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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)

CLARIFICATION ANNOUNCEMENT IN RELATION TO CHANGE OF AUDITORS AND

FURTHER DELAY IN ANNOUNCEMENT OF RESULTS

Reference is made to the Announcement of the Company dated 10 May 2007. The Board wishes to clarify certain matters in the Announcement as set out in this announcement, including the details of the alleged omissions in the financial statements of the Group.

After preliminary investigations by THKC, it was discovered that Nanjing Argos, a 60% owned subsidiary of the Company, borrowed a bank loan of RMB12,000,000 during the year ended 31 December 2004 and such bank loan was then onward lent to Argos Recreation, a related company outside the Group, on substantially the same terms and at the same interest rate as those between Nanjing Argos and the bank.

The effect of the omissions is that both the assets and the liabilities of the Group in the financial years ended 31 December 2004 and 31 December 2005 were understated, although there would not be any material effect on the net asset values of both Nanjing Argos and the Group. There would not be any material effects of such omissions on the net profits of the Group in its consolidated income statements of the Group for the years ended 31 December 2004 and 31 December 2005.

The Company is now taking steps in investigating the matters in details and further announcement(s) will be made as and when appropriate.

The Board hereby also announces that the publication of the 2006 Annual Results will be further delayed until on or before 31 August 2007. The publication of the results of the Group for the first quarter of 2007 will also be delayed accordingly.

Clarification in relation to change of auditors

Reference is made to the announcement (the “**Announcement**”) of the Company dated 10 May 2007 in relation to the change of auditors of the Group. Unless otherwise stated, capitalised terms used in this announcement shall bear the same meanings as defined in the Announcement.

As disclosed in the Announcement, the Company has been notified by HLB that during their annual

audit for the year ended 31 December 2006, they discovered certain omissions in the financial statements of the Group for the years ended 31 December 2004 and 2005. The Board wishes to clarify certain matters in the Announcement as set out below.

After preliminary investigations by THKC including making of enquiries with management of the Group and reviewing the books and record for the preparation of the published consolidated financial statements of the Group for the years ended 31 December 2004 and 2005, it was discovered that Nanjing Public Transport Argos Bus Company Limited (“**Nanjing Argos**”), a 60% owned subsidiary of the Company, borrowed a bank loan of RMB12,000,000 during the year ended 31 December 2004 and such bank loan was then onward lent to Argos Recreation and Sport (Nanjing) Company Limited (“**Argos Recreation**”), a related company outside the Group, on substantially the same terms and at the same interest rate as those between Nanjing Argos and the bank. The said bank loan was renewed annually and so was the loan by Nanjing Argos to Argos Recreation. The interest rates during such loan periods ranged from 5.58% to 5.841% per annum. Argos Recreation was to repay all principal and interest of the loan onward lent by Nanjing Argos by making repayment to the loan account of Nanjing Argos maintained with the lending bank. These transactions were not recorded in the books of Nanjing Argos and as a result, such transactions were not reflected in the audited financial statements of the Group for the years ended 31 December 2004 and 2005. Argos Recreation 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, Argos Recreation was owed to Nanjing Argos for RMB10 million since then. The said RMB10 million was partially repaid by Argos Recreation in 2006. As at 31 December 2006, the remaining balance of the said indebtedness amounted to approximately RMB 1.7 million.

The principal business of Argos Recreation is sport-related business management, properties investment and properties management. At the material time, Mr. Wilson Wong (ceased to be a Director since 6 September 2004), Mr. Wong Man Chiu, Mr. Yeung Wai Hung and Mr. Zhang Dao Lin were the directors and ultimate beneficial owners of Argos Recreation. Mr. Wong Man Chiu and Mr. Yeung Wai Hung are directors of the Company and Nanjing Argos. Mr. Zhang Dao Lin is the general manager of Nanjing Argos.

The effect of the omissions is that both the 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, although there would not be any material effect on the net asset values of both Nanjing Argos and the Group. There would not be any material effects of such omissions on the net profits of the Group in its consolidated income statements of the Group for the years ended 31 December 2004 and 31 December 2005.

To the best of the Directors’ knowledge and information after making reasonable enquiries (save and except for the independent non-executive Directors), the primary reason for such omissions is that the management of Nanjing Argos at the material time considered that as the said bank loan was in effect and substance borrowed, and all interest thereon was borne by Argos Recreation, and such arrangements would be of no material effect on the net asset value of Nanjing Argos. As a result thereof, such transactions were not recorded in the books of Nanjing Argos although they had been disclosed in the bank statements of Nanjing Argos.

According to the notice of resignation of HLB, such omissions were in breach of Hong Kong Accounting Standard 24 “*Related Parties Disclosures*” issued by Hong Kong Institute of Certified Public Accountants and such transactions should have been reported to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Chapter 19 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of

the Stock Exchange. The Company is now taking steps in investigating the matters in details and further announcement(s) will be made as and when appropriate. The Company has engaged THKC, its external auditors to conduct audit works on the financial statements of the Group for the years ended 31 December 2004, 2005 and 2006 and the Company has also engaged independent internal auditors, Mabel Chan & Co., certified public accountants, to review the internal control on financial reporting of the Group.

As the Company and Argos Recreation have common directors, the onward lending of RMB12,000,000 bank loan to Argos Recreation constituted a connected transaction under Chapter 20 of the GEM Listing Rules.

As disclosed in the Announcement, THKC is in the course of conducting audit works on the financial statements of the Group for the years ended 31 December 2004, 2005 and 2006. The Company will make further announcement(s) in respect of the financial statements of the Group for the years ended 31 December 2004, 2005 and 2006 as and when appropriate once THKC has completed their audit works on the financial statements for the years ended 31 December 2004, 2005 and 2006.

Further delay in announcement of results

Reference is also made to the announcements of the Company dated 26 March 2007, 25 April 2007 and 10 May 2007 respectively. As HLB, the former auditors of the Company has withdrawn the auditors' reports of the Company for the years ended 31 December 2004 and 2005 and THKC, the new auditors of the Company, requires time to conduct the audit on the annual results of the Company and the Group for the year ended 31 December 2006 (the "2006 Annual Results"), the Board hereby announces that the publication of the 2006 Annual Results will be further delayed until on or before 31 August 2007. The publication of the results of the Group for the first quarter of 2007 will also be delayed accordingly.

Trading in the shares of the Company will remain suspended until further notice.

By order of the Board
Argos Enterprise (Holdings) Limited
Yeung Wai Hung
Executive Director

Hong Kong, 6 July 2007

As at the date of this announcement, the executive Directors are Mr. Wong Wah Sang (Chairman), Mr. Wong Man Chiu, Ronnie and Mr. Yeung Wai Hung; the non-executive Director is Mr. Wilkie Wong; 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 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: (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.

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