder of the convertible bonds issued by the Company on 30 June 2008 in the principal amount of HK$7.2 million at conversion price of HK$0.2 per conversion share and its ultimate beneficial owner is Mr. Chow Chun Yee, who is a public Shareholder. On 22 September 2008, a principal amount of HK$3 million of the said convertible bonds had been transferred from Sharp Mode Limited to three individuals, whom (i) to the best of the Directors' knowledge and belief and having made all reasonable enquiries, are Independent Third Parties; (ii) as confirmed by the Vendor and Mr. Wu Hong, are not related to each of the Vendor and Mr. Wu Hong; and (iii) would not become substantial Shareholders as a result of such conversion. The principal amount of HK$7.2 million of the convertible bonds held by Sharp Mode Limited had been reduced to HK$4.2 million accordingly.

7. No conversion of the Convertible Bonds shall be made if such conversion would (i) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder(s) who exercises the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company; or (ii) result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 11.23 of the GEM Listing Rules or otherwise pursuant to other provisions of the GEM Listing Rules or the Takeovers Code. There is a presumption that the Vendor and the group (the "**Concert Group**") comprising Sino Market, Mr. Yeung and Wonderful Source being acting in concert if the shareholdings of the Vendor and the Concert Group in the Company both reach 20% of the issued share capital of the Company. Accordingly, it is assumed that the Vendor will only hold not more than approximately 19.90% of the issued share capital of the Company.

The Company shall comply with the public float requirements, being not less than 20% of the total issued share capital of the Company, under the Rule 11.23 of the GEM Listing Rules at all times and take appropriate steps/measures to ensure sufficient public float of the Shares at all times.

Dilution effect on the Shareholders

Due to the significant dilution effect of the Conversion Shares, the Company would adopt the following additional disclosure measures should the Acquisition proceeds to the Completion:

(i) the Company will make a monthly announcement (the "**Monthly Announcement**") on the website of the Stock Exchange and the website of the Company for so long as the Convertible Bonds are outstanding. Such Monthly Announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following information in table form:

(a) whether there is any conversion of the Convertible Bonds during the relevant month. If yes, the relevant Monthly Announcement will set out details of the conversion(s), including the conversion date, the number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;

(b) the amount of outstanding Convertible Bonds after the conversion, if any;

(c) the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company, if any; and

(d) the total issued share capital of the Company as at the commencement and the last day of the relevant month.

(ii) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange and the website of the Company including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be).

(iii) the Company forms the view that any issue of the Conversion Shares will trigger the disclosure requirements under Rule 17.10 of the GEM Listing Rules, then the Company is obliged to make such disclosure regardless of the issue of any announcements in relation to the Convertible Bonds as mentioned in (i) and (ii) above.

FINANCIAL EFFECTS ON THE ACQUISITION

Following the Completion, members of the Target Group will become subsidiaries of the Company.

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2008, as extracted from the interim report of the Company for the six months ended 30 June 2008, were approximately HK$248 million and HK$170 million respectively. As set out in Appendix III to this circular, assuming Completion had taken place on 30 June 2008, the pro forma total assets and total liabilities of the Enlarged Group would have been increased to approximately HK$896 million and HK$715 million respectively.

Earnings

Following the Completion, members of the Target Group will become subsidiaries of the Company and the Group will be able to consolidate revenue and costs from the Target Group. The audited net loss of the Group for the financial year ended 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007 was approximately HK$12.98 million. According to the unaudited pro-forma income statement of the Enlarged Group as if the proposed Acquisition had been completed on 1 January 2007, the pro-forma net loss of the Enlarged Group would have been approximately HK$66.01 million, which was mainly attributable to the interest expenses of approximately HK$44.72 million on the Promissory Notes and the Convertible Bonds. Taking into account the Profit Guarantee and the prospects of the mobile lottery recharging service business in the PRC, the Directors consider that the acquisition of the Target Group will provide the Enlarged Group with a stable source of income and profitability potential.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP FOR SIX MONTHS ENDED 30 JUNE 2008 AND THE THREE PRECEDING FINANCIAL YEARS

For the six months ended 30 June 2008

Turnover

The unaudited consolidated turnover of the Group for the six months ended 30 June 2008 was approximately HK$91,951,000 (2007: approximately HK$80,453,000) representing an increase of 14% over the corresponding period in 2007.

Gross profit

The gross profit was approximately HK$4,227,000 (corresponding period in 2007: approximately HK$14,608,000). The decrease in gross profit was mainly due to high level of oil price and inflation rate. In considering the oil price compensation subsidies from local government authorities, the consolidated gross profit reflected a quite steady trend when compared with last year.

Loss attributable to Shareholders

The loss attributable to Shareholders was approximately HK$4,542,000. It was mainly resulted of the increase in cost of services and administrative expenses for the six months ended 30 June 2008 (Profit attributable to Shareholders in 2007: approximately HK$295,000).

Basic loss per Share

For the six months ended 30 June 2008, basic loss per Share was approximately HK2.52 cents (Basic earnings per Share in 2007: approximately HK0.16 cent).

Capital Structure

As at 30 June 2008, the shareholders' funds of the Group amounted to approximately HK$49,042,000 (2007: approximately HK$55,049,000) of which the issued capital was of the sum of approximately HK$1,800,000 (2007: approximately HK$1,800,000). The total assets amounted to approximately HK$248,380,000 (2007: approximately HK$213,219,000), including cash and bank deposits of approximately HK$38,158,000 (2007: approximately HK$43,234,000) of which HK$10 million (2007: HK$10 million) were pledged to secure banking facilities granted to the Group. The Group had long-term liabilities amounting to approximately HK$23,807,000 (2007: approximately HK$5,450,000) and current liabilities amounting to approximately HK$146,663,000 (2007: approximately HK$93,703,000), of which trade payables and other payables amounted to approximately HK$100,652,000 (2007: approximately HK$63,698,000).

Outstanding balance of bank & other borrowings as at 30 June 2008 were approximately HK$41,422,000 of which HK$22,513,000 were due within one year. The liability portion of convertible bonds was amounted to HK$7,164,000. The gearing ratio of the Group expressed in total debt as a percentage of net assets was 62.3%.

Net cash inflow from operating activities

The Group recorded a cash inflow from operating activities of approximately HK$7,349,000 during the six months ended 30 June 2008 compared with a cash inflow from operating activities of approximately HK$4,797,000 during the corresponding period in 2007.

Number of staff and remuneration policy

The total number of staff as at 30 June 2008 was 2,356 (2007: 2,204) and the remuneration policy was based on the prevailing market conditions.

Foreign currency risk

Since most of the transactions, income and expenditure, bank loan and other borrowings of the Group were denominated in Renminbi, no hedging or other arrangements to reduce the currency risk had been implemented during the six months period ended 30 June 2008 as the Board considered that the potential foreign exchange exposure of the Group was limited.

Material acquisition, disposals and significant investment

During the six months ended 30 June 2008, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Contingent liabilities

As at 30 June 2008, the Group had no material contingent liabilities (2007: Nil).

Operational Review and Future Plan

Overall turnover of the Group in the first half of 2008 somehow remained at level of same period last year in terms of Renminbi Yuan as announced result is presented in Hong Kong dollar, the increase in figures were due largely to devaluation of Hong Kong dollar against Renminbi Yuan. Global high oil prices and inflationary effect in the PRC continued to put pressure on operations in the PRC. The Group's gross profit margin for the period was reduced to approximately HK$4,227,000 (by approximately HK$10,380,000) as a matter of fact. However, conventional subsidies from local governments authorities compensated part of the deficit. Still, the unaudited operational result was a loss of approximately HK$3,580,000, comparing to profit of approximately HK$2,886,000 for last year same period.

Other than the public transportation business, the Directors were actively seeking suitable potential investment opportunities in order to diversify the existing portfolio and to broaden the source of income of the Group. It is also the intention of the Company to continue its existing businesses depending on the then business environment and prospects.

Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos")

There was slight decrease in both turnover and passenger number in the six months period; part of the reasons was that during the snowstorm and Sichuen earthquake period, Nanjing Argos provided free transportation services to rescue teams saving lives. Increasing oil prices, wages and overhead still caused big concern to the management. During the period, RMB12,000,000 additional capital had been further injected into the subsidiary, together with approximately RMB7,000,000 government subsidy, Nanjing Argos was committed to provide quality service to the public.

Operational statistics of Nanjing Argos for the period were as follows:

	Jan – Jun 2008	**Jan – Jun 2007**
Routes operated	18	18
Number of employees	1,085	1,108
Fleet size	367	404
Total mileage *('000 kilometre)*	12,947	12,848
Total patronage *(million trip)*	37.82	41.00

Chongqing Wanzhou Argos Public Transport Company Limited ("Wanzhou Argos")

There was a 6% increase in turnover when compared with same period in 2007. In the Wanzhou operation, buses and coaches were run by compressed natural gas, the respective price of which remained steady in the period, and the gross profit margin remained steady therefore.

Operational statistics of Wanzhou Argos for the period were as follows:

	Jan – Jun 2008	Jan – Jun 2007
Routes operated	8	8
Number of employees	277	283
Fleet size	61	57
Total mileage *('000 kilometre)*	2,566	2,522
Total patronage *(million trip)*	6.45	6.42

Taizhou Argos Public Transport Bus Company Limited ("Taizhou Argos")

Since three additional routes were operated during the period, fleet size and employee number were further strengthened. 30 new air-conditioned buses had been launched into service since June 2008; it was expected that service and performance could be further improved.

Operational statistics of Taizhou Argos for the period were as follows:

	Jan – Jun 2008	Jan – Jun 2007
Routes operated	27	24
Number of employees	514	458
Fleet size	589	538
Total mileage *('000 kilometre)*	3,160	2,928
Total patronage *(million trip)*	7.29	7.30

For the year ended 31 December 2007

Operational Review and Future Plan

The Group's turnover in 2007 remained steady with slight increase in two major bus companies, Nanjing Argos & Wanzhou Argos. Despite the bright outlook for China economic growth, ever-increasing oil prices and fierce competition posted great challenge on operation. National 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 played an important role to our transportation operations subsidiaries covering excessive operational cost especially from high oil prices. In fiscal year 2007, the Chinese local government provided subsidies to the Group's companies in areas of oil prices and new bus fleets acquisition.

Nanjing Argos

An increase of 9.2% in turnover was recorded; however operating cost was up by 15%, mainly due to increasing oil prices and wages. Subsidies from local governments compensated the excessive outlays of oil expenditure and acquisition of new bus fleets incurred by Nanjing Argos. An impairment loss of RMB3.7 million resulted in a loss of RMB5 million for 2007.

Major operational statistics of Nanjing Argos:

	2007	**2006**	**2005**	**2004**	**2003**
Number of routes operated	18	18	18	15	15
Number of employees	1,067	1,131	1,053	1,007	962
Fleet size	410	399	369	339	327
Total mileage operated *(million kilometre)*	24.92	24.46	22.84	22.53	21.11
Total passenger trip *(million trip)*	81.93	80.22	78.08	98.94	67.88

Wanzhou Argos

Wanzhou Argos recorded a 8.9% and 12.7% increase in turnover and operating cost respectively. Even so, a slight net income was still recorded. Due to the effective control on operating costs, impact from oil price increase had to a certain extent been lessened.

Major operational statistics of Wanzhou Argos:

	2007	**2006**	**2005**	**2004**	**2003**
Number of routes operated	8	8	6	6	5
Number of employees	285	280	271	276	366
Fleet size	57	63	57	52	90
Total mileage operated *(million kilometre)*	5.15	4.95	3.65	3.09	5.50
Total passenger trip *(million trip)*	12.24	10.65	7.88	6.58	9.83

Taizhou Argos

Turnover remained basically steady at previous year level with slight improvement. Increase in administration cost had been somehow offset by RMB2.5 million additional subsidy from government. The result was a net income of RMB0.6 million. There was an enormous outlay of RMB2 million compensation due to accidental claims, and higher insurance cost resulted. Re-education and training on the drivers was essential therefore.

Major operational statistics of Taizhou Argos:

	2007	**2006**	**2005**	**2004**	**2003**
Number of routes operated	24	21	22	21	22
Number of employees	714	743	767	745	495
Fleet size	568	538	528	516	481
Total mileage operated *(million kilometre)*	60.12	58.41	58.30	12.83	7.21
Total passenger trip (*million* trip)	16.75	19.02	20.60	15.25	9.2

Xuzhou China International Travel Service Limited ("Xuzhou China International Travel")

Generally, the travel industry market continued to be very competitive. Principal business included arrangement of major city tour in China and selling of flight tickets.

We present below operating results of Xuzhou China International Travel:

	2007	**2006**	**2005**	**2004**
Turnover (RMB'000)	21,677	14,084	12,356	5,796
Cost (RMB'000)	20,285	12,969	11,325	5,403
Business tax (RMB'000)	94	62	57	22
Gross Profit (RMB'000)	1,298	1,053	974	371
Number of Employee	29	26	26	30
Gross profit %	5.99%	7.47%	7.88%	6.4%

FINANCIAL POSITION

Capital Structure

As at 31 December 2007, the shareholders' funds of the Group amounted to approximately HK$50.1 million (2006: HK$54.8 million) of which issued capital was of the sum of approximately HK$1.8 million (2006: HK$1.8 million). The total assets of the Group were approximately HK$213 million (2006: HK$174 million), including cash and bank balances and deposits of approximately HK$47 million (2006: HK$38 million) of which HK$10 million (2006: HK$17 million) were pledged to secure banking facilities granted to the Group. Outstanding balance of bank loans, overdrafts and other loans as at 31 December 2007 were approximately HK$27 million (2006: HK$22 million) of which HK$17 million (2006: HK$21 million) were due within one year. The liability portion of convertible bonds was amounted to HK$6.9 million (2006: Nil) Motor vehicles of the Group with carrying value amounted to approximately HK$127 million (2006: HK$98 million). The gearing ratio of the Group expressed in total debt as a percentage of net assets was 37% (2006: 25%).

As at 31 December 2007, certain of the Group's leasehold buildings in the PRC with a carrying value of approximately HK$455,000 were pledged to secure bank borrowing granted to the Group.

Foreign currency risk

Since most of the transactions, income and expenditure of the Group were denominated in Renminbi Yuan, no hedging or other arrangements to reduce the currency risk had been implemented.

Contingent liability

As of the date of the audited annual report of the Company for the year ended 31 December 2007, the Directors were not aware of any material contingent liabilities except for a corporate guarantee amounted to HK$1 million given to financial institution in respect of credit facilities utilised by a related company. Subsequently, the guarantee was discharged on 18 March 2008.

Employees and remuneration policy

As at 31 December 2007, the Group had 2,285 (2006: 2,407) full-time employees. The total amount of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2007 was approximately HK$39 million (2006: HK$33 million). The Group remunerated its employees based on their performance, experience and the prevailing industry practice.

Share option scheme

On 31 July 2001, a share option scheme of the Company was approved by the Shareholders. As at 31 December 2007, no option was granted under the share option scheme.

For the year ended 31 December 2006

Operational Review and Future Plan

The economy in the Mainland China continued to grow quickly in the year 2006 and consumers confidence and spending power had also increased.

We remained confident in the long-term prospects and stable growth of the public transportation industry based on the significant improvement in living standards and average income of the people in the Mainland China.

It was the Group's operation policy to insist on "integrity and faith", to be market-oriented, customer-based and cost saving, to provide value-added product for the customers with high quality and efficient services, and to achieve self-enhancement. With modern management principles, well-established operating mechanism and extraordinary core strength, the ability to continuously create and utilize its competitive edges, in the course of intense market competition, the Group enhanced its regional profile and took on a leading position in the domestic public transportation industry, hence becoming a prominent and influential operator in the transportation industry of the Mainland China.

Nanjing Argos

Besides high oil prices during the first half of 2006 affecting the operation of Nanjing Argos, high staff salaries and welfare costs due to the implementation of mandatory employees medical benefits by relevant government authorities in PRC was another issue that concerned the Directors. Repair and maintenance costs were also increasing due to the aging of the earlier purchased buses. Fortunately, the government authorities had released certain subsidies policy for high oil prices for the Nanjing public transport section during the year 2006.

We present below selected operating statistics of Nanjing Argos:

	2006	**2005**	**2004**	**2003**
Routes operated	18	18	15	15
Number of employees	1,131	1,053	1,007	962
Fleet size	399	369	339	327
Total mileage operated *(million kilometre)*	24.46	22.84	22.53	21.11
Total passenger trip *(million trip)*	80.22	78.08	98.94	67.88

Wanzhou Argos

The profitability of Wanzhou Argos had improved remarkably compared to the year 2005. The continual improvement was due to the effort of cost reduction plan in 2006 and increase in routes. Increase in routes led to increase in revenue and together with the cost reduction plan in 2006, which generated a better profit to the Group. The total routes of Wanzhou also increased from 6 routes to 8 routes compared to year 2005.

We present below selected operating statistics for Wanzhou Argos:

	2006	**2005**	**2004**	**2003**
Routes operated	8	6	6	5
Number of employees	280	271	276	366
Fleet size	63	57	52	90
Total mileage operated *(million kilometre)*	4.95	3.65	3.09	5.50
Total passenger trip *(million trip)*	10.65	7.88	6.58	9.83

Taizhou Argos

During the year 2006, Taizhou Argos had only made slight improvement on its profitability due to relatively low in revenue per thousand passengers trip owing to insufficient passengers, high fuel oil cost and increase in operating and maintenance costs for undertaking.

During the year, Taizhou Argos had developed the hire-a-bus and provided school bus services in order to increase revenue income, thus to improve its overall revenue income.

We present below selected operating statistics of Taizhou Argos:

	2006	**2005**	**2004**	**2003**
Routes operated	21	22	21	22
Number of employees	743	767	745	495
Fleet size	538	528	516	481
Total mileage operated *(million kilometre)*	58.41	58.30	12.83	7.21
Total passenger trip *(million trip)*	19.02	20.60	15.25	9.2

Xuzhou China International Travel

The year 2006 was a difficult one for Xuzhou China International Travel due to fierce competition. However, we still achieved a growth of 12% in turnover compared to the year 2005.

We present below selected operating results of Xuzhou China International Travel:

	2006	2005	2004
Turnover (RMB)	14,083,649	12,356,000	5,796,000
Cost (RMB)	12,969,155	11,325,000	5,403,000
Business tax (RMB)	61,854	57,000	22,000
Gross Profit (RMB)	1,052,640	974,000	371,000
Employee	26	26	30
Gross profit %	7.47%	7.88%	6.4%

FINANCIAL POSITION

Capital Structure

As at 31 December 2006, the shareholders' funds of the Group amounted to approximately HK$54.7 million (2005: HK$53 million) of which issued capital was of the sum of HK$1.8 million (2005: HK$1.8 million). The total assets of the Group were approximately HK$174 million (2005: HK$179 million), including cash and bank balances and deposits of approximately HK$38 million (2005: HK$39 million) of which HK$17 million (2005: HK$13 million) were pledged to secure banking facilities granted to the Group. Balance of bank loans, overdrafts and other loans as at 31 December 2006 were approximately HK$21.5 million (2005: HK$33 million) of which HK$21 million (2005: HK$32 million) were due within one year. The gearing ratio of the Group expressed in total debt as a percentage of net assets was 25% (2005: 41%).

As at 31 December 2006, certain of the Group's leasehold buildings in the PRC with a carrying value of approximately HK$389,000 were pledged to secure bank borrowing granted to the Group.

Foreign currency risk

Since most of the transactions, income and expenditure of the Group were denominated in Renminbi Yuan, no hedging or other arrangements to reduce the currency risk had been implemented.

Contingent liability

As of the date of the audited annual report of the Company for the year ended 31 December 2006, the Directors were not aware of any material contingent liabilities except for a corporate guarantee amounted to HK$1 million given to financial institution in respect of credit facilities utilised by a related company. Subsequently, the guarantee was discharged on 18 March 2008.

Employees and remuneration policy

As at 31 December 2006, the Group had 2,407 (2005: 2,378) full-time employees. The total amount of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2006 was approximately HK$33,195,000 (2005: HK$27,288,000). The Group remunerated its employees based on their performance, experience and the prevailing industry practice.

Share option scheme

On 31 July 2001, a share option scheme of the Company was approved by the Shareholders. As at 31 December 2006, no option was granted under the share option scheme.

For the year ended 31 December 2005

Operational Review and Future Plan

Following a strong rebound at the end of the year in 2004, the economy in the Mainland China continued to recover quickly in the first half of 2005 and consumer confidence continued to hold up extremely well.

The Group recorded a turnover of HK$136.5 million for 2005, representing an increase of 14% over 2004. Net profit for the year decreased by HK$1.7 million to HK$0.02 million.

We remained confident in the long-term prospects and growth potential of the public transportation industry based on the significant improvement in living standards and average income of the people in the Mainland China.

It was the Group's operation policy to insist on "integrity and faith", to be market-oriented and customer-based, to create higher value for the customers with high quality and efficient services, and to achieve self-enhancement. With modern management principles, well-established operating mechanism and extraordinary core strength, the ability to continuously create and utilize its competitive edges, in the course of intense market competition, the Group enhanced its regional profile and took on a leading position in the domestic public transportation industry, hence becoming a prominent and influential operator in the transportation industry of the Mainland China.

Nanjing Argos

Financial year 2005 had proven to be a challenging year for Nanjing Argos. Firstly, we concentrated on the company production and management policy to cope with the needs of passengers and to achieve the goal. We based on the peak season hours and festival to set out different planning schedules for the passengers. However, Nanjing Argos made a breakthrough on its routes operational right by obtaining a separate legal entity status for direct application for new routes from the regulatory authority. We launched three routes # 115, 133, 125, increasing original route number from 15 routes to 18 routes.

There were 30 new buses purchased during the year. Fleet size of Nanjing Argos increased from 339 to 369. We present below selected operating statistics of Nanjing Argos:

	2005	**2004**	**2003**
Routes operated	18	15	15
Number of employees	1,053	1,007	962
Fleet size	369	339	327
Total mileage operated *(million kilometre)*	22.84	22.53	21.11
Total passenger trip *(million trip)*	78.08	98.94	67.88

Wanzhou Argos

Wanzhou Argos had implemented different modes for controlling its bus service and repaired factory. Firstly, we concentrated on subcontracting management, enforcing bus service, patrolling safety and inspection on vehicles' engines. Secondly, we concentrated on target responsibility, ensuring prompt monthly fees received and concern for high quality service to passengers and safety. We concentrated on safety, service, repaired workshop for public bus and good material for bus repaired. For negotiation with the local authority, we ensured that new routes would be given to us.

There were 6 new buses purchased during the year. We present below operating statistics for Wanzhou Argos:

	2005	**2004**	**2003**
Routes operated	6	6	5
Number of employees	271	276	366
Fleet size	57	52	90
Total mileage operated *(million kilometre)*	3.65	3.09	5.50
Total passenger trip *(million trip)*	7.88	6.58	9.83

Taizhou Argos

During the year 2005, Taizhou Argos had enforced to negotiate with local government and got public bus subsidy. We concentrated on reducing operational cost and controlling of oil consumption. A new route # 19 had operated from High Harbour to Taizhou. We could reduce endless mileage and increasing operational efficiency. At the same time we increased the service of subcontracting for the return for handsome subcontracting revenue.

There were totally 20 buses and taxis purchased during the year. We present below selected operating statistics of Taizhou Argos:

	2005	**2004**	**2003**
Routes operated	22	21	22
Number of employees	767	745	495
Fleet size	528	516	481
Total mileage operated *(million kilometre)*	58.30	12.83	7.21
Total passenger trip *(million trip)*	20.60	15.25	9.2

Xuzhou China International Travel

The year 2005 was a difficult one. The local government did not provide the uniform system. We faced the problem of moving, labour turnover and other problem in the first half of the year. However, we set up four centers namely, arrival and departure, mainland, reception and shop. We employed university graduates in different department. We gave job training to the staff.

We present below selected operating statistics of Xuzhou China International Travel:

	2005	**2004**
Turnover (RMB)	12,356,000	5,796,000
Cost (RMB)	11,325,000	5,403,000
Business tax (RMB)	57,000	22,000
Gross Profit (RMB)	974,000	371,000
Employee	26	30
Gross profit %	7.88%	6.4%

FINANCIAL POSITION

Capital Structure

As at 31 December 2005, the shareholders' funds of the Group amounted to approximately HK$49.5 million (2004: HK$49.7 million) of which the issued capital was of the sum of approximately HK$1.8 million (2004: HK$1.8 million). The total assets of the Group were approximately HK$160 million (2004: HK$159 million), including cash and bank balances and deposits of approximately HK$39 million (2004: HK$33 million) of which HK$13 million (2004: HK$13 million) were pledged to secure banking facilities granted to the Group.

Balance of bank loans, overdrafts and other loans as at 31 December 2005 were approximately HK$21.3 million (2004: HK$29.8 million) of which HK$20.8 million (2004: HK$29.5 million) were due within one year. The borrowings which were secured by bank deposits and motor vehicles amounted to approximately HK$10 million and HK$1.8 million respectively and others were secured by guarantee of certain directors of the Company. Bank loans of the Group were denominated in both Hong Kong Dollar and Renminbi Yuan bearing variable rates of interest. The gearing ratio of the Group expressed in total debt as a percentage of net assets was 43% (2004: 60%).

As at 31 December 2005, certain of the Group's leasehold buildings in the PRC with a carrying value of approximately HK$395,000 were pledged to secure bank borrowing granted to the Group.

Foreign currency risk

Since most of the transactions, income and expenditure of the Group were dominated in Renminbi Yuan, no hedging or other arrangements to reduce the currency risk had been implemented.

Contingent liability

As of the date of the audited annual report of the Company for the year ended 31 December 2005, the Directors were not aware of any material contingent liabilities.

Employees and remuneration policy

As at 31 December 2005, the Group had 2,378 (2004: 2,050) full-time employees. The total amount of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2005 was approximately HK$27,288,000 (2004: HK$22,388,000). The Group remunerated its employees based on their performance, experience and the prevailing industry practice.

Share option scheme

On 31 July 2001, a share option scheme of the Company was approved by the Shareholders. As at 31 December 2005, no option was granted under the share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR THE PERIOD REPORTED IN THE ACCOUNTANTS' REPORT SET OUT IN APPENDIX II TO THIS CIRCULAR

For the period from 10 April 2007 to 31 December 2007

Turnover and revenue

The Target Group had not recorded any turnover for the period from 10 April 2007 to 31 December 2007 but recorded an interest income totaling HK$5,159 as the Target Group had not yet commenced its mobile value-added services business for the period.

Operating loss

During the period, the Target Group recorded loss for the period of HK$5,844,542, which was mainly contributed by rental expenses, the costs of research and development and staff costs.

Taxation

No enterprise income tax had been provided as the Target Group had no estimated assessable profits arising in or derived in Hong Kong and the PRC during the period.

Liquidity and financial resources

As at 31 December 2007, the Target Group had net liabilities of HK$5,720,930 including cash and bank balance of HK$708,568. The Target Group had no bank borrowings but had an unsecured loan of HK$4,700,000, amount due to a director of HK$1,675,128 and amount due to a minority shareholder of HK$1,180,490 which were repayable within one year. The debt ratio of the Target Group, being the total liabilities divided by total assets, as at 31 December 2007 was approximately 3.93.

Contingent Liabilities

As at 31 December 2007, there was no significant contingent liability outstanding.

Capital Structure

As at 31 December 2007, the Target Company had not yet been established and incorporated.

Charge of assets

There was no asset pledged to bank or other borrower to secure facilities granted to the Target Group.

Exposure to exchange rates fluctuation

Since the income and expenditure of the Target Group were mainly received and paid in RMB, the Target Group had minimal exposure to the risk of foreign exchange.

Material acquisition and disposals

No material acquisition and disposal was recorded during the period.

Employees

The Target Group had a work force of 19 employees as at 31 December 2007.

For the seven months ended 31 July 2008

Turnover and revenue

The Target Group had not recorded any turnover for the seven months ended 31 July 2008 but recorded an interest income totaling HK$4,908 and a consultancy service income of HK$70,460 as the Target Group had not yet commenced its mobile value-added services business for the period.

Operating loss

During the period, the Target Group recorded loss for the period of HK$8,318,442, which was mainly contributed by rental expenses, the costs of research and development and staff costs.

Taxation

No enterprise income tax had been provided as the Target Group had no estimated assessable profits arising in or derived in Hong Kong and the PRC during the period.

Liquidity and financial resources

As at 31 July 2008, the Group had net liabilities of HK$10,444,602 including cash and bank balance of HK$75,840. The Target Group had no bank borrowings but had an amount due to a director of HK$18,282,083 which was repayable within one year. The debt ratio of the Target Group, being the total liabilities divided by total assets as at 31 July 2008, was approximately 2.14.

Contingent Liabilities

As at 31 July 2008, there was no significant contingent liability outstanding.

Capital Structure

The Target Company was incorporated in the British Virgin Islands on 29 January 2008. As at 31 July 2008, the authorized, issued and fully paid capital was HK$7,800.

Charge of assets

There was no asset pledged to bank or other borrower to secure facilities granted to the Target Group.

Exposure to exchange rates fluctuation

Since the income and expenditure of the Target Group were mainly received and paid in Renminbi Yuan, the Target Group had minimal exposure to the risk of foreign exchange.

Material acquisition and disposals

No material acquisition and disposal was recorded during the period.

Employees

The Target Group had a work force of 24 employees as at 31 July 2008.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the provision of public transportation business including public bus routes, taxi services, private bus chartered services and tour services in various cities in the PRC. The Group was aware of the intense competition in the public transportation business, the continuous growth in the overhead costs and the price control policy by the PRC government, therefore the Group considered that it is necessary to enhance the public transportation business by more routes from the local government.

Looking ahead, the Board will remain dynamic and continue to pursue other businesses and any investment opportunities and strategic acquisitions which can enhance the performance and accelerate the growth of the business of the Group and improve Shareholders' return.

Upon Completion, the Group will also be engaged in the mobile value-added services in the PRC. As stated in the section headed "Reasons for the proposed Acquisition" of this letter, the Directors believe that the Acquisition will provide an opportunity for the Group to gain access to the promising mobile value-added services business and sports lottery market in the PRC and broaden the income base of the Group, thereby enhancing the Group's financial position and profitability in the future.

While pursuing the business related to mobile phone value-added services, the Company will continue its existing public transportation services business. The Directors are of the view that mobile value-added services business carried out by the Target Group would enhance the overall profit to the Group in the future.

It will also provide a stable income source to the Group and an opportunity to benefit from the cost and operation efficiency and other synergy effect arising from the sharing of the management expertise and financial resources between the Group and the Target Group.

Taking into consideration (i) the prospects of the mobile value-added services business in the PRC; (ii) the possible financial effects of the Acquisition; and (iii) the Profit Guarantee, the Directors believe that the proposed Acquisition will enhance the performance of the Enlarged Group and the return to the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Since the relevant percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As no Shareholder has any material interest in the Master Agreement, no Shareholder is required to abstain from voting at the EGM in respect of the Master Agreement and the transactions contemplated thereunder, and the Specific Mandate.

THE EGM

A notice convening the EGM to be held at Function Room, Kowloon Bowling Green Club, 123 Austin Road, Kowloon, Hong Kong on Wednesday, 26 November 2008 at 11:00 a.m. or any adjournment is set out from pages 186 to 187 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy, to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of EGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM of the Company should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

Pursuant to the article 81 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) duly demanded:

(i) by the chairman of the meeting;

(ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting;

(iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(iv) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

In view of the various reasons and benefits of the Acquisition as detailed above, the Board is of the view that the terms of the Master Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution(s) in respect of the Master Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

As completion of the Acquisition is subject to the fulfillment of a number of conditions precedent which are detailed in this circular, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

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

A. SUMMARY OF FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008 AND THE LAST THREE FINANCIAL YEARS

Set out below is a summary of the financial results of the Group as extracted from the annual reports of the Company for the three years ended 31 December 2007 and the interim report of the Company for the six months ended 30 June 2008.

The financial statements of the Company for the two years ended 31 December 2006 and 2007 are not qualified.

The audit opinion on the financial statements for the year ended 31 December 2005 was subsequently withdrawn by the former auditor of the Company, HLB Hodgson Impey Cheng. The Board has engaged Ting Ho Kwan & Chan ("THKC") to audit the financial statements of the Group for the year 2005. THKC confirmed to the Board that except for those mentioned in prior year adjustments in the Company's 2006 financial statements which was published on 14 August, 2007, they are not aware of any other errors and omissions in the 2005 financial statements.

Consolidated Income Statement

For the three years ended 31 December 2007 and for the six months ended 30 June 2008

	For the six months ended 30 June 2008	For the three years ended 31 December 2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	91,951	185,069	156,160	136,547
Cost of Services	(87,724)	(173,300)	(136,648)	(122,163)
Gross Profit	4,227	11,769	19,512	14,384
Other income	12,387	20,721	14,728	13,320
Administrative expenses	(20,194)	(33,648)	(28,525)	(22,621)
Impairment loss on property, plant and equipment	–	(9,872)	–	–
Finance Costs	(1,707)	(1,669)	(1,459)	(2,778)
(Loss)/Profit from operations	(5,287)	(12,699)	4,256	2,305
Taxation	(0)	(277)	(2,130)	(3,205)
(Loss)/Profit for the year/period	(5,287)	(12,976)	2,126	(900)
Attributable to:				
Equity Holders of the Company	(4,542)	(9,119)	(94)	(2,672)
Minority Interests	(745)	(3,857)	2,220	1,772
	(5,287)	(12,976)	2,126	(900)
Loss per share				
– Basic *(cent)*	2.52	5.07	0.05	1.48
– Diluted *(cent)*	N/A	N/A	N/A	N/A

Consolidated Balance Sheet

As at 31 December 2005, 2006 and 2007 and 30 June 2008

	As at 30 June 2008	As at 31 December 2007	As at 31 December 2006	As at 31 December 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	156,495	133,415	104,519	103,582
Investment properties	1,467	1,380	1,097	1,029
Lease premium for land	5,574	5,256	4,992	4,972
Intangible assets	1,326	1,220	1,480	1,777
Available for sale financial assets	1,234	1,161	1,080	1,024
Deferred tax assets	–	–	–	549
	166,096	142,432	113,168	112,933
Current Assets				
Properties held for sale	–	–	–	1,773
Inventories	2,703	2,315	1,616	1,364
Trade and other receivables	31,423	21,832	20,802	23,745
Pledged bank deposit	10,000	10,000	17,428	13,139
Cash and cash equivalents	38,158	36,640	20,731	25,854
	82,284	70,787	60,577	65,875
LIABILITIES				
Current liabilities				
Bank borrowings	22,513	16,485	21,011	32,425
Advertising income on fleet body receipt in advance	1,401	1,093	479	1,327
Trade and other payables	101,503	90,007	66,529	65,185
Convertible bonds	7,164	6,948	–	–
Deferred income	13,373	6,865	–	–
Tax payable	709	809	625	59
	146,663	122,207	88,644	98,996
Net current liabilities	(64,379)	(51,420)	(28,067)	(33,121)
Total Assets Less Current Liabilities	101,717	91,012	85,101	79,812

	As at 30 June 2008	As at 31 December 2007	As at 31 December 2006	As at 31 December 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Bank and other borrowings	18,909	10,620	476	551
Advertising income on fleet body receipt in advance	3,884	3,763	4,379	4,214
Deferred tax liabilities	1,014	963	690	–
	23,807	15,346	5,545	4,765
NET ASSETS	77,910	75,666	79,556	75,047
CAPITAL AND RESERVES				
Share capital	1,800	1,800	1,800	1,800
Reserves	47,242	48,318	52,956	51,240
MINORITY INTERESTS	28,868	25,548	24,800	22,007
	77,910	75,666	79,556	75,047

B. AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements of the Group together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2007:

Consolidated Income Statement
For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	5	185,069	156,160
Cost of sales		(173,300)	(136,648)
Gross profit		11,769	19,512
Other income and gains, net	5	20,721	14,728
Administrative expenses		(33,648)	(28,525)
Impairment loss on property, plant and equipment		(9,872)	–
Operating (loss)/profit	6	(11,030)	5,715
Finance costs	8	(1,669)	(1,459)
(Loss)/profit before taxation		(12,699)	4,256
Taxation	9	(277)	(2,130)
(Loss)/profit for the year		(12,976)	2,126
Attributable to:			
Equity holders of the Company	11	(9,119)	(94)
Minority interests		(3,857)	2,220
		(12,976)	2,126
Loss per share attributable to the equity holders of the Company			
– Basic	12	5.07 cents	0.05 cents
– Diluted		N/A	N/A

Consolidated Balance Sheet
As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	133,415	104,519
Investment properties	14	1,380	1,097
Lease premium for land	15	5,256	4,992
Intangible assets	16	1,220	1,480
Available-for-sale financial assets	18	1,161	1,080
		142,432	113,168
Current assets			
Inventories	19	2,315	1,616
Trade and other receivables	20	21,832	20,802
Pledged bank deposit		10,000	17,428
Cash and cash equivalents	22	36,640	20,731
		70,787	60,577
Total assets		213,219	173,745
EQUITY			
Equity attributable to equity holders of the Company:			
Share capital	23	1,800	1,800
Reserves	25	48,318	52,956
		50,118	54,756
Minority interests		25,548	24,800
Total equity		75,666	79,556

	Notes	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	26	10,620	476
Advertising income on fleet body receipt in advance	27	3,763	4,379
Deferred tax liabilities	28	963	690
		15,346	5,545
Current liabilities			
Bank borrowings	26	16,485	21,011
Advertising income on fleet body receipt in advance	27	1,093	479
Trade and other payables	29	90,007	66,529
Convertible bonds	30	6,948	–
Deferred income	31	6,865	–
Tax payable		809	625
		122,207	88,644
Total liabilities		137,553	94,189
Total equity and liabilities		213,219	173,745
Net current liabilities		(51,420)	(28,067)
Total assets less current liabilities		91,012	85,101

Balance Sheet
As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	334	116
Interests in subsidiaries	17	23,658	23,296
		23,992	23,412
Current assets			
Other receivables		110	35
Pledged bank deposit		10,000	10,000
		10,110	10,035
Total assets		34,102	33,447
EQUITY			
Share capital	23	1,800	1,800
Reserves	25	12,473	16,032
Total equity		14,273	17,832
LIABILITIES			
Current liabilities			
Bank borrowings	26	10,556	10,521
Other payables	29	2,325	5,094
Convertible bonds	30	6,948	–
		19,829	15,615
Total liabilities		19,829	15,615
Total equity and liabilities		34,102	33,447
Net current liabilities		(9,719)	(5,580)
Total assets less current liabilities		14,273	17,832

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Exchange reserve	Merger reserve	General reserve	Revaluation reserve	Convertible bonds reserve	Retained earnings	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2006	1,800	29,200	2,806	(490)	3,227	79	–	16,418	22,007	75,047
(Loss) / profit for the year	–	–	–	–	–	–	–	(94)	2,220	2,126
Changes in fair value of leasehold buildings	–	–	–	–	–	(31)	–	–	–	(31)
Currency translation differences	–	–	1,841	–	–	–	–	–	573	2,414
Balance at 31 December 2006	1,800	29,200	4,647	(490)	3,227	48		16,324	24,800	79,556
Loss for the year	–	–	–	–	–	–	–	(9,119)	(3,857)	(12,976)
Changes in fair value of leasehold buildings	–	–	–	–	–	136	–	–	–	136
Recognition of equity component of convertible bonds	–	–	–	–	–	–	432	–	–	432
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	2,556	2,556
Currency translation differences	–	–	3,913	–	–	–	–	–	2,049	5,962
Balance at 31 December 2007	1,800	29,200	8,560	(490)	3,227	184	432	7,205	25,548	75,666

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
Operating activities		
(Loss)/profit before taxation	(12,699)	4,256
Adjustments for:		
Amortisation of lease premium for land	110	102
Amortisation of intangible assets	371	341
Depreciation of property, plant and equipment	17,390	15,281
Net gain on sale of property, plant and equipment	–	(102)
Reversal of revaluation deficit previously recognised	(155)	(1)
Impairment loss on property, plant and equipment	9,872	–
Interest income	(825)	(1,473)
Interest expense	1,669	1,459
Allowance for impairment of bad and doubtful debts	–	167
Fair value gains on investment properties	(201)	(42)
Operating cash flows before movements in working capital	15,532	19,988
Inventories	(498)	(222)
Trade and other receivables	(605)	3,776
Trade and other payables	24,373	1,994
Advertising income on fleet body receipt in advance	(25)	(583)
Cash generated from operations	38,777	24,953
Taxation paid	(46)	(380)
Net cash generated from operating activities	38,731	24,573
Investing activities		
Payment for the purchase of property, plant and equipment	(57,107)	(14,476)
Proceeds from sale of property, plant and equipment	868	149
Capital contribution from a minority shareholder	2,556	–
Decrease/(increase) pledged bank deposit	8,278	(3,259)
Interest received	825	1,473
Net cash used in investing activities	(44,580)	(16,113)

	Note	2007 HK$'000	2006 HK$'000
Financing activities			
Proceeds from new bank borrowings		17,272	24,172
Repayment of bank borrowings		(10,259)	(35,714)
Net proceeds from issue of convertible bonds issued		7,200	–
Government grants		6,865	–
Interest paid		(1,459)	(1,459)
Net cash generated from/(used in) financing activities		19,619	(13,001)
Net increase/(decrease) in cash and cash equivalents		13,770	(4,541)
Effect of foreign exchange rate changes		2,104	(635)
Cash and cash equivalents at 1 January		10,210	15,386
Cash and cash equivalents at 31 December	22	26,084	10,210

Notes to this financial statements

For the year ended 31 December 2007

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong on 13 October 2000 as a limited liability company under the Hong Kong Companies Ordinance and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The Company's shares have been suspended for trading on the Stock Exchange since 26 March 2007.

The principal activity of the Company is investment holding. The address of its registered office is located at Room A, 9th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong. The principal activities of its principal subsidiaries are set out in note 17 to the financial statements.

The directors consider the Company's ultimate holding company to be Twilight Enterprises Limited, which is incorporated in the British Virgin Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance with Hong Kong Financial Reporting Standards

The consolidated 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 provision of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and properties which are carried at fair value.

A summary of the significant accounting policies adopted by the Company is set out below.

The prepared of these financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 38.

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. 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 consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2007.

(c) Subsidiaries and minority interests

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of the subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(d) Segment reporting

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

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

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

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses. A discontinued segment is separately presented from continuing segments.

(e) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rate ruling at the transactions dates. Monetary assets and liabilities denominated in foreign exchange currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

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

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

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

(f) Investment properties

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 s an investment property is accounted for as if it were held under a finance lease (see note 2(h)), 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(h).

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

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

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost 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	50 years or unexpired term of the leases, if shorter
Leasehold improvements	5%
Furniture, fixtures and equipment	20%
Motor vehicles	10%

The residual value (if any) and the useful life of an asset are reviewed at least at each financial year-end.

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 profit or loss on the date of retirement or disposal.

(h) Leases

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.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Group. All other leases are classified as operating leases.

(i) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipment, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment loss are calculated and recognised in the same manner as the depreciation and impairment loss on property, plant and equipment as set out in note 2(g), except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Leases of land and buildings

Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

The land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. The building element is classified as a finance or operating lease in the same way as leases of other assets. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as lease premium for land which are stated at cost and are amortised on a straight line basis over the period of the lease term except where the property is classified as an investment property using fair value model or is held for development for sale.

If the lease payments on a lease of land and building cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

(iii) Operating leases

Where the Group is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Where the Company is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on a straight line basis over the lease period.

Contingent rentals are charged/credited as an expense/income in the periods in which they are incurred.

(i) Borrowing costs

Borrowing costs are expensed in profit or loss 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.

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses (see note 2(k)(ii))). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Trademark and licences

Trademark and licences are shown at historical cost. Trademark and licences have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark and licences over their estimated useful lives of 8 years for taxi licences and of 10 years for travel agent licences.

(k) Impairment of assets

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

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note (ii) below) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets 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 debtors;

– 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 debtors; and

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

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

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for 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 profit or loss. 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.

– For available-for-sale financial assets, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables 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 allowable 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 profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indicators 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);
– pre-paid interest in leasehold land classified as being held under an operating lease;
– intangible assets;
– investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale); 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 flows 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. cash-generating unit).

– Recognition of impairment losses
An impairment loss is recognised in profit or loss 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 cashgenerating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generated units (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 profit or loss in the year in which the reversals are recognised.

(l) Other investments in debt and equity securities

The Group's policies for investment in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and 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 as other financial assets at fair value through profit or loss. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group have the positive ability and intention to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated in the balance sheet at amortised cost less any impairment losses (see note 2(k)).

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 any impairment losses (see note 2(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale financial assets. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

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

(m) 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 profit or loss on initial recognition of any deferred income.

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

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(m)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(m)(iii).

(iii) Other 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 nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(o) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, except for the following receivables:

– interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts; and

– short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts.

(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 company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(q) Trade and other payables

Trade and other payables are initially measured at fair value. Except for financial guarantee contracts measured in accordance with cost 2(m)(i), trade and other payables are subsequently stated at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and

– interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings, comprising mainly bank loans and overdrafts, 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 the redemption value is recognised in the income statement over the period of the borrowings, together with any interest and fees payable using the effective interest method.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

(s) 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 profit or loss 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 differences which arise on initial recognition of assets and liabilities, 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.

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.

(t) Employee benefits

(i) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong ("the MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basis salaries and are charged to the income statement as they become payable in accordance with the rules of the Group in and independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(ii) Share option scheme

The Group operates an equity-settled, share option scheme plan. The fair value of the employee services received in exchange for the grants of the options is recognised as an expenses. The total amount to expensed over the vesting period (if any) is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the options are exercised.

(u) 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.

An initial recognition of the liability component of the convertible bonds 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. Transactions costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital 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 share issued. If the bond is redeemed, the capital reserve is released directly to retained earnings.

(v) Revenue recognition

(i) Revenue from bus operations is recognised when the related bus services rendered.

(ii) Revenue of sub-contracting and rental income from public transport is recognised on a straight-line basis over the period of the respective leases.

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

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

(v) Income from management and repair services is recognised upon provision of services.

(vi) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(vii) From government subsidies, when they are received or when there is reasonable assurance that the subsidies will be received and on the basis set out under the accounting policy heading "Government grants".

(w) Related parties

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

(i) directly, or indirectly through one or more intermediaries, the party:
  (1) controls, is controlled by, or is under common control with, the Group;
  (2) has an interest in the Group that gives its significant influence over the Group; or
  (3) has joint control over the Group;
(ii) the party is a jointly-controlled entity;
(iii) the party is an associate;
(iv) the party is a member of the key management personnel of the Company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(x) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or is deducted from carrying amount of the asset and released to income statement by way of a reduced depreciation charge.

3. ADOPTION OF NEW ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, "Financial instruments: Disclosures" and the amendment to HKAS 1 "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 37.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 24.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The principal activities of the Group are the provisions of public bus transportation and related services in the PRC.

(a) Business segments

	2007						
	Public routes	**Tourist routes and sightseeing ticket**	**"Hire a bus" services**	**Taxi rental**	**Rental income**	**Management fee income**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	123,249	31,954	11,981	12,674	2,936	2,275	185,069
Cost of sales	(116,970)	(29,665)	(11,426)	(10,923)	(2,540)	(1,776)	(173,300)
Gross profit	6,279	2,289	555	1,751	396	499	11,769
Administrative expenses	(16,166)	(4,083)	(1,438)	(1,521)	(352)	(30)	(23,590)
Segment results	(9,887)	(1,794)	(883)	230	44	469	(11,821)
Unallocated items							
Other income							20,520
Gains, net							201
Administrative expenses							(19,930)
Operating loss							(11,030)
Finance costs							(1,669)
Loss before taxation							(12,699)
Taxation							(277)
Loss before minority interests							(12,976)
Minority interests							3,857
Loss attributable to shareholders							(9,119)

	2007						
	Public routes	**Tourist routes and sightseeing ticket**	**"Hire a bus" services**	**Taxi rental**	**Rental income**	**Management fee income**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets							
Segment Assets	116,628	9,256	9,127	22,067	4,720	2,852	164,650
Available for sale financial assets							1,161
Unallocated corporate assets							47,408
Consolidated total assets							213,219
Liabilities							
Segment liabilities	67,040	3,666	3,351	13,153	2,973	2,241	92,424
Unallocated corporate liabilities							45,129
Consolidated total liabilities							137,553
Other information:							
Depreciation and amortisation for the year	11,885	1,478	2,005	2,311	125	67	17,871
Impairment loss on property, plant and equipment for the year	7,267	31	205	2,355	3	11	9,872
Segment assets							
Trade receivables	5,094	279	447	46	–	–	5,866
Capital expenditure incurred during the year	38,082	143	3,060	7,743	–	472	49,500
Allowances for impairment of bad and doubtful debts	–	–	–	–	–	–	–
Reversal of revaluation deficit previously recognised	–	–	–	–	(155)	–	(155)

	2006						
	Public routes HK$'000	Tourist routes and sightseeing ticket HK$'000	"Hire a bus" services HK$'000	Taxi rental HK$'000	Rental income HK$'000	Management fee income HK$'000	Total HK$'000
Turnover	105,944	22,708	9,938	13,001	2,505	2,064	156,160
Cost of sales	(94,179)	(21,625)	(7,924)	(10,400)	(820)	(1,700)	(136,648)
Gross profit	11,765	1,083	2,014	2,601	1,685	364	19,512
Administrative expenses	(12,724)	(2,101)	(1,239)	(1,743)	(195)	(9)	(18,011)
Segment results	(959)	(1,018)	775	858	1,490	355	1,501
Unallocated items							
Other income							14,583
Gains, net							145
Administrative expenses							(10,514)
Operating profit							5,715
Finance costs							(1,459)
Profit before taxation							4,256
Taxation							(2,130)
Profit before minority interests							2,126
Minority interests							(2,220)
Loss attributable to shareholders							(94)

	2006						
	Public routes	**Tourist routes and sightseeing ticket**	**"Hire a bus" services**	**Taxi rental**	**Rental income**	**Management fee income**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets							
Segment Assets	88,126	8,116	14,919	22,385	1,878	1,380	136,804
Available for sale financial assets							1,080
Unallocated corporate assets							35,861
Consolidated total assets							173,745
Liabilities							
Segment liabilities	44,768	3,182	776	12,174	57	1,945	62,902
Unallocated corporate liabilities							31,287
Consolidated total liabilities							94,189

	Public routes	**Tourist routes and sightseeing ticket**	**"Hire a bus" services**	**Taxi rental**	**Rental income**	**Management fee income**	**Un-allocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information:								
Depreciation and amortisation for the year	10,380	636	1,591	2,964	–	153	–	15,724
Segment assets								
Trade receivables	3,874	64	717	56	–	13	–	4,724
Capital expenditure incurred during the year	10,567	–	2,052	765	–	309	–	13,693
Allowance for impairment of bad and doubtful debts	–	–	–	–	–	–	167	167
Reversal of revaluation deficit previously recognised	–	–	–	–	(1)	–	–	(1)

(b) No geographical segment analysis is presented as over 90% of the customers, asset and liabilities are located in the PRC.

5. TURNOVER, OTHER INCOME AND GAINS, NET

Turnover represents the amounts received and receivable for related bus services rendered during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Turnover		
Public routes	123,249	105,944
Tourist routes and sightseeing ticket	31,954	22,708
"Hire a bus" services	11,981	9,938
Taxi rental	12,674	13,001
Rental income	2,936	2,505
Management fee income	2,275	2,064
	185,069	156,160
Other income		
Advertising income on fleet body	6,418	4,745
Subsidies from local authorities	10,841	5,819
Repair service income	505	371
Sundry income	1,776	2,175
Bank interest income	724	612
Other interest income	101	861
	20,365	14,583
Gains, net		
Net gain on sale of property, plant and equipment	–	102
Fair value gains on investment properties *(Note 14)*	201	42
Reversal of revaluation deficit previously recognised	155	1
	20,721	14,728
Total	205,790	170,888

6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Amortisation of intangible assets *(Note 16)*	371	341
Auditors' remuneration		
– Current year	380	980
– Prior years	106	–
Depreciation of property, plant and equipment *(Note 13)*	17,390	15,281
Amortisation of lease premium for land *(Note 15)*	110	102
Allowance for impairment of bad and doubtful debts	–	167
Operating leases rentals in respect of rented premises	537	120
Exchange loss	549	298
Employee benefit expenses *(Note 7)*	39,390	33,195

7. EMPLOYEE BENEFIT EXPENSES

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other employee benefits	32,141	26,412
Retirement benefits scheme contributions	7,249	6,783
	39,390	33,195

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2007 is set out below:

	Fee	**Salary**	**Other benefits**	**Employer's Contributions to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
WONG Wah Sang*	–	–	–	–	–
WONG Man Chiu, Ronnie	–	170	–	–	170
YEUNG Wai Hung#	–	200	30	10	240
Non-executive director					
WONG Wilkie	–	–	–	–	–
Independent Non-executive directors					
SUNG Wai Tak, Herman	50	–	–	–	50
CHEUNG Man Yau, Timothy	50	–	–	–	50
WONG Lit Chor, Alexis	50	–	–	–	50
	150	370	30	10	560

* Mr. Wong Wah Sang was redesignated as Non-executive Director subsequent to the year end on 14 February 2008.

Mr. Yeung Wai Hung was resigned subsequent to year end on 14 February 2008.

The remuneration of every director for the year ended 31 December 2006 is set out below:

	Fee	Salary	Other benefits	Employer's Contributions to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
WONG Wah Sang	–	–	–	–	–
WONG Man Chiu, Ronnie	–	340	–	–	340
YEUNG Wai Hung	–	185	360	9	554
Non-executive director					
WONG Wilkie	–	–	–	–	–
Independent Non-executive directors					
SUNG Wai Tak, Herman	50	–	–	–	50
CHEUNG Man Yau, Timothy	50	–	–	–	50
WONG Lit Chor, Alexis	50	–	–	–	50
	150	525	360	9	1,044

No directors of the Company waived any emoluments during the years ended 31 December 2007 and 2006.

During the years ended 31 December 2007 and 2006, no emoluments were paid by the Group to the directors as inducement to join or upon joining the Group, or as compensation for loss of office.

During the year, no options were granted to the executive directors under the share option scheme approved by the shareholders of the Company on 30 July 2001. Details of the share option scheme were set out in Note 32 to the financial statements.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: three) directors of the Company, details of whose emoluments are set out above. The emoluments payable to the remaining three (2006: two) individuals (the "Employees") during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries and benefits	1,065	1,532
Contributions to provident fund	95	77
	1,160	1,609

During the years ended 31 December 2007 and 2006, no emoluments were paid by the Group to any of the Employees as inducement to join or upon joining the Group.

The number of the Employees whose emoluments fell within the following bands:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	3	2

8. FINANCE COSTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdraft		
– wholly repayable within 5 years	1,459	1,429
Interest on other loans		
– wholly repayable within 5 years	–	30
Interest on convertible bonds *(Note 30)*	210	–
	1,669	1,459

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current tax:		
PRC income tax provided for the year	4	891
Deferred tax:		
Charge for the year *(Note 28)*	273	1,239
Tax charge	277	2,130

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits tax for the year (2006: Nil). Taxation on profits/revenue arising in the PRC has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC.

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

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
(Loss)/profit before taxation	(12,699)	4,256
Notional tax calculated at the applicable rates	(2,222)	745
Tax effect of decrease in opening deferred taxation	167	–
Tax effect of non-taxable income	(87)	(529)
Tax effect on non-deductible expenses	1,396	1,121
Tax losses not recognised	1,079	276
Tax losses utilised from previous periods	–	(126)
Tax effect of different tax rates on other countries	(56)	643
Tax charge at the Group's effective rates	277	2,130

10. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007 (2006: Nil).

11. LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to the equity holders of the Company includes a loss of HK$3,991,000 (2006: loss of HK$2,877,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share is based on the Group's loss attributable to the shareholders for the year of HK$9,119,000 (2006: HK$94,000) and on the number of 180,000,000 (2006: 180,000,000) shares in issue during the years ended 31 December 2007 and 2006, respectively.

Diluted loss per share for the year ended 31 December 2007 has not been shown as the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share for the year.

No diluted loss per share had been presented as there was no dilutive potential ordinary share during the year ended 31 December 2007.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group					
COST OR VALUATION					
At 1 January 2006	2,221	2,744	4,891	151,393	161,249
Currency realignment	55	65	120	3,743	3,983
Additions	–	130	558	13,005	13,693
Disposals	–	–	(82)	(107)	(189)
Adjustment on revaluation	(94)	–	–	–	(94)
At 31 December 2006	2,182	2,939	5,487	168,034	178,642
Currency realignment	163	211	408	12,627	13,409
Additions	–	78	614	48,808	49,500
Disposals	–	–	(127)	(27,778)	(27,905)
Adjustment on revaluation	227	–	–	–	227
At 31 December 2007	2,572	3,228	6,382	201,691	213,873
Analysis of cost or valuation:					
At 31 December 2007					
At cost	–	3,228	6,382	201,691	211,301
At valuation	2,572	–	–	–	2,572
	2,572	3,228	6,382	201,691	213,873
At 31 December 2006					
At cost	–	2,939	5,487	168,034	176,460
At valuation	2,182	–	–	–	2,182
	2,182	2,939	5,487	168,034	178,642

	Leasehold buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
The Group					
DEPRECIATION AND Impairment					
At 1 January 2006	–	578	3,042	54,047	57,667
Currency realignment	–	14	75	1,328	1,417
Depreciation charge	61	128	613	14,479	15,281
Disposals	–	–	(74)	(107)	(181)
Eliminated on revaluation	(61)	–	–	–	(61)
At 31 December 2006	–	720	3,656	69,747	74,123
Currency realignment	–	53	273	5,212	5,538
Depreciation charge	64	146	653	16,527	17,390
Impairment	–	–	–	9,872	9,872
Disposals	–	–	(110)	(26,291)	(26,401)
Eliminated on revaluation	(64)	–	–	–	(64)
At 31 December 2007	–	919	4,472	75,067	80,458
NET BOOK VALUES					
At 31 December 2007	2,572	2,309	1,910	126,624	133,415
At 31 December 2006	2,182	2,219	1,831	98,287	104,519

	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
The Company			
COST OR VALUATION			
At 1 January 2006	108	19	127
Additions	–	9	9
At 31 December 2006	108	28	136
Additions	78	170	248
At 31 December 2007	186	198	384
DEPRECIATION AND IMPAIRMENT			
At 1 January 2006	5	4	9
Depreciation charge	5	6	11
At 31 December 2006	10	10	20
Depreciation charge	7	23	30
At 31 December 2007	17	33	50
NET BOOK VALUES			
At 31 December 2007	169	165	334
At 31 December 2006	98	18	116

Apart from certain leasehold buildings, the details of which are set out below, all property, plant and equipment are stated at cost.

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
The net book value of medium-term leasehold buildings comprises:		
In the PRC, at valuation	2,572	2,182

The Group's leasehold buildings were valued at 31 December 2007 by independent valuers, Chongqing Dahua Assets Appraisal Company Limited, Messrs Taizhou Xingrui Certified Public Accountants and Messrs Xuzhou Huaxing Certified Public Accountants, on an open market value basis.

At 31 December 2007, certain of the Group's leasehold buildings in the PRC with a carrying value of approximately HK$455,000 (2006: HK$389,000) were pledged to secure bank borrowings granted to the Group (Note 26).

Had leasehold buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold buildings would have been HK$2,518,000 (2006: HK$3,084,000).

14. INVESTMENT PROPERTIES

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 January	1,097	1,029
Currency realignment	82	26
Fair value gains	201	42
At 31 December	1,380	1,097

The Group's investment properties are all situated in the PRC are held under medium term leases. The cost of investment properties was HK$1,129,000 (2006: HK$1,129,000). The Group's investment properties were valued at 31 December 2007 by independent valuers, Chongqing Dahua Assets Appraisal Company Limited, on an open market value basis. The fair value gains during the year amounted HK$201,000 (2006: Fair value gains of HK$42,000) and are credited to the consolidated income statement under gains, net (Note 5).

15. LEASE PREMIUM FOR LAND

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
COST		
At 1 January	5,196	5,072
Currency realignment	388	124
At 31 December	5,584	5,196
AMORTISATION		
At 1 January	204	100
Currency realignment	14	2
Amortisation	110	102
At 31 December	328	204
NET BOOK VALUES		
At 31 December	5,256	4,992

At 31 December 2007, lease premium for land of approximately HK$746,000 (2006: HK$762,000) has been pledged as collateral for Group's bank borrowings (Note 26). The lease premium for land in the PRC is held under medium term leases.

16. INTANGIBLE ASSETS

The Group

	Goodwill	Travel Agent licences	Taxi licences	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2006	381	742	2,320	3,443
Currency realignment	–	20	57	77
At 31 December 2006	381	762	2,377	3,520
Currency realignment	–	57	178	235
At 31 December, 2007	381	819	2,555	3,755
AMORTISATION AND IMPAIRMENT				
At 1 January 2006	381	73	1,212	1,666
Currency realignment	–	3	30	33
Amortisation for the year	–	76	265	341
At 31 December 2006	381	152	1,507	2,040
Currency realignment	–	11	113	124
Amortisation for the year	–	86	285	371
At 31 December 2007	381	249	1,905	2,535
NET BOOK VALUES				
At 31 December 2007	–	570	650	1,220
At 31 December 2006	–	610	870	1,480

(i) Travel agent licences

The travel agent licences arising from the acquisition of Xuzhou China International Travel Services Limited represent the right to operate as a travel agent inside and outside the PRC.

(ii) Taxi licences

The taxi licences represent licences purchased by Taizhou Argos Public Transport Bus Company Limited, one of the subsidiaries of the Group.

The Company has no intangible assets at both year end dates.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	990	990
Amount due from a subsidiary	22,668	22,306
	23,658	23,296

The amount due from a subsidiary which is unsecured and interest free, would not likely be repaid in the following year and is therefore shown as non-current.

Details of the principal subsidiaries at 31 December 2007 are as follows:

Name	Place/Country of incorporation/ establishment and operation	Principal activities	Issued and fully paid share capital/ registered capital	Interest held Directly	Indirectly
				%	%
Argos Bus Services (China) Company Limited ("Argos China")	Hong Kong	Investment holding	HK$500,000	100	–
Argos Enterprise Management Consultant (Nanjing) Limited ("Argos Management")	PRC	Management	RMB4,000,000	–	100
Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos") *(Note)*	PRC	Bus operation	RMB45,732,679	–	60
Chongqing Wanzhou Area Argos Public Transport Bus Company Limited ("Wanzhou Argos")	PRC	Bus operation	RMB10,000,000	–	100
Taizhou Argos Public Bus Company Limited ("Taizhou Argos")	PRC	Bus operation	RMB16,000,000	–	60
Nanjing Argos Scenery Travel Service Limited ("Nanjing Scenery")	PRC	City touring and sighting agent	RMB2,500,000	–	59.4
Taizhou Argos Public Transport Bus Company Limited ("Repair Factory")	PRC	Provision of repair service	RMB200,000	–	60
Xuzhou China International Travel Service Limited ("Xuzhou China")	PRC	International and local travel agent	RMB1,500,000	–	90
Taizhou Argos Travel Services Limited ("Taizhou Travel")	PRC	City touring and sightseeing agent	RMB500,000	–	100

Note: Nanjing Public Transport Argos Bus Company Limited is a Sino-foreign co-operative enterprise established in the PRC.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted equity securities, at cost		
At 1 January	1,080	1,024
Currency realignment	81	56
At 31 December	1,161	1,080

Unlisted equity securities of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The available-for-sale financial assets are not impaired.

19. INVENTORIES

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Spare parts of motor vehicles	2,315	1,616

20. TRADE AND OTHER RECEIVABLES

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	5,866	4,724
Amount due from a related company *(Note 21)*	–	2,681
Amount due from a minority shareholder	729	679
Prepayment, deposits and other receivables	15,237	12,718
	21,832	20,802

At each of the balance sheet date, the Group's allowances for impairment of trade receivables were individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment allowances were recognised. All of the trade and other receivables are expected to be received or recognised as expense within one year.

The Group allows a credit period from 30 days to 90 days to its trade customers. The following is an aged analysis of net trade receivables at the balance sheet date:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Current	4,655	4,189
31 – 60 days	680	243
61 – 90 days	266	93
Over 90 days	265	199
	5,866	4,724

The ageing analysis of trade receivables that are not impaired is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Neither past due nor impaired	4,661	4,206
Past due but not impaired	1,205	518
	5,866	4,724

As of 31 December 2007, trade receivables of HK$1,205,000 (2006: HK$518,000) was past but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
31 – 60 days	674	254
61 – 90 days	266	72
Over 90 days	265	192
	1,205	518

The directors considered that the carrying amounts of trade and other receivables approximate to their fair values. Trade and other receivables are all denominated in Renminbi for both 2007 and 2006.

The carrying amounts of the Group's trade receivables are denominated in the following currency:

	The Group	
	2007	**2006**
Renminbi	5,487	4,749

21. AMOUNT DUE FROM A RELATED COMPANY

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

The Group	**Balance at 1 January 2006**	**Balance at 31 December 2006**	**Balance at 31 December 2007**	**Maximum balance outstanding during 2006**	**Maximum balance outstanding during 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Argos Recreation and Sport (Nanjing) Company Limited ("ARSN")	10,378	2,681	–	15,422	5,340

The amount is unsecured and repayable on demand. Interest is charged on the outstanding balance at 8% per annum except for a loan of RMB12,000,000 in 2006 which is interest bearing at rates ranging from 5.58% to 5.841% per annum.

The directors of the Company, Mr Ronnie M. C. Wong and Mr W. H. Yeung have beneficial interests in ARSN.

As ARSN is a connected corporation of the Company, the lending of loan to ARSN constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules which is subject to the approval of shareholders of the Company. As at the date of this report, the required shareholders' approval has not been obtained.

22. CASH AND CASH EQUIVALENTS

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Cash and bank	36,640	20,731
Cash and cash equivalents in the balance sheet	36,640	20,731
Bank overdraft *(Note 26)*	(10,556)	(10,521)
Cash and cash equivalents in the cash flow statement	26,084	10,210

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currency:

	The Group	
	2007	**2006**
Renminbi	34,273	20,833

23. SHARE CAPITAL

	2007 and 2006	
	Number of shares	**Amount**
	'000	*HK$'000*
Authorised:		
Ordinary shares at HK$0.01 each	10,000,000	100,000
Issued and fully paid:		
Ordinary shares at HK$0.01 each	180,000	1,800

Share Options

The Company operates a share option scheme (the "Scheme"), further details of which are set out in Note 32 to this financial statements.

24. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) To ensure the Group's ability to continue as a going concern;

(ii) To provide an adequate return to shareholders;

(iii) To support the Group's sustainable growth; and

(iv) To provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. This ratio is calculated as overall financing divided by capital. Overall financing is calculated as bank borrowings (including current and non-current bank borrowings as shown in the consolidated balance sheet) plus convertible bonds (both equity and liability components), and amount due to a minority shareholder. Capital is calculated as total equity as shown in the consolidated balance sheet, less equity component of convertible bonds. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a capital-to-overall financing ratio within 35% – 50%. The capital-to-overall financing ratios as at 31 December 2007 and 2006 were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Total bank borrowings	27,105	21,487
Add: Convertible bonds – equity and liability components *(Note 30)*	7,200	–
Amount due to a minority shareholder	1,735	7,542
Overall financing	36,040	29,029
Total equity	75,666	79,556
Less: Convertible bonds – equity components	432	–
Capital	75,234	79,556
Capital-to-overall financing ratio	48%	36%

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

25. RESERVES

The Group

	Share premium	Exchange reserve	Merger reserve	General reserve	Revaluation reserve	Convertible bonds reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000* *(note (i))*	*HK$'000* *(note(ii))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	29,200	2,806	(490)	3,227	79	–	16,418	51,240
Loss for the year	–	–	–	–	–	–	(94)	(94)
Changes in fair value of leasehold buildings	–	–	–	–	(31)	–	–	(31)
Currency translation differences	–	1,841	–	–	–	–	–	1,841
At 31 December 2006	29,200	4,647	(490)	3,227	48	–	16,324	52,956
Loss for the year	–	–	–	–	–	–	(9,119)	(9,119)
Changes in fair value of leasehold buildings	–	–	–	–	136	–	–	136
Recognition of equity component of convertible bonds	–	–	–	–	–	432	–	432
Currency translation differences	–	3,913	–	–	–	–	–	3,913
At 31 December 2007	29,200	8,560	(490)	3,227	184	432	7,205	48,318

Notes:

(i) The Group has taken advantage of the merger relief available under section 48C of the Hong Kong Companies Ordinance.

(ii) In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after taxation, if any, to the general reserves which comprise the statutory reserve and the enterprise expansion fund. The percentage of the transfer is determined by the Board of directors of the subsidiaries. The above reserves are non-distributable and calculated by reference to the PRC statutory financial statements of these subsidiaries.

The Company

	Convertible bonds reserve	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	–	29,200	(10,291)	18,909
Loss for the year	–	–	(2,877)	(2,877)
At 31 December 2006	–	29,200	(13,168)	16,032
Loss for the year	–	–	(3,991)	(3,991)
Recognition of equity component of convertible bonds	432	–	–	432
At 31 December 2007	432	29,200	(17,159)	12,473

In the opinion of the directors, there is no reserve available for distribution to shareholders of the Company.

26. BANK BORROWINGS

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdraft – secured	10,556	10,521	10,556	10,521
Bank loans – secured	16,549	10,966	–	–
	27,105	21,487	10,556	10,521
The term of repayment of the bank borrowings are analysed as follows:				
– Within one year	16,485	21,011	10,556	10,521
– In the second year	6,467	48	–	–
– In the third to fifth years, inclusive	3,927	164	–	–
– Over five years	226	264	–	–
	27,105	21,487	10,556	10,521
Less: Portion classified as current liabilities	16,485	21,011	10,556	10,521
Non-current portion	10,620	476	–	–
The carrying amounts of bank borrowings are denominated in the following currencies:				
Hong Kong dollar	10,556	10,521	10,556	10,521
Renminbi	15,480	11,024	–	–

The bank borrowings carry interest at rates ranging from 4.87% to 7.56% p.a. (2006: 5.85% to 6.73%) for borrowings denominated in Renminbi or at the prevailing market rates for borrowings denominated in Hong Kong dollars.

The fair values of current bank borrowings equal to their carrying amounts as the impact of discounting is not significant.

27. ADVERTISING INCOME ON FLEET BODY RECEIPT IN ADVANCE

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Balance at 31 December	4,856	4,858
Less: Portion classified as current liabilities	1,093	479
Non-current portion	3,763	4,379

28 INCOME TAX IN THE BALANCE SHEET

(a) Deferred tax assets and liabilities recognised:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Deferred tax (liabilities)/assets at the beginning of the year	(690)	549
Charged to income statement for the year *(Note 9(a))*	(273)	(1,239)
Deferred tax liabilities at the end of the year	(963)	(690)

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

	Accelerated tax depreciation	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	(1,280)	1,829	549
Charged to income statement	(1,013)	(226)	(1,239)
At 31 December 2006	(2,293)	1,603	(690)
(Charged)/credited to income statement	(407)	134	(273)
At 31 December 2007	(2,700)	1,737	(963)

(b) Deferred tax assets not recognised

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Unused tax losses	6,677	512

The tax losses do not expire under current tax legislation.
The Company has no significant tax losses at both year end dates.

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	4,331	4,629	–	–
Security deposits received from drivers *(Note (i))*	19,691	20,258	–	–
Other deposits and accruals	63,597	34,000	2,325	1,564
Amounts due to subsidiaries	–	–	–	3,530
Amount due to a minority shareholder	1,735	7,542	–	–
Amount due to a director	–	100	–	–
Amount due to a related company	653	–	–	–
	90,007	66,529	2,325	5,094

Note:

(i) The amount represents security deposits received from drivers as compensation for any loss in case of accidents and will be repaid to drivers only when they resign.

All of the other trade and other payable, apart from that mentioned in note(i), are expected to be settled or recognised as income within one year or are repayable on demand.

The directors considered that the carrying amounts of trade and other payables approximate to their fair values.

The aged analysis of the Group's trade payables at the balance sheet date is as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Current	3,405	958
31 – 60 days	377	2,582
61 – 90 days	154	747
Over 90 days	395	342
	4,331	4,629

Trade and other payables are all denominated in Renminbi for both 2007 and 2006.

30. CONVERTIBLE BONDS

The Group and Company

	2007	2006
	HK$'000	*HK$'000*
Convertible bonds	6,948	–

The convertible bonds were issued on 7 August 2007. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their loan maturity date. The bonds can be converted into 36,000,000 ordinary shares per HK$0.2 bond at par.

The fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bond equity reserve, net of deferred taxes.

The carrying amount of the convertible bonds is denominated in Hong Kong dollars.

At 31 December 2007, the convertible bonds were repayable within one year.

The convertible bonds recognised in the balances sheet are calculated as follows:

	2007	2006
	HK$'000	*HK$'000*
Face value of convertible bonds issued on 7 August 2007	7,200	–
Equity component	432	–
Liability component on initial recognition	6,768	–
Imputed interest expense	180	–
Liability component at 31 December	6,948	–

The directors considered that the carrying amounts of convertible bonds approximate to their fair value.

Interest expense of HK$210,000 (Note 8) (2006: Nil) has been recognised in the income statement in respect of the convertible bonds for the year ended 31 December 2007, using the effective interest method by applying effective interest rate of 7% to the liability component.

31. DEFERRED INCOME

In June 2007, a subsidy of RMB6,600,000 was granted by 南京市財政局 for acquisition of motor vehicles in relation of the bus operation, of which RMB180,000 has been released to the income statement to match the depreciation charged for the motor vehicles acquired.

The Company has no deferred income at both year ended dates.

32. EMPLOYEE BENEFITS

Retirement Benefits Scheme

Effective from 1 December 2000, the Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for all of its employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. No forfeited contribution is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

In pursuant to the PRC Government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC and there is no forfeited contribution under the central pension scheme.

Share Option

On 30 July 2001, the shareholders of the Company approved a share option scheme (the "Scheme") under which its board of directors may, at its discretion, invite full-time employees of the Company or any of its subsidiaries, including directors, to take up options to subscribe for ordinary shares in the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time. No employee can be granted an option under the Scheme which, if exercised in full, would result in such an employee becoming entitled to subscribe for such number of shares that would exceed 30% of the aggregate number of shares for the time being issued and issuable under the Scheme. The subscription price will be determined by the Company's board of directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the trade day immediately preceding the date of offer of the options, and (iii) the average of the quoted closing price of the Company's shares on the five trading days immediately preceding the date of offer of the options.

During the year ended 31 December 2007, no option has been granted or agreed to be granted to the directors or employee of the Company and its subsidiaries under the scheme.

33. COMMITMENTS UNDER OPERATING LEASES

As Lessee

The Group leases office under non-cancellable operating lease agreement. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	The Group		**The Company**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	781	326	624	–
In the second to fifth years inclusive	1,045	585	416	–
More than five years	1,222	1,283	–	–
	3,048	2,194	1,040	–

34. OTHER COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided for motor vehicles:	920	–

35. FINANCIAL GUARANTEES AND COTINGENT LIABILITIES

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantee given to financial institution in respect of credit facilities utilised by:				
– a related company	1,000	1,000	1,000	1,000

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31 December 2007 and 31 December 2006. Subsequently the guarantees has been discharged on 18 March 2008.

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year.

Name	Relationship	Nature	*Notes*	2007 *HK$'000*	2006 *HK$'000*
Argos Bus Services Company Limited ("ABSHK")	Related company	Rental paid	(i)	180	120
Argos Recreation and Sport (Nanjing) Company Limited ("ARSN")	Related company	Interest received	(ii)	101	753
		Rental paid	(iii)	112	95
		Sales of property, plant and equipment	(iv)	43	–

Notes:

(i) Rental expenses were determined in accordance with the tenancy agreement entered into between ABSHK and Argos China.

(ii) Interest was charged on the advances to ARSN at 8% per annum.

(iii) Rental expenses were determined in accordance with the tenancy agreement entered into between ARSN and Argos Management.

(iv) Sales proceeds from disposal of property, plant and equipment were determined in accordance with agreed terms between ARSN and Nanjing Argos.

(b) Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other employees benefits	1,065	1,532
Employer contribution to pension scheme	95	77

(c) (i) Banking facilities granted by banks have been secured by personal guarantees executed by certain directors of the Company.

(ii) An overdraft banking facility totalling of HK$11,500,000 has been granted by a bank against pledge of the Company's fixed deposit of HK$10,000,000 of which HK$1,000,000 was allocated to Argos Bus Services Company Limited.

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

37. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk, liquidity risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw material denominated in the same currency.

During the year ended 31 December 2007, if HK$ had strengthened/weakened by 5% against the RMB, with all other variable held constant, the effect on loss for the year is immaterial, equity would have been approximately HK$1,100,000 (2006: HK$560,000) lower or higher.

The above sensitivity analysis has been determined assuming that a change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to foreign exchange risk for financial instruments in existence at that date. The 5 percentage point increase or decrease represents management's assessment of a reasonably possible change in exchange rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. As the Group's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Group's financial position. The Group is not exposed to commodity price risk.

(iii) Interest rate risk

Risk profile

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings and bank deposits. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group's borrowings are based on Prime or HIBOR interest rates. Details of the Group's bank borrowings are set out in note 26. Bank deposits are primarily short term in nature. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowing when it has surplus funds.

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

	Effective Interest rate	**The Group 2007**	**Effective Interest rate**	**The Company 2007**
	%	*HK$'000*	*%*	*HK$'000*
Fixed rate borrowings:				
Bank loans	7	512	–	–
Convertible bonds	1	6,948	1	6,948
Other loan	5.31	658	–	–
		8,118		6,948
Variable rate borrowings:				
Bank loans	4.43	16,037	–	–
Bank overdraft	5.12	10,556	5.12	10,556
		26,593		10,556
Total borrowings		34,711		17,504
Fixed rate borrowings as a percentage of total borrowings		24%		40%

	Effective Interest rate	The Group 2006	Effective Interest rate	The Company 2006
	%	*HK$'000*	%	*HK$'000*
Fixed rate borrowings:				
Bank loans	6.73	521	–	–
Other loan	5.21	658	–	–
		1,179		–
Variable rate borrowings:				
Bank loans	4.38	10,445	–	–
Bank overdraft	5.12	10,521	5.12	10,521
		20,966		10,521
Total borrowings		22,145		10,521
Fixed rate borrowings as a percentage of total borrowings		5%		0%

Sensitivity analysis

At 31 December 2007, it is estimated that a general increase or decrease of 2 percentage point in interest rates, with all other variables held constant, would decrease or increase the Group's loss after tax and retained earnings by approximately HK$509,000 or HK$614,000 (2006: HK$11,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 2 percentage 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 was performed on the same basis for 2006.

(b) Credit risk

The Group's maximum exposure to credit risk is limited to the carrying amount of each financial asset shown in the consolidated balance sheet. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

The Group continuously monitors default of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Also the Group has no significant concentration of credit risk. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, include raising of loan and advance from related companies to cover expected cash demands, subject to board approval. The Group's policy us to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed line of funding from major financial institutions and advances from related companies to meet its liquidity requirements in the short and longer term.

The table below categorised the Group's financial liabilities into relevant maturity grouping based on the remaining period from the balance sheet to the contractual maturity date. The tabulated amounts are the contractual undiscounted cash flows.

	Total carrying amount	Total	Less than 1 year or payable on demand	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007						
Bank overdraft	10,556	11,097	11,097	–	–	–
Trade payables	4,331	4,331	4,331	–	–	–
Other payables	83,288	83,288	83,288	–	–	–
Secured loans	16,549	18,165	6,460	7,044	4,339	322
Convertible bonds	6,948	6,948	6,948	–	–	–
Amount due to a minority shareholder	1,735	1,735	1,735	–	–	–
Amount due to a related company	653	653	653	–	–	–
	124,060	126,217	114,512	7,044	4,339	322

	Total carrying amount	Total	Less than 1 year or payable on demand	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006						
Bank overdraft	10,521	11,027	11,027	–	–	–
Trade payables	4,629	4,629	4,629	–	–	–
Other payables	54,258	54,258	54,258	–	–	–
Secured loans	10,966	11,956	11,225	81	260	390
Amount due to a minority shareholder	7,542	7,542	7,542	–	–	–
Amount due to a director	100	100	100	–	–	–
	88,016	89,512	88,781	81	260	390

(d) Fair value estimation

The fair value of cash and bank balances, trade and other receivables, trade and other payables, bank loans and bank overdraft are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j)(i). The recoverable amounts of cash-generating units have been determined based on value-in use calculations. These calculations require the use of estimates (Note 16).

(ii) Estimate of fair value of unlisted securities

Certain unlisted securities included in available-for-sale financial assets are stated at cost less any accumulated impairment losses at the balance sheet date as the Group determines the fair value of such financial assets closely approximates to the carrying cost.

(iii) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(b) Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

39. FINANCIAL SUPPORT

In preparing the consolidated financial statements the directors have given consideration to the future liquidity of the Group. While recognised that the Group had sustained a net current liabilities of HK$51,420,000 as at 31 December 2007, the directors are confident that the Group will be able to obtain financial support from the ultimate holding company, Twilight Enterprises Limited, to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

40. COMPARATIVE FIGURES

As a result of adopting HKFRS 7 “Financial instruments: Disclosures” and the amendments to HKAS 1 “Presentation of financial statements: Capital disclosures”, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007 and which have not been adopted in these financial statements.

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

CCIF

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

5 November 2008

The Directors
Argos Enterprise (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Wisdom In Holdings Limited ("Target Company") and its subsidiaries (together, the "Target Group") set out in Sections A to B below, for inclusion in the circular dated 5 November 2008 (the "Circular") issued by Argos Enterprise (Holdings) Limited ("Argos") in connection with the proposed acquisition of 65% equity interest of the Target Company by a wholly-owned subsidiary of Argos. The Financial Information comprises the combined balance sheets of the Target Group as at 31 December 2007 and 31 July 2008, and the combined income statements, the combined statements of changes in equity and the combined cash flow statements of the Target Group for each of the periods from 10 April 2007 to 31 December 2007 and from 1 January 2008 to 31 July 2008 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Target Company was incorporated in the British Virgin Islands ("BVI") on 29 January 2008 as a limited liability company.

Pursuant to a group reorganisation as detailed in note 1 of Section B below (the "Reorganisation"), the Target Company became the holding company of the subsidiaries comprising the Target Group. The particulars of these subsidiaries as at the date of this report are also set out in note 1 of Section B. All of these companies are private companies.

The principal activity of the Target Company is investment holding. Details of the principal activities of other companies comprising the Target Group are set out in note 1 of Section B below.

For the purpose of this report, the directors of the Target Company have prepared the combined financial statements of the Target Group (the "Underlying Financial Statements") for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared based on the audited Underlying Financial Statements and unaudited combined financial statements of the Target Group for the period from 10 April 2007 to 31 July 2007 prepared in accordance with HKFRSs.

Directors' responsibility

The preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view in accordance with HKFRSs is the responsibility of the directors of the Target Company. The directors of Argos are responsible for the contents of the Circular in which this report is included. In preparing the Underlying Financial Statements and the Financial Information which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

Reporting accountant's responsibility

For the financial information for the Relevant Periods, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We have examined the audited Underlying Financial Statements and the unaudited combined financial statements of the Target Group for the period from 10 April 2007 to 31 July 2007 for preparing the Financial Information, and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" issued by the HKICPA.

For the financial information for the period from 10 April 2007 to 31 July 2007, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. it is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express in audit opinion on the financial information for the period from 10 April 2007 to 31 July 2007.

Opinion and review conclusion

In our opinion, the Financial Information for the Relevant Periods, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company and the combined state of affairs of the Target Group as at 31 December 2007 and 31 July 2008 and of the Target Group's combined results and cash flows for the periods then ended.

Based on our review for the purpose of this report, which does not constitute an audit, we are not aware of any material modifications that should be made to the unaudited financial information of Target Group presented for the period from 10 April 2007 to 31 July 2007.

A. FINANCIAL INFORMATION

Combined income statements

	Notes	Period from 10 Apr 2007 to 31 Dec 2007 HK$	Period from 10 Apr 2007 to 31 Jul 2007 HK$ (unaudited)	Period from 1 Jan 2008 to 31 Jul 2008 HK$
Turnover	5	–	–	–
Other revenue and net income	6	5,159	1,516	75,368
Administrative expenses		(5,741,832)	(60,297)	(8,188,346)
Finance costs	7	(107,869)	–	(205,464)
Loss before taxation	9	(5,844,542)	(58,781)	(8,318,442)
Income tax	10	–	–	–
Net loss for the period		(5,844,542)	(58,781)	(8,318,442)
Attributable to:				
Equity holders of the company		(5,602,946)	(58,781)	(7,305,572)
Minority interests		(241,596)	–	(1,012,870)
		(5,844,542)	(58,781)	(8,318,442)
Loss per share	22	N/A	N/A	N/A

Combined balance sheets

	Notes	At 31 Dec 2007 HK$	At 31 Jul 2008 HK$
Non-current assets			
Property, plant and equipment	13	1,177,039	3,195,198
Intangible asset	14	–	3,089,340
Total non-current assets		1,177,039	6,284,538
Current assets			
Prepayments, deposits and other receivables	15	69,079	2,120,905
Amount due from a minority shareholder	18	–	654,929
Cash and cash equivalents	16	708,568	75,840
		777,647	2,851,674
Current liabilities			
Other payables and accruals	17	119,998	1,298,731
Other loan, unsecured	19	4,700,000	–
Amount due to a shareholder	18	1,675,128	18,282,083
Amount due to a minority shareholder	18	1,180,490	–
		7,675,616	19,580,814
Net current liabilities		(6,897,969)	(16,729,140)
NET LIABILITIES		(5,720,930)	(10,444,602)
Capital and reserves			
Share capital	20	1,000	7,800
Reserves		(5,721,930)	(10,452,402)
TOTAL EQUITY		(5,720,930)	(10,444,602)

Combined statements of changes in equity

For the period from 10 April 2007 to 31 December 2007 and seven months ended 31 July 2008

		Attributable to the equity holders of the Company					
	Share capital	Exchange reserve	Meger reserve	Accumulated losses	Total	Minority interest	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Issue of shares of subsidiary	1,000	–	–	–	1,000	–	1,000
Exchange difference on translation of financial statements of subsidiary	–	122,612	–	–	122,612	–	122,612
Loss for the period	–	–	–	(5,602,946)	(5,602,946)	(241,596)	(5,844,542)
At 31 December 2007	1,000	122,612	–	(5,602,946)	(5,479,334)	(241,596)	(5,720,930)
Effect of the reorganisation	(1,000)	–	(6,800)	–	(7,800)	–	(7,800)
Issue of shares	7,800	–	–	–	7,800	–	7,800
Exchange difference on translation of financial statements of subsidiary	–	391,010	–	–	391,010	–	391,010
Capital injection to a subsidiary	–	–	–	–	–	3,203,760	3,203,760
Loss for the period	–	–	–	(7,305,572)	(7,305,572)	(1,012,870)	(8,318,442)
At 31 July 2008	7,800	513,622	(6,800)	(12,908,518)	(12,393,896)	1,949,294	(10,444,602)

For the period from 10 April 2007 to 31 July 2007 (unaudited)

		Attributable to the equity holders of the Company					
	Share capital	Exchange reserve	Meger reserve	Accumulated losses	Total	Minority interest	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Issue of shares of subsidiary	1,000	–	–	–	1,000	–	1,000
Loss for the period	–	–	–	(58,781)	(58,781)	–	(58,781)
At 31 July 2007	1,000	–	–	(58,781)	(57,781)	–	(57,781)

Nature and purpose of reserves:

(a) Merger reserve represents the difference between the nominal value of the shares of the acquired subsidiary and the nominal value of the company's shares issued for the acquisition of the subsidiary at the time of the group reorganisation.

(b) Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of a subsidiary operating outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in Note 2(r).

Combined cash flow statements

	Note	Period from 10 Apr 2007 to 31 Dec 2007 HK$	Period from 10 Apr 2007 to 31 Jul 2007 HK$ (unaudited)	Period from 1 Jan 2008 to 31 Jul 2008 HK$
Operating activities				
Loss before taxation		(5,844,542)	(58,781)	(8,318,442)
Adjustments for:				
Interest income		(5,159)	(1,516)	(4,908)
Finance costs		107,869	–	205,464
Depreciation		–	–	234,310
Operating cash flows before changes in working capital		(5,741,832)	(60,297)	(7,883,576)
Increase in prepayments, deposits and other receivables		(66,323)	–	(1,988,194)
Increase in other payables and accruals		11,644	–	1,156,304
Net cash used in operating activities		(5,796,511)	(60,297)	(8,715,466)
Investing activities				
Purchase of property, plant and equipment		(1,130,079)	–	(2,115,181)
Interest received		5,159	1,516	4,908
Purchase of intangible assets		–	–	(555,655)
Net cash used in investing activities		(1,124,920)	1,516	(2,665,928)
Financing activities				
Issue of share capital		1,000	1,000	–
Amount advance from a shareholder		1,831,160	1,313,957	16,606,955
Addition/(repayment) of other loan, unsecured		4,700,000	–	(4,700,000)
Interest paid		–	–	(313,333)
Amount advance from a minority shareholder		1,133,392	–	(3,362,438)
Capital injection to a subsidiary by a minority shareholder		–	–	3,203,760
Net cash generated from financing activities		7,665,552	1,314,957	11,434,944
Net increase in cash and cash equivalents		744,121	1,256,176	53,550
Effect of foreign exchange rate changes		(35,553)	–	(686,278)
Cash and cash equivalents at beginning of period		–	–	708,568
Cash and cash equivalent at end of period	16	708,568	1,256,176	75,840

B. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

a) General information and Reorganisation

Target Company was incorporated and domiciled in the British Virgin Islands on 29 January 2008. The address of its registered office is Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands. The address of its principal place of business is Room 1701, 17th Floor, Henan Building, 90 Jaffe Road, Wan Chai, Hong Kong. Target Company is principally engaged in investment holding.

Pursuant to reorganization (the "Reorganization"), the Target Group is formed following the steps as set out below:

On 29 January 2008, the entired issued share capital of Index Hong Kong Limited ("Index") held by Mr. Wu Hong and Mr. Zhang Weiting were transferred to the Target Company and, in exchange for and consideration of such transfer, the Target Company issued a total of 1,000 new shares, credited as fully paid, to Mr. Wu Hong and Mr. Zhang Weiting in proportion to their then respective shareholdings in Index. As a result, the Target Company became the holding company of the subsidiaries now comprising the Target Group

The operating result of Index has been accounted for in the Target Group by applying the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA ("AG5") from the first day of the Relevant Periods on 10 April 2007 as if the current group structure had been in existence throughout the Relevant Periods. AG 5 is being applied from the first day of the Relevant Periods on 10 April 2007.

Particulars of the subsidiaries of the Target Group as at 31 July 2008 and at the date of this report are as follows:

			Proportion of ownership interest			
Name of company	Place of incorporation/ registration and operation	Particulars of issued and paid up capital	Target Group's effective interest	Held by Target Company	Held by a subsidiary	Principal activity
Index Hong Kong Limited	Hong Kong	HK$1,000	100%	100%	–	Investment holding
上海唐路科技服務有限公司	PRC	USD1,793,316	80%	–	80%	Provision of nation-wide telecommunication value-added services

b) Going concern basis

As at 31 July 2008, the Target Group had net current liabilities and net liabilities of approximately HK$6,897,969 and HK$5,720,930 respectively. On 23 September 2008, a shareholder of Target Company entered into a Master Agreement with Mega field International Limited (the "Purchaser"), a wholly owned subsidiary of Argos Enterprise (Holdings) Limited for the acquisition of 65% equity interest of Target Company for a consideration of not more than HK$695 million (the "Proposed Acquisition"). Upon the completion of the Proposed Acquisition, the Purchaser also agreed to provide funds for the Target Group to meet its liabilities as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Financial Information of the Target Group has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information also complies with the applicable disclosure requirements of the Rules Governing the Listing of shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as applicable to the Accountants' Report included in listing documents.

b) Basis of preparation

All companies now comprising the Target Group are under common control of Mr. Wu Hong and Mr. Zhang Wei Ting before and after the Reorganization. The Target Group has applied AG 5 in accounting for the Reorganization.

The Financial Information includes the financial position, results and cash flows of the companies comprising the Target Group as if the current group structure had been in existence since 10 April 2007, the earliest date at which the entities within the Target Group were incorporated.

The measurement basis used in the preparation of the Underlying Financial Statements is historical cost convention except for certain financial assets and liabilities which are measured at fair value, if applicable. These financial statements are presented in Hong Kong dollars except where otherwise indicated.

The preparation of the Underlying 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 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 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 a significant effect on the Underlying Financial Statements and estimates with a significant risk of material adjustment in the future period are discussed in note 4.

Amendments, new standards and interpretations issued and effective for the Relevant Periods

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption by the Target Group and Target Company for the Relevant Periods.

There have been no significant changes to the accounting policies applied in these Underlying Financial Statements for the periods presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the Underlying Financial Statements include expanded disclosure about the significance of the Target Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and presentation. These disclosures are provided throughout these Underlying Financial Statements, in particular in note 3(a).

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Target Group and Target Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 3(b).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised as financial instruments.

Any new standard or interpretation that is not yet effective for the Relevant Periods has not been applied.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of these Underlying Financial Statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in these Underlying Financial Statements.

Target 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 Target Company's results of operations and financial position.

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

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 and HKAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 2 Amendment	Share-based Payment-Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operations	1 October 2008

c) Merger accounting for common control combination

The combined financial statements incorporate the financial statements of the combining entities for which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities had been combined at the previous balance sheet date.

A uniform set of accounting policies is adopted by the combining entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities are eliminated on combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining the operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which it is incurred.

d) Subsidiaries

Subsidiaries are entities controlled by the Target Group. Control exists when the Target Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its 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 the control ceases.

Intra-group balances and transactions and any unrealised profits arising from inta-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.

e) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Target Group. Revenue is recognised in the profit or loss as follows:

i) Service income

Service income from the provision of telecommunications value-added services is recognised upon the provision of the relevant services.

ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

iii) Consultancy income

Consultancy income is recognised when services are rendered.

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing an assets to the working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other costs such as repair and maintenance are charged to the income statement during the Relevant Periods in which they are incurred.

Gains or losses on retirement or disposal of property, plant and equipment are the differences between the net sales proceeds and the carrying amount of the relevant assets, and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is provided to write off the cost 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:

Furniture and fixtures	18%
Office equipment	18%
Computer and accessories	18%
Motor vehicle	18%

g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target 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.

Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

Where the Target Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss 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.

h) Intangible assets (other than goodwill)

Intangible assets with finite useful lives acquired by the Target Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 2(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over its estimated useful life of 5 years. Both the period and method of amortisation are reviewed annually.

i) Impairment of assets

i) Impairment of accounts receivable and other receivables

Accounts receivable and other receivables that are stated at cost or amortised cost are reviewed periodically to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target 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

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

– For accounts receivable and other receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the 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 profit or loss. 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 accounts receivable 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 Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors 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 profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed periodically to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment; and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing the 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. 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 the profit or loss 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 impairment losses 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 profit or loss in the year in which the reversals are recognised.

j) Related parties

For the purpose of these financial statements, parties are considered to be related to the Target Group if:

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

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

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

iv) the party is a member of key management personnel of the Target Group or the Target 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 Target Group or of any entity that is a related party of the Target 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.

k) Prepayments, deposits and other receivables

Prepayments, deposits 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(i)), 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 (see note 2(i)).

l) Other payables and accruals

Other payables and accruals are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

m) 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 Target Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

n) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous period.

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 differences 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 Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target 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 Target 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.

o) 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

p) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

q) Provisions and contingent liabilities

i) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(q)(ii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(q)(ii).

ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Group or Target 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.

r) Translation of foreign currencies

Foreign currency transactions during the period 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 profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities 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 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 are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

s) Employee benefits

Short-term employee benefits and contributions to defined contribution plans

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

Contributions to defined contribution retirement scheme are recognised as an expense in the combined income statement as incurred.

The Target Group contributes on a monthly basis to defined contribution retirement benefit plan organised by relevant municipal governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under the plan. Contributions to the plan are expensed as incurred. The assets of the plan are held separately from those of the Target Group in independently administered funds managed by the relevant PRC government agencies.

t) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Financial risk factors

The Target Group is exposed to credit risk, liquidity risk and interest rate risk which arise in the normal course of the Target Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by the Target Group.

i) Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation thereby incurring financial loss to the Target Group.

At 31 December 2007 and 31 July 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

In respect of other receivables, in order to minimise risk, the management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors financial position and condition is performed on all debtors periodically. In addition, credit evaluations are performed on all debtors requiring credit over a certain amount. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Target Group does not obtain collaterals from debtors.

ii) Liquidity risk

Individual operating entities within the Target Group are responsible for their own cash management, including the raising of funds from its holding companies to cover expected cash demands. The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables detail the Target Group's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2007 and 31 July 2008. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the combined balance sheet.

	At 31 December 2007		
	Within 1 year or on demand *HK$*	**Total contractual undiscounted cash flow** *HK$*	**Carrying amount** *HK$*
Other payables and accruals	119,998	119,998	119,998
Short term loan	4,905,464	4,905,464	4,700,000
Amount due to a director	1,675,128	1,675,128	1,675,128
Amount due to a minority shareholder	1,180,490	1,180,490	1,180,490
	7,881,080	7,881,080	7,675,616

	At 31 July 2008		
	Within 1 year or on demand *HK$*	**Total contractual undiscounted cash flow** *HK$*	**Carrying amount** *HK$*
Other payables and accruals	1,298,731	1,298,731	1,298,731
Amount due to a director	18,282,083	18,282,083	18,282,083
	19,580,814	19,580,814	19,580,814

iii) Fair value and cash flow interest rate risk

The Target Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Target Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

iv) Fair values

The fair values of prepayment, deposit and other receivables, amount due from a minority shareholder, cash and cash equivalents, other payables and accruals, amount due to a director are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

b) Capital risk management

The Target Group's objectives when managing capital are to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Target Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

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

i) Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

ii) Impairment of receivables

The Target Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the accounts receivable and other receivables, where applicable, periodically. The estimates are based on the aging 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) Amortisation and impairment of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Target Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the period and the estimate will be changed in the future period.

b) Critical accounting judgements in applying the Target Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Target Group makes assumptions for the effects of uncertain future events on those assets and liabilities at each of the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Target 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 Target Group's accounting policies.

5. TURNOVER

The Target Group has not yet commenced business for the Relevant Periods.

6. OTHER REVENUE AND NET INCOME

	Period from 10 Apr 2007 to 31 Dec 2007 *HK$*	Period from 10 Apr 2007 to 31 Jul 2007 *HK$* (unaudited)	Period from 1 Jan 2008 to 31 Jul 2008 *HK$*
Bank interest income, being total interest income on financial assets not at fair value through profit or loss	5,159	1,516	4,908
Consultancy income	–	–	70,460
	5,159	1,516	75,368

7. FINANCE COSTS

	Period from 10 Apr 2007 to 31 Dec 2007 *HK$*	Period from 10 Apr 2007 to 31 Jul 2007 *HK$* (unaudited)	Period from 1 Jan 2008 to 31 Jul 2008 *HK$*
Interest on other loan, being total interest expense on financial liabilities not at fair value through profit or loss	107,869	–	205,464

8. DIRECTORS' EMOLUMENTS

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

	Period from 10 Apr 2007 to 31 Dec 2007 *HK$*	Period from 10 Apr 2007 to 31 Jul 2007 *HK$* (unaudited)	Period from 1 Jan 2008 to 31 Jul 2008 *HK$*
Directors' fees	–	–	–
Salaries and allowances	180,000	30,000	210,000
	180,000	30,000	210,000

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	Period from 10 Apr 2007 to 31 Dec 2007 *HK$*	Period from 10 Apr 2007 to 31 Jul 2007 *HK$* (unaudited)	Period from 1 Jan 2008 to 31 Jul 2008 *HK$*
Auditor's remuneration	–	–	4,445
Minimum lease payments under an operating lease in respect of land and buildings	233,756	–	1,543,720
Employees benefits expenses (including directors' emoluments – *note 8*):			
Wages and salaries	580,937	30,000	1,981,815
Allowance and other benefits	1,797	–	152,243
Depreciation of property, plant and equipment	–	–	234,310

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Target Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Target Group operates, based on existing legislation, interpretations and practices in respect thereof.

Reconciliation between tax expense and accounting loss at the applicable tax rates:

	Period from 10 Apr 2007 to 31 Dec 2007 *HK$*	Period from 10 Apr 2007 to 31 Jul 2007 *HK$* (unaudited)	Period from 1 Jan 2008 to 31 Jul 2008 *HK$*
Loss before taxation	(5,844,542)	(58,781)	(8,318,442)
Notional tax on profit before taxation, calculated at applicable tax rate of 17.5% (2008: 16.5%)	(1,022,795)	(10,287)	(1,372,543)
Income not subject to tax	(722)	(265)	(281)
Effect of different tax rate of a subsidiary operating in the PRC	(90,599)	–	(430,470)
Tax losses not recognised	1,114,116	10,552	1,803,294
Actual tax expense	–	–	–

There was no material unprovided deferred tax assets and liabilities at the respective balance sheet dates.

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

At 31 July 2008, the loss attributable to shareholders includes a loss of HK$5,390 which has been dealt with in the financial statements of Target Company.

12. DIVIDEND

The directors of Target Company and entities within the Target Group do not propose to declare any dividend for the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Computer and accessories	Motor vehicle	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost					
Additions	562,478	168,455	399,146	–	1,130,079
Exchange difference	23,374	7,000	16,586	–	46,960
At 31 December 2007 and 1 January 2008	585,852	175,455	415,732	–	1,177,039
Additions	–	8,957	437,899	1,668,325	2,115,181
Exchange difference	40,626	12,432	41,790	49,375	144,223
At 31 July 2008	626,478	196,844	895,421	1,717,700	3,436,443
Accumulated depreciation					
Charges for the period	–	–	–	–	–
Exchange difference	–	–	–	–	–
At 31 December 2007 and 1 January 2008	–	–	–	–	–
Charges for the period	63,889	19,541	75,805	75,075	234,310
Exchange difference	1,891	578	2,244	2,222	6,935
At 31 July 2008	65,780	20,119	78,049	77,297	241,245
Net carrying amount					
At 31 July 2008	560,698	176,725	817,372	1,640,403	3,195,198
At 31 December 2007	585,852	175,455	415,732	–	1,177,039

14. INTANGIBLE ASSET

	Software
	HK$
Cost	
At 31 December 2007 and 1 January 2008	–
Addition	3,000,537
Exchange difference	88,803
At 31 July 2008	3,089,340
Accumulated amortisation	
At 31 December 2007, 1 January 2008 and 31 July 2008	–
Net carrying amount	
At 31 July 2008	3,089,340
At 31 December 2007	–

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 Dec 2007	At 31 Jul 2008
	HK$	*HK$*
Prepayments	23,540	266,220
Deposits	21,999	881,272
Other receivables	23,540	973,413
	69,079	2,120,905

The carrying amounts of prepayments, deposits and other receivables at each balance sheet date approximated their fair values.

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

16. CASH AND CASH EQUIVALENTS

	At 31 Dec 2007	At 31 Jul 2008
	HK$	*HK$*
Cash at bank, being cash and cash equivalents in the balance sheet and cash flow statement	708,568	75,840

The directors consider the carrying amounts of cash at banks at each balance sheet date approximated their fair values.

17. OTHER PAYABLES AND ACCRUALS

	At 31 Dec 2007	At 31 Jul 2008
	HK$	*HK$*
Other payables	12,129	1,230,421
Accrued expenses	107,869	68,310
	119,998	1,298,731

The carrying amounts of other payables and accruals at each balance sheet date approximated their fair values.

All of the other payables and accruals stated above are carried at amortised cost and are expected to be settled or recognised as income within one year or are repayable on demand.

18. AMOUNT DUE (TO)/FROM A SHAREHOLDER/A MINORITY SHAREHOLDER

At 31 December 2007 and 31 July 2008, the amounts due are unsecured, non-interest-bearing and have no fixed term of repayment.

The carrying value of the amounts due at each balance sheet date approximated their fair values.

19. OTHER LOAN

The other loan is unsecured, bears interest at 10% per annum and is repayable within one year.

20. SHARE CAPITAL

For the purpose of the preparation of the combined balance sheets, the balance of the paid-up capital at 31 December 2007 and 31 July 2008, represents the aggregate amount of the paid-in capital of the following companies:

	At 31 Dec 2007	At 31 Jul 2008
	HK$	*HK$*
Index Hong Kong Limited	1,000	–
Wisdom In Holdings Limited	–	7,800
Share capital	1,000	7,800

The share capital of Target Company is detailed below:

	At 31 Jul 2008
	HK$
Authorised, issued and fully paid:	
1,000 ordinary share of US$1 each	7,800

21. OPERATING LEASE ARRANGEMENTS

As lessee

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

	At 31 Dec 2007	**At 31 Jul 2008**
	HK$	*HK$*
Within one year	2,879,000	3,079,000
In the second to fifth years, inclusive	4,079,000	2,566,000
	6,958,000	5,645,000

22. LOSS PER SHARE

No loss per share information has been presented as such information is not meaningful for the purpose of this report.

23. SEGMENT INFORMATION

No business and geographical segment analyses are presented as the Target Group principally operates a single business segment which is the provision of nation-wide telecommunication value-added services for the Relevant Periods and over 90% of the assets and operations of the Target Group are located in the PRC.

24. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements the balances with related parties are as follows:

	At 31 Dec 2007	**At 31 Jul 2008**
	HK$	*HK$*
Other receivables – 上海萬里移動傳媒有限公司 *(Note (a))*	–	652,000
Amount due to a director	(1,675,128)	(18,282,083)
Amount due (to)/from a minority shareholder	(1,180,490)	654,929

Note (a): The shareholder of 上海萬里移動傳媒有限公司is a close family member of the shareholder of Target Company, Mr. Zhang Weiting.

The amounts are unsecured, interest free and have no fixed terms of repayment.

25. SUBSEQUENT EVENTS

There is no material subsequent event subsequent to 31 July 2008.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Target Company in respect of any period subsequent to 31 July 2008.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Kwok Cheuk Yuen
Practising Certificate Number P02412

1. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF ARGOS ENTERPRISE (HOLDINGS) LIMITED

We report on the unaudited pro forma financial information of Argos Enterprise (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company ("Directors") for illustrative purposes only, to provide information about how the proposed acquisition (the "Acquisition") of the Target Group as defined in the circular of the Company dated 5 November 2008 (the "Circular"), for inclusion in Appendix III ("Unaudited Pro Forma Financial Information of the Enlarged Group") to the Circular. The basis of preparation of the unaudited pro forma financial information is also set out in Appendix III to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

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

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

BASIS OF OPINION

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

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

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

- the financial position of the Enlarged Group (as defined in the Circular) as at 30 June 2008 or at any future dates; or
- the financial results and cash flows of the Enlarged Group (as defined in the Circular) for the year ended 31 December 2007 or for any future periods.

OPINION

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;

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

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

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 5 November 2008

Kwok Cheuk Yuen
Practising Certificate Number P02412

Pro-forma Financial Information

The following is the unaudited pro forma financial information of the Enlarged Group prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of illustrating the financial effect of the Acquisition as if the Acquisition has been completed on 30 June 2008 for the pro forma consolidated balance sheet and at the commencement of the year ended 31 December 2007 for the pro forma consolidated income statement and pro forma consolidated cash flow statement. The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the acquisition of 65% of share capital of Target Company and its subsidiaries ("Target Group").

The accompanying unaudited pro forma financial information is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position or results of the Enlarged Group's operations that would have been attained had the Acquisition actually occurred on the dates indicated herein. Further, the accompanying unaudited pro forma financial information does not purport to predict the Enlarged Group's future financial position or results of operations.

Pro Forma Balance Sheet

The unaudited pro forma balance sheet of the Enlarged Group was prepared to demonstrate the effect of the Acquisition on the consolidated balance sheet of the Group as if the Acquisition had been completed as at 30 June 2008 based on:

(i) the unaudited consolidated balance sheet of the Group as at 30 June 2008 extracted from its latest published interim report for the 6 months ended 30 June 2008;

(ii) the audited combined balance sheet of the Target Group as at 31 July 2008 extracted from the accountants' report, as set out in Appendix II to this circular; and

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

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

	The Group as at 30 June 2008	**The Target Group as at 31 July 2008**	**Pro forma adjustments**	**Pro forma adjustments**		**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT ASSETS						
Property, plant and equipment	156,495	3,195				159,690
Investment properties	1,467	–				1,467
Goodwill	–	–	643,930		(1)	643,930
Intangible assets	1,326	3,089				4,415
Land use rights	5,574	–				5,574
Available for sale financial assets	1,234	–				1,234
Total non-current assets	166,096	6,284	643,930	–		816,310
CURRENT ASSETS						
Inventories	2,703	–				2,703
Accounts receivable	5,163	–				5,163
Prepayments, deposits and other receivables	25,484	2,121	(1,000)		(1) & (2)	26,605
Amount due from a minority shareholder	776	655		(655)	(8)	776
Cash and bank balances	38,158	76	(4,000)	655	(1), (2) & (8)	34,889
Fixed deposits	10,000	–				10,000
Total current assets	82,284	2,852	(5,000)	–		80,136

	The Group as at 30 June 2008	The Target Group as at 31 July 2008	Pro forma adjustments	Pro forma adjustments	Notes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
CURRENT LIABILITIES						
Bank borrowings	22,513	–				22,513
Accounts payable	100,652	–				100,652
Accrued expenses and other payables	–	1,299				1,299
Advertising income on fleet body receipt in advance	1,401	–				1,401
Amount due to major shareholders	851	–		6,399	(7)	7,250
Amount due to a shareholder	–	18,282	(11,883)	(6,399)	(1) & (7)	–
Convertible bonds	7,164	–		(2,985)	(9)	4,179
Deferred income	13,373	–				13,373
Tax payable	709	–				709
Total current liabilities	146,663	19,581	(11,883)	(2,985)		151,376
NET CURRENT ASSETS/ (LIABILITIES)	(64,379)	(16,729)	6,883	2,985		(71,240)
TOTAL ASSETS LESS CURRENT LIABILITIES	101,717	(10,445)	650,813	2,985		745,070
NON-CURRENT LIABILITIES						
Bank and other borrowings	18,909	–				18,909
Advertising income on fleet body receipt in advance	3,884	–				3,884
Convertible bonds	–	–	337,103		(1) & (5)	337,103
Promissory notes	–	–	202,819		(1) & (6)	202,819
Deferred tax liabilities	1,014	–				1,014
Total non-current liabilities	23,807	–	539,922	–		563,729
Net assets/(liabilities)	77,910	(10,445)	110,891	2,985		181,341
EQUITY						
Issued capital	1,800	8	432	150	(1), (3) & (9)	2,390
Reserves	47,242	(12,402)	110,459	2,835	(1), (4) & (9)	148,134
Minority interests	28,868	1,949			(1)	30,817
Total equity	77,910	(10,445)	110,891	2,985		181,341

Pro Forma Income Statement

The unaudited pro forma income statement of the Enlarged Group was prepared to demonstrate the effect of the Acquisition on the consolidated income statement of the Group as if the Acquisition had been completed as at 1 January 2007 based on:

(i) the audited consolidated income statement of the Group for the year ended 31 December 2007 extracted from its financial information, as set out in Appendix I to this circular;

(ii) the audited combined income statement of the Target Group for the 7 months ended 31 July 2008 extracted from the accountant's report, as set out in Appendix II to this circular; and

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

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

	The Group for the year ended 31 December 2007	**The Target Group for the period ended 31 July 2008**	**Pro forma adjustments**		**Total**
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
TURNOVER	185,069	–			185,069
Cost of sales	(173,300)	–			(173,300)
Gross profit	11,769	–	–		11,769
Other income	19,540	70			19,610
Interest income	825	5			830
Fair value gains on investment properties	201	–			201
Reversal of revaluation deficit previously recognised	155	–			155
Impairment loss on property, plant and equipment	(9,872)	–			(9,872)
Administrative expenses	(33,648)	(8,188)			(41,836)
Profit/(Loss) from operating activities	(11,030)	(8,113)	–		(19,143)
Finance costs	(1,669)	(205)	(44,718)	(10)	(46,592)
Profit/(Loss) before income tax	(12,699)	(8,318)	(44,718)		(65,735)
Income tax (expense)/credit	(277)	–			(277)
Net profit/(loss) for the year/period	(12,976)	(8,318)	(44,718)		(66,012)
Attributable to					
Equity holders of the Company	(9,119)	(7,305)	(44,718)		(61,142)
Minority interest	(3,857)	(1,013)			(4,870)
	(12,976)	(8,318)	(44,718)		(66,012)

Pro Forma Cash Flow Statement

The unaudited pro forma cash flow statement of the Enlarged Group was prepared to demonstrate the effect of the Acquisition on the consolidated cash flow statement of the Group as if the Acquisition had been completed as at 1 January 2007 based on:

(i) the audited consolidated cash flow statement of the Group for the year ended 31 December 2007 extracted from its financial information, as set out in Appendix I to this circular;

(ii) the audited combined cash flow statement of the Target Group for the 7 months ended 31 July 2008 extracted from the accountant's report, as set out in Appendix II to this circular; and

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

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

	The Group for the year ended 31 December 2007	The Target Group for the period ended 31 July 2008	Pro forma adjustments	Pro forma adjustments	Notes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
OPERATING ACTIVITIES						
Loss before tax	(12,699)	(8,318)	(44,718)		(10)	(65,735)
Adjustments for:						
Interest expenses	1,669	–	44,718		(10)	46,387
Interest income	(825)	(5)				(830)
Amortisation of lease premium for land	110	–				110
Amortisation of intangible assets	371	–				371
Depreciation of property, plant and equipment	17,390	234				17,624
Finance costs	–	205				205
Reversal of revaluation deficit previously recognised	(155)	–	–			(155)
Impairment loss on property, plant and equipment	9,872	–	–			9,872
Fair value gains on investment properties	(201)	–				(201)

	The Group for the year ended 31 December 2007	The Target Group for the period ended 31 July 2008	Pro forma adjustments	Pro forma adjustments	Note	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Operating cash flows before movements in working capital	15,532	(7,884)	–	–		7,648
Increase in inventories	(498)	–				(498)
Increase in trade and other receivables	(605)	(1,988)				(2,593)
Increase in trade and other payables	24,373	1,156				25,529
Advertising income on fleet body receipt in advance	(25)	–				(25)
Cash (used in)/generated from operating activities	38,777	(8,716)	–	–		30,061
Income tax refunded/(paid)	(46)	–				(46)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	38,731	(8,716)	–	–		30,015
INVESTING ACTIVITIES						
Interest received	825	5				830
Purchase of intangible assets	–	(556)				(556)
Acquisition of subsidiaries	–	–	(4,000)		(11)	(4,000)
Capital contribution from a minority shareholder	2,556	–				2,556
Decrease in pledged bank deposit	8,278	–				8,278
Proceeds from disposals of property, plant and equipment	868	–				868
Purchases of property, plant and equipment	(57,107)	(2,115)				(59,222)
NET CASH USED IN INVESTING ACTIVITIES	(44,580)	(2,666)	(4,000)	–		(51,246)

	The Group for the year ended 31 December 2007	The Target Group for the period ended 31 July 2008	Pro forma adjustments	Pro forma adjustments		Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
FINANCING ACTIVITIES						
Amount advance from a shareholder	–	16,607				16,607
Amount advance from a minority shareholder	–	(3,362)				(3,362)
Capital injection to a subsidiary by minority shareholder	–	3,204				3,204
Repayment of short term loan	–	(4,700)				(4,700)
Proceeds from new bank borrowings	17,272	–				17,272
Repayment of bank borrowings	(10,259)	–				(10,259)
Government grants	6,865	–				6,865
Interest paid	(1,459)	(313)				(1,772)
Interest of convertible bonds	–	–		(4,092)	(12)	(4,092)
Net proceeds from issue of convertible bonds issued	7,200	–				7,200
NET CASH GENERATED/(USED IN) FINANCING ACTIVITIES	19,619	11,436	–	(4,092)		26,963
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,770	54	(4,000)	(4,092)		5,732
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	10,210	708				10,918
Effect of foreign exchange rate changes	2,104	(686)				1,418
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	26,084	76	(4,000)	(4,092)		18,068
ANNALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	36,640	76	(4,000)	(4,092)		28,624
Bank overdraft	(10,556)	–				(10,556)
	26,084	76	(4,000)	(4,092)		18,068

Notes to the Pro Forma Financial Information

Notes:

1. In accordance with Hong Kong Financial Reporting Standard 3 Business Combinations ("HKFRS 3"), the Group will apply the purchase method to account for the acquisition of the Target Group. Under the purchase method, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. Excess of the purchase price to be incurred by the group over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Target Group is recognised as goodwill in the unaudited pro forma consolidated balance sheet as if the Acquisition had taken place on 30 June 2008.

   The total consideration for the Sale Share is HK$695,000,000 which will be settled in the following manner:

   (a) Cash consideration of HK$1,000,000 which have already been paid on 1 August 2008 by the Purchaser to the Vendor as of the date of this circular;

   (b) Cash consideration of HK$4,000,000 which shall be settled by the Company within 60 days after the date of the Master Agreement.

   (c) HK$26,400,000 by the allotment of 44,000,000 Consideration Shares of the Company at HK$0.6 per Consideration Share;

   (d) HK$409,200,000 Convertible Bonds to be issued by the Company to the Vendor upon completion; and

   (e) HK$254,400,000 Promissory Notes to be issued by the Company to the Vendor upon completion.

   Details of net identifiable assets to be acquired and the goodwill arising on the Acquisition are as follows:

		HK$'000
Cost of investment	Cash payment	5,000
	Consideration shares	26,400
	Convertible bonds	409,200
	Promissory Note (Present Value)	202,819
		643,419
	Less: Amount due to a shareholder ("Sale loan")	(11,883)
	Total	631,536
		Acquiree's carrying amount
The identifiable assets and liabilities		
	Property, plant and equipment	3,195
	Intangible asset	3,089
	Prepayments, deposits and other receivables	2,121
	Amount due from a minority shareholder	655
	Cash and cash equivalents	76
	Other payables and accruals	(1,299)
	Amount due to a shareholder	(18,282)
		(10,445)
	Minority interest	(1,949)
	Net identifiable assets to be acquired	(12,394)
	Goodwill arised	643,930

It is assumed that the fair value of the identifiable assets and liabilities of the Target Group as at 31 Jul 2008 is the carrying amounts as recorded in the books of the Target Group as extracted from the accountants' report as set out in Appendix II.

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

2. The pro forma adjustment of HK$5,000,000 represents the payment of the cash consideration as described in note 1(a) & (b) above.

3. The pro forma adjustment represents the combined effect of the elimination of share capital of the Target Company of HK$7,800 on consolidation, and the allotment of 44,000,000 Consideration Shares at HK$0.6 per share by the Company as described in note 1(c) above.

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

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

	HK$'000
Share premium of 44,000,000 Consideration Shares (agreed issued price of HK$0.6)	25,960
Equity component of Convertible Bonds *(note 5)*	72,097
Elimination of the pre-acquisition reserves of the Target Group on consolidation	12,402
Pro forma adjustment	110,459

5. The Convertible Bonds are to be issued as described in note 1(c) above. Under Hong Kong Accounting Standard 32 and 39, the liability and equity component of convertible bonds are accounted for separately. The liability component is calculated at the discounted present value of the cash flows of future principal and interest payments at the market rate of interest applicable to similar liabilities that do not have a conversion option. The equity component is calculated as the excess of the issued proceeds over the liability component.

   The present value of the liability component is approximately HK$337,103,000, with the balance of HK$72,097,000 (note 4) accounted for as a component of equity.

6. The pro forma adjustment of HK$202,819,000 represents the present value of issuance Promissory Notes to the Vendor as described in note 1(e) above.

7. The pro forma adjustment represents the reallocation of amount due to a shareholder totalling HK$6,399,000 to amount due to major shareholders. The fair value is estimated using the discounted cashflow approach at the prevailing market rate of approximately 7.56%.

8. The pro forma adjustment represents the repayment of amount due from a minority shareholder which is one of the precedent conditions of the Acquisition.

9 The pro forma adjustment represents the effect of conversion of Convertible bonds of the Company on 23 September 2008.

10. The pro forma adjustment represents interest on Promissory Notes of approximately HK$19,233,000 and interest on Convertible Bonds of approximately HK$25,485,000. The proforma adjustment will have a continuing effect on the income statement of the Enlarged Group until the settlement of the Convertible Bonds and Promissory Notes.

11. The adjustment represents the cash payment of HK$4,000,000 incurred in acquiring the 65% of issued share capital of the Target Group.

12. The pro forma adjustment represents the expected cash outflow on interest expenses on Convertible Bonds with a fixed interest rate of 1% per annum. The pro-forma adjustment will have a continuing effect on the cashflow statement of the Enlarged Group until the settlement of the Convertible Bonds.

13. For the purpose of the preparation of the pro forma financial information, transaction costs are assumed to be nil.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 August 2008 of the JV Company.

Asset Appraisal Limited
資產評值顧問有限公司

Add Rm1303 13/F Beverly House
Nos. 93-107 Lockhart Road Wanchai HK
地址 香港灣仔駱克道93-107號利臨大廈13字樓1303室
Tel電話 (852) 2529 9448
Fax傳真 (852) 3521 9591

5 November 2008

The Board of Directors
Argos Enterprise (Holdings) Ltd.
Room A 9th Floor
Fortis Tower
Nos. 77-79 Gloucestor Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of Shareholders' Equity of Shanghai Tanglu Technology Services Company Limited (上海唐路科技服務有限公司)

INSTRUCTIONS

In accordance with the instructions from **Argos Enterprise (Holdings) Ltd. Limited** (referred to as the "**Company**") to value the shareholders' equity of **Shanghai Tanglu Technology Services Company Limited** (referred to as "**TLT**"). Incorporated on 30 July 2007, TLT is a mobile phone value-added service provider and is operating and maintaining lottery wagering systems through wireless networks of mobile phone operators in the People's Republic Of China (the "PRC").

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the fair value of 100% shareholders' equity in TLT as at **31 August 2008** (referred to as the "Valuation Date").

INTRODUCTION

Lottery sales around the world now amount to US$120 billion a year with an annual growth of 18 per cent. Many countries have lotteries usually making considerable surpluses. Often, these are state-owned monopolies whose surpluses accrue as tax revenue, in other cases they are privately operated but regulated with tax and other deductions being a contractually specified proportion of revenue. Recently, the largest lotteries are those in Spain, Ireland, Canada, the UK, Australian and the US. According to LaFleurs World Lottery Yearbook 2008, for the year 2007, the global lotteries (excluding VLT) generated a revenue of US$202.6 billion of which lotto, traditional lottery, online lottery, sport event wagering and Keno accounted for 26%, 11%, 10%, 5% and 4% respectively. In term of lottery sales, the US is the largest nation with a total sales of US$54.5 billion in 2007, followed by Italy (US$24.8 billion) and Spain (US$18.1 billion). The PRC's lottery business has grown at a 50 per cent pace annually in recent years with the country's total lottery sales of US$16.9 billion, ranking the fourth in the global lottery market.

Lottery Sales of various nations for year 2007

Nation	**2007 Annual Lottery Sales per capita** *(US$)*
Singapore	880
US	710
Hong Kong	674
Mainland China	9

Source: LaFleurs World Lottery Yearbook 2008

Being one of the sources of fiscal income to fund various social project developments, the PRC central government has so far allowed only two kinds of lotteries to be held around the country, namely the sports and social welfare lotteries. Under the prevailing policy, some 35 per cent of total lottery sales is given to charitable causes, while 50 per cent is sent back into circulation as prize money. The remainder is set aside as expenses to run the lottery.

Statistics from the centre show that welfare lottery sales had exceeded RMB63.2 billion by the end of 2007. The sports lottery has also grown rapidly since it debuted in 1994. Its sales revenue has increased from RMB0.5 billion in 1994 to RMB38.5 billion last year.

Lotteries and related games are not viewed by many countries as gambling but as harmless fun. Traditionally, lottery sales in the PRC are mainly in the form of lottery tickets. Apart from those for the welfare and sports lotteries, have been banned from the domestic market by the State Council. Several government departments including the Ministry of Finance and the Ministry of Public Security have stepped up a clampdown on illegal lottery sales and underground gambling to guard against financial disorder.

Along with the fact that lotteries are fairly basic in terms of how they work and easy for users to play, it makes them ideal candidates for a mass market mobile lotteries offering. With mobile phones equipped with SMS function, they can be used to let users play lotteries. Also, the continuous upgrading of the mobile phone network and the functionalities of hand held communication devices are important factor to facilitate mobile lottery.

To leverage on the large latent market for mobile lottery services, the operator must address the issue of payment processing with a two-way financial transactions rather than a one-way transaction for normal mobile value-added services. Furthermore, unlike normal mobile value-added services where payments are made ex post (after the services), mobile lottery users are required to make payment ex ante (before the services). For mobile lotteries, there must be repository or stored value accounts for their betting and winnings and an electronic means of depositing money and monitoring balance values within that repository. Also, there must be convenient conduits and networks for the users to complete all those financial transactions.

INDUSTRY OVERVIEW

Boosted by the strong economic growth of the PRC, the per capita annual disposable income of urban households in the PRC, as per the statistics published by the National Bureau of Statistics, have jumped from RMB4,283.0 in 1995 to RMB11,759.5 in 2006, representing a CAGR of approximately 9.6%. Likewise, the per capita annual net annual net income of rural households in the PRC have followed the trend with per capita annual net income increased from RMB1,577.7 in 1995 to RMB3,578.0 in 2006, representing a CAGR of approximately 7.8%.

Beside solid per capita income growth, the overall economic output of the PRC has also been boosted by the world largest population and population growth. With a CAGR of approximately 0.7% between 1995 and 2006, the PRC's population reached a staggering of 1.3 billion by end of 2006.

Strong economic growth, large population base and the surging per capita disposable income lay strong ground for the development of lottery operations in the PRC, as evidence by the robust growth of lottery revenues over the recent years. In most developed countries such as US and UK, more than 90% of the population have at sometimes played a lottery at least once, with in the order of 80% playing regularly.

% of lottery consumption to disposable income of people in the Mainland China

Year	**Total Lottery Sales** *(RMB billion)*	**Lottery Sales per capita** *(RMB)*	**Urban Chinese per capita Disposable Income** *(RMB)*	**% of lottery consumption to disposable income**
2000	18.1	14.28	6,280	0.23%
2001	28.887	22.63	6,860	0.33%
2002	38.572	30.03	7,703	0.39%
2003	40.14	31.06	8,472	0.37%
2004	38.057	29.28	9,422	0.31%
2005	71.385	54.59	10,493	0.52%
2006	81.93	62.30	11,759	0.53%
2007	101.70	78.22	13,786	0.57%

Source: China Lottery Yearbooks and China Statistic Yearbooks

Lottery is the only legal form of gambling in the PRC. Other kinds of gambling such as casinos, horse-racing, and slot machines are all forbidden, apart from those operations in the Special Administrative Regions of Macau and Hong Kong. Like almost all sectors in the PRC, the lottery industry is sanctioned by the central Government. In the case of lotteries, the central administration is under the Ministry of Finance, which has a 'Lottery Administration Office', whilst ultimate policy decisions are decided by the State Council. Each lottery may have a central administrative body reporting to the relevant ministry (eg: for the Sports Lottery, the State Sports Lottery Administration Centre under the State General Administration of Sports which in turn reports to the State Council). Much of the day-to-day administration and execution of lotteries, however, is run at a provincial and municipal level.

There is said to be four physical forms of lottery, across two major spheres.

- Closed-ended Printed Lottery: this is the traditional type that involves issuing a fixed number of tickets with a pre-printed number on each ticket. The prize is pre-set and the winners are made public later via notice boards and TV shows. This form of lottery utilises uniform printing, code numbers and a fixed number of sales outlets.

- Instant Lottery: buyers learn the result on the spot. This is the fastest growing form of lottery in the PRC due to its 'instant win' nature. These lotteries are normally supported by large-scale sales and advertising promotions.

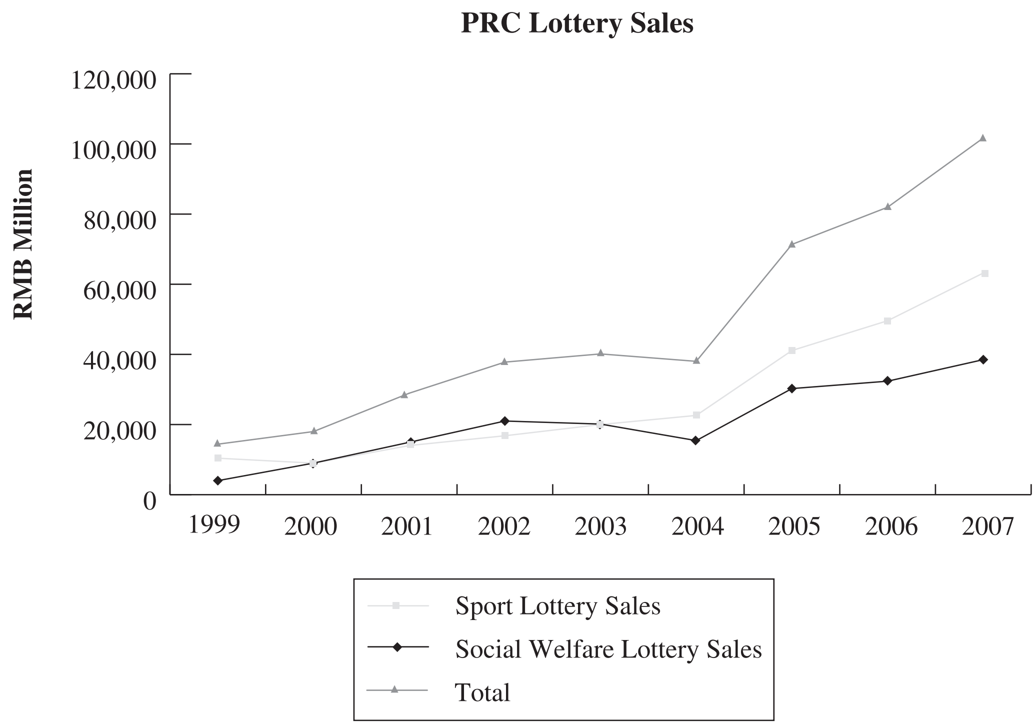
- Computer-generated: sale of computer-linked lottery tickets, often via video lottery terminals. This is the most recent form of lottery in the PRC. With this form of lottery, tickets are sold and winning the lottery is decided by whether the buyers' numbers coincide with those drawn by lot.

- paperless lotteries. Paperless games currently make up less than 1 percent of the PRC's market.

Lotteries are primarily authorised across two spheres each with their own government administration responsible for managing their own lottery, and benefiting from its rewards. A number of other 'experimental' or one-off lotteries have and do exist:

- Welfare Lotteries
- Sports Lotteries
- Other Lotteries include:
  - Lotteries for the Elderly
  - One-Off Event Lotteries
  - Educational Lotteries
  - The Chinese Football Lottery
  - 2008 Olympics Lotteries

The PRC allows two types of national lotteries namely social welfare lottery and sport lottery. The proceeds of which are used to fund a wide variety of sports and social programs for the benefits of the whole society. However, this legal forms of lotteries, which is available to 95% of the population is mostly favored by lower-income players and therefore extensive distribution networks have to be maintained so as to make them accessible to the mass market. lotteries are widespread in the PRC, with millions playing regularly in the hopes to both win a fortune and benefit the lottery agencies. However, the logistical aspect of traditional lottery transactions has restricted the lottery business to a large extent due to the fact that consumers are required to go to designated outlets to purchase and watch the results at specific time.



Source: China Lottery Yearbooks

Lottery tickets are sold via outlets across the PRC. Local ticket outlets are invested and owned by private individuals. To operate these ticket outlets, individual owners need to invest capital in hardware and have to pay for operating expenses such as salary and rent. They generally receive a fixed rate on the gross sales.

With the advent of modern technology, the format of lottery may be the same but their presentation and packaging have changed over the years to adapt the cultural trends as have the channels over which lottery are played. Nowadays, the well established communication networks have enabled lottery operators to target players through different means such as the internet, interactive TV.

To stimulate interest in the lottery and with a bid to lead to a greater shift from illegal lotteries to legal lottery, new interesting games are introduced by the lottery issuing authorities. In October 2004, the rolling out of "3D" game by welfare lottery successfully boosted up the lottery sales and this new game captured about 43% of the Welfare Lottery sales in 2005. Similarly, the Sports Lottery's new game in 2005, namely "Pailie of 3/5" captured about 60% of the ports lottery sales of the same year. These kinds of high frequency games that exhibit more frequent draw and greater varieties are believed to be the driver to further boost up the interest in the lottery market and the volume of lottery sales.

In 2005, lottery officials widened distribution for the first time beyond dedicated lottery agents. In September 2005, the Shanghai Welfare Lottery Distribution Centre introduced a new game, Quick Draw Keno, at more than 100 restaurants, bars and tea houses around the city. Players buy tickets valued at RMB2 to 100 each with draws held every five minutes. The idea is that customers will buy a string of tickets while they hang out.

Deutsche Bank forecasts the number of Keno terminals in the PRC to reach 60,000 by 2008. It estimates each terminal is processing RMB5,000 to 10,000 in ticket sales daily. A Shenzhen city government site said in 2005 the game would soon arrive in the city's bowling alleys, teahouses and karaoke halls.

As a mean for launching high-frequency lottery games, video lottery started in 2002 and video lottery terminals (VLT) have been on trial in several cities. Though lottery officials are allowing Keno to spread, they are keeping tight control of VLTs. VLTs are restricted to halls operated by China Lottery Online, which is controlled by the National Welfare Lottery Authority. It estimates 100 halls have opened in 2005, each with 20 to 40 machines. The machines offer a slot game, Keno and several forms of poker. Players buy a stored-value card then start play by inserting it into the VLT. Some halls even have "VIP rooms" where play is offered at the same stakes but with a measure of privacy. The PRC's VLTs are different from slot machines because all play goes through network computer servers, allowing lottery officials to keep close tabs on the money wagered and prizes paid out. It was revealed that customers play for three to five hours at a time and spend about RMB3,000 to 5,000 a week. It is estimated that each machine generates RMB5,000 in sales a day. According to Asian Gaming, the operations of VLTs by the Welfare Lottery in 2007 contributed roughly a quarter of the Welfare Lottery's total sales for that year (with a total sale more than RMB15 billion).

While the PRC Government is undecided on whether to legalize more forms of lottery on its territory, the emerge of counterfeit lottery websites that threaten to undermine the entire lottery system has rendered the Government to ban all sales of lotteries on the internet as well as the video lottery terminals early this year. The move stemmed from online security problems which made it difficult for buyers to distinguish between legal and illegal lottery websites because some counterfeit websites mimic in appearance state-run lottery sites.

The immediacy and penetration of the mobile phones and the evolution of mobile phone from a pure communication device to multimedia terminal have enabled the lottery to be accessible via mobile phones and PDAs. Lottery in the players' palm can be a safe and personal platform for lottery transactions free from geographic barrier and time limit.

According to the statistics published by the PRC Ministry of Information Industry, mobile phone subscribers in the PRC have growth from approximately 206.6 million in 2002 to approximately 547.3 million in 2007, representing a CAGR of approximately 21.5%. The penetration rate of mobile phones in the PRC has increased from 11.2% in January 2002 to 41.6% by the end of 2007.

Currently, the major telecommunication operators in the PRC market include China Mobile Group, China Unicom Group, China Telecom Group and China Netcom Group. Following the recent move of 29 May 2008 where the PRC Government called from the realignment of the telecom industry with a hope to promote competition, the current major players will be merged into three. China Mobile Group will acquire the fixed line operator China Tietong Telecommunications Corporation while China Telecom will take over one of the China Unicom's mobile networks and most of the businesses of smaller player China Satellite Communications Corporation. The remainder of the China Unicom's mobile network will be merged with fixed line operator China Netcom.

Awaiting for the awarding of third-generation (3G) mobile communication network license, China Mobile Group stated that it would test the self developed standard known as TD-SCDMA by issuing 20,000 phones and 5,000 data cards in April 2008 in Beijing and seven other cities with a hope to have the network in place before the Beijing Olympics open in August. 3G mobile phone standards are meant to support features such as video and internet access and shall provide a better interface for various mobile online games.

In additional to traditional, mobile subscribers in China are increasingly using their mobile handsets to access a broad range of value-added services, including IM, information services and game applications. Both China Mobile and China Unicom have launched mobile data service platforms that are the principal drivers behind the growth of this market. China Mobile began operating its SMS service platform in 2000 and launched its Monternet platform during the same year. China Unicom began to offer SMS service in 2000 and introduced its GSM-based mobile data platform, UNI-INFO, during 2001.

In developing their mobile data services, both mobile operators have adopted a similar business model of partnering with Internet content and service providers (SPs). In this model, SPs develop mobile data services, while the mobile operators provide the data transmission network, billing systems, and fee collection services for SPs based on revenue sharing arrangements. China Mobile launched its 2.5G GPRS service in May 2002, and China Unicom launched its 2.5G CDMA 1x service in March 2003. China Telecom and China Netcom have both launched SMS services on their PHS networks.

Mobile data services in China have primarily been driven by SMS services and the majority of mobile data traffic in China has been over SMS. However, mobile data services such as MMS, application downloads and WAP browsing continue to grow. The most popular data services, such as mobile IM, mobile games, and ringtone and pictures downloads, primarily target the youth-user segment with a strong emphasis on entertainment services.

According to iResearch, the total size of the mobile value-added services in the PRC market reached RMB100 billion in 2006, an increase of 32.6% from 2005. It is forecasted that the market size will grow at a fast pace between 2008 and 2010 under the influence of the Beijing 2008 Olympic Games. The size of the mobile value-added services market in the PRC is expected to reach approximately RMB208.0 billion in 2010.

Since 2003, the PRC's online gaming market has entered a period of rapid development; the online gaming market has been expanding at a high rate. With an online gaming market volume of RMB1 billion in 2002, the market surged to RMB1.9 billion and RMB3.6 billion in 2003 and 2004 respectively. It is forecasted that the market shall reach RMB14.2 billion by end of 2008. The value generated from mobile phone game market respectively amounted to RMB39 million, RMB98 million and RMB1.44 billion in 2003, 2004 and 2005. It is anticipated that the value will top RMB2.24 billion in 2008. The market was created by a mix of factors one of which is the increase sales of cellular phone that support WAP, JAVA and BREW. In the next 2 to 3 years, one-third of the 500 million mobile phone users shall upgrade to high-end mobile phones adaptable to various mobile games. It is expected that by 2010, players of mobile games shall reach between 150 to 200 million. Currently, each mobile game player consumes an average of RMB120 per annum on mobile game.

The mobile lottery operations are slowly coming into the open as early technological problems are being overcome and initial trials of mobile lottery games have confirmed the channel as viable sources of income for lottery operators. The UK's gaming and betting industry has been the world's frontier in adding this new channel of lottery to the industry following the passing of the Gambling Act 2005 by which the UK legalized and regulated betting over the internet, mobile devices and interactive TV. Ladbrokes which has offered mobile phone betting for seven years claimed that approximately 25% of total bets have been placed on mobile phones during a sport event.

Mobile phones are considered to be one of the favorable conduits in carrying out lottery activities and the emerging of this channel in lottery operations is attributable to a mix of factors including:

- Better terminals;
- Improved communication networks;
- More powerful hand held devices; and
- More technology savvy potential players.

In 2005, the global online betting and gaming market accounted for less than 4% of total betting in 2005, which exceeds US$240 billion. It was forecasted that over the 5 years from 2003 to 2008, online gaming was expected to double in size to US$18 billion, delivering a CAGR of over 22%, in contrast with CAGR for the overall gaming industry of 4%. According to Juniper Research, it is predicted that total revenues from mobile betting and gaming services globally will reach US$19.3 billion (or nearly one-third of all mobile entertainment revenues) by 2009. Mobile lottery needs real-time interactivity based on GPRS service or CDMA networks with improved data services, decreased capacity expenses on one end and the handsets capable for downloading JAVA or BREW programs on the other end.

BUSINESS OPERATIONS

Pusurant to 4 cooperative agreements with the respective local Sport Lottery Administration Centre (體育彩票管理中心), TLT has been appointed as the sole wagering platform operator and promoter of mobile-based instant lottery in Shandong, Hubei, Hainan and Qinghai Province, the PRC. In addition, TLT is in the course of securing the same kind of cooperative agreements with the Sport Lottery Administration Centre of Gansu, Shannxi and Liaoning Province. As the sole wagering platform operator and promoter, TLT shall perform the following functions and duties:

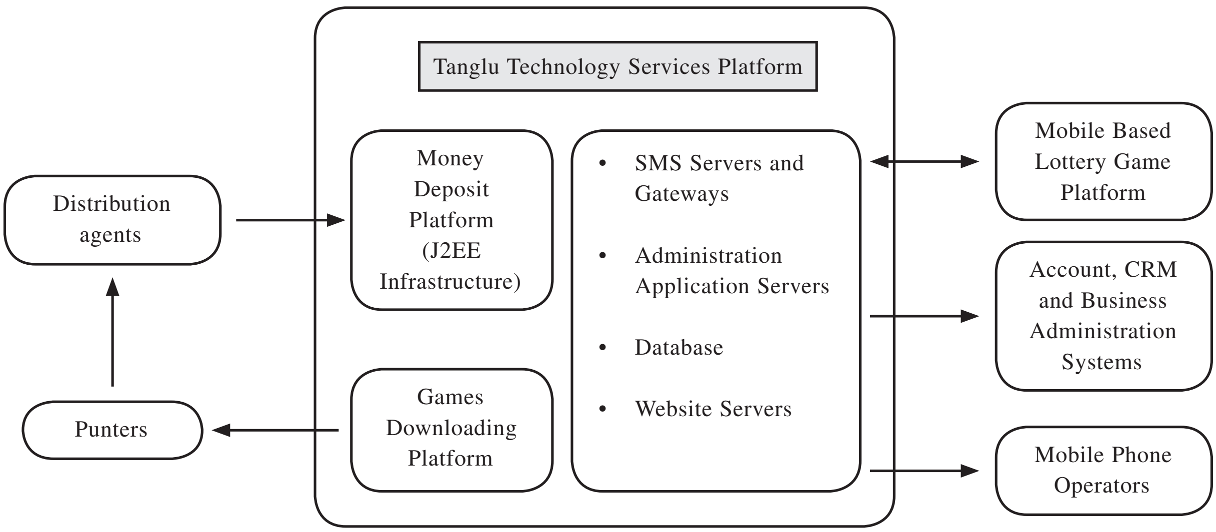
- To set up and maintain a distribution networks (with physical sale outlets and/or virtual exchange platforms) in each of the aforesaid provinces;

- To provide the lottery punters who have previously registered in the Sport Lottery with convenient means to make deposit to their money accounts;

- To synchronize the money position of each punter's account with the integration of data from distribution networks (regarding deposit and withdrawal of the punters) and the data from the system of the Sport Lottery (regarding winning and loss of the punters);

- To distribute update message (via SMS) to the punters on the latest mobile-based lottery games rolled out by the Sport Lottery; and

- To participate in the promotion and marketing campaigns regarding mobile-based lottery organized by the State Sport Lottery.



All the terms of the cooperative agreements are 5 years and TLT shall have the first right of refusal to renew the agreements upon expiry.

TLT is operating on a revenue model based on the provision of aforesaid supporting services. It shares certain percentage of the revenue generated from mobile lottery (whenever registered punters make deposit to their account). The relevant percentage rate has been negotiated on the basis of the actual commercial circumstances e.g. the costs and effort in setting up the distribution networks. As such, the percentage rate to be shared by TLT for each cooperative agreement with local sport lotteries may vary on a case by case basis. At present, the percentage rates for those agreements closed by TLT with local sport lotteries is 3.5% of the total deposit made by the punters in the distribution networks (except the agreement for Shandong Province where the percentage rate is 3% of the total deposit).

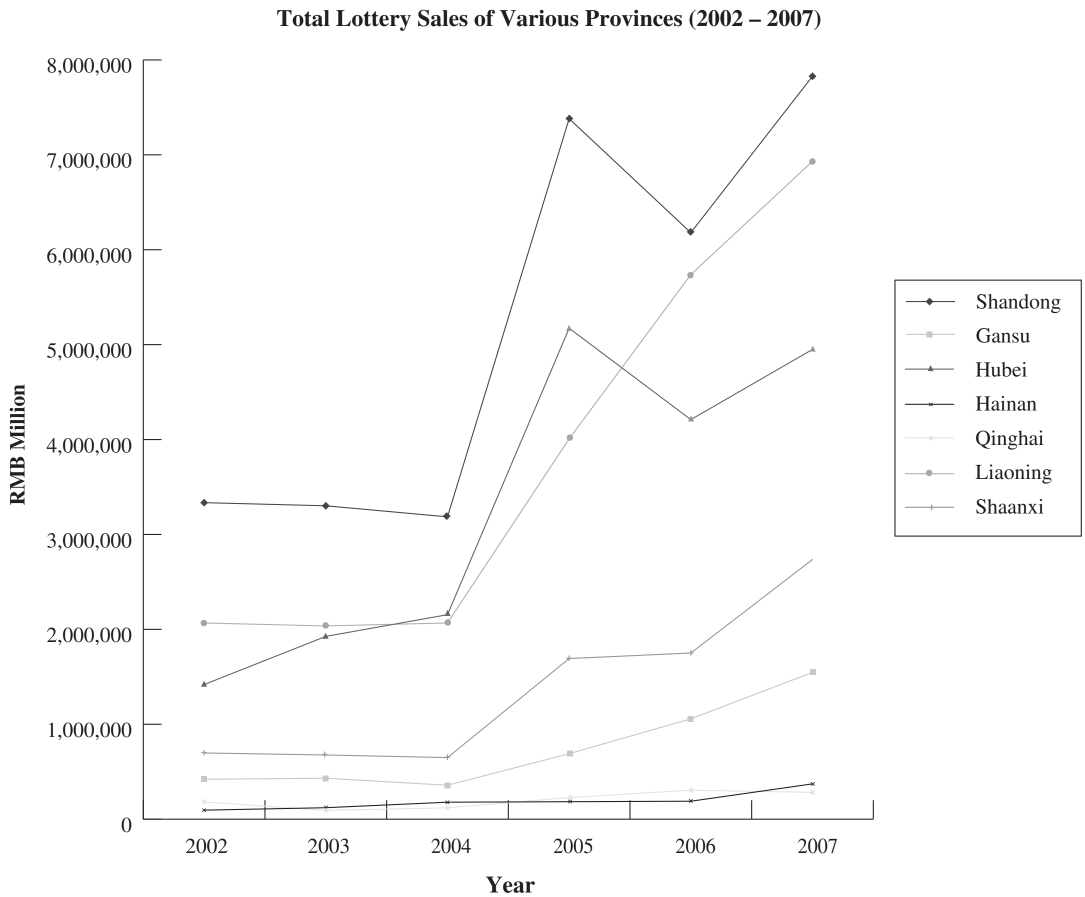
Mobile-based Instant Lottery is a new form of lottery emerging in the PRC and is operated by the State Sports Lottery Administration Centre (the "SSLAC") under the State General Administration of Sports. The SSLAC shall develop various mobile-based lottery games, set up and operate the interactive gaming system which is linking with the game players via mobile phone networks (such as GPRS, CDMA or 3G). Games (JAVA programs) are preloaded to the punters' handsets through mobile downloading. Data on game playing outcomes are then sent out from handsets to the SSLAC's system via MMS services.

At present, TLT has set up the centralized serving system in its headquarters in Shanghai and a sub-system in its branch office in Shandong. To build up its local distribution networks of sale outlets, TLT is teaming up with various local distribution agents including but not limiting to mobile phone sale outlets, retail chain stores and the like.

Province	Total lottery Sale of 2007 *(RMB million)*	Population of 2007 *(million)*	Per capita lottery sales *(RMB)*	Urban per capita disposable income 2007 *(RMB)*	% of per capita lottery sale to disposable income
Shandong	7,828	93.09	84	14,265	0.82%
Liaoning	6,932	42.71	162	12,300	1.84%
Gansu	1,547	26.06	59	10,012	0.83%
Hubei	4,950	56.93	87	11,485	1.06%
Hainan	372	8.36	44	10,997	0.56%
Qinghai	383	5.48	70	10,276	0.95%
Shaanxi	2,736	37.48	73	10,763	1.36%

Source: China Lottery Yearbooks and China Statistic Yearbook

Over the 6-year period from 2002 to 2007, total lottery sales of the seven concerned provinces achieved an average annual growth rate (CAGR) ranging from 16% to 31% with an overall CAGR of approximately 24.7%.



Source: China Lottery Yearbooks

REGULATORY ENVIRONMENT

The PRC's government has enacted an extensive regulatory scheme governing the operation of business with respect to the Internet, such as telecommunications, Internet information services, international connections to computer information networks, information security, censorship and administrative protection of copyright. Besides the Ministry of Information Industry (the "MII"), the various services of the PRC Internet industry are also regulated by various other governmental authorities, such as the State Administration for Industry and Commerce (the "SAIC"), the State Council Information Office (the "SCIO"), the General Administration for Press and Publication, or GAPP (formerly the State Press and Publications Administration, or the "SPPA"), the Ministry of Education (the "MOE"), the Ministry of Culture (the "MCPRC"), the Ministry of Health (the "MOH") and the Ministry of Public Security.

Among all the regulations, the Telecommunications Regulations of the PRC (the "Telecom Regulations"), promulgated on 25 September 2000, is the primary governing law. Telecom Regulations set out the general framework under which domestic companies may engage in various types of telecommunications services in the PRC. They reiterate the long-standing principle that telecommunications service providers need to obtain operating licenses as a mandatory precondition to begin operation. The Telecom Regulations differentiate the telecommunications services into basic telecommunications services and value-added telecommunications services.

Value-added telecommunications services are defined as telecommunications and information services provided through public networks. The "Catalogue of Telecommunications Business", an attachment to the Telecom Regulations and updated by MII's Notice on Adjusting the Catalogue of Telecommunications Business of 1 April 2003, categorizes various types of telecommunications and telecommunications-related activities into basic or value-added services.

On 11 December 2001, after China's formal entry into the WTO, the PRC State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which became effective on 1 January 2002. The FITE Regulations stipulate that foreign-invested telecommunications enterprises, or FITEs, may undertake operations in basic telecom services and value-added telecom services. Currently, the foreign party to a value-added FITE may hold up to 50% of the equity, with no geographic restrictions on its operations. Before that, foreign investors were prohibited from investing in Internet content services. The PRC government has not made any further commitment to loosen the regulation on FITEs.

According to the Measures for the Administration of Internet Information Services described below, an enterprise must obtain a Value-added Telecommunication Services Operating License in the first place to conduct Internet content service businesses. When the Internet content involves areas of news, publishing, education, health care, medicine and medical equipment, which are regulated by the MCPRC, the GAPP, the MOE, the MOH and other governmental authorities, respectively (as the case may be), the enterprise must also obtain permission from the responsible authorities prior to its application for the ICP license.

Giving the current PRC law and regulations, the businesses operated by Tanglu Technology which involve the provision of telecommunications value-added services are prohibited to foreign owned enterprises. To secure the necessary operation permits and licences, TLT entered into a Cooperative Agreement with Shanghai Tanglu Technology Company Limited (上海唐路科技有限公司) which is a domestic enterprise granted with all necessary operating permits and licences by the Government for operating telecommunication value-added services in the PRC. With a fixed annual fee payable to Shanghai Tanglu Technology Company Limited, TLT shall have the exclusive rights to operate telecommunication value-added services using the operating permits and licences held by Shanghai Tanglu Technology Company Limited.

BASIS OF VALUATION AND ASSUMPTIONS

The Business Enterprise Value of TLT has been valued on the basis of "Fair Value" in the premise of continued use which, in our appraisal, reflects the future economic benefit to be derived from the ownership of the subject asset. Fair Value in continued use premise is defined as the estimated amount at which an asset might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the asset for continuation of current operations and implementation of its business plans.

The definition of fair value adopted in this valuation report is similar and/or interchangeable with definitions of the valuation standards below:

Market Value

According to The Hong Kong Business Valuation Forum – Business Valuation Standards, market value is defined as the estimated amount for which an asset (a property) should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Fair Market Value

The International Valuation Glossary defines fair market value as the amount at which an asset would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

For the purpose of this valuation, the term fair value will be used throughout this valuation report. Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum, which are generally accepted valuation standards followed by relevant professional practitioners in Hong Kong. These standards contain detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises.

Business Enterprise Value is defined as the fair value of market capitalization plus the total interest-bearing debts minus cash or cash equivalence of a business enterprise.

Our appraisal included discussions with the management of the Company in relation to the history and nature of the business; a study of the financial statements; a review of the information provided by the management in connection with the strategy of and the plan of action to be taken to implement the business plan. We have assumed that such information, opinions and representation provided to us are true and accurate. Before arrived at our opinion of value, we have considered the following major factors:

i. the nature and the prospect of the concerned business operations;

ii. the financial conditions of TLT;

iii. the specific economic and competitive element affecting TLT, the nature of the industry, barrier of entry and the market which it operates;

iv. the market-derived investment returns of enterprises engaged in a similar line of business;

v. the business risk of TLT; and

vi. the financial statements and the projected operating results of TLT.

In view of the general environment and the particular situation in which TLT is operating, the following assumptions have been adopted in our appraisal in order to sufficiently support our concluded value:

i. there will be no major change in the existing political, legal and economic conditions in the PRC in which TLT is being operated;

ii. save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by TLT and its subsidiaries in its operations;

iii. the interest rates and exchange rates will not differ materially from those presently prevailing;

iv. the availability of finance will not be a constraint on the forecast growth of TLTs' operations in accordance with the business plan and the projection;

v. the business forecast revealed to us by the Company is based on reasonable grounds, reflecting estimates which have been arrived at after due and careful consideration by its management and will materialize;

vi. the production facilities, systems and the technology utilized by TLT and its subsidiaries in carrying out its existing and future businesses do not infringe any relevant regulations and law;

vii. TLT and its subsidiaries have obtained all necessary permits and approvals to carry out the business operations in the PRC;

viii. as stated in the balance sheets of TLT, it was not subject to any liabilities, interest-bearing loans and encumbrances that would impair its business enterprise value as at the Valuation Date;

ix. TLT and its subsidiaries shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support their business operations; and

x. the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the business enterprise value of TLT.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the shareholders' equities of TLT namely the market approach, the cost approach and the income approach.

Market Approach considers prices recently paid for similar assets, with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there are established used markets may be appraised by this approach.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the assets than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent assets with similar risk.

Among the three general valuation methodologies, we have considered the cost approach is regarded inadequate for this valuation, as this approach does not reflect the intangible assets and future growth potential of the subject asset. We also consider that the income approach is not the most optimal appropriate to value the subject asset, as this approach involves adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained. In the event of any such assumptions are founded to be incorrect or unfounded, the valuation would be significantly affected. Thus, we have determined that the market approach is the most appropriate valuation approach for this valuation.

The market approach determines the fair value of the subject asset by reference to the transaction prices, or 'valuation multiples' implicit in the transaction prices, of identical or similar assets on the market. A valuation multiple is a multiple determined by dividing the transaction price paid for similar business enterprises by a financial parameter, such as historical or prospective turnover or profit at a given level. Valuation multiples are applied to the corresponding financial parameter of the subject asset in order to value it.

The following 17 comparable listing companies have been identified and considered over the following selection criteria:

- the companies are principally engaged in mobile/internet value-added service providers or lottery related service providers; and

- over 80% of the companies' revenues were sourced from operations relating to the aforesaid businesses

No.	Company	Ticker	Business Operations
1	Rex Financial Holdings Limited	555.HK	The company is engaged in lottery system and games design business and the provision of financial services, including securities broking and margin financing, money lending and investment trading and holding. The lottery business comprises development and production of lottery machines, related operating software system and networks for lottery industry in the People's Republic of China and the business accounted for over 85% of its total revenue for 2007.
2	China LotSynergy Holdings Limited	8161.HK	The company is engaged in the provision of lottery gaming system, terminal equipment and relevant technologies and consultancy services for the public welfare lottery market in the PRC. During the year of 2007, it supplied video lottery terminals (VLT) to the Chinese Lottery Online (CLO) national network. By end of 2007, there were over 920 CLO halls in more than 300 cities located in 28 provinces (including autonomous regions and municipalities) throughout the PRC, and there were over 22,000 connected VLT terminals in CLO halls operated under one single system forming a national distribution network.

No.	Company	Ticker	Business Operations
3	Electronic Game Card, Inc.	EGMI.US	The company is a designer and supplier of an instant win gaming device to the global lottery industry marketed under the name of Electronic GameCard. The shape of a pocket GameCard is approximately the size of a credit card, operated electronically by touch, and incorporating a microchip and liquid crystal display (LCD) screen showing numbers or icons. ECG designs these devices to play game types, formats and prize structures as required by its customers and is building a software library of generic games of popularly recognized themes. Electronic GameCards also include a random number generator and a security features protecting both the consumer and the promoter. On April 27 2007, the Company signed a distribution agreement with Scientific Games International Inc. for the exclusive distribution of the GameCard to state run lotteries in North America, Mexico and Italy.
4	New Media Lottery Service Plc	MNLS.LN	The company is principally engaged in the development, marketing, administration and online sale of lottery games to members of the public. It provides and operates white label lottery gaming platforms to a number of international lottery programs, including charities, sports associations and state lottery organizations.
5	DEQ Systems Corp.	DEQ.CN	The company is engaged in the development of its intellectual property (IP) related to table game bonusing, IP license management and the leasing and sale of table game bonusing technology. It is engaged in the table game bonusing technology field. It's patents and products include side bet bonusing with progressive and random jackpot prizes and slot machine style mystery bonusing, multiple credit betting on the player's and dealer's hand, denomination betting flexibility, electronic credit bank, electronic rake, as well as baccarat and blackjack hand tracking.

No.	Company	Ticker	Business Operations
6	Global Pari-Mutuel Services, Inc.	GPRM.US	The company develops and operates a computer platform for wagering on thoroughbred, harness and greyhound races. It relays bets and track content from racetracks in the US to international wagering facilities and off-track betting parlors.
7	PokerTek, Inc.	PTEK.US	The company is engaged in developing, manufacturing and marketing of electronic poker-related products for use in the gaming and amusement markets. Its product lines include PokerPro gaming products and Heads-Up Challenge amusement products. The PokerPro system is an electronic poker table, providing a fully automated poker-room environment to tribal casinos, commercial casinos, cruise ships and card clubs. The Heads-Up Challenge World Series of Poker edition is a heads-up amusement device that enables two players to compete against each other in a game of Texas Hold'em poker for entertainment purposes in non-gambling venues, such as bars and restaurants.
8	Elixir Gaming Technologies, Inc.	EGT.US	The company's products include table devices, such as the automated card verification machine, computer-based card shuffling system, and high-frequency radio frequency identification (RFID)-gaming chips and plaques. Its products are distributed in Asia and Suzo Happ in the Americas and Europe. It has its participation contracts in the Philippines, Cambodia, Vietnam and other Asian markets.

No.	Company	Ticker	Business Operations
9	Shuffle Master, Inc.	SHFL.US	The company is a gaming supply company. It specializes in the provision of utility products, including automatic card shufflers, intelligent table systems components (ITS), which include Table iD, and roulette chip sorters; table games, including live table games, table games, side bets, and table game licensing for other gaming media; electronic table (e-Table) systems, including electronic and wireless table gaming platforms, and its electronic gaming machines. As of April 30, 2008, the Company had an installed unit/seat base of approximately 27,000 shufflers, approximately 6,000 live table games, approximately 7,000 electronic table systems seats and approximately 20,000 electronic gaming machine seats.
10	WMS Industries, Inc.	WMS.US	The company is a global provider of gaming products to the legalized gaming industry. It designs, manufactures and distributes gaming machines and video lottery terminals (VLTs). It also derives revenue from the sale of spare parts, conversion kits, amusement-with-prize (AWP) gaming machines, designs, manufactures and distributes casino-based gaming machines and amusement-with-prize (AWP) gaming machines and from licensing its gaming themes (games) and other intellectual property to third parties. Its primary manufacturing facility was located in the US, with development or distribution offices in the US, Argentina, Australia, the PRC, Italy, South Africa, Spain and the UK.

No.	Company	Ticker	Business Operations
11	Scientific Games Corp	SGMS.US	The company is a supplier of technology-based products, systems and services to gaming markets worldwide. It operates in three business segments: Printed Products Group, Lottery Systems Group and Diversified Gaming Group. The Printed Products Group consists of the Company's instant lottery ticket business and its pre-paid phone card business. Instant tickets and related services includes ticket design and manufacturing, as well as value-added services, including game design, sales and marketing support, and warehousing and fulfillment services. The Lottery Systems Group is a provider of customized computer software, equipment and data communication services. The Diversified Gaming Group provides services and systems to private and public operators in the gaming markets and in the pari-mutuel wagering industry.
12	Spectre Gaming, Inc.	SGMG.US	The company is engaged in designing, developing and marketing networks, software and content to provide a gaming system for Class II and Class III gaming markets. In May 2005, Spectre acquired the exclusive license for the development and deployment of casino-style redemption or amusement-with-prize (AWP) games. AWP games are distinguishable from casino games in that players can win prizes or credits redeemable for prizes as opposed to cash. Spectre has begun the development of AWP games and plans to distribute the games to operators at various retail, commercial and entertainment venues in the US that allow for such devices.

No.	Company	Ticker	Business Operations
13	WinWin Gaming, Inc.	WNWN.US	The company is a multimedia developer and publisher of sports, lottery and other games. It has two business segments: Wireless Game and Lottery Services. The Wireless Game business segment involves developing and publishing mobile games through its subsidiaries, Pixiem, Inc. (Pixiem) and Shanghai E-BEAR Digital Mobile Software Inc. (E-BEAR). The Lottery Services business segment involves providing, through its wholly owned China subsidiary, Win Win Consulting (Shanghai) Co. Ltd. (Win Win Shanghai), consulting services to the Shanghai Welfare Lottery Issuing Center (SWLIC) in connection with the sales, marketing and operation of an instant ticket lottery in Shanghai. During the year ended 31 December 2005, WinWin acquired the ClanPass Tournament System Software from Bijou Studios, Inc. It also entered into a joint venture agreement with Solidus Networks, Inc., doing business as PayByTouch Solutions (PBT).
14	Beijing Bewinner Communications Co. Ltd.	002148.CH	The company is engaged in the provision of telecommunications value-added services. It provides wireless value-added services to terminal users of domestic telecommunications operators. Its services include short messages, interactive voice response (IVR), ringtones, multimedia messages and wireless application protocol (WAP). During the year ended 31 December 2007, the Company obtained approximately 96% of its total revenue from its wireless value-added services.

No.	Company	Ticker	Business Operations
15	Hunan Talkweb Information System Co. Ltd.	002261.CH	The company is a provider of industry software and wireless value added services. Its software products include mobile industry management supporting platforms, unified mobile information systems, mobile operation analysis systems and mobile-payment systems, applied to telecommunication customers. Its wireless value added services are applied to the 2nd, 2.5nd and 3rd generation mobile network products, including mobile cartoons, mobile service integrators (SIs), supporting platforms, functional products and general products, through the access methods such as short messages, wireless application protocol (WAP), multimedia messages and interactive voice response (IVR). During the year ended 31 December 2007, it obtained 68.27% of its total revenue from its wireless value added services and 31.73% from system integration and software distribution.
16	NetEase.com Inc.	NTES.US	It operates an interactive online community in the PRC and is a provider of Chinese language content and services through its online games, Internet portal and wireless value-added services businesses. It generates revenues from fees it charge users of its online games and from selling advertisements on the NetEase Websites, and to a much lesser extent, of wireless value-added and other fee-based services. During the year ended 31 December 2007, it obtained 85% of its total revenue from its online games.
17	Tencent Holdings Ltd	700.HK	The company is engaged in the provision of Internet and mobile value-added services, and online advertising services to users in the PRC.

Among various price multiples, the Enterprise Value to Revenue (EV-to-Revenue) multiple is chosen as the measure of comparison for assessing the fair value of the shareholders' equities of TLT because the multiple takes into account the debts of a firm which an acquirer will have to assume and it ignores the distorting effects of individual countries taxation policies as well as the firms depreciation/ amortization policies. Enterprise value is herein defined as market capitalization plus interest-bearing debts, minority interests and preferred shares minus total cash and cash equivalents. The EV-to-Revenue of the comparable companies are analyzed as follows:

No	Company	Ticker	Cur	Mkt Cap *(Mil)*	EV *(Mil)*	Net Sales *(Mil)*	EV-to-Revenue Multiple	No. of Standard Derivation from mean
1	Rex Financial Holdings Ltd	555.HK	HK$	4,150.72	3,602.87	441.25	8.1651	-0.0497
2	China LotSynergy Holdings Ltd	8161.HK	HK$	2,738.80	2,438.39	281.63	8.6581	0.0267
3	Electronic Game Card, Inc.	EGMI.US	US$	37.62	37.28	8.35	4.4648	-0.6233
4	New Media Lottery Service Plc	NMLS.LN	£	3.01	4.20	0.86	4.8849	-0.5582
5	DEQ Systems Corp	DEQ.CN	CA$	63.28	52.72	3.49	15.0631	1.0196
6	Global Pari-Mutuel Services, Inc.	GPRM.US	US$	20.60	21.83	0.91	23.9896	2.4034
7	PokerTek, Inc	PTEK.US	US$	46.69	46.57	9.54	4.8817	-0.5587
8	Elixir Gaming Technologies Inc.	EGT.US	US$	50.58	38.25	11.97	3.1957	-0.8201
9	Shuffle Master, Inc.	SHFL.US	US$	280.39	408.23	183.77	2.2214	-0.9711
10	WMS Industries Inc.	WMS.US	US$	1,715.10	1,729.30	650.10	2.6601	-0.9031
11	Scientific Games Corp	SGMS.US	US$	2,859.97	3,954.53	1,097.84	3.6021	-0.7571
12	Spectre Gaming Inc	SGMG.US	US$	0.01	6.12	0.77	7.9470	-0.0835
13	WinWin Gaming Inc	WNWN.US	US$	0.08	4.35	0.41	10.6137	0.3299
14	Beijning Bewinner Communications Co. Ltd.	002148.CH	RMB	838.40	529.21	103.64	5.1062	-0.5239
15	Hunan Talkweb Information System Co. Ltd.	002261.CH	RMB	2,116.44	2,059.24	228.00	9.0318	0.0846
16	NetEase.com Inc.	NTES.US	US$	3,352.15	2,693.20	371.10	7.2573	-0.1904
17	Tencent Holdings Ltd	700.HK	HK$	121,330.30	117,362.70	5,212.53	22.5155	2.1749
						Mean	**8.4858**	
						Standard Derivation	**6.4507**	

Source: Bloomberg

Given the mean and the standard derivation of the comparables, comparable 6 and 17 are excluded from comparison due either their EV-to-Revenue Ratios are more than 1 standard derivation from the mean of EV-to-Revenue Multiples and are therefore considered to be outliners. Taking out the nine outliners from the sample, the mean EV-to-Revenue Multiple of the remaining comparables is 6.52.

As far as the revenue of TLT is concerned, it is expected to be highly correlated with the sales of mobile lottery. Among various games currently offered by the two lottery issuing authorities, lottery via VLT commands the highest similarity to mobile lottery as both are instantaneous and high frequency lottery and accommodating great variety of games. According to the Welfare Lottery, for the year of 2007, the sales of lottery via VLT (known as "Zhongfu On-line 中福在線") in gaming halls of the six provinces (namely Shandong, Hubei, Hainan, Qinghai, Gansu, Liaoning) accounted for approximately 18.7% of total lottery sales (with a total sale of approximately RMB41 billion). Due to the closure of majority of the VLT gaming halls pursuant to the ban of sales of lotteries on the internet early this year, it is believed that majority of the VLT players shall shift to mobile lottery and hence the lottery sales through VLT shall provide a good proxy for the sale of mobile lottery.

Given the historical growth trend over the past 5 years, the total lottery sales of the seven concerned provinces are expected to jump from RMB24.75 billion in 2007 to RMB34.96 billion (of which RMB10.15 billion, RMB10.04 billion, RMB2.3 billion, RMB7.26 billion, RMB0.57 billion, RMB0.48 billion and RMB4.16 billion are attributable to Shandong, Liaoning, Gansu, Hubei, Hainan, Qinghai and Shaanxi Province respectively) in 2009. The management of TLT anticipates that mobile lottery shall at least capture the market share of VLT lottery.

At the time being, TLT has secured operating rights in 4 provinces (namely Shandong, Hubei, Hainan and Qinghai). Given the expected mobile lottery sales and commission rates of 3.5% for Hubei, Hainan and Qinghai Province and 3% for Shandong Province, the expected revenue to be generated from TLT is RMB115.34 million of which RMB83.93 million, RMB25.5 million, RMB2.84 million and RMB3.07 million are attributable to Shandong, Hubei, Hainan and Qinghai Province respectively.

With the expected EV-to-Revenue multiple applicable to TLT of 6.41, the expected revenue as mentioned above and the estimated capital cost of RMB4.5 million for system revamping, the fair value of the entire shareholdings' equity of TLT is represented as approximately RMB745,300,000 (being RMB115.34 million x 6.52 – RMB4.5 million) for its operations over Shandong, Hubei, Hainan and Qinghai Province.

In case where TLT can secure operating rights in 3 more provinces (namely Gansu, Shaanxi and Liaoning Province) and assuming a commission rate of 3.5% applicable to all the three provinces (which is in line with the commission rate of those provinces already secured by TLT), the revenue to be generated from TLT is expected to boost up to RMB205.45 million of which 17.22 million, RMB21.85 million and RMB51.04 million are attributable to Gansu, Shaanxi and Liaoning Province respectively.

CONCLUSION OF VALUE

Based upon the investigation and analysis outline above, our valuation basis, valuation assumptions and the appraisal method employed, it is our opinion that as of **31 August 2008**, the Fair Value of the entire shareholders' equity of TLT is reasonably represented by the sum of **RMB745,300,000. (RENMINBI YUAN SEVEN HUNDRED FORTY FIVE MILLION AND THREE HUNDRED THOUSAND ONLY).**

In case where TLT secures additional cooperative agreement over Gansu Province, the Fair Value of the entire shareholders' equity of TLT as of **31 August 2008** would be increased by an amount of **RMB106,340,000 (RENMINBI YUAN ONE HUNDRED SIX MILLION THREE HUNDRED AND FORTY THOUSAND ONLY).**

In case where TLT secures additional cooperative agreement over Shannxi Province, the Fair Value of the entire shareholders' equity of TLT as of **31 August 2008** would be increased by an amount of **RMB139,000,000 (RENMINBI YUAN ONE HUNDRED THIRTY NINE MILLION ONLY).**

In case where TLT secures additional cooperative agreement over Liaoning Province, the Fair Value of the entire shareholders' equity of TLT as of **31 August 2008** would be increased by an amount of **RMB328,000,000 (RENMINBI YUAN THREE HUNDRED TWENTY EIGHT MILLION ONLY).**

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the asset appraised.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 August 2008 of the Properties held by the Enlarged Group.

Asset Appraisal Limited
資產評值顧問有限公司

Rm1303 13/F Beverly House
Nos. 93-107 Lockhart Road Wanchai HK
香港灣仔駱克道93-107號利臨大廈13字樓1303室
(852) 2529 9448
(852) 3521 9591

5 November 2008

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

Dear Sirs,

Re: Valuation of Various Properties situated in the People's Republic of China (the "PRC")

In accordance with the instructions from **Argos Enterprise (Holdings) Limited** (the "Company") to value the property interests (the "Properties") held by the Company, Wisdom In Holdings Limited or its subsidiaries (altogether referred to as the "Enlarged Group"), we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 August 2008 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect its ownership.

We have also relied upon the legal opinion (the "PRC Legal Opinion") provided by the PRC legal advisers, namely Jiangsu Peng Chang Law Firm (江蘇彭城律師事務所), Jiangsu Juyuan Law Firm (江蘇鉅源律師事務所) and Chongqing Gaoshan Law Firm (重慶高山律師事務所) (together refer to as the "PRC Lawyers") , to the Company on the relevant laws and regulations in the PRC and on the nature of the Enlarged Group's land use rights in the Properties. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

The Properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

For those properties which were subject to tenancies as at the date of valuation, we have also adopted the "Investment Method" on the basis of capitalization of the net rental incomes with due allowance for reversionary income potential.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the Properties are held by the owner by means of long term Land Use Rights granted by the Government, we have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the unexpired term of the land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

REMARKS

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Lau Sze Wing Sandra
MFin MHKIS AAPI RPS(GP)
Director

Lau Sze Wing Sandra is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Group I – Properties Held and Occupied by the Enlarged Group

	Property	Market value in existing states as at 31 August 2008
		RMB
1.	Unit 7-301 Composite Block No.3 Minzhu Nan Road Yunlong District Xuzhou City Jiangsu Province the PRC	2,280,000
2.	House No.23A Chun Zhi Sheng Villa Jichuan Road Hailing District Taizhou City Jiangsu Province the PRC	990,000
3.	Building and Land situated at No.16 Xinchengpo Wanzhou District Chongqing City the PRC	3,810,000
4.	Building and Land situated at No. 238 Xiaman Avenue Daqiao Village Longbao Town Wanzhou District Chongqing City the PRC	1,800,000
5.	Composite Building situated in Lishu Village Changling Town Wanzhou District Chongqing City the PRC	2,370,000

	Property	Market value in existing states as at 31 August 2008
		RMB
6.	Unit 3-401 on 5th Floor No.457 Shalong Road Section 1 Wanzhou District Chongqing City the PRC	160,000
7.	Unit 8-22 on 1st Floor No.381 Beishan Road Wanzhou District Chongqing City the PRC	132,000
Group II – Properties Held by the Enlarged Group for Investment		
8.	Units 1 and 2 on 1st Floor and Basement No.14 Hongguang Road Wanzhou District Chongqing City the PRC	110,000
9.	Unit 102 on 1st Floor and Units 701, 702 and 703 on 7th Floor No.16 Wanjiang Road Wanzhou District Chongqing City the PRC	120,000
	Total:	11,772,000

VALUATION CERTIFICATE

Group I – Properties Held and Occupied by the Enlarged Group

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
1. Unit 7-301 Composite Block No.3 Minzhu Nan Road Yunlong District Xuzhou City Jiangsu Province, the PRC	The property comprise an office unit on 3rd floor of a 7-storey composite building completed in 2004. The gross floor area of the property is 456.96 square metres. The property is held for a land use right term expiring on 5 June 2056.	As at the date of our inspection, the property was occupied as office.	2,280,000

Notes:

1. As stipulated in the Land Use Rights Certificate (ref. no. Xu Tu Guo Yong (2006) 39417) dated 30 August 2006, the land use rights of the property are held by Zhang Dao Lin (張道林) for a land use right term expiring on 5 June 2056.

2. As stipulated in the Building Ownership Certificate (ref. no. Xu Fang Quan Zheng Yun Long Zi Di 48707) dated 15 December 2005, the building ownership rights of the property are held by Zhang Dao Lin (張道林).

3. According to a Declaration endorsed by Zhang Dao Lin, he is acting as the representative of 徐州中國國際旅行社有限公司 (Xuzhou China International Travel Service Limited referred to as "Xuzhou China"), a 90%-owned subsidiary of the Company, to acquire, to hold and to pledge the property on behalf of Xuzhou China.

4. As stipulated in the aforesaid Building Ownership Certificate, the property is subject to a mortgage in favour of the Construction Bank of China Limited – Xuzhou Branch to an extent of RMB570,000.

5. Opinion of the PRC Lawyers on the property is summarized as follows:

   5.1 The land use rights of the property are held by Zhang Dao Lin for a land use right term expiring on 5 June 2056 for commercial/office uses.

   5.2 Zhang Dao Lin are entitled to occupy, possess, transfer, lease, charge or other dispose of the land use rights of the property free from any additional land premium.

   5.3 Zhang Dao Lin has gained all relevant approval, permission and consent in owning the land use rights of the property and the use of the state-owned land of the property by Zhang Dao Lin does not violate any national and local rules and regulations.

   5.4 The building ownership rights in the property are held by Zhang Dao Lin.

   5.5 Zhang Dao Lin has completed all relevant registration procedures for pledging the property.

6. Pursuant to the Agreement for Sale and Purchase entered into between 徐州市建銀房地產開發股份有限公司 (Xuzhou Jianyin Real Estate Development Co., Ltd.), an independent third party of the Enlarge Group, and Zhang Dao Lin (張道林) on 18 October 2004, the property was acquired by the latter at a consideration of RMB1,142,400. As confirmed by the Enlarged Group, the aforesaid purchase price was fully settled.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
2.	House No.23A Chun Zhi Sheng Villa Jichuan Road Hailing District Taizhou City Jiangsu Province, the PRC	The property comprises a parcel of land with an area of 181.1 square metres on which a 3-storey garden house are erected. The house was completed in 2004. The gross floor area of the property is 248.38 square metres. The property is held for a land use right term expiring on 12 November 2071.	As at the date of our inspection, the property was occupied as staff quarters.	990,000

Notes:

1. As stipulated in the Land Use Rights Certificate (ref. no. Tai Zhou Guo Yong (2004) 0291-1) dated 26 October 2004, the land use rights of the property is held by Zhang Dao Lin (張道林) for a land use right term expiring on 12 November 2071.

2. As stipulated in the Building Ownership Certificate (ref. no. Tai Fang Quan Zheng Kai Fa Zi Di 0002314) dated 15 March 2004, the building ownership rights of the property are held by Zhang Dao Lin (張道林).

3. According to a Declaration endorsed by Zhang Dao Lin, he is acting as the representative of 泰州公交雅高巴士有限公司 (Taizhou Argos Bus Co., Ltd., referred to as "Taizhou Argos", a 60%-owned subsidiary of the Company), to acquire, to hold and to pledge the property on behalf of Taizhou Argos.

4. Opinion of the PRC Lawyers on the property is summarized as follows:

   4.1 The land use rights of the subject land parcel of the property with an area of 181.1 square metres are held by Zhang Dao Lin (張道林) for a land use right terms expiring on 12 November 2071. Land premium for the property has been settled in full by Zhang Dao Lin (張道林);

   4.2 Within the unexpired term of land use rights, Zhang Dao Lin is entitled to the rights to transfer, lease, charge or other dispose of the land use rights of the property free from additional land premium;

   4.3 the land use rights of the property were subject to a mortgage in favour of Bank of China – Taizhou Branch for a term commencing on 19 June 2002 and expiring on 19 September 2007. The aforesaid mortgage was discharged on 14 June 2006. All necessary registration procedures have been completed for the aforesaid mortgage and the processing of the mortgage did not constitute any violation of law and regulations;

   4.4 the building ownership rights of the property are held by Zhang Dao Lin (張道林); and

   4.5 all necessary application and approval for the construction of the subject building have been completed.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
3.	Building and Land situated at No.16 Xinchengpo Wanzhou District Chongqing City the PRC	The property comprises a parcel of land with a site area of 3,875.64 square metres on which 6 single to 8-storey buildings are erected. These building were completed in between 1978 and 2000. The aforesaid buildings and structures have a total gross floor area of 2,958.13 square metres. The property is held for a land use rights term expiring on 1 July 2054.	As at the date of our inspection, portion of the property with a total gross floor area of 1,753.25 square metres were subject to 24 tenancies with a total monthly rent of RMB6,392 whilst the remaining portion of the property were occupied by the owner as staff quarters.	3,810,000

Notes:

1. As stipulated in the Land Use Rights Certificate (ref. no. Wan Long Guo Yong (2004) Zi Di 37614) dated 3 August 2004, the land use rights of the subject land parcel (Lot No.01-04-85) are held by 重慶市萬州區雅高公交巴士有限公司 (Chongqing Wanzhou Argos Bus Co., Ltd., referred to as "Wanzhou Argos", a wholly-owned subsidiary of the Company) for a term expiring on 1 July 2054 for transportation use.

2. As stipulated in various sets of Building Ownership Certificate (ref. nos. Fang Quan Zheng 301 Zi Di 054780, 054781, 054782, 054783, 54785 and 055168) dated either 7 July 2004 or 30 July 2004, the aforesaid buildings are held by Wanzhou Argos.

3. Opinion of the PRC Lawyers on the property is summarized as follows:

   3.1 The land use rights of the land parcel of the property with an area of 3,875.64 square metres are held by Wanzhou Argos for a land use right terms expiring on 1 July 2054 for transportation use;

   3.2 Within the unexpired term of land use rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the land use rights of the property;

   3.3 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the land use rights of the property and the use of the state-owned land of the property by Wanzhou Argos does not violate any national and local laws and regulations;

   3.4 the building ownership rights of all the six subject buildings of the property with a total gross floor area of 2,958.13 square metres are held by Wanzhou Argos;

   3.5 within the unexpired term of building ownership rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the building ownership rights of the property; and

   3.6 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the building ownership rights of the property and the use of the state-owned land of the property by Wanzhou Argos does not violate any national and local laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
4.	Building and Land situated at No. 238 Xiaman Avenue Daqiao Village Ba She Longbao Town Wanzhou District Chongqing City the PRC	The property comprises a parcel of land with a site area of 11,906.65 square metres on which two blocks of 4-storey buildings are erected. These buildings were completed in 1980's.	As at the date of our inspection, the property was vacant.	1,800,000

Notes:

1. As stipulated in the Land Use Rights Certificate (ref. no. Wan Guo Yong (2004) Zi Di 360) dated 21 July 2004, the land use rights of Lot No.01-10-283 are held by 重慶市萬州區雅高公交巴士有限公司(Chongqing Wanzhou Argos Bus Co., Ltd., referred to as "Wanzhou Argos", a wholly-owned subsidiary of the Company) for a term expiring on 1 July 2054 for transportation use.

2. Opinion of the PRC Lawyers on the property is summarized as follows:

   2.1 Wanzhou Argos has entered into a Property Exchange Agreement with San Xia Occupation Insitute 三峽職業學院, an independent third party of the Enlarged Group, by which both parties agreed to swap their owned land parcels with each other. To compensate loss of Wanzhou Argos for relocating and resuming operations after the property land exchange, San Xia Occupation Institute shall pay a lump sum of RMB1,350,000 to Wanzhou Argos. The aforesaid land exchange agreement is legal and valid; and

   2.2 San Xia Occupation Institute has not fulfilled its obligations under the Property Exchange Agreement and has caused substantial loss to Wanzhou Argos. In this regard, Wanzhou Argos has applied for termination of the Property Exchange Agreement to the Municipal Government of Wanzhou District, Chongqing City. The decision from the Municipal Government is pending at the time being;

   2.3 Wanzhou Argos is entitled the land use right to occupy and transfer the property; and

   2.4 The title certificate of the property in the name of Wanzhou Argos is under application.

3. In the course of our valuation, we have assumed the property is held for a land use rights term of 50 years being the maximum land use rights term for composite land as stated in the land law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
5.	Composite Building situated in Lishu Village Changling Town Wanzhou District Chongqing City the PRC	The property comprises a parcel of land with a site area of 3,243.40 square metres on which a 4-storey building is erected. The building was completed in 2000. The gross floor area of the subject building is 1,717.20 square metres. The property is held for a land use rights term expiring on 1 July 2054.	As at the date of our inspection, the property was vacant.	2,370,000

Notes:

1. As stipulated in the Land Use Rights Certificate (ref. no. Wan Guo Yong (2004) Zi Di 361) dated 21 July 2004, the land use rights of property are held by重慶市萬州區雅高公交巴士有限公司(Chongqing Wanzhou Argos Bus Co., Ltd., referred to as "Wanzhou Argos", a wholly-owned subsidiary of the Company) for a land use rights term expiring on 1 July 2054 for transportation use.

2. As stipulated in the Building Ownership Certificate (ref. no. Fang Quan Zheng 301 Zi Di 054786) dated 7 July 2004, the building ownership certificate of the property are held by Wanzhou Argos.

3. Opinion of the PRC Lawyers on the property is summarized as follows:

    3.1 The land use rights of the land parcel of the property with an area of 3,243.40 square metres are held by Wanzhou Argos for a land use right terms expiring on 1 July 2054 for transportation use;

    3.2 Within the unexpired term of land use rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the land use rights of the property;

    3.3 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the land use rights of the property and the use of the state-owned land of the property by Wanzhou Argos does not violate any national and local laws and regulations;

    3.4 the building ownership rights of the subject buildings of the property with a gross floor area of 1,717.20 square metres are held by Wanzhou Argos;

    3.5 within the unexpired term of building ownership rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the building ownership rights of the property; and

    3.6 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the building ownership rights of the property and the use of the state-owned land of the property by Wanzhou Argos does not violate any national and local laws and regulations.

VALUATION CERTIFICATE

Property		Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
6.	Unit 3-401 on 5th Floor No.457 Shalong Road Section 1 Wanzhou District Chongqing City the PRC	The property comprises a residential unit on the 5th floor of a 5-storey residential building completed in 2001. The gross floor area of the property is of 93.08 square metres. The property is held for a land use rights term expiring on 19 January 2040.	As at the date of our inspection, the property was occupied as staff quarters.	160,000

Notes:

1. As stipulated in the Land Use Rights Certificate (ref. no. Wan Guo Yong (2000) Zi Di 2962) dated 12 September 2001, the land use rights of the property are held by 重慶市萬州區雅高公交巴士有限公司 (Chongqing Wanzhou Argos Bus Co., Ltd., referred to as "Wanzhou Argos", a wholly-owned subsidiary of the Company) for a term expiring on 19 January 2040 for residential use.

2. As stipulated in the Building Ownership Certificate (ref. no. Fang Quan Zheng 301 Zi Di 023167) dated 16 August 2001, the building ownership rights of the property are held by Wanzhou Argos.

3. Opinion of the PRC Lawyers on the property is summarized as follows:

   3.1 The land use rights of the property with an attributable land area of 16.79 square metres are held by Wanzhou Argos for a land use right terms expiring on 19 January 2040 for residential use;

   3.2 Within the unexpired term of land use rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the land use rights of the property;

   3.3 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the land use rights of the property and the use of the state-owned land of the property by Wanzhou Argos does not violate any national and local laws and regulations;

   3.4 the building ownership rights of the property with a gross floor area of 93.08 square metres are held by Wanzhou Argos;

   3.5 within the unexpired term of building ownership rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the building ownership rights of the property; and

   3.6 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the building ownership rights of the property and the use of the state-owned land of the property by Wanzhou Argos does not violate any national and local laws and regulations.

VALUATION CERTIFICATE

Property		Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
7.	Unit 8-22 on 1st Floor No.381 Beishan Road Wanzhou District Chongqing City the PRC	The property comprises a retail shop on 1st floor an 8-storey composite building completed in 2005. The total gross floor area of the property is of 43.84 square metres. The property is held for a land use rights term expiring on 13 January 2044.	As at the date of our inspection, the property was occupied as a bus station.	132,000

Notes:

1. As stipulated in the Building and Land Ownership Certificate (ref. no. 301 Tian Fang Di Zheng 2005 Zi Di 05902) dated 23 November 2005, the property is held by 重慶市萬州區雅高公交巴士有限公司 (Chongqing Wanzhou Argos Bus Co., Ltd., referred to as "Wanzhou Argos", a wholly-owned subsidiary of the Company) for a term expiring on 13 January 2044 for commercial use.

2. Opinion of the PRC Lawyers on the property is summarized as follows:

   2.1 The building and land ownership rights of the property with an attributable land area of 5.86 square metres and a gross floor area of 43.84 square metres are held by Wanzhou Argos for a land use right term expiring on 13 January 2044 for commercial use;

   2.2 Within the unexpired term of land use rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the land use rights of the property;

   2.3 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the land use rights of the property and the use of the state-owned land of the property by Wanzhou Argos does not violate any national and local laws and regulations.

3. Pursuant to the Agreement for Sale and Purchase entered into between 重慶市興茂房地產開發集團有限公司 (Chongqing Xingmao Real Estate Development Group Co., Ltd.), an independent third party of the Enlarged Group, and Wanzhou Argos on 6 April 2005, the property was acquired by Wanzhou Argos at a consideration of RMB122,752. As confirmed by the Enlarged Group, the aforesaid purchase price was fully settled.

VALUATION CERTIFICATE

Group II – Properties Held by the Enlarged Group for Investment

Property		Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
8.	Units 1 and 2 on 1st Floor and Basement No.14 Hongguang Road Wanzhou District Chongqing City the PRC	The property comprises retail premises on the 1st floor and the basement of a 9-storey composite building completed in 1985. The total gross floor area of the property is 173.84 square metres.	As at the date of our inspection, the property was subject to a tenancy for a term of 6 months commencing on 12 June 2008 and expiring on 11 December 2008 at a total rent of RMB3,500.	110,000

Notes:

1. As stipulated in the Land Use Rights Certificate (ref. no. Wan Guo Yong (2001) Zi Di 07390) 18 May 2001, the land use rights of the property are held by 萬州公共交通公司 (Chongqing Wanzhou Public Transportation Company, referred to as "Wanzhou Public", an independent third party of the Enlarged Group) for residential use.

2. As stipulated in the Building Ownership Certificate (ref. no. Fang Quan Zheng 301 Zi Di 054779) dated 7 July 2004, the building ownership rights of the property are held by 重慶市萬州區雅高公交巴士有限公司 (Chongqing Wanzhou Argos Bus Co., Ltd., referred to as "Wanzhou Argos", a wholly-owned subsidiary of the Company).

3. As stipulated in the aforesaid Land Use Rights Certificate, the land use rights of the property are in the nature of administrative allocation. Therefore it is required to pay land premium to the government before the property can be transferred on the market. We have valued the property based on its depreciated replacement cost and ascribed no commercial value to the land portion.

4. In the course of our valuation, we have assumed the property is held for a land use rights term of 40 years for commercial purpose as stated in the land law of the PRC.

5. Opinion of the PRC Lawyers on the property is summarized as follows:

   5.1 The land use rights of the property with an attributable land area of 30.6 square metres are held by Wanzhou Argos for an unspecified land use right terms for residential use. The land use rights of the property are in the nature of administrative allocation;

   5.2 Wanzhou Argos have not yet completed land use rights transfer procedures for the property and is holding defective land use rights in the property. Wanzhou Argos is required to pay land premium for completing the land use right transfer procedures;

   5.3 the building ownership rights of the property with a gross floor area of 173.84 square metres are held by Wanzhou Argos;

   5.4 within the unexpired term of building ownership rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the building ownership rights of the property; and

   5.5 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the building ownership rights of the property.

VALUATION CERTIFICATE

Property		Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2008 *RMB*
9.	Unit 102 on 1st Floor and Units 701, 702 and 703 on 7th Floor No.16 Wanjiang Road Wanzhou District Chongqing City the PRC	The property comprises four residential units within a 7-storey residential building completed in 1984. The total gross floor area of the property is of 194.04 square metres.	As at the date of our inspection, the property was subject to three tenancies at a total annual rent of RMB967 on monthly basis.	120,000

Notes:

1. As stipulated in the Land Use Rights Certificate (ref. no. Wan Guo Yong (2001) Zi Di 07389) 18 May 2001, the land use rights of the property are held by 萬州公共交通公司(Chongqing Wanzhou Public Transportation Company, referred to as "Wanzhou Public", an independent third party of the Enlarged Group) for residential use.

2. As stipulated in the Building Ownership Certificate (ref. no. Fang Quan Zheng 301 Zi Di 054784) dated 7 July 2004, the building ownership rights of the property are held by 重慶市萬州區雅高公交巴士有限公司 (Chongqing Wanzhou Argos Bus Co., Ltd., referred to as "Wanzhou Argos", a wholly-owned subsidiary of the Company).

3. As stipulated in the aforesaid Land Use Rights Certificate, the land use rights of the property are in the nature of administrative allocation. Therefore it is required to pay land premium to the government before the property can be transferred on the market. We have valued the property based on its depreciated replacement cost and ascribed no commercial value to the land portion.

4. In the course of our valuation, we have assumed the property is held for a land use rights term of 70 years for residential purpose as stated in the land law of the PRC.

5. Opinion of the PRC Lawyers on the property is summarized as follows:

   5.1 The land use rights of the property with an attributable land area of 27.8 square metres are held by Wanzhou Argos for an unspecified land use right terms for residential use. The land use rights of the property are in the nature of administrative allocation;

   5.2 Wanzhou Argos have not yet completed land use rights transfer procedures for the property and is holding defective land use rights in the property. Wanzhou Argos is required to pay land premium for completing the land use right transfer procedures;

   5.3 the building ownership rights of the property with a gross floor area of 194.04 square metres are held by Wanzhou Argos;

   5.4 within the unexpired term of building ownership rights, Wanzhou Argos is entitled to the rights to transfer, lease, charge or other dispose of the building ownership rights of the property; and

   5.5 Wanzhou Argos has obtained all necessary approval, permission and consent from the Government for owning the building ownership rights of the property.

1. INDEBTEDNESS STATEMENT

At the close of business on 30 September 2008, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Enlarged Group's indebtedness position was as follows:

	The Group					The Target Group	The Enlarged Group
	Bank Borrowings[1]	Overdraft[2]	Shareholder Loans[1]	Other Borrowings[1]	Convertible Bonds	Shareholder Loans[1]	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
No fixed term of repayment	–	10,425,979	3,248,928	4,406,249	–	19,342,083	37,423,239
Repayable within one year	12,764,176	–	–	–	4,200,000	–	16,964,176
Repayable in the second year	5,718,717	–	–	–	–	–	5,718,717
Repayable in the third year	5,718,717	–	–	–	–	–	5,718,717
	24,201,610	10,425,979	3,248,928	4,406,249	4,200,000	19,342,083	65,824,849

Notes:

1. The bank borrowings and shareholder loans are unsecured.

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

Contingent liabilities

As at 30 September 2008, the Enlarged Group had no material contingent liabilities.

Capital commitments

As at 30 September 2008, the Enlarged Group had no material capital commitments.

Save as aforesaid, the Enlarged Group did not have any debt securities, term loans, bank overdrafts, liabilities under acceptance, acceptance credits, hire purchase commitments, mortgages and charges, guarantees, or other material contingent liabilities outstanding as at the close of business on 30 September 2008.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Company were made up.

3. WORKING CAPITAL

The Directors, after due and carefully enquiry, are of the opinion that following the Completion, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

1. RESPONSIBILITY STATEMENT

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

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

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

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following the completion of the Acquisition were and are expected to be as follows:

Authorised:	***HK$***
10,000,000,000 Shares	100,000,000
Issued and fully paid:	***HK$***
195,000,000 Shares as at the Latest Practicable Date	1,950,000
44,000,000 Consideration Shares to be issued under the Acquisition	440,000
620,000,000 Conversion Shares to be issued upon the exercise of the maximum Convertible Bonds in full	6,200,000
Total (for illustrative purpose)	
859,000,000 Shares	8,590,000

All of the Shares in issue and to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares, the Consideration Shares and the Conversion Shares in issue and to be issued are or will be listed on GEM.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests or short positions of each director and chief executive of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules or the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

Name of Director	**Nature of interests**	**Number of ordinary Shares held**		**Approximate percentage of the Company's issued share capital**
Mr. Cheung Man Yau, Timothy	Corporate	50,000,000	*(Note 1)*	25.64%
Mr. Wong Wah Sang	Corporate	7,038,092	*(Note 2)*	3.61%
Mr. Wong Man Chiu, Ronnie	Corporate	7,038,092	*(Note 3)*	3.61%
Mr. Wong Wilkie	Corporate	4,266,454	*(Note 4)*	2.19%
	Beneficial	4,266,454	*(Note 5)*	2.19%

Notes:

1. By virtue of Part XV of the SFO, Mr. Cheung Man Yau, Timothy is deemed to be interested in the entire issued capital of Wonderful Source Limited which is interested in 50,000,000 Shares.

2. 62,284,000 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to approximately 22.6% by Mellin Enterprises Limited. Mr. Wong Wah Sang, a non-executive director of the Company, has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Wah Sang has 7,038,092 Shares as the effective interests in the Company.

3. 62,284,000 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to approximately 22.6% by Mellin Enterprises Limited. Mr. Wong Man Chiu, Ronnie, an executive director of the Company, has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Man Chiu, Ronnie has 7,038,092 Shares as the effective interests in the Company.

4. 62,284,000 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to approximately 54.8% by Sinoman International Limited, which is 100% owned by Twilight Enterprises Limited. Mr. Wong Wilkie, a non-executive director of the Company, has 12.5% control in Twilight Enterprises Limited, therefore, Mr. Wong Wilkie has 4,266,454 Shares as the effective interests in the Company.

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

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the Company or their respective associates (within the meaning of the GEM Listing Rules) had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deem to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the registered maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules or the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

So far as is known to any directors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the directors or chief executive of the Company) had, or were deemed to have interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company, were as follows:

Name of Shareholder	**Capacity and nature of interests**	**Number of ordinary Shares held**	**Approximate percentage of the Company's issued share capital**
Sino Market Enterprises Limited *(Note 1)*	Beneficial	62,284,000	31.94%
Sinoman International Limited *(Note 2)*	Corporate	62,284,000	31.94%
Twilight Enterprises Limited *(Note 2)*	Corporate	62,284,000	31.94%
Ms. Chiu Gee Chai *(Note 3)*	Corporate	62,284,000	31.94%
Sharp Mode Limited *(Note 4)*	Beneficial	21,000,000	10.77%
Mr. Chow Chun Yee *(Note 4)*	Corporate	21,000,000	10.77%
Mr. Yeung Wai Hung *(Notes 1 and 5)*	Corporate	15,475,280	7.94%

Notes:

1. These 62,284,000 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to approximately 54.8% by Sinoman International Limited and as to approximately 22.6% by Mellin Enterprises Limited and as to approximately 22.6% by Mr. Yeung Wai Hung; a former executive director of the Company who resigned on 14 February 2008.

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

3. By virtue of Part XV of the SFO, Ms. Chiu Gee Chai is deemed to be interested in 62,284,000 Shares.

4. Sharp Mode Limited is the holder of the convertible bonds which were issued by the Company on 30 June 2008 and its ultimate beneficial owner is Mr. Chow Chun Yee. On 22 September 2008, Mr. Chow Chun Yee transfered 15,000,000 convertible bonds to three individual parties in equal portion. Subsequently, these 15,000,000 convertible bonds were converted into Shares on 23 September 2008. Upon conversion of such convertible bonds with the equity interest in the Company held by Sharp Mode Limited, the equity interests of Sharp Mode Limited and Mr. Chow Chun Yee would exceed 10%. Sharp Mode Limited and Mr. Chow Chun Yee would both become substantial shareholders of the Company.

5. By virtue of Part XV of the SFO, Mr. Yeung Wai Hung is deemed to be interested in the entire issued capital of Cherikoff Bakery & Confections Limited which is interested in 1,400,000 Shares.

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

Save as disclosed above, as at the Latest Practicable Date, the directors and chief executive of the Company were not aware of any other person (other than the directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company or had any options in respect of such shares.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, Mr. Cheng Wing Hong had entered into a service agreement with the Company for a term of three years commencing from 14 February 2008 subject to the retirement and re-election requirements of the articles of association of the Company at the annual general meetings of the Company. His emoluments which were determined based on the prevailing market conditions and his roles and responsibilities are HK$552,500 per annum. Save as disclosed herein, none of the Directors had entered or proposed to enter into any service agreements with any members of the Enlarged Group, excluding contracts expiring or determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which have been, since 30 June 2008 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements, subsisting at the date of this circular, which is significant to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, as far as the Directors are aware of, none of the Directors, controlling Shareholder, and their respective associates was considered to have interests in any business, apart from the Group's businesses, which competes or is likely to compete, directly or indirectly, with the businesses in which the Group is engaged in.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualification of the experts who have made their statement in this circular:

Name	Qualification
CCIF CPA Limited	Certified Public Accountants
Asset Appraisal Limited	Registered Professional Surveyor
Shanghai Hengye Law Firm* (上海市恒業律師事務所)	Legal adviser to the PRC laws, member of Shanghai Bar Association*(上海市律師協會)

* *for identification purpose only*

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

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

Each of CCIF CPA Limited, Asset Appraisal Limited and Shanghai Hengye Law Firm did not have any interests, either directly or indirectly, in any assets which have been, since 30 June 2008 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group.

9. MATERIAL CONTRACTS

The Group had entered into the following contracts within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

(a) the Master Agreement; and

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

10. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any members of the Group.

11. GENERAL

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

(b) The compliance officer of the Company is Mr. Cheung Man Yau, Timothy, who is also an executive Director.

Mr. Cheung is qualified professional accountant with more than 25 years of extensive experience in finance, audit and accounting fields. Mr. Cheung is also the practicing director of Vision A. S. Limited, a practicing certified public accountants firm in Hong Kong. He had previously worked in a number of international accounting firms and was an independent non-executive director of China Oil and Gas Group Limited, a company listed on the Main Board of the Stock Exchange.

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

(d) The share registrar and transfer office of the Company in Hong Kong is situated at Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

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

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

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

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

(f) In case of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the principal place of business of the Company at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekdays other than public holidays, from the date of this circular up to and including the date of the EGM:

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

(ii) the annual reports of the Company for the two years ended 31 December 2007;

(iii) the interim report of the Company for the six months ended 30 June 2008;

(iv) all the announcements and circulars of the Company as referred to in this circular;

(v) the letter from the Board;

(vi) the accountants' reports as set out in Appendices I & II to this circular;

(vii) the report on unaudited pro-forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(viii) the valuation reports as set out in Appendices IV & V to this circular;

(ix) the written consents from CCIF CPA Limited, Assets Appraisal and Shanghai Hengye Law Firm as referred to in the paragraph headed "Qualification and Consent of Experts" in this appendix;

(x) all the agreements as referred to in the paragraph headed "Material Contracts" in this appendix; and

(xi) this circular.

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

(Incorporated in Hong Kong with limited liability)

(Stock code: 8022)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Argos Enterprise (Holdings) Limited (the "**Company**") will be held at 11:00 a.m. on 26 November 2008 at Function Room, Kowloon Bowling Green Club, 123 Austin Road, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:-

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement dated 23 September 2008 (the "**Agreement**") entered into between Mega Field International Limited (the "**Purchaser**") as purchaser, Mr. Zhang Weiting as vendor and the Company as guarantor of the Purchaser in relation to the acquisition of 650 shares of US$1.00 of Wisdom In Holdings Limited (representing 65% equity interest in that company) and 65% of the shareholders' loan (with outstanding amount of about HK$18.28 million at the date of the Agreement) being owed by Index Hong Kong Limited to Mr. Zhang Weiting at a consideration of no more than HK$695,000,000 comprising: (i) HK$5,000,000 by cash; (ii) HK$26,400,000 by the issue and allotment of the Consideration Shares (as defined and more particularly described in the Company's circular dated 5 November 2008 (the "**Circular**")); (iii) HK$409,200,000 at maximum by the issue of the Convertible Bonds (as defined and more particularly described in the Circular); and (iv) HK$254,400,000 at maximum by the issue of the Promissory Notes (as defined and more particularly described in the Circular) (copies of the Agreement and the Circular have been tabled at the meeting and marked "A" and "B" and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the directors of the Company (the "**Directors**") be and are hereby authorised to allot and issue the Consideration Shares (as defined and more particularly described in the Circular), credited as fully paid, pursuant to the terms of the Agreement, such Consideration Shares shall rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of allotment of the Consideration Shares;

(c) the creation and issue of the Convertible Bonds (as defined and more particularly described in the Circular) as set out in the Circular, on and subject to the terms of the Agreement, be and is hereby approved;

(d) the Directors be and are hereby authorised to allot and issue such number of new shares in the capital of the Company as may be allotted and issued upon the exercise of conversion rights attaching to the Convertible Bonds, such new shares shall rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of allotment of such new shares;

(e) the creation and issue of the Promissory Notes (as defined and more particularly described in the Circular) as set out in the Circular, on and subject to the terms of the Agreement, be and is hereby approved;

(f) the Directors be and are hereby authorised to reduce or cancel any of the principal amount of the Convertible Bonds and the Promissory Notes after the issue of such instruments in accordance with the terms and conditions of the Agreement; and

(g) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement, the issue of the Consideration Shares, the Convertible Bonds and the Promissory Notes or any of the transactions contemplated under the Agreement."

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

Hong Kong, 5 November 2008

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

Notes:

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

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

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