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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)

ISSUE OF CONVERTIBLE BONDS

On 7 August 2007, the Company and the Subscriber entered into the Subscription Agreement in respect of the proposed issue of the Convertible Bonds in the principal amount of HK\$7,200,000. Completion of the Subscription Agreement is subject to the fulfillment of the conditions as set out in the paragraph headed "Conditions precedent" below.

The net proceeds from the Convertible Bonds of approximately HK\$6.8 million will be applied towards the general working capital of the Group.

The EGM will be convened at which an ordinary resolution will be proposed to seek approval by the Shareholders of, among other matters, the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds. To the best of the Directors' knowledge, information and belief, no Shareholders have material interests in relation to the issue of the Convertible Bonds and therefore no Shareholders are required to abstain from voting at the EGM.

A circular containing, among other matters, further details of the Convertible Bonds and the notice of EGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares has been suspended at the request of the Company since 26 March 2007. Trading in the shares of the Company will remain suspended until further notice.

SUBSCRIPTION AGREEMENT

On 7 August 2007, the Company and the Subscriber entered into the Subscription Agreement in respect of the proposed issue of the Convertible Bonds in the principal amount of HK\$7,200,000. Completion of the Subscription Agreement is subject to the fulfillment of the conditions as set out in the paragraph headed "Conditions precedent" below.

1) Parties

Date: 7 August 2007

Issuer: the Company

Subscriber: the Subscriber, an Independent Third Party

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner is an Independent Third Party. The Subscriber is a company with limited liability incorporated in the British Virgin Islands for the purpose of investment holdings. The Subscriber is wholly and beneficially owned by Mr. Chow Chun Yee. As at the date of this announcement, the Subscriber and Mr. Chow Chun Yee do not hold any Shares or other securities in the Company.

2) Conditions precedent

The obligations of the parties to the Subscription Agreement to effect Completion is conditional upon:

- (a) the listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and the Subscriber have no reasonable objection) listing of and permission to deal in the Conversion Shares;
- (b) if necessary, the Shareholders having approved the transactions contemplated in the Subscription Agreement and the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds or otherwise pursuant to the conditions at the EGM;
- (c) the Subscriber being satisfied in its absolute discretion with the results of the due diligence review to be conducted on the assets, liabilities, affairs and operations of the Group;
- (d) the warranties given by the Company to each of the Subscribers under the Subscription Agreement remaining true, accurate and complete in all material respects; and
- (e) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained.

If any of the above conditions are not fulfilled on or before Long Stop Date, the Subscription Agreement will lapse and become null and void and the parties thereto shall be released from all obligations hereunder, save the liabilities for any antecedent breaches thereof.

3) Deposit

The Subscriber has paid the aggregate sum of HK\$7,200,000 in cash to the Company upon signing the Subscription Agreement as full payment and deposit for the Subscription Price.

In the event that the conditions precedent cannot be fulfilled on or before the Long Stop Date or Completion cannot take place as stipulated in the Subscription Agreement for whatever reasons (other than as a result of the sole default of the Subscriber), the Company shall forthwith refund the paid Subscription Price together with interest accrued thereon (calculated at the agreed interest rate of 5% per annum) in cash to the Subscriber.

Save for that the Subscriber may terminate the Subscription Agreement in the circumstances as set out in the section headed "Termination" below, subject to the fulfillment of the conditions of the Subscription, the Subscription Agreement will only be terminable as a result of the default of either the Company or the Subscriber.

In the event that Completion cannot take place as a result of the sole default of the Subscriber, the Company shall forthwith refund 90% of the paid Subscription Price together with interest accrued thereon (calculated at the agreed interest rate of 5% per annum) in cash to the Subscriber. The Company shall retain the 10% paid Subscription Price as liquidated damages.

The 5% interest rate was determined after arm's length negotiations between the Company and the Subscriber with reference to the borrowing costs obtainable by the Company. The Directors (including the independent non-executive Directors) consider that the 5% interest rate is at terms not less favourable than the best borrowing costs obtainable by the Company at prevailing credit market conditions.

The full payment of the Subscription Price as deposit was agreed among the relevant parties as a result of the combination of various factors during the commercial negotiation process. In order to meet the funding requirement of the Group, the Company decided to seek external investors who are interested in investing in the Company. To the best knowledge of the Directors, the Subscriber is confident about the business and financial prospects of the Company and is fully aware of the current suspension in trading of Shares and the associated risks. On the other hand, the Company is in need to satisfy its impending working capital requirement, in particular for replacement of old buses which aged over 10 years. As trading in the Shares is now in suspension, the Company has difficulty in getting debt financing to achieve the said purpose.

In addition, the Subscriber is satisfied with the term that the deposit will be refunded in full by the Company with interest in the event that Completion cannot take place as stipulated. The Company will, on the other hand, have immediate funds available for its working capital requirement. In short, the full deposit from the Subscriber was agreed between the Company and the Subscriber after arm's length negotiations and taking into consideration of various factors, including but not limited to the working capital requirements of the Group in funding the expansion of its PRC business operations.

The terms of the Subscription Agreement are arrived at after arms length negotiations between the Company and the Subscriber and the full deposit is subject to conditions precedent to the Subscription of the Convertible Bonds. In the event the conditions precedent of the Subscription cannot be fulfilled, the Company has to repay the full deposit with interest to the Subscriber.

4) **Principal terms of the Convertible Bonds**

Principal terms of the Convertible Bonds

- Principal amount: HK\$7,200,000 which will be issued by the Company at its full face value
- Interest rate: The Convertible Bonds shall carry interest at the rate of 1% per annum.
- Maturity date: Unless previously cancelled or converted, any outstanding Convertible Bonds shall be converted into Conversion Shares on the date falling on the first anniversary of the date of issue of the Convertible Bonds, being the maturity date of the Convertible Bonds.
- Ranking: The Convertible Bonds constitute general and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.
- Early redemption: The Bond cannot be redeemed by the Company.
- Mandatory conversion: The Company may at any time on or before the Maturity Date by serving at least thirty (30) days' prior written notice on the holder of the Convertible Bonds to require the holder thereof to mandatorily convert any outstanding Convertible Bonds in integral multiples of HK\$1,000,000 (save for that if the aggregate outstanding amount of the Convertible Bonds is less than HK\$1,000,000, the whole of the outstanding principal amount of the Convertible Bonds) into Conversion Shares at the then applicable Conversion Price
- Conversion: Provided that any conversion of the Convertible Bonds does not trigger off a mandatory offer under rule 26.1 of the Code on the part of the Subscriber, the Subscriber will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at any time and from time to time, from the date of issue of the Convertible Bonds up to and including their maturity date in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion.
- The restriction regarding the conversion under the Convertible Bonds remains valid throughout the terms of the Convertible Bonds.

Conversion Price: The Conversion Price is initially HK\$0.20 per Conversion Share, subject to adjustment for adjustment events as set out below. The initial Conversion Price represents:

- (a) a discount of approximately 13.04% to the closing price of HK\$0.23 per Share as quoted on the Stock Exchange on 23 March 2007, being the last trading day of the Shares immediately before the date of the Subscription Agreement; and
- (b) a discount of approximately 12.13% to the average of the closing prices of HK\$0.2276 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 23 March 2007, being the last trading day of the Shares immediately before the date of the Subscription Agreement.

Adjustment to the Conversion Price: The Conversion Price is subject to adjustment based on the prescribed formulae as set out in the instrument forming the Convertible Bonds for the happening of the adjustment events, including but not limited to:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution (in cash or in specie) to Shareholders (whether on a reduction of capital or otherwise);
- (iv) an offer of new Shares for subscription by way of rights, or any options or warrants granted to holders of Shares to subscribe for new Shares at a price which is less than 90% of the market price of the Shares of the date of the announcement of the terms and offer or grant being made; and
- (v) an issue of Shares being made wholly for cash at a price less than 90% of the market price of the Shares on the date of announcement of the issue (whether or not such issue is subject to the approval of the Shareholders).

Every adjustment to the conversion price shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by an approved merchant bank.

Voting: The Subscriber will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the holder of the Convertible Bonds.

Transfer: With the prior written consent of the Company, the Convertible Bonds may be transferable provided always that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company.

Based on the Conversion Price of HK\$0.20 per Conversion Share, a maximum number of 36,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) 20.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. There are no restrictions on the transfer or subsequent sale of the Conversion Shares upon their issue.

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue as at the date of allotment and issue of the Conversion Shares.

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

5) Completion

Completion of the Subscription Agreement shall take place on the third business day following the date on which the above conditions are fulfilled (or such other date as may be agreed between the Company and the Subscriber).

6) Termination

The Subscriber may, by notice to the Company given at any time prior to Completion, terminate the Subscription Agreement in any of the following circumstances:

- (a) in the reasonable opinion of the Subscriber, the success of the Subscription would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Subscriber materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Subscription; or

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Subscriber materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and makes it inexpedient or inadvisable to proceed with the Subscription; or
- (iii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Subscriber is likely to materially or adversely affect the success of the Subscription or otherwise makes it inexpedient or inadvisable to proceed with the Subscription; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 15 consecutive business days, excluding any suspension in connection with the clearance of the announcement, the circular or other documents in connection with the Subscription; or
- (vi) any material breach of any of the representations, warranties or undertakings contained in the Subscription Agreement comes to the knowledge of the Subscriber.

In the event that the Subscriber terminates the Subscription Agreement, the obligations of all parties under the Subscription Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS

The Directors (including the independent non-executive Directors) consider that the issue of the Convertible Bonds is an appropriate means of raising additional fund for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The net proceeds from the issue of the Convertible Bonds of approximately HK\$6.8 million will be applied towards the general working capital of the Group for the working capital requirements of the Group in funding the expansion of the Group's PRC business operations, as to HK\$6,500,000 will be used by Nanjing Public Transport Argos Bus Company Limited, the principal operating subsidiary of the Group in the PRC, for: (i) replacement of new buses, as most of the buses have been used for over 10 years and the Group is required by the Nanjing Public Transportation Department to replace such over 10-years-old buses; and (ii) the working capital for its daily operation and the remaining part of the proceeds will be applied towards to the general working capital of the Company in Hong Kong

SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and immediately after full conversion of the Convertible Bonds is as follows:

Shareholder	At the date of this announcement		Immediately after full conversion of the Convertible Bonds in full	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Sino Market Enterprises Limited (<i>Note</i>)	112,284,000	62.38%	112,284,000	51.98%
Subscriber	–	–	36,000,000	16.67%
Public Shareholders	<u>67,716,000</u>	<u>37.62%</u>	<u>67,716,000</u>	<u>31.35%</u>
Total	<u><u>180,00,000</u></u>	<u><u>100%</u></u>	<u><u>216,000,000</u></u>	<u><u>100%</u></u>

Note:

Sino Market Enterprises Limited is owned as to approximately 22.6% by Mellin Enterprises Limited, as to approximately 22.6% by Mr. Yeung Wai Hung, an executive Director and as to approximately 54.8% by Sinoman International Limited. Mellin Enterprises Limited is owned as to 50% by Mr Wong Wah Sang and as to 50% by Mr. Wong Man Chiu. Both Mr. Wong Wah Sang and Mr. Wong Man Chiu, Ronnie are executive Directors. Sinoman International Limited was owned as to 100% by Twilight Enterprises Limited, which in turn, is beneficially owned as to 12.5% by Mr. Wilkie Wong, as to 12.5% by Mr. Wong Wai Lok, William, as to 12.5% by Ms. Wong Wai Yee, Winnie, as to 12.5% by Ms. Wong Wai Ying, Vivian and as to 50% by Madam Chiu Gee Chai.

There are no provisions contained in the Subscription Agreement conferring the Subscriber with the right to nominate any persons to the Board. The Subscriber has no present intention to seek any board representations in the Company or any of its subsidiaries.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

EGM

The EGM will be convened at which approval will be proposed to be sought from Shareholders for, among other matters, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds. To the best of the Directors' information and knowledge, no Shareholders have material interests in the issue of the Convertible Bonds and therefore no Shareholders are required to abstain from voting at the EGM.

GENERAL

A circular containing, among other matters, further details of the Subscription Agreement and the Convertible Bonds and the notice of EGM will be despatched to the Shareholders in compliance with the GEM Listing Rules.

SUSPENSION OF TRADING

Trading in the Shares has been suspended at the request of the Company since 26 March 2007. Trading in the shares of the Company will remain suspended until further notice.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	board of the Directors
“Code”	The Hong Kong Code on Takeovers and Mergers
“Company”	Argos Enterprise (Holdings) Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Subscription Agreement
“connected persons”	has the meaning ascribed thereto in the GEM Listing Rules
“Conversion Price”	the conversion price at which the Convertible Bonds may be converted into Conversion Shares, which is initially HK\$0.20 per Conversion Share (subject to adjustment)

“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in principal amount of HK\$7.2 million to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of Company to be convened to consider and, if thought fit, approve the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined in the GEM Listing Rules) of the Company
“Long Stop Date”	31 December 2007 (or such other date as may be agreed by the Company and the Subscriber in writing)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Sharp Mode Limited, an company incorporated in the British Virgin islands with limited liability and is wholly and beneficially owned by Mr. Chow Chun Yee
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement

“Subscription Price”	HK\$7,200,000, being the subscription price of the Convertible Bonds
“Subscription Agreement”	the subscription agreement dated 7 August 2007 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Bonds
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 29 August 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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