



ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

INTERIM RESULTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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This announcement, for which the directors of ARGOS ENTERPRISE (HOLDINGS) LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange for the purpose of giving information with regard to ARGOS ENTERPRISE (HOLDINGS) LIMITED. The directors of ARGOS ENTERPRISE (HOLDINGS) LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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.

HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$91,951,000 for the six months ended 30 June 2008 (2007: approximately HK\$80,453,000), representing an increase of approximately 14% as compared with the turnover for the corresponding period in 2007.
- Loss from ordinary activities attributable to shareholders of approximately HK\$4,542,000 for the six months ended 30 June 2008 (profit from ordinary activities attributable to shareholders for the six months ended 30 June 2007: approximately HK\$295,000) was mainly contributed by the increase in cost of services and administrative expenses.
- Basic loss per share for the six months ended 30 June 2008 was approximately HK2.52 cents. (Basic earnings per share for the six months ended 30 June 2007: approximately HK0.16 cent)
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

INTERIM RESULTS

For the six months ended 30 June 2008 (Unaudited)

The board (the “Board”) of directors (the “Directors”) of Argos Enterprise (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months and three months ended 30 June 2008 together with the comparative unaudited figures for the corresponding periods in 2007 (the “Relevant Periods”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 June | | Three months ended 30 June | |
|--|-------|-----------------------------|--------------|-------------------------------|--------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| TURNOVER | 2 | 91,951 | 80,453 | 48,705 | 43,299 |
| COST OF SERVICES | | (87,724) | (65,845) | (49,187) | (35,292) |
| GROSS PROFIT | | 4,227 | 14,608 | (482) | 8,007 |
| OTHER REVENUE | 2 | 12,004 | 1,741 | 10,444 | 300 |
| INTEREST INCOME | | 383 | 179 | 299 | 112 |
| ADMINISTRATIVE EXPENSES | | (20,194) | (13,642) | (11,725) | (5,935) |
| FINANCE COSTS | 4 | (1,707) | (1,086) | (931) | (378) |
| (LOSS)/PROFIT BEFORE TAXATION | | (5,287) | 1,800 | (2,395) | 2,106 |
| TAXATION | 5 | - | (317) | - | (503) |
| (LOSS)/PROFIT FOR THE PERIOD | | <u>(5,287)</u> | <u>1,483</u> | <u>(2,395)</u> | <u>1,603</u> |
| ATTRIBUTABLE TO: EQUITY HOLDERS OF THE COMPANY | | (4,542) | 295 | (2,675) | 717 |
| MINORITY INTERESTS | | (745) | 1,188 | 280 | 886 |
| | | <u>(5,287)</u> | <u>1,483</u> | <u>(2,395)</u> | <u>1,603</u> |
| (LOSS)/EARNINGS PER SHARE | | | | | |
| - BASIC (CENT) | 6 | <u>(2.52)</u> | <u>0.16</u> | <u>(1.49)</u> | <u>0.40</u> |
| - DILUTED (CENT) | 6 | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | <i>Notes</i> | As at 30 June 2008 <i>HK\$'000</i> (Unaudited) | As at 31 December 2007 <i>HK\$'000</i> (Audited) |
|--|--------------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 156,495 | 133,415 |
| Investment properties | | 1,467 | 1,380 |
| Land use rights | | 5,574 | 5,256 |
| Intangible assets | | 1,326 | 1,220 |
| Available for sale financial assets | | 1,234 | 1,161 |
| | | <hr/> 166,096 | <hr/> 142,432 |
| Current assets | | | |
| Inventories | | 2,703 | 2,315 |
| Trade and other receivables | 7 | 31,423 | 21,832 |
| Fixed deposits | | 10,000 | 10,000 |
| Cash and bank balances | | 38,158 | 36,640 |
| | | <hr/> 82,284 | <hr/> 70,787 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Bank borrowings | | 22,513 | 16,485 |
| Advertising income on fleet body receipt in advance | | 1,401 | 1,093 |
| Trade payables and other payables | | 100,652 | 89,354 |
| Amount due to major shareholders | | 851 | 653 |
| Convertible bonds | 8 | 7,164 | 6,948 |
| Deferred income | | 13,373 | 6,865 |
| Tax payable | | 709 | 809 |
| | | <hr/> 146,663 | <hr/> 122,207 |
| Net current liabilities | | <hr/> (64,379) | <hr/> (51,420) |
| Total Assets Less Current Liabilities | | <hr/> 101,717 | <hr/> 91,012 |

| <i>Notes</i> | As at 30 June 2008 HK\$'000 (Unaudited) | As at 31 December 2007 HK\$'000 (Audited) |
|--|--|--|
| Non-current liabilities | | |
| Bank and other borrowings | 18,909 | 10,620 |
| Advertising income on fleet body receipt in advance | 3,884 | 3,763 |
| Deferred tax liabilities | 1,014 | 963 |
| | <hr/> 23,807 <hr/> | <hr/> 15,346 <hr/> |
| NET ASSETS | <hr/> 77,910 <hr/> | <hr/> 75,666 <hr/> |
| CAPITAL AND RESERVES | | |
| Share capital | 1,800 | 1,800 |
| Reserves | 47,242 | 48,318 |
| | <hr/> 28,868 <hr/> | <hr/> 25,548 <hr/> |
| MINORITY INTERESTS | <hr/> 77,910 <hr/> | <hr/> 75,666 <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share premium | Exchange reserve | Merger reserve | General reserves | Revaluation reserve | Convertible bonds reserve | Retained earnings | Sub-total | Minority interests | Total |
|--|------------------|---------------------|-------------------|---------------------|------------------------|---------------------------------|----------------------|---------------|-----------------------|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1 January 2007 | 29,200 | 4,647 | (490) | 3,227 | 48 | - | 16,324 | 52,956 | 24,800 | 77,756 |
| Profit for the period | - | - | - | - | - | - | 273 | 273 | 915 | 1,188 |
| Currency translation difference | - | 18 | - | - | - | - | - | 18 | - | 18 |
| As at 30 June 2007 | 29,200 | 4,665 | (490) | 3,227 | 48 | - | 16,597 | 53,247 | 25,715 | 78,962 |
| Loss for the period | - | - | - | - | - | - | (9,392) | (9,392) | (4,772) | (14,164) |
| Changes in fair value of leasehold buildings | - | - | - | - | 136 | - | - | 136 | - | 136 |
| Recognition of equity component of convertible bonds | - | - | - | - | - | 432 | - | 432 | - | 432 |
| Capital contribution from a minority shareholder | - | - | - | - | - | - | - | - | 2,556 | 2,556 |
| Currency translation differences | - | 3,895 | - | - | - | - | - | 3,895 | 2,049 | 5,944 |
| As at 31 December 2007 | 29,200 | 8,560 | (490) | 3,227 | 184 | 432 | 7,205 | 48,318 | 25,548 | 73,866 |
| Loss for the period | - | - | - | - | - | - | (4,542) | (4,542) | (745) | (5,287) |
| Currency translation differences | - | 3,466 | - | - | - | - | - | 3,466 | 4,065 | 7,531 |
| As at 30 June 2008 | <u>29,200</u> | <u>12,026</u> | <u>(490)</u> | <u>3,227</u> | <u>184</u> | <u>432</u> | <u>2,663</u> | <u>47,242</u> | <u>28,868</u> | <u>76,110</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash inflow from operating activities | 7,349 | 4,797 |
| Net cash (outflow)/inflow from investing activities | (23,663) | 1,422 |
| Net cash inflow/(outflow) from financing activities | 14,436 | (1,239) |
| | <hr/> | <hr/> |
| (Decrease)/increase in cash and cash equivalents | (1,878) | 4,980 |
| Effect of foreign exchange rate changes | 3,466 | 18 |
| Cash and cash equivalents at the beginning of the period | 26,084 | 10,211 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period | <u>27,672</u> | <u>15,209</u> |
| | <hr/> | <hr/> |
| Analysis of balances of cash and cash equivalents: | | |
| Bank balances and cash | 38,158 | 25,653 |
| Bank overdrafts | (10,486) | (10,444) |
| | <hr/> | <hr/> |
| | <u>27,672</u> | <u>15,209</u> |
| | <hr/> | <hr/> |

Notes:

1. Basis of preparation and principal accounting policies

The Group's financial statements have been prepared under the historical cost convention and in accordance with the Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies adopted in preparing the unaudited consolidated interim results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2007.

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

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The condensed consolidated interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

2. Turnover and revenue

The Group is engaged in the rendering of bus services through public routes, bus hire and sightseeing ticket, taxi rental and rental as well as management fees. Revenue recognized during the Relevant Periods are as follows:

| | Six months ended | | Three months ended | |
|---|-----------------------|----------------------|----------------------|----------------------|
| | 30 June | | 30 June | |
| | 2008 | 2007 | 2008 | 2007 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Turnover | | | | |
| Related bus services | | | | |
| – Public bus routes | 68,723 | 58,087 | 36,480 | 32,609 |
| – Bus hire services and sightseeing ticket | 13,962 | 13,205 | 8,442 | 7,227 |
| Taxi rental | 7,085 | 7,338 | 2,992 | 2,745 |
| Rental income | 1,121 | 822 | 562 | 288 |
| Management fee | 1,060 | 1,001 | 229 | 430 |
| | <u>91,951</u> | <u>80,453</u> | <u>48,705</u> | <u>43,299</u> |
| Other revenue | | | | |
| Advertising income on fleet body | 581 | 639 | 298 | 120 |
| Subsidy from local authority | 10,682 | – | 10,090 | – |
| Sundries | 741 | 1,102 | 56 | 180 |
| | <u>12,004</u> | <u>1,741</u> | <u>10,444</u> | <u>300</u> |
| Total revenue | <u><u>103,955</u></u> | <u><u>82,194</u></u> | <u><u>59,149</u></u> | <u><u>43,599</u></u> |

3. Segmental information

No geographical segment analysis of the Group's performance for the six months ended 30 June 2008 is presented as all of the turnover and contribution to operating results of the Group are attributable in the People's Republic of China (the "PRC").

An analysis of the Group's revenues and results for the period by business segments is as follows:

(i) For the six months ended 30 June 2008 (Unaudited)

| | Public bus routes | Bus hire services and sightseeing ticket | Taxi Rental | Rental income | Management fee | Total |
|-------------------------------|------------------------------|---|------------------------|--------------------------|---------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 68,723 | 13,962 | 7,085 | 1,121 | 1,060 | 91,951 |
| Cost of services | (68,444) | (12,458) | (5,405) | (627) | (790) | (87,724) |
| Gross profit | 279 | 1,504 | 1,680 | 494 | 270 | 4,227 |
| Administrative expenses | (8,616) | (194) | (703) | (168) | (24) | (9,705) |
| Segment results | (8,337) | 1,310 | 977 | 326 | 246 | (5,478) |
| Unallocated items: | | | | | | |
| Other revenue | | | | | | 12,004 |
| Interest income | | | | | | 383 |
| Administrative expenses | | | | | | (10,489) |
| Finance costs | | | | | | (1,707) |
| Loss before taxation | | | | | | (5,287) |
| Taxation | | | | | | - |
| Loss for the period | | | | | | <u>(5,287)</u> |
| Loss attributable to: | | | | | | |
| Equity holders of the Company | | | | | | (4,542) |
| Minority interests | | | | | | (745) |
| | | | | | | <u>(5,287)</u> |

(ii) For the six months ended 30 June 2007 (Unaudited)

| | Public bus routes <i>HK\$'000</i> | Bus hire services and sightseeing ticket <i>HK\$'000</i> | Taxi Rental <i>HK\$'000</i> | Rental income <i>HK\$'000</i> | Management fee <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------------|---|---|-----------------------------------|-------------------------------------|--------------------------------------|--------------------------|
| Turnover | 58,088 | 13,204 | 7,338 | 822 | 1,001 | 80,453 |
| Cost of services | (48,372) | (10,610) | (5,452) | (611) | (800) | (65,845) |
| Gross profit | 9,716 | 2,594 | 1,886 | 211 | 201 | 14,608 |
| Administrative expenses | (8,099) | (2,120) | (1,154) | (129) | - | (11,502) |
| Segment results | 1,617 | 474 | 732 | 82 | 201 | 3,106 |
| Unallocated items: | | | | | | |
| Other revenue | | | | | | 1,741 |
| Interest income | | | | | | 179 |
| Administrative expenses | | | | | | (2,140) |
| Finance costs | | | | | | (1,086) |
| Profit before taxation | | | | | | 1,800 |
| Taxation | | | | | | (317) |
| Profit for the period | | | | | | <u>1,483</u> |
| Profit attributable to: | | | | | | |
| Equity holders of the Company | | | | | | 295 |
| Minority interests | | | | | | 1,188 |
| | | | | | | <u>1,483</u> |

4. Finance costs

| | Six months ended | | Three months ended | |
|---------------------------------------|------------------|--------------|--------------------|-------------|
| | 30 June | | 30 June | |
| | 2008 | 2007 | 2008 | 2007 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Interest on bank loans and overdrafts | <u>1,707</u> | <u>1,086</u> | <u>931</u> | <u>378</u> |

5. Taxation

The taxation charge comprises:

| | | Six months ended | | Three months ended | |
|-----------------------|------|------------------|-------------|--------------------|-------------|
| | | 30 June | | 30 June | |
| | | 2008 | 2007 | 2008 | 2007 |
| | Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Hong Kong profits tax | (i) | – | – | – | – |
| Overseas taxation | (ii) | – | 317 | – | 503 |
| | | <u>–</u> | <u>317</u> | <u>–</u> | <u>503</u> |

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

(ii) Taxation arising in other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

6. (Loss)/earnings per share

The calculation of the basic loss per share is based on loss from the ordinary activities attributable to shareholders for the six months and three months ended 30 June 2008 of approximately HK\$4,542,000 and HK\$2,675,000 respectively (corresponding periods of 2007 profit from ordinary activities attributable to shareholders: approximately HK\$295,000 and HK\$717,000 respectively) and on 180,000,000 (2007: 180,000,000) shares in issue during the periods.

No diluted earnings per share have been presented as the exercise of the convertible bonds would have an anti-dilutive effect.

7. Trade and other receivables

| | As at 30 June 2008 <i>HK\$'000</i> (Unaudited) | As at 31st Dec 2007 <i>HK\$'000</i> (Audited) |
|--|--|---|
| Trade receivables (Note (a)) | 5,163 | 5,866 |
| Prepayments, deposit and other receivables | 25,484 | 15,237 |
| Amount due from a minority shareholder | 776 | 729 |
| | <u>31,423</u> | <u>21,832</u> |

(a) The aging analysis of the trade receivables were as follows:

| | As at 30 June 2008 <i>HK\$'000</i> (Unaudited) | As at 31st Dec 2007 <i>HK\$'000</i> (Audited) |
|--------------|--|---|
| Current | 3,581 | 4,655 |
| 31 – 60 days | 703 | 680 |
| 61 – 90 days | 373 | 266 |
| Over 90 days | 506 | 265 |
| | <u>5,163</u> | <u>5,866</u> |

8. Convertible bonds

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.

9. Capital commitments

As at 30 June 2008 the Group has a capital expenditure contracted for approximately RMB1,118,000.

10. Bank overdrafts, secured

As at 30 June 2008, the Group's bank overdrafts were secured by a fixed deposit of HK\$10,500,000 of the Group (2007: HK\$10,000,000).

11. Interim dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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 periods 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 contributed by 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).

Balance Sheet

As at 30 June 2008, the shareholders' funds of the Group amounted to approximately HK\$49,042,000 (2007: approximately HK\$55,049,000). Current assets amounted to approximately HK\$82,284,000 (2007: approximately HK\$68,320,000), of which approximately HK\$38,158,000 (2007: approximately HK\$43,234,000) were cash and bank deposits. The Group had long-term liabilities amounting to approximately

HK\$23,807,000 (2007: approximately HK\$5,450,000) and its current liabilities amounted 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).

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 are 2356 (2007: 2204) and the remuneration policy is 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 are denominated in Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented during the six months period ended 30 June 2008 as the Board considers that the potential foreign exchange exposure of the Group is 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

Overall turnover of the Group in the first half of 2008 somehow remained at level of same period last year in terms of Renminbi currency, approximately RMB80,900,000 (as announced result is presented in Hong Kong dollar, the increase in figures were due largely to devaluation of Hong Kong dollar against Renminbi). Global high oil prices and inflationary effect in the PRC continued to put pressure on operations in the PRC. Group 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 are actively seeking for more high potential investment opportunity in order to broaden the earning base of the Group.

Nanjing Public Transport Argos Bus Company Limited (“Nanjing Argos”)

There was slightly decrease in both turnover and passenger number in the six months period; part of the reasons was because during the snowstorm and Sichuen earthquake period, Nanjing Argos provided free transportation services to rescue teams saving lifes. Increasing oil prices, wages and overhead still caused big concern to the management. During the period, RMB12,000,000 additional capital had further been injected into the subsidiary, together with approximately RMB7,000,000 government subsidy, Nanjing Argos is 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 km) | 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, which the respective price 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 km) | 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. Thirty new air-conditioned buses were launched into service since June 2008; it was expected service and performance can 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 (buses & taxis) | 589 | 538 |
| Total mileage ('000 km) | 3,160 | 2,928 |
| Total patronage (million trip) | 7.29 | 7.30 |

Proposed Acquisition in Mobile Phone Value-Added Services Business

On 30 July 2008, Mega Field International Limited, a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with Mr. Zhang Wei Ting, an independent third party, in relation to the proposed acquisition of a company with investment in a Sino-foreign joint venture company with principal business in the provision of nation-wide telecommunications value-added services, including packaged message subscription, payment or recharging services for mobile game and entertainment, to mobile phone subscribers in the PRC.

The proposed acquisition, if materializes, may constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules and the Company shall comply with the relevant disclosure and/or shareholders' approval requirements under the GEM Listing Rules where appropriate.

The Board considered that with the increasing usage of mobile phone in the PRC, the provision of nation-wide telecommunications value-added services to mobile phone subscribers is a high potential growth business which can broaden the earning base of the Group.

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

As at 30 June 2008, none of the directors or chief executives of the Company interested in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME

On 31 July 2001, a share option scheme was approved by a written resolution of all the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and the full-time employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent. of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme). During the period from 13 August 2001 to 30 June 2008, no option has been granted or agreed to be granted to the Directors under the scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme (under which no option has yet been granted or agreed to be granted) referred to above, at no time during the six months ended 30 June 2008 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate and none of the Directors, or their spouses or children under the age of the 18, had any right to subscribe for the Shares in the Company, or had exercised any such rights.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions throughout the six months ended 30 June 2008.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 June 2008, the interest or short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name | <i>Notes</i> | Number of Shares | Percentage of issued share capital |
|---------------------------------|--------------|-------------------------|---|
| Sino Market Enterprises Limited | <i>1</i> | 112,284,000 | 62.38% |
| Sinoman International Limited | <i>2</i> | 112,284,000 | 62.38% |
| Twilight Enterprises Limited | <i>2</i> | 112,284,000 | 62.38% |
| Chiu Gee Chai | <i>3</i> | 112,284,000 | 62.38% |
| Sharp Mode Limited | <i>4</i> | 36,000,000 | 20% |
| Mr. Chow Chun Yee | <i>4</i> | 36,000,000 | 20% |

Notes:

1. These 112,284,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as to 54.8 per cent by Sinoman International Limited and as to 22.6 per cent by Mellin Enterprises Limited and as to 22.6 per cent by Mr. Yeung Wai Hung; the former executive Director, who resigned on 14 February 2008.
2. Sinoman International Limited is beneficially owned as to 100 per cent by Twilight Enterprises Limited which is beneficially owned by Mr. Wilkie Wong, a non-executive Director, as to 12.5 per cent; Mr. Wong Wai Lok, William, as to 12.5 per cent; Ms. Wong Wai Yee, Winnie, as to 12.5 per cent; Ms. Wong Wai Ying, Vivian, as to 12.5 per cent; and as to 50 per cent by Ms. Chiu Gee Chai.
3. By virtue of Part XV of the SFO, Ms. Chiu Gee Chai is deemed to be interested in 112,284,000 shares.
4. Sharp Mode Limited is the holder of the Convertible Bonds and its ultimate beneficial owner is Mr. Chow Chun Yee. Upon conversion of the Convertible Bonds with the equity interest in the Company held by Sharp Mode Limited exceeding 10%, Sharp Mode Limited and Mr. Chow Chun Yee will both become the substantial shareholder of the Company.

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

Save as disclosed above, as at 30 June 2008, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2008.

COMPETING INTERESTS

The Directors, namely, Mr. Wong Wah Sang, Mr. Wong Man Chiu and the former Director, Mr. Yeung Wai Hung have over 20 years of experience in the operation of transportation and buses servicing, which is mainly operating under the name of Argos Bus Services Co., Ltd. (“Argos Hong Kong”) in Hong Kong. Argos Hong Kong is a fellow subsidiary of the Company as it is owned by Sino Market Enterprises Limited. Both of the Company and Argos Hong Kong have common Directors, namely, Mr. Wong Wah Sang, Mr. Wong Man Chiu, Ronnie, Mr. Wilkie Wong and the former Director Mr. Yeung Wai Hung.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

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

The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the six months ended 30 June 2008.

CORPORATE GOVERNANCE

The Company has complied throughout the period under review the provisions set out in the Code on the Corporate Governance Practices in Appendix 15 of the GEM Listing Rules.

By order of the Board
Argos Enterprise (Holdings) Limited
Wong Wah Sang
Chairman

Hong Kong, 12 August 2008

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