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ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

UPDATE ON ANNOUNCEMENT DATED 6 JULY 2007

AND

RESUMPTION OF TRADING

Financial Adviser



REXCAPITAL (Hong Kong) Limited

Reference is made to the Announcements dated 10 May and 6 July 2007 in relation to the change of auditors of the Group. The Board wishes to update the Shareholders on the status of certain matters in the Announcements.

As disclosed in the Announcements, the Company has been notified by HLB, the former auditor of the Company, that during their annual audit for the year ended 31 December 2006, they had discovered an omission (the "Omission") of a bank loan of RMB12 million granted by China Everbright Bank to Nanjing Argos which was then onward lent to ARSN, a connected person of the Company. The Omission was given by HLB as the reason for their resignation.

Following the awareness of the Omission, the Company carried out a thorough internal investigation. Details of the findings by the management of the Company are set out under the section headed "Findings" in this announcement.

The Board has engaged Ting Ho Kwan & Chan ("THKC"), existing auditor of the Company, to audit the financial statements of the Group for the years ended 31 December 2004, 2005 and 2006 and addressed specifically the Omission. 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 2004 and 2005 financial statements.

The Company has also engaged Mabel Chan & Co (“MCC”), an independent professional accounting firm, to review the causes of those findings as set out under the section headed “Findings” in this announcement and the internal control, risk management and corporate governance of the Group on 30 May 2007. Rectification actions recommended by MCC in connection to the above review have then been adopted.

According to the latest follow-up review report dated 23 January 2008 prepared by MCC, the Company is considered to have adequate systems and controls in place to properly discharge its obligations under the GEM Listing Rules, including the Code on Corporate Governance Practices, financial reporting, accounting procedures and documentations.

With a view of restoring the confidence of and safeguarding the interest of the shareholders of the Company, the Company carried out a restructuring of the Board with effect from 14 February 2008. As a result, the composition and function of the Board has been strengthened in terms of its composition, the level of expertise and independence. Reference is made to the announcement of the Company dated 14 February 2008 for the details of the restructuring of the Board. Mr. Wong Wah Sang and Mr. Wong Man Chiu, Ronnie have undertaken to the Exchange that each of them will undertake training in compliance and corporate governance matters for at least 24 hours on courses held by recognized institutions acceptable to the Exchange within six months from the date of the resumption of trading in the Shares.

The Company has appointed GF Capital (Hong Kong) Limited, a corporation licensed under the Securities and Futures Ordinance to conduct type 6 (advising on corporate finance) regulated activity, pursuant to GEM Listing Rules 6A.20 as a Compliance Adviser (as defined therein) to provide guidance and advice on the Company’s GEM Listing Rules compliance issues for a period commencing on the date of resumption of trading in the Shares and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of the Compliance Adviser.

With all of the above-mentioned rectification and improvement measures implemented by the management, the Board considers that adequate internal control and risks management systems are now in place to ensure the Company’s corporate governance practices and reliability of its financial reporting system, thereby safeguarding against any potential omissions in financial reporting or non-compliance with regulatory requirements, particularly those in relation to connected transactions, in the future.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:34 a.m. on 26 March 2007. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 June 2008.

Reference is made to the announcements of the Company dated 10 May 2007 and 6 July 2007 (the “**Announcements**”) in relation to the change of auditors of the Group.

As disclosed in the Announcements, the Company has been notified by HLB Hodgson Impey Cheng, the former auditor of the Company, that during their annual audit for the year ended 31 December 2006, they had discovered an omission of a bank loan of RMB12 million granted by China Everbright Bank to Nanjing Argos which was then onward lent to ARSN, a connected person of the Company, from the financial statements of the Company for the years ended 31 December 2004 and 2005 (the “Omission”). With reference to the resignation letter of HLB as auditor of the Company, the Omission was given as the reason for their resignation.

Following the awareness of the Omission, the Board has immediately taken the following remedial actions:

1. The Group carried out a thorough internal investigation involving, among others, a review of all transactions between the Group and connected parties conducted in 2004 to 2006 and a review of all material transactions and agreements of the Group to ensure the compliance with the GEM Listing Rules;
2. The Board engaged Ting Ho Kwan & Chan (“THKC”), existing auditor of the Company, to perform audit on the financial statements of the Group for the three years ended 31 December 2004, 2005 and 2006. The scope of the audit included the issue raised by HLB, which largely referred to the Omission;
3. The Board had also engaged an independent professional accounting firm, Mabel Chan & Co (“MCC”), to perform an internal control review of the Group in May and follow-up reviews in October and November 2007;
4. The Board has been restructured with effect from 14 February 2008 so as to improve its function and composition in terms of the number of members, the level of expertise and independence; and
5. The Group also set up an internal audit team to ensure that the group’s policies, procedures and control measures are properly complied with.

FINDINGS

Findings of the internal investigation carried out by the Group are set out below:

Finding 1 – Onward lending of RMB12 million bank loan by Nanjing Argos to ARSN

Pursuant to an agreement entered into between China Everbright Bank and Nanjing Argos on 29 July 2004, Nanjing Argos borrowed a loan of RMB12 million from China Everbright Bank and such bank loan was then onward lent to ARSN on substantially the same terms and at the same interest rate as those between Nanjing Argos and the China Everbright Bank. ARSN was to repay the principal and interest charged by China Everbright Bank on the loan by making repayment directly to the loan account of Nanjing Argos maintained with the China Everbright Bank. The onward lending of RMB12 million bank loan by Nanjing Argos to ARSN was approved by the board of directors of Nanjing Argos. As the Board was not properly and formally informed of the onward lending of RMB12 million to ARSN, the onward lending of RMB12 million bank loan had not been approved by the Board.

These transactions were not recorded in the books of Nanjing Argos and, as a result, were not reflected in the audited financial statements of the Group for the years ended 31 December 2004 and 2005. The reason for the Omission was that the management of Nanjing Argos at the material time considered that such bank loan (together with all interest thereon) was in substance borrowed for and was borne by Argos Recreation, and thus such bank loan should not be reported in the account of Nanjing Argos.

ARSN has repaid RMB2 million to the principal of the loan in early 2006 and Nanjing Argos has repaid the rest of the said bank loan to the bank on 5 February 2006. As such, ARSN owed Nanjing Argos approximately RMB10 million upon such time. The said RMB10 million was fully repaid by ARSN to Nanjing Argos by late 2007.

The Group did not derive any commercial remuneration arising from this transaction, which was therefore considered by the Directors to be not on normal commercial terms.

When in aggregate with other advances made by the Group to ARSN as set out in Finding 2 below, the aggregate amount due from ARSN amounted to approximately HK\$19,669,000 (being the aggregation of HK\$11,650,000 onward lending bank loan by Nanjing Argos to ARSN and the current account balances amounting HK\$1,887,000, HK\$1,415,000, HK\$4,717,000 due by ARSN to Argos Enterprise Management Consultant (Nanjing) Ltd. (“AEMC”), Nanjing Argos Scenery Travel Service Ltd. (“Nanjing Travel”), and Nanjing Argos as at 31 December 2004 respectively), which was more than 8% of the total assets of the Group as at 31 December 2003. Non-disclosure of such advances was in breach of the disclosure requirements under Rule 17.17 of the GEM Listing Rules.

As ARSN was owned as to 100% by ARSHK, which was in turn owned as to 30% by Mr. Wilson Wong (deceased, a then Director), as to 30% by Mr. Ronnie Wong (a current Director), as to 25% by Mr. Yeung Wai Hung (a then Director) and as to 15% by Mr. Zhang Dao Lin (the general manager of Nanjing Argos), both ARSN and ARSHK were therefore associates of Mr. Wilson Wong (deceased, a then Director) and Mr. Ronnie Wong (a current Director), and therefore a connected person of the Company, the onward lending of RMB12 million bank loan constituted a connected transaction under Rule 20.13 of the GEM Listing Rules. As the size test ratios in respect of the aggregate amount due from ARSN of approximately HK\$19,669,000 exceeded 25% but less than 100%, the transaction constituted a connected and major transaction on the part of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules. Since the Company had not issued any announcement, circular nor obtained independent Shareholders' approval regarding the Omission and the advances (i.e. items (j) to (l) as referred to Findings 2 below) to ARSN, such failure constituted breaches of Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules.

Finding 2 – Inter-company current account transactions between the Group and connected persons

Certain financial assistances to and from connected persons constituted non-exempted connected transactions under the GEM Listing Rules.

As the Company is principally an investment holding company and does not generate any income in Hong Kong to defray its daily expenses, funding is provided by connected persons in Hong Kong, which was booked in the current accounts of the Company as an amount due to related parties. Connected persons involving in providing funding to the Group in Hong Kong included:

ABS Co. Ltd	which was a subsidiary of the major Shareholder
ARSHK	which was an associate of Mr. Wilson Wong (deceased, a then Director) and Mr. Ronnie Wong (a current Director)
Metro Line Tours Ltd	which was an associate of Mr. Wilson Wong (deceased, a then Director)
Faithway Development Ltd	which was an associate of Mr. Wilson Wong (deceased, a then Director)
Constant Success Ltd	which was an associate of Mr. Wilson Wong (deceased, a then Director)

The Company's PRC subsidiaries that generate incomes in the PRC also provided funding to connected persons in the PRC, which was booked in the current accounts of the Company's subsidiaries as an amount due from related parties. The Directors considers that funding provided by the Company's PRC subsidiaries to connected persons was regarded as a means of repayment to the funding provided by connected persons in Hong Kong although there is no sufficient document showing the purposes of these inter-companies advances. Thus, the Division considers that each advances

made by/to the Group to/by connected parties are used and disclosed for the purpose of calculating the size tests and classifying the advances under the GEM Listing Rules.

Connected persons involved in receiving funding from the Group in the PRC included ARSN (which is an associate of Mr. Wilson Wong (deceased, a then Director) and Mr. Ronnie Wong (a current Director)) and Dongguan Shatin Marina Club Ltd (which is owned as to approximately 22% by Mr. Wong Wah Sang (the then Chairman and the existing non-executive Director) and as to 78% by his seven children, including Mr. Ronnie Wong (a current Director), in equal shares). The principal activities of Dongguan Shatin Marina Club Ltd include operating a Marina Club in the city of Dongguan, providing boating management, boating rental and water tour and sightseeing services.

1. Inter-company balances for the year ended 31 December 2004

Item	Group Companies	Connected Persons	Balances	Maximum	No. of	Range
			as at	balances		No. of
			31 December	during	new	advances
			2004	the year 2004	advances	amounts
			(due to)/due from	(due to)/due from		(due to)/due from
			connected	connected		connected
			persons	persons		persons
			HK\$'000	HK\$'000		HK\$'000
Advances made by Connected Persons to the Group						
(a)	The Company	ABS Co. Ltd	(2,490)	(2,490)	6	(2) to (4,016)
(b)	ABS (China)	ABS Co. Ltd	(5,820)	(5,905)	9	(17) to (90)
(c)	The Company	ARSHK	(500)	(500)	0	Brought forward from last year
(d)	ABS (China)	Metro Line Tours Ltd	(217)	(217)	1	(20)
(e)	ABS (China)	Faithway Development Ltd	(542)	(542)	1	(42)
(f)	ABS (China)	Constant Success Ltd	(325)	(325)	1	(25)
Advances made by the Group to Connected Persons						
(g)	ABS (China)	Dongguan Shatin Marina Club Ltd	85	85	1	85
(h)	AEMC	Dongguan Shatin Marina Club Ltd	2,453	2,453	1	2,453
(i)	Nanjing Argos	Dongguan Shatin Marina Club Ltd	1,165	1,165	1	1,165
(j)	Nanjing Travel	ARSN	1,415	1,415	1	1,415
(k)	AEMC	ARSN	1,887	1,887	1	1,887
(l)	Nanjing Argos	ARSN	4,375	4,717	2	1,887 to 2,830
Net balance due from connected persons			1,486			

Items (a), (b) and (c) were unsecured, interest free and with no fixed term of repayment, which represented better terms than normal commercial terms, and therefore were exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.65(4) of the GEM Listing Rules.

Items (d), (e) and (f) were unsecured, with no fixed term of repayment and carried interests at 10% per annum, which were considered by the Directors to be not on normal commercial terms, and therefore were subject to reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.63 of the GEM Listing Rules. Since the Company had not issued any announcement, circular nor obtained independent Shareholders' approval regarding the above advances, such failure constituted a breach of Rule 20.63 of the GEM Listing Rules.

The aggregate new advances (by summing up all new advances) in 2004 made by the Group to Dongguan Shatin Marina Club Ltd (i.e. items (g) to (i)) and to ARSN (i.e. items (j) to (l)) were approximately HK\$3,703,000 and HK\$8,019,000 respectively. These advances were unsecured, interest free and with no fixed term of repayment, which was considered by the Directors to be not on normal commercial terms.

As the size test ratios in respect of the aggregate new advances (by summing up all new advances) to Dongguan Shatin Marina Club Ltd fell within 5% and 25% range, these transactions constituted a connected and discloseable transactions on the part of the Company and were subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules. Since the Company had not issued any announcement, circular or obtained independent Shareholders' approval regarding these advances (i.e. items (g) to (i)), such failure constituted breaches of Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules.

When in aggregate with the outstanding balance of approximately RMB11,650,000 in respect of the loan as set out in Finding 1 above, the aggregate amount due from ARSN amounted to approximately HK\$19,669,000, which was more than 8% of the total assets of the Group as at 31 December 2004. Non-disclosure of such advances was in breach of the disclosure requirements under Rule 17.17 of the GEM Listing Rules.

As the size test ratios in respect of the aggregate new advances (by summing up all new advances) to ARSN exceeded 25% but less than 100%, these transactions constituted connected and major transactions on the part of the Company and were subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules. Since the Company had not issued any announcement, circular or obtained independent Shareholders' approval regarding these advances (i.e. items (j) to (l)), such failure constituted breaches of Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules.

2. Inter-company balances for the year ended 31 December 2005

Item	Group Companies	Connected Persons	Balances as at 31 December 2005 <i>(due to)/due from connected persons</i> HK\$'000	Maximum balances during the year 2005 <i>(due to)/due from connected persons</i> HK\$'000	No. of new advances	Range of new advances amounts <i>(due to)/due from connected persons</i> HK\$'000	Comment
Advances made by Connected Persons to the Group							
(a)	The Company	ABS Co. Ltd	(4,521)	(5,731)	9	(35) to (2,120)	
(b)	ABS (China)	ABS Co. Ltd	(10,164)	(10,164)	13	(9) to (1,671)	
(c)	The Company	ARSHK	(1,040)	(8,040)	1	(7,540)	
(d)	ABS (China)	Metro Line Tours Ltd	(237)	(237)	1	(20)	
(e)	ABS (China)	Faithway Development Ltd	(592)	(592)	1	(50)	
(f)	ABS (China)	Constant Success Ltd	(355)	(355)	1	(30)	
Advances made by the Group to Connected Persons							
(g)	ABS (China)	Dongguan Shatin Marina Club Ltd	85	85	0	0	Brought forward from last year
(h)	AEMC	Dongguan Shatin Marina Club Ltd	2,453	2,453	0	0	Brought forward from last year
(i)	Nanjing Argos	Dongguan Shatin Marina Club Ltd	1,165	1,165	0	0	Brought forward from last year
(j)	Nanjing Travel	ARSN	1,415	1,415	0	0	Brought forward from last year
(k)	AEMC	ARSN	5,189	5,189	2	472 to 2,830	
(l)	Nanjing Argos	ARSN	5,330	7,145	16	19 to 1,698	
Net balance due to connected persons			(1,272)				

Items (a) and (b) were unsecured, with no fixed term of repayment and carried interests at P+2%, which was considered by the Directors to be on normal commercial terms with reference to the best lending rate offered by commercial bank at December 2005, and therefore were exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.65(4) of the GEM Listing Rules. Item (c) was unsecured, interest free and with no fixed term of repayment, which represented better terms than normal commercial terms, and therefore was also exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.65(4) of the GEM Listing Rules.

Items (d), (e) and (f) were balances brought forward from 2004. The increment in individual balances represented the interest (i.e 10% per annum) charged during 2005.

Items (g) to (j) were balances brought forward from 2004.

Item (k) was unsecured, interest free and with no fixed term of repayment while item (l) was unsecured, with no fixed term of repayment and carried interests at 6.13%, which were considered by the Directors to be not on normal commercial terms. There were no new advances in 2005 made by the Group to Dongguan Shatin Marina Club Ltd. The aggregate new advances in 2005 made by the Group to ARSN were approximately HK\$10,237,000 (by summing up all new advances by the Group to ARSN in 2005), which was more than 3% of the total assets of the Group as at 31 December 2004 and, therefore, non-disclosure of such new advances was in breach of the disclosure requirements under Rule 17.17 of the GEM Listing Rules.

As the size test ratios in respect of the aggregate new advances (by summing up all new advances) to ARSN exceeded 25% but less than 100%, these transactions constituted connected and major transactions on the part of the Company and were subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules. Since the Company had not issued any announcement, circular or obtained independent Shareholders' approval regarding these new aggregate advances in 2005, such failure constituted breaches of Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules.

3. Inter-company balances for the year ended 31 December 2006

Item	Group Companies	Connected Persons	Balances as at 31 December 2006 <i>(due to)/due from connected persons</i> HK\$'000	Maximum balances during the year 2006 <i>(due to)/due from connected persons</i> HK\$'000	No. of new advances	Range of new advances amounts <i>(due to)/due from connected persons</i> HK\$'000	Comment
Advances made by Connected Persons to the Group							
(a)	The Company	ABS Co. Ltd	(6,046)	(6,046)	10	(1) to (1,077)	
(b)	ABS (China)	ABS Co. Ltd	(8,935)	(8,935)	44	(1) to (1,017)	
(c)	The Company	ARSHK	(1,040)	(1,040)	0	0	Brought forward from last year
(d)	ABS (China)	Metro Line Tours Ltd	(257)	(257)	1	(20)	
(e)	ABS (China)	Faithway Development Ltd	(642)	(642)	1	(50)	
(f)	ABS (China)	Constant Success Ltd	(385)	(385)	1	(30)	
Advances made by the Group to Connected Persons							
(g)	ABS (China)	Dongguan Shatin Marina Club Ltd	0	85	0	0	Brought forward from last year
(h)	AEMC	Dongguan Shatin Marina Club Ltd	2,453	2,453	0	0	Brought forward from last year
(i)	Nanjing Argos	Dongguan Shatin Marina Club Ltd	1,165	1,165	0	0	Brought forward from last year
(j)	Nanjing Travel	ARSN	1,415	1,415	0	0	Brought forward from last year
(k)	AEMC	ARSN	7,075	7,075	1	1,887	
(l)	Nanjing Argos	ARSN	7,821	7,821	12	5,660 to 6,604	
(m)	ABS (China)	ARSHK	58	60	1	1	
Net balance due from connected persons			2,682				

The Group's internal policy regarding interests to be charged on inter-companies advances was revised in 2006 to the effect that the daily net balance due from connected persons was charged an interest equal to 8% per annum, which was determined by reference to the prevailing interest rate charged by commercial banks in the PRC and was considered by the Directors to be on normal commercial terms, while the daily net balance due to connected persons was free from any interest. All of the above inter-companies advances were unsecured and with no fixed term of repayment. The Directors considered that the terms of the daily net balance due from connected persons were generally in line with prevailing market conditions though not on normal commercial terms, whereas the terms of the daily net balance due to connected persons were in favour of the Company. Therefore, item (a) to (f) were of terms favourable to the Company and were exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.65(4) of the GEM Listing Rules.

No new advance was made by the Group to Dongguan Shatin Marina Club Ltd in 2006.

The aggregate new advances in 2006 made by the Group to ARSN (by summing up all new advances by the Group to ARSN in 2006, referring to item (j) to (l)) were approximately HK\$10,852,000, which was more than 3% of the total assets of the Group as at 31 December 2005 and, therefore, non-disclosure of such new advances was in breach of the disclosure requirements under Rule 17.17 of the GEM Listing Rules. As the size test ratios in respect of the new aggregate advances to ARSN exceeded 25% but less than 100%, these transactions constituted connected and major transactions on the part of the Company and were subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 20.63 of the GEM Listing Rules.

The aggregate new advance in 2006 made by the Group to ARSHK (by summing up all new advances by the Group to ARSHK in 2006, referring to item (m)) was approximately HK\$60,000, which was subject to the reporting, announcement and independent shareholders' approval requirements pursuant to 20.63 of the GEM Listing Rules. As the aggregate new advances in 2006 made by the Group to ARSHK fell below 3% of the total assets of the Group as at 31 December 2005, the disclosure requirements under Rule 17.17 of the GEM Listing Rules was not applicable in this case.

Since the Company had not issued any announcement, circular or obtained independent Shareholders' approval regarding the new advances to ARSN and ARSHK in 2006, such failure constituted a breach of Rule 19.34, 19.38 and 20.63 of the GEM Listing Rules.

4. Inter-company balances for the year ended 31 December 2007

Item	Group Companies	Connected Persons	Balances as at 31 December 2007 <i>(due to)/due from connected persons</i> HK\$'000	Maximum balances during the year 2007 <i>(due to)/due from connected persons</i> HK\$'000	No. of new advances	Range of new advances amounts <i>(due to)/due from connected persons</i> HK\$'000	Comment
Advances made by Connected Persons to the Group							
(a)	The Company	ABS Co. Ltd	0	(7,617)	16	(1) to (1,500)	
(b)	ABS (China)	ABS Co. Ltd	(17,654)	(17,654)	16	(1) to (100)	
(c)	The Company	ARSHK	0	(1,040)	0	0	Brought forward from last year
(d)	ABS (China)	Metro Line Tours Ltd	(257)	(257)	0	0	Brought forward from last year
(e)	ABS (China)	Faithway Development Ltd	0	(642)	0	0	Brought forward from last year
(f)	ABS (China)	Constant Success Ltd	(1,027)	(1,027)	0	0	Brought forward from last year
Advances made by the Group to Connected Persons							
(h)	ABS (China)	Dongguan Shatin Marina Club Ltd	0	20	0	0	
(i)	AEMC	Dongguan Shatin Marina Club Ltd	2,780	2,780	0	0	Brought forward from last year
(j)	Nanjing Argos	Dongguan Shatin Marina Club Ltd	1,069	1,283	0	0	
(k)	Nanjing Travel	ARSN	0	1,604	6	2 to 1,283	
(l)	AEMC	ARSN	7,964	8,041	6	9 to 106	
(m)	Nanjing Argos	ARSN	6,472	8,592	16	1 to 123	
(n)	ABS (China)	ARSHK	0	58	0	0	Brought forward from last year
Net balance due to connected persons			(653)				

Policy on interest charge was the same as that in financial year 2006 and, therefore, item (a) to (f) were of terms more favourable than normal commercial term and were exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.65(4) of the GEM Listing Rules.

The aggregate new advances in 2007 made by the Group to ARSN (by summing up all new advances by the Group to ARSN in 2007, referring to item (k) to (m)) were approximately HK\$1,900,000, which was subject to the reporting, announcement and independent shareholders' approval requirements pursuant to 20.63 of the GEM Listing Rules. Since the Company had not issued any announcement, circular or obtained independent Shareholders' approval regarding the new advances to ARSN in 2007, such failure constituted a breach of Rule 20.63 of the GEM Listing Rules.

With effect from 1 January 2008, it is the Group's new policies that :

1. no new advance will be granted by the Group to any connected persons in Hong Kong or the PRC; and
2. the major Shareholder undertakes to the Company to continue to support the operation of the Group whenever necessary by granting funding to the Group which shall be unsecured, with no fixed term of repayment and interest free. As such terms are considered by the Directors to be better than normal commercial terms, such financial assistance by connected persons shall be exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 20.65(3) of the GEM Listing Rules.

As at 31 December 2007, the aggregate outstanding balances due from and due to connected persons was HK\$18,284,000 and HK\$18,937,000 respectively, which resulted in a net outstanding inter-companies balance due to connected persons of HK\$653,000. According to the existing policy adopted since 2006 as set out above, this net outstanding balances due to connected persons will be interest free and with no fixed term of repayment. Considering the effect of new policies 1 and 2 above, the net outstanding inter-companies balance will remain to be a credit, which means a repayable to connected persons. Considering that it is unsecured, interest free and with no fixed term of repayment, it is better than normal commercial terms and therefore exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 20.65(3) of the GEM Listing Rules.

Finding 3 – Financial assistance given by Nanjing Argos to ARSN

A guarantee (the "Loan Guarantee") was given by Nanjing Argos to ARSN on 16 December 2003 to secure a loan of RMB 6 million (the "2003 Loan") advanced by an independent party to ARSN for the construction of the Nanjing Fitness Centre. The 2003 Loan has been fully settled on 16 May 2005 by ARSN and the corresponding contingent liability under the Loan Guarantee had been fully discharged.

As mentioned above, ARSN was a connected person of the Company. Since the Group did not derive any commercial remuneration arising from the Loan Guarantee, the Directors therefore considered that it was not on normal commercial terms. The Loan Guarantee was subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.50 of the Old GEM Listing Rules. Accordingly, non-compliance therewith was in breach of Rule 20.50 of the Old GEM Listing Rules.

As the size test ratios in respect of the Loan Guarantee were less than 15%, the Loan Guarantee would not be subject to any reporting and approval requirements under Chapter 19 of the Old GEM Listing Rules.

Finding 4 – Performance Guarantee amounting to RMB5 million for ARSHK and 南京全民健身中心有限公司

A subcontracting agreement (the “Subcontracting Agreement”) was entered into by ARSHK and Nanjing Fitness Centre Limited on 19 September 2003 for the operation of Nanjing Fitness Centre in which AEMC acted as the guarantor to a RMB5 million performance guarantee (the “Performance Guarantee”) in favor of 南京市體育局 in respect of the due observance of ARSHK's obligation stipulated in the Subcontracting Agreement.

As at 17 October 2007, the Performance Guarantee has been formally discharged. Other than being the guarantor to the performance of ARSHK under the Subcontracting Agreement, there were no further obligations on AEMC and the Group pursuant to Subcontracting Agreement.

ARSHK was an associate of Mr. Wilson Wong (deceased, a then Director) and Mr. Ronnie Wong (a current Director), and therefore a connected person of the Company. Since the Group did not derive any commercial remuneration arising from the Performance Guarantee, the Directors therefore considered that it was not on normal commercial terms. The Performance Guarantee was subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.50 of the Old GEM Listing Rules then operative. Accordingly, non-compliance therewith was in breach of Rule 20.50 of the Old GEM Listing Rules.

As the size test ratios in respect of the Performance Guarantee were less than 15%, the Performance Guarantee would not be subject to any reporting and approval requirements under Chapter 19 of the Old GEM Listing Rules.

Finding 5 – Utilization of HK\$1 million by Argos Bus Services Company Limited (“ABS”) from an overdraft banking facilities granted by Bank of Communication on 24 December 2002 with pledge provided by the Company

An overdraft (“OD”) banking facilities of HK\$11.5 million has been granted by Bank of Communication on 24 December 2002 against pledge of a fixed deposit of HK\$10 million by the Company. The OD was utilized as to HK\$10.5 million by the Company and as to HK\$1 million by ABS. The OD banking facilities of HK\$1 million utilized by ABS has been cancelled by Bank of Communication on 18 March 2008.

ABS was a wholly-owned subsidiary of Sino Market Enterprises Ltd, which was the major Shareholder and therefore a connected person of the Company. Since the Group did not derive any commercial remuneration arising from the OD utilized by ABS, the Directors therefore considered that such arrangement was not on normal commercial terms. The utilization of HK\$1 million by ABS was subject to the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 20.50 of the Old GEM Listing Rules then operative. Accordingly, non-compliance therewith was in breach of Rule 20.50 of the Old GEM Listing Rules.

Save for the above findings, to the best of the Directors’ knowledge, information and belief, the Group has not entered into other connected transactions which were required to be disclosed under the Old GEM Listing Rules and/or GEM Listing Rules.

EFFECTS ON THE CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY THE COMPANY

In relation to the above findings revealed as a result of the Group’s internal investigation, the effects on the consolidated financial statements issued by the Company for the three financial years ended 31 December 2006 are as follows:

1. Finding 1 was omitted from the financial statements for the two financial years ended 31 December 2005. The effect of the Omission was that both the consolidated assets and the liabilities of the Group in the financial years ended 31 December 2004 and 31 December 2005 were understated by RMB12,000,000 (equivalent to approximately HK\$11,650,000) and that both the consolidated interest income and expense of the Group for the financial years ended 31 December 2004 and 31 December 2005 were respectively understated by approximately RMB282,000 (equivalent to approximately HK\$274,000) in 2004 and approximately RMB688,000 (equivalent to approximately HK\$668,000) in 2005. However, the Omission would not have any material effects on the net asset values and net profits of the Group in its consolidated financial statements for the years ended 31 December 2004 and 31 December 2005.

This bank borrowing (together with its interest element) has then been properly accounted for and adjusted in 2006 Annual Report by prior period adjustments and reflected in the 2006 figures and 2005 comparative figures. The RMB12 million bank loan has been disclosed in the notes 2(ii)(5) (regarding the corresponding prior years adjustment), 16 (regarding disclosure of inter-company balance as at balance sheet date) and 37 (regarding interest element of the RMB12 million loan) to the financial statements in the 2006 Annual Report.

2. Finding 2 was duly reported in the financial statements for the four years ended 31 December 2007. Inter-company current account transactions between the Group and connected persons were reported on a net-off basis as set out in the notes to the financial statements in the annual reports since 2004.

It has been a practice of the Group since 2004 to arrange net-off agreements to be signed between relevant subsidiaries of the Group and connected persons in respect of outstanding balances due from and/or to connected persons. Based on the net-off agreements signed among the Company, its subsidiaries and related companies to settle all the amounts due to related companies by the Group and the amounts due from related companies to the Group, both the Directors and THKC considered that the amounts due from and/or to related companies shall be offset and the net amount shown in the balance sheet is fairly stated since all the Company, its subsidiaries and related companies have a legally enforceable right to set off the recognized amounts and have intended to settle on a net basis, or to realize the asset and settle the liability simultaneously. This accounting treatment has been adopted according to HKAS 32 paragraph 42 – “Offsetting a Financial Asset and a Financial Liability” and this net-off practice was consistently applied to the Company’s audited financial statements.

3. Finding 3, 4 and 5 were not reported in any of the Group financial statements since the Directors were of the opinion that likelihood of these contingent liabilities being actually materialized would be remote, and henceforth no disclosure in the annual reports of the Company would be necessitated.

THKC has further confirmed that they had conducted a full scope audit on the financial statements of the Group for the three years ended 31 December 2004, 2005 and 2006 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. They planned and conducted the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements. They had obtained sufficient and appropriate audit evidence to enable them to confirm to the management that, except those mentioned in the prior year adjustments, they were not aware of any other significant errors or omissions in the financial statements of the Group for the years ended 31 December 2004 and 2005. The prior year adjustments were mainly caused by (i) improper policies and procedures in preparing the financial statements due to inadequate internal control enforced by the management; (ii) classification error made by PRC accounting staff due to the insufficient knowledge of connected party transactions; and (iii) misinterpretation of

accounting principle due to insufficient knowledge in Hong Kong accounting standards by accounting staff in the PRC. As a result of the prior year adjustments, the retained earnings as at 1 January 2005 and the profit for the year ended 31 December 2005 were increased by HK\$3,472,000 and HK2,687,000 respectively. The Group implemented reformed internal control system in (i) corporate governance, (ii) financial reporting, (iii) accounting procedures and documentations (further explain in the following paragraph of this announcement) in order to enhance its financial reporting function, which has been reviewed by MCC with satisfactory results.

The Directors and THKC considered that Finding 3 has been fully settled on 16 May 2005 so that no disclosure is required.

For Finding 4, the Performance Guarantee was substantially fulfilled by ARSHK in providing the committed financial assistance to Nanjing Fitness Centre Limited in early 2005 and Nanjing Fitness Centre Limited commenced its operation in 2005. The Performance Guarantee was formally discharged on 17 October 2007. THKC concurs with the opinion of the Directors that the likelihood of the contingent liabilities were far too remote and that no specific disclosure in the annual reports of the Company was considered necessary.

For Finding 5, the Directors and THKC had reviewed the 2006 audited report of ABS and consider that total assets of ABS far exceeded the financial assistance of HK\$1 million provided by the Group. The contingent liability of the financial assistance extended to ABS was then considered remote and the amount involving was considered immaterial. THKC concurs with the opinion of the Directors that the likelihood of the contingent liabilities were far too remote and that no specific disclosure in the annual reports of the Company were considered necessary.

INTERNAL CONTROL REVIEW

In order to find out the causes leading to the Omission and the various findings as mentioned above, the Company has engaged MCC to review the internal control procedures, risk management system and corporate governance practices of the the Company and two major operating subsidiaries, namely Nanjing Argos and Taizhou Argos Public Transport Bus Company Limited (“Taizhou Argos”) in May 2007 with the specific objective of identifying weakness areas which should be strengthened in order to prevent future financial reporting omissions and regulatory breaches. Based on the internal control review report dated 13 September 2007 (the “ICR Report”) issued by MCC, the following major weakness areas have been identified:

- Non-compliance with certain paragraphs (paragraph: A6.2-Timely provide information to the board for decision making, B1.1-Remuneration committee with specific terms, B1.5-Remuneration committee be provided with sufficient resource, C1.1-Management should provide sufficient explanation and information to the board before the approval of relevant matters and C3.4-Terms of reference for audit committee) of Appendix 15 “Code on Corporate Governance Practices” of the GEM Listing Rules;

- Inadequate company policies and procedures on operating cycles of the Company leading to the effect of unclear instructions given to staff;
- Insufficient knowledge of the management and finance staff on GEM Listing Rules and financial disclosures of a listing company for proper financial disclosures in annual reports;
- The low awareness of the importance of internal control procedures by certain management and staff;
- Ineffective communication mechanism maintained within the Group;
- Insufficient information provided to management for monitoring purpose;
- Inadequate controls implemented in respect of financial reporting, accounting procedures and documentations; and
- Inadequate reporting and confirmation procedures implemented for related party transactions.

The Board has then adopted all recommendations as suggested in the ICR Report. Two follow-up reviews were conducted by MCC in October and November 2007 respectively on the effective implementation of the reformed internal control system in respect of (i) corporate governance, (ii) financial reporting, (iii) accounting procedures and documentations.

According to the latest follow up review report dated 23 January 2008, MCC concluded that the following systems and controls have been in place to discharge the Company's obligations under the GEM Listing Rules:

1. Adequate policies and procedures are already in place for authorization of bank borrowings and connected transactions – the Group's policies and procedures were revised and enhanced to ensure the adequacy of proper authorization of bank borrowings and approval of connected transactions;
2. Adequate system to capture connected and related parties – frequent update and circularize a list of connected parties within the Group in order to identify connected parties promptly;
3. Familiarization with GEM Listing Rules, financial reporting standards and internal control by senior management – internal and external trainings have been regularly provided to the Directors and senior management;
4. Re-structuring of the Board so as to strengthen its composition, level of expertise and independence – please refer to the paragraph headed "Restructuring of the Board" below;

5. Adequate systems and controls on financial reporting – the Group had strengthened its controls on financial reporting by implementing additional monthly reporting requirements to its subsidiaries; and
6. Formation of internal audit team – to perform internal audit function in order to ensure the Group’s policies and procedure being followed and to monitor the control activities of the Group.

MCC considers that the Company has adequate systems and controls in place to properly discharge its obligations under the GEM Listing Rules, including the Code on Corporate Governance Practices, financial reporting, accounting procedures and documentations.

RESTRUCTURING OF THE BOARD

With a view of restoring the confidence of and safeguarding the interest of the shareholders of the Company, a restructuring of the Board has been carried out with effect from 14 February 2008 whereby the Company has appointed two additional executive directors who are independent of the Controlling Shareholder and one of whom being a qualified professional to act as the Company’s new Compliance Officer. Details of the restructuring of the Board has been announced by the Company on 14 February 2008, which is summarized below:

1. Mr. Wong Wah Sang was re-designated as non-executive Director and non-executive Chairman of the Company.
2. Mr. Yeung Wai Hung resigned as the executive Director and compliance officer, while remained as an executive director of Argos Bus Services (China) Company Limited, a 100% owned subsidiary of the Company.
3. Mr. Cheng Wing Hong was appointed as an executive Director and the compliance officer.

Mr. Cheng Wing Hong (“Mr. Cheng”), aged 34, holds Bachelor’s degrees in Finance and International Business from the University of Hawaii at Manoa and a Master’s degree in Practising Accounting granted jointly by the University of Hong Kong and Monash University. Mr. Cheng obtained the qualification of Certified Practising Accountant, Australia, since 2001 and Hong Kong Institute of Certified Public Accountants since 2008. Mr. Cheng has over ten year accounting experience and has joined the Group since June 2006. Mr. Cheng is the company secretary and qualified accountant of the Company.

4. Mr. Chui Wai Cheung was appointed as an executive Director.

Mr. Chui Wai Cheung (“Mr. Chui”), aged 56, holds a Bachelor’s degree in Science (Financial Management) from University of San Francisco, the United States of America. Mr. Chui has more than twenty years of experience in banking and financial control, and specializes in financial analysis, corporate management and supervision, cost control and cash management.

The Directors consider that the reformed Board will be able to carry out improved corporate governance practices and financial control and reporting functions as well as a more balance-and-check function in the Board. As a result, the composition and function of the Board has been strengthened in terms of its composition, level of expertise and independence.

Furthermore, Mr. Wong Wah Sang and Mr. Wong Man Chiu, Ronnie have undertaken to the Exchange that each of them will undertake training in compliance and corporate governance matters for at least 24 hours on courses held by the Hong Kong Institute of Directors or another recognized institutions acceptable to the Exchange within six months from the date of the resumption of trading in the Shares; and report completion of such training to the Exchange with evidence of attendance within 2 weeks after full compliance with the training requirement.

INTERNAL AUDIT TEAM

The Company has set up an internal audit team, which is led by a newly recruited consultant, who before joining the Company as consultant on 1 September 2007, had worked for an international accounting firm for about 12 years and held the position as senior manager. He is assisted by an employee, who is familiarized with the public transportation operation of the Group and will station in the PRC to ensure that the group’s revised financial reporting policies, procedures and control are properly complied with.

The management of the Company considers the members of the internal audit team, with their wide range experience in auditing, finance, corporate governance, accounting and public transportation operation, are capable of carrying out their function properly.

With the above-mentioned remedial and corrective measures undertaken by the Company, the Board is confident that the Company’s financial reporting reliability, corporate governance, internal control and regulatory compliance will be ensured.

APPOINTMENT OF COMPLIANCE ADVISER

The Company has appointed GF Capital (Hong Kong) Limited, a corporation licensed under the Securities and Futures Ordinance to conduct types 6 (advising on corporate finance) regulated activity, pursuant to GEM Listing Rules 6A.20 as a Compliance Adviser (as defined therein) to provide guidance and advice on the Company's GEM Listing Rules compliance issues for a period commencing on the date of resumption of trading in the Shares and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of the Compliance Adviser. During such period, the Company will consult with and seek advice from the Compliance Adviser on a timely basis in circumstances set out in GEM Listing Rules 6A.23 and the Compliance Adviser must discharge its responsibilities with due care and skill as required under GEM Listing Rule 6A.24.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:34 a.m. on 26 March 2007. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 June 2008.

TERMS USED IN THIS ANNOUNCEMENT

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

“ABS”	Argos Bus Services Company Limited, wholly owned by Sino Market Enterprises Ltd. which is the major Shareholder of the Company
“ABS (China)”	Argos Bus Services (China) Company Limited, a wholly owned subsidiary of the Company
“AEMC”	Argos Enterprise Management and Consultant (Nanjing) Limited, a wholly owned subsidiary of the Company
“ARSN”	Argos Recreation and Sports (Nanjing) Company Limited, a connected person of the Company, which owned as to 100% by ARSHK
“ARSHK”	Argos Recreation and Sports Development Company Limited, a connected person of the Company
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules

“Board”	the board of Directors
“Business Day”	a day, other than Saturday, on which banks in the Hong Kong are open for business
“BVI”	the British Virgin Islands
“Company”	Argos Enterprise (Holdings) Limited, incorporated in Hong Kong and whose shares are listed on the Growth Enterprise Market of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party and, if applicable, the ultimate beneficial owner of the party who is independent of the Company and connected persons of the Company
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange elected or appointed in accordance with the Articles of Association of the Stock Exchange
“Nanjing Argos”	Nanjing Public Transport Argos Bus Company Limited, a 60% owned subsidiary of the Company
“Nanjing Fitness Centre”	A jointly invested by the Nanjing Municipal Government and the Sports Bureau of Nanjing and managed by Argos Recreation and Sports (Nanjing) Company Limited
“Nanjing Fitness Centre Limited”	南京全民健身中心有限公司, an Independent Third Party

“Nanjing Travel”	Nanjing Argos Scenery Travel Service Ltd, an 99% subsidiary of the Company
“Old GEM Listing Rules”	old GEM Listing Rules which adopted on or before 31 March 2004
“PRC”	The People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taizhou Argos”	Taizhou Argos Public Transport Bus Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For illustration purpose only, translations of RMB into HK\$ are at the rate of RMB1.00 = HK\$1.00

By order of the Board
Argos Enterprise (Holdings) Limited
Wong Man Chiu
Director

Hong Kong, 27 June 2008

As of the date hereof, the executive Directors are, Mr. Wong Man Chiu, Ronnie, Mr. Cheng Wing Hong and Mr. Chui Wai Cheung; the non-executive Directors are Mr. Wong Wah Sang and Mr. Wilkie Wong; while the independent non-executive Directors are Mr. Sung Wai Tak, Herman, Mr. Cheung Man Yau, Timothy and Mr. Wong Lit Chor, Alexis.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the company at www.argosenterprise.com.