



# Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code : 8022)



● INTERIM REPORT 2007 ●

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*This report, 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 Stock 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## INTERIM RESULTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

### HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$80,453,000 for the six months ended 30 June 2007, representing an increase of approximately 14% as compared with the turnover for the corresponding period in 2006.
- Net profit from ordinary activities attributable to shareholders decreased by 76% compared to the corresponding period in 2006 to approximately HK\$295,000 for the six months ended 30 June 2007. The decrease in profit compared to corresponding period in 2006 mainly due to increase in administrative expenses and not yet receive government subsidy.
- Earnings per share was approximately HK\$0.16 cents. (earnings per share corresponding period in 2006: HK\$0.68 cents)
- The directors do not recommend the payment of interim dividend for the six months ended 30 June 2007.



## INTERIM RESULTS

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

The directors (the “directors”) of Argos Enterprise (Holdings) Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months and three months ended 30 June 2007 together with comparative unaudited figures for the corresponding periods in 2006 (the “Relevant Periods”) as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
TURNOVER	2	80,453	70,749	43,299	37,023
COST OF SERVICES		(65,845)	(61,981)	(35,292)	(34,225)
GROSS PROFIT		14,608	8,768	8,007	2,798
OTHER REVENUE	2	1,741	7,063	300	4,502
ADMINISTRATIVE EXPENSES		(13,642)	(11,040)	(5,935)	(5,295)
PROFIT FROM OPERATIONS		2,707	4,791	2,372	2,005
INTEREST INCOME		179	326	112	229
FINANCE COSTS	4	(1,086)	(1,002)	(378)	(228)
PROFIT BEFORE TAXATION		1,800	4,115	2,106	2,006
TAXATION	5	(317)	(745)	(503)	(578)
PROFIT BEFORE MINORITY INTERESTS		1,483	3,370	1,603	1,428
MINORITY INTERESTS		(1,188)	(2,141)	(886)	(944)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		295	1,229	717	484
EARNINGS PER SHARE – BASIC (CENTS)	6	0.16	0.68	0.40	0.27



## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
		103,608	104,519
		1,097	1,097
		4,992	4,992
		820	1,480
		1,080	1,080
		<u>111,597</u>	<u>113,168</u>
<b>Current assets</b>			
	7	5,088	4,724
		1,929	1,616
		475	2,681
		679	679
	7	16,915	12,718
		17,581	17,428
		25,653	20,731
		<u>68,320</u>	<u>60,577</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
	8	10,444	10,521
		10,445	10,490
		4,480	4,629
		1,433	479
		59,218	54,258
		41	625
		7,542	7,542
		100	100
		<u>93,703</u>	<u>88,644</u>
<b>Net current liabilities</b>		<u>(25,383)</u>	<u>(28,067)</u>
<b>Total Assets Less Current Liabilities</b>		<u>86,214</u>	<u>85,101</u>
<b>Non-current liabilities</b>			
		500	476
		1,765	690
		3,185	4,379
		<u>5,450</u>	<u>5,545</u>
<b>MINORITY INTERESTS</b>		<u>25,715</u>	<u>24,800</u>
<b>NET ASSETS</b>		<u>55,049</u>	<u>54,756</u>
<b>CAPITAL AND RESERVES</b>			
		1,800	1,800
	9	53,249	52,956
		<u>55,049</u>	<u>54,756</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share premium HK\$'000	Exchange reserve HK\$'000	Merger reserve HK\$'000	General reserves HK\$'000	Revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 January 2006							
as previously reported	29,200	(424)	(490)	3,325	412	15,633	47,656
Prior year adjustments	-	3,230	-	(98)	(333)	1,944	4,743
As at 1 January 2006							
as restated	29,200	2,806	(490)	3,227	79	17,577	52,399
Net profit for the period	-	-	-	-	-	1,229	1,229
Currency translation difference	-	-	-	-	-	-	-
As at 30 June 2006	29,200	2,806	(490)	3,227	79	18,806	53,628
Net loss for the period	-	-	-	-	-	(2,482)	(2,482)
Deficit on revaluation	-	-	-	-	(31)	-	(31)
Currency translation difference	-	1,843	-	-	-	-	1,843
At 31 December 2006	29,200	4,647	(490)	3,227	48	16,324	52,958
Net profit for the period	-	-	-	-	-	273	273
Surplus on revaluation	-	-	-	-	-	-	-
Currency translation difference	-	18	-	-	-	-	18
As at 30 June 2007	<u>29,200</u>	<u>4,665</u>	<u>(490)</u>	<u>3,227</u>	<u>48</u>	<u>16,597</u>	<u>53,249</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months period ended 30 June 2007

	For the six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash inflow/(outflow) from operating activities	4,797	(2,986)
Net cash inflow/(outflow) from investing activities	1,420	(4,629)
Net cash inflow/(outflow) from financing activities	(1,239)	(3,047)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	4,978	(10,662)
Effect of foreign exchange rate changes	18	65
Cash and cash equivalents at the beginning of the period	10,211	13,422
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>15,209</u>	<u>2,825</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	25,653	13,231
Bank overdrafts	(10,444)	(10,406)
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	<u>15,209</u>	<u>2,825</u>



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 2006.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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 Hong Kong Institute of Certified Public Accountants ("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, tourist routes, bus hire and employee services, taxi rental, rental, sightseeing ticket sales and touring as well as management fees. Revenue recognized during the Relevant Periods are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover				
Related bus services				
– Public routes	49,966	43,939	26,672	22,794
– Tourist routes	8,122	7,142	5,937	5,159
– Bus hire services	5,217	4,588	2,580	2,194
Taxi rental	7,338	6,453	2,745	2,284
Rental income	822	723	288	238
Sightseeing ticket sales & touring	7,987	7,024	4,647	3,992
Management fee	1,001	880	430	362
	<u>80,453</u>	<u>70,749</u>	<u>43,299</u>	<u>37,023</u>
Other revenue				
Advertising income on fleet body	639	1,425	120	919
Subsidy from local authority	–	3,865	–	2,325
Sundries	1,102	1,773	180	1,258
	<u>1,741</u>	<u>7,063</u>	<u>300</u>	<u>4,502</u>
Total revenue	<u>82,194</u>	<u>77,812</u>	<u>43,599</u>	<u>41,525</u>



### 3. Segmental information

No geographical segment analysis of the Group's performance for the six months ended 30 June 2007 is presented as all of the turnover and contribution to operating results of the Group are attributable in the PRC.

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

#### (i) Six months ended 30 June 2007

	Public routes HK\$'000	Tourist routes HK\$'000	Bus hire and employee services HK\$'000	Sightseeing ticket sales and touring HK\$'000	Taxi Rental HK\$'000	Rental income HK\$'000	Management fee HK\$'000	Total HK\$'000
Turnover	49,966	8,122	5,217	7,987	7,338	822	1,001	80,453
Cost of bus services	(41,722)	(6,650)	(4,576)	(6,034)	(5,452)	(611)	(800)	(65,845)
Gross profit	8,244	1,471	641	1,953	1,886	211	201	14,608
Administrative expenses	(6,471)	(1,627)	(420)	(1,701)	(1,154)	(129)	-	(11,502)
Segment results	1,773	(155)	221	253	732	82	201	3,106
Unallocated items:								
Other revenue								1,741
Administrative expenses								(2,140)
Profit from operations								2,707
Interest income								179
Finance costs								(1,086)
Profit from ordinary activities before taxation								1,800
Taxation								(317)
Profit before minority interests								1,483
Minority interests								(1,188)
Profit attributable to shareholders								295



(ii) Six months ended 30 June 2006

	Public routes HK\$'000	Tourist routes HK\$'000	Bus hire and employee services HK\$'000	Taxi Rental HK\$'000	Rental income HK\$'000	Sightseeing ticket sales and touring HK\$'000	Management fee HK\$'000	Total HK\$'000
Turnover	43,939	7,142	4,588	6,453	723	7,024	880	70,749
Cost of bus services rendered	(38,791)	(6,284)	(3,640)	(5,121)	(574)	(6,732)	(839)	(61,981)
Gross profit	5,148	858	948	1,332	149	292	41	8,768
Administrative expenses	(4,045)	(673)	(405)	(569)	(64)	(77)	(10)	(5,843)
Segment results	1,103	185	543	763	85	215	31	2,925
Unallocated items:								
Other revenue								7,063
Administrative expenses								(5,197)
Profit from operations								4,791
Interest income								326
Finance costs								(1,002)
Profit from ordinary activities before taxation								4,115
Taxation								(745)
Profit before minority interests								3,370
Minority interests								(2,141)
Profit attributable to shareholders								1,229



#### 4. Finance costs

	Six months ended		Three months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	1,086	1,002	378	228

#### 5. Taxation

The taxation charge comprises:

	Note	Six months ended		Three months ended	
		30 June		30 June	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	(i)	–	–	–	–
Overseas taxation	(ii)	317	745	503	578
		317	745	503	578

- (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. Earnings per share

The calculation of the basic earnings per share is based on profit from the ordinary activities attributable to shareholders for the six months and three months ended 30 June 2007 of HK\$295,000 and HK\$717,000 respectively (2006: HK\$1,228,754 and HK\$483,754) and on 180,000,000 (2006: 180,000,000) shares in issue during the periods.

There were no potentially dilutive shares outstanding during the Relevant Periods. No dilutive earnings per share is presented.



7. Trade and other receivables

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31st Dec 2006 HK\$'000 (Audited)
Trade receivables ( <i>Note (a)</i> )	5,088	4,724
Prepayments, deposit and other receivables	16,915	12,718
	<u>22,003</u>	<u>17,442</u>

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

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31st Dec 2006 HK\$'000 (Audited)
Current	4,231	4,189
31 – 60 days	539	243
61 – 90 days	108	93
Over 90 days	210	199
	<u>5,088</u>	<u>4,724</u>

8. Bank overdraft, secured

As on 30 June 2007, the Group's bank overdraft was secured by a fixed deposit of HK\$10,000,000 of the Group (2006: HK\$10,000,000).



9. Reserves

	Share premium HK\$'000	Exchange reserve HK\$'000	Merger reserve HK\$'000	General reserve HK\$'000	Revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 January 2007	29,200	4,669	(490)	3,227	48	16,324	52,958
Net profit for the period	-	-	-	-	-	273	273
Surplus on revaluation	-	-	-	-	-	-	-
Translation of financial statements of overseas subsidiaries	-	18	-	-	-	-	18
As at 30 June 2007	<u>29,200</u>	<u>4,665</u>	<u>(490)</u>	<u>3,227</u>	<u>48</u>	<u>16,597</u>	<u>53,249</u>

In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after taxation, if any, to the general reserve which comprise of the statutory reserve and the enterprise expansion fund. The percentage of the transfer is determined by the Board of directors of the subsidiaries.

The above reserves are non-distributable and calculated by reference to the PRC statutory financial statements of these subsidiaries.

10. Interim dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2007 (2006: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Turnover*

The unaudited consolidated turnover of the Group for the six months ended 30 June 2007 was approximately HK\$80,453,000 representing an increase of 14% over the corresponding period in 2006.

#### *Profit/(Loss) attributable to shareholders*

The profit attributable to shareholders was approximately HK\$295,000, representing an decrease of 76% over the corresponding period in 2006 (2006: HK\$1,228,754). Part of the decrease in the profit attributable to shareholders was due to the increase in cost and expenses and not yet receive government subsidy.

#### *Earnings per share*

For the six months ended 30 June 2007, earnings per share is approximately HK\$0.16 cents (2006: HK\$0.68 cents).

#### *Balance Sheet*

As at 30 June 2007, the shareholders' funds of the Group amounted to approximately HK\$55,049,000. Current assets amounted to approximately HK\$68,320,000, of which approximately HK\$43,234,000 were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$5,450,000 and its current liabilities amounted to approximately HK\$93,703,000, of which trade payables, other payables, accruals and provisions amounted to approximately HK\$63,698,000.

#### *Net cash inflow/(outflow) from operating activities*

The Group recorded a cash inflow from operating activities of approximately HK\$4,797,000 during the six months ended 30 June 2007 compared with a cash outflow from operating activities of approximately HK\$2,986,000 during the corresponding period in 2006.



#### *Foreign currency risk*

Since most of the transactions, income and expenditure 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 2007 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 2007, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies. However, in 16 July 2007, the Group increase its investment in Nanjing Argos by capital injection of RMB12,000,000, with such capital injection, the period of the public routes operating rights extend for another 30 years effective from 1 July, 2007.

#### *Contingent liabilities*

As at 30 June 2007, the Group had no material contingent liabilities (the same applied to the six months ended 30 June 2006).

#### *Operational Review*

During the six months period, the Group had strictly follow the cost control policy in order to offset the negative impact on the profitability due to increase in staff and other administrative costs. In addition, the Directors will endeavour to negotiate with the relevant government authorities in the PRC for further raising the bus fares and negotiate of more subsidy schemes.

#### *Nanjing Argos*

High staff and other administrative costs due to high inflation rate in PRC is the primary concern by the Director during the period under review. In order to offset the negative impact of increasing staff and administrative costs, Nanjing Argos will follow strictly the cost control policy in the year 2007. Subsequent to the interim period ended 30 June, 2007, on 16 July 2007, the major shareholder of the Company has inject RMB12,000,000 to its 60% owned subsidiary Nanjing Argos. With such capital injection, the period of the public routes operating rights of Nanjing Argos extend for another 30 years effective from 1 July 2007. The capital injection will also replace most of the existing old buses, which will reduce the repair and maintenance costs that concern by the Directors.





The following table depicts certain operating statistics of Nanjing Argos for the first half of the year:

	Jan – Jun 2007	Jan – Jun 2006
Routes operated	18	18
Number of employees	1,108	1,063
Fleet size	404	369
Total mileage ('000 km)	12,848	11,818
Total patronage (million trips)	41.00	40.10

#### *Wanzhou Argos*

The profitability of Wanzhou Argos continues to improve due to the effort on costs reduction and increase in routes, as mentioned above, to generate more revenue.

The following table depicts certain operating statistics of Wanzhou Argos for the first half of the year:

	Jan – Jun 2007	Jan – Jun 2006
Routes operated	6	8
Number of employees	283	273
Fleet size	57	57
Total mileage ('000 km)	25,218	2,313
Total patronage (million trips)	6.42	5.03

#### *Taizhou Argos*

During the period under review, Taizhou Argos will continues to make effort in enforcing the cost control policy in order to improve the efficiency of its operation and maintain a reasonable profitability level.



The following table depicts certain operating statistics of Taizhou Argos for the first half of the year:

	Jan–Jun 2007	Jan–Jun 2006
Routes operated	24	22
Number of employees	458	459
Fleet size ( <i>buses and taxis</i> )	538	549
Total mileage ('000 km)	2,928	2,912
Total patronage ( <i>million trips</i> )	7.3	7.8

## DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at the 30 June 2007, the following Directors have the following interests in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Section 347 of the SFO (including interests which they were taken or deemed to have under Section 344 of the SFO), or which required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Type of interest	Number of issued share held
Mr. Yeung Wai Hung	Corporate	1,400,000 ( <i>Notes 1 and 2</i> )

As at 30 June 2007 none of the Directors held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

*Notes:*

By virtue of Part XV of the SFO, Mr. Yeung Wai Hung is deemed to be interested in the entire issued capital of Cherikoff Bakery & Confections Limited which is interested in 1,400,000 shares in the Company.



## *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 2007, no option has been granted or agreed to be granted to the Directors under the scheme.

At no time during the six months ended 30 June 2007 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire the benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## *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 2007 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.



## SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 June 2007, the register of substantial shareholders (other than a Director) maintained under section 336 of the SFO showed that the Company had been notified of substantial shareholding interests, being 5% or more of the Company's issued share capital, as follows:

Name	Notes	Number of Shares	Percentage of issued share capital
Sino Market Enterprises Limited	1	112,284,000	62.38%
Sinoman International Limited	1	112,284,000	62.38%
Twilight Enterprises Limited	2	112,284,000	62.38%
Mellin Enterprises Limited	3	112,284,000	62.38%
Chiu Gee Chai	4	112,284,000	62.38%

As at 30 June 2007 none of the above-listed substantial shareholders held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

### 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 percent by Mr. Yeung Wai Hung, an executive director of the Company.
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 of the company, 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 Madam Chiu Gee Chai, the wife of Mr. Wilson Wong.
3. The issued share capital of Mellin Enterprises Limited is beneficially owned by Mr. Wong Wah Sang, an executive Director and chairman of the Company, as to 50 per cent., Mr. Wong Man Chiu, Ronnie, an executive Director, as to 50 per cent.. Mr. Wong Wah Sang is the father of Mr. Wong Man Chiu, Ronnie.
4. By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 112,284,000 shares.
5. By virtue of Part XV of the SFO, each of Sino Market Enterprises Limited, Sinoman International Limited, Mellin Enterprises Limited, Twilight Enterprises Limited and Madam Chiu Gee Chai is deemed to be interested in 500,000 ordinary shares in Argos Bus Services (China) Company Limited, a subsidiary of the Company.

Save as disclosed above, no person has registered an interest or short position in the share capital of the Company that was required 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 2007.

## *CORPORATE GOVERNANCE*

During the six months ended 30 June 2007, the Board complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix XV of the GEM Listing Rules, except that (i) the remuneration Committee has not yet been set up by the Company; (ii) the nomination committee had not yet been set up by the Company.

## *AUDIT COMMITTEE*

The Company has established an audit committee which adopted 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. The audit committee comprised three independent non-executive Directors of the Company, namely Mr. Sung Wai Tak, Herman, Mr. Cheung Man Yau, Timothy 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 interim financial statements for the six months ended 30 June 2007.

## *BOARD PRACTICES AND PROCEDURES*

During the six months ended 30 June 2007, the Company complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.



## COMPETING INTERESTS

The Directors have substantial experience in the operation of transportation companies especially bus services, with over 20 years of experience in the operation of such services in Hong Kong. Such operations in Hong Kong are mainly trading under the names of Argos Bus Services Co., Ltd. (“Argos Hong Kong”), a fellow subsidiary of the Company, and Goldspark HK Tours Limited, indirectly owned subsidiary of Argos Hong Kong, and Metro Line Tours Limited, owned 50 per cent. by Twilight Enterprises Limited.

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.

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

Hong Kong, 14 August 2007

*As of the date hereof, 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; while the independent non-executive directors are Messrs. Sung Wai Tak, Herman, Cheung Man Yau, Timothy and Wong Lit Chor, Alexis.*