

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 **2006**

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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 2006

HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$70,749,002 for the six months ended 30 June 2006, representing an increase of approximately 11% as compared with the turnover for the corresponding period in 2005.
- Net profit from ordinary activities attributable to shareholders increased by 202% compared to the corresponding period in 2005 to approximately HK\$1,228,754 for the six months ended 30 June 2006.
- Earnings per share was approximately HK\$0.68 cents. (earnings per share corresponding period in 2005: HK\$0.23 cents)
- The directors do not recommend payment of interim dividend for the six months ended 30 June 2006.



INTERIM RESULTS

For the six months period ended 30 June 2006 (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 2006 together with comparative unaudited figures for the corresponding periods in 2005 (the “Relevant Periods”) as follows:

	Note	Six months ended 30 June		Three months ended 30 June	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
TURNOVER	2	70,749	63,937	37,023	33,419
COST OF SERVICES		(61,981)	(56,041)	(34,225)	(29,323)
GROSS PROFIT		8,768	7,896	2,798	4,096
OTHER REVENUE	2	7,063	5,318	4,502	2,469
ADMINISTRATIVE EXPENSES		(11,040)	(9,711)	(5,295)	(5,031)
PROFIT FROM OPERATIONS		4,791	3,504	2,005	1,534
INTEREST INCOME		326	155	229	107
FINANCE COSTS	4	(1,002)	(1,186)	(228)	(596)
PROFIT (LOSS) BEFORE TAXATION		4,115	2,473	2,006	1,045
TAXATION	5	(745)	(528)	(578)	(360)
PROFIT (LOSS) BEFORE MINORITY INTERESTS		3,370	1,945	1,428	685
MINORITY INTERESTS		(2,141)	(1,538)	(944)	(574)
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS		1,229	407	484	111
EARNINGS (LOSS) PER SHARE – BASIC (CENTS)	6	0.68	0.23	0.27	0.06



CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2006 HK\$'000 (Unaudited)	As at 31 December 2005 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		92,372	95,531
Investment properties		1,029	1,029
Land use rights		6,402	4,600
Intangible assets		1,576	1,722
Available for sale financial assets		1,025	1,024
Deferred tax asset		9	334
		<u>102,413</u>	<u>104,240</u>
Current assets			
Properties held for sale		–	1,773
Trade receivables	7	3,922	4,211
Inventories		1,679	1,364
Amount due by a fellow subsidiary		7,453	–
Amount due by a minority shareholder		644	678
Prepayments, deposits and other receivables	7	12,610	8,947
Fixed deposits		17,581	15,096
Cash and bank balances		13,231	23,890
		<u>57,120</u>	<u>55,959</u>
LIABILITIES			
Current liabilities			
Bank overdraft, secured	8	10,406	10,468
Current portion of interest-bearing borrowings		7,353	10,307
Trade payables		4,788	3,880
Advertising income on fleet body receipt in advance		89	1,072
Other payables and accruals		53,360	52,360
Taxation		54	59
Amount due to fellow subsidiaries		–	2,431
Amount due to minority shareholders		8,769	8,253
Amount due to directors		695	692
		<u>85,514</u>	<u>89,522</u>
Net current liabilities		<u>(28,394)</u>	<u>(33,563)</u>
Total Assets Less Current Liabilities		<u>74,019</u>	<u>70,677</u>
Non-current liabilities			
Interest-bearing borrowings		458	551
Long term payables		–	–
Advertising income on fleet body receipt in advance		–	–
		<u>458</u>	<u>551</u>
MINORITY INTERESTS		<u>22,811</u>	<u>20,670</u>
NET ASSETS		<u>50,750</u>	<u>49,456</u>
CAPITAL AND RESERVES			
Share capital		1,800	1,800
Reserves	9	48,950	47,656
		<u>50,750</u>	<u>49,456</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Merger reserve HK\$'000	General reserves HK\$'000	Revaluation reserve HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	Total HK\$'000
As at 1 January 2005	1,800	29,200	377	(490)	3,227	-	15,618	20,310	70,042
Net profit for the period	-	-	-	-	-	-	407	1,538	1,945
Translation of financial statement of overseas subsidiaries	-	-	10	-	-	-	-	(32)	(22)
As at 30 June 2005	1,800	29,200	387	(490)	3,227	-	16,025	21,816	71,965
Net profit for the period	-	-	-	-	-	-	(392)	(1,183)	(1,575)
Surplus on revaluation	-	-	-	-	-	412	-	-	412
Translation of financial statements of overseas subsidiaries	-	-	(811)	-	98	-	-	37	(676)
At 31 December 2005	1,800	29,200	(424)	(490)	3,325	412	15,633	20,670	70,126
Net profit for the period	-	-	-	-	-	-	1,229	2,141	3,370
Surplus on revaluation	-	-	-	-	-	-	-	-	-
Translation of financial statements of overseas subsidiaries	-	-	65	-	-	-	-	-	65
As at 30 June 2006	<u>1,800</u>	<u>29,200</u>	<u>(359)</u>	<u>(490)</u>	<u>3,325</u>	<u>412</u>	<u>16,862</u>	<u>22,811</u>	<u>73,561</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months period ended 30 June 2006

	For the six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Net cash inflow/(outflow) from operating activities	(2,986)	8,501
Net cash inflow/(outflow) from investing activities	(4,629)	(3,737)
Net cash inflow/(outflow) from financing activities	(3,047)	(6,294)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	(10,662)	(1,530)
Effect of foreign exchange rate changes	65	10
Cash and cash equivalents at the beginning of the period	13,422	2,396
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>2,825</u>	<u>876</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	13,231	11,378
Bank overdrafts	(10,406)	(10,502)
	<hr/>	<hr/>
	<u>2,825</u>	<u>876</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 2005.

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	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover				
Related bus services				
– Public routes	43,939	37,205	22,794	18,711
– Tourist routes	7,142	4,322	5,159	1,680
– Bus hire services	4,588	6,572	2,194	4,362
Taxi rental	6,453	8,182	2,284	3,982
Rental income	723	537	238	1
Sightseeing ticket sales & touring	7,024	6,311	3,992	4,353
Management fee	880	808	362	330
	<u>70,749</u>	<u>63,937</u>	<u>37,023</u>	<u>33,419</u>
Other revenue				
Advertising income on fleet body	1,425	1,895	919	1,341
Subsidy from local authority	3,865	2,340	2,325	983
Sundries	1,773	1,083	1,258	145
	<u>7,063</u>	<u>5,318</u>	<u>4,502</u>	<u>2,469</u>
Total revenue	<u>77,812</u>	<u>69,255</u>	<u>41,525</u>	<u>35,888</u>



4. Finance costs

	Six months ended		Three months ended	
	30 June		30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	1,002	1,186	228	596

5. Taxation

The taxation charge comprises:

	Note	Six months ended		Three months ended	
		30 June		30 June	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	(i)	–	–	–	–
Overseas taxation	(ii)	745	528	578	360
		<u>745</u>	<u>528</u>	<u>578</u>	<u>360</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. 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 2006 of HK\$1,228,754 and HK\$483,754 respectively (2005: HK\$407,000 and HK\$111,000) and on 180,000,000 (2005: 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 (Unaudited) 2006 HK\$'000	As at 31st Dec (Audited) 2005 HK\$'000
Trade receivables (Note (a))	3,922	4,211
Prepayments, deposit and other receivables	12,610	8,947
	<u>16,532</u>	<u>13,158</u>

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

	As at 30 June (Unaudited) 2006 HK\$'000	As at 31st Dec (Audited) 2005 HK\$'000
Current	3,448	3,678
31 – 60 days	218	222
61 – 90 days	91	81
Over 90 days	165	230
	<u>3,922</u>	<u>4,211</u>

8. Bank overdraft, secured

As on 30 June 2006, the Group's bank overdraft was secured by a fixed deposit of HK\$10,000,000 of the Group (2005: HK\$10,000,000).



9. Reserves

	Share Capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Merger reserve HK\$'000	General reserve HK\$'000	Revaluation reserve HK\$'000	Retained earnings HK\$'000	Minority interest HK\$'000	Total HK\$'000
As at 1 January 2006	1,800	29,200	(424)	(490)	3,325	412	15,633	20,670	70,126
Net profit for the period	-	-	-	-	-	-	1,229	2,141	3,370
Surplus on revaluation	-	-	-	-	-	-	-	-	-
Translation of financial statements of overseas subsidiaries	-	-	65	-	-	-	-	-	65
As at 30 June 2006	<u>1,800</u>	<u>29,200</u>	<u>(359)</u>	<u>(490)</u>	<u>3,325</u>	<u>412</u>	<u>16,862</u>	<u>22,811</u>	<u>73,561</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 2006 (2005: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

The unaudited consolidated turnover of the Group for the six months ended 30 June 2006 was approximately HK\$70,749,000 representing an increase of 11% over the corresponding period in 2005. The increase in turnover was mainly attributable to the increase of approximately 18% in the public routes segment caused by the increase in number of routes in Nanjing, from original 15 routes to 18 routes in the second half year of 2005. The routes for Wanzhou also increase from original 4 routes to 8 routes as compared with the corresponding period in year 2005. The increase in routes has broadened the source of revenue for the Group.

Profit/(Loss) attributable to shareholders

The profit attributable to shareholders was approximately HK\$1,228,754, representing an increase of 202% over the corresponding period in 2005 (2005: HK\$407,000). Part of the increase in the profit attributable to shareholders was due to the increase in gross profit caused by the increase bus fare in late December 2005 and number of routes as mentioned above.

Earnings per share

For the six months ended 30 June 2006, earnings per share is approximately HK\$0.68 cents (2005: HK\$0.23 cents).

Balance Sheet

As at 30 June 2006, the shareholders' funds of the Group amounted to approximately HK\$50,750,000. Current assets amounted to approximately HK\$57,120,000, of which approximately HK\$30,812,000 were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$458,000 and its current liabilities amounted to approximately HK\$85,514,000, of which trade payables, other payables, accruals and provisions amounted to approximately HK\$58,148,000.

Net cash inflow/(outflow) from operating activities

The Group recorded a cash outflow from operating activities of approximately HK\$2,986,000 during the six months ended 30 June 2006 compared with a cash inflow from operating activities of approximately HK\$8,501,000 during the corresponding period in 2005.



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 2006 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 2006, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Contingent liabilities

As at 30 June 2006, the Group had no material contingent liabilities (the same applied to the six months ended 30 June 2005).

Operational Review

High oil prices are still the major concern by the Directors. 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 high oil prices. In addition, the Directors will endeavour to negotiate with the relevant government authorities in the PRC for further raising the bus fares and/or negotiate of more subsidy schemes if the oil prices reach another high level.

Nanjing Argos

Not only high oil prices affecting the operation of Nanjing Argos, high staff salaries and welfare costs due to the implementation of mandatory employees medical benefits by relevant government authorities in PRC is another issue that concerned by the Directors. Repair and maintenance costs are also increasing due to durability of the earlier purchased buses.



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

	Jan – Jun 2006	Jan – Jun 2005
Routes operated	18	15
Number of employees	1,063	854
Fleet size	369	339
Total mileage ('000 km)	11,818	11,076
Total patronage (million trips)	40.10	38.18

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. These together offset the high oil prices impact.

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

	Jan – Jun 2006	Jan – Jun 2005
Routes operated	8	4
Number of employees	273	253
Fleet size	57	51
Total mileage ('000 km)	2,313	1,485
Total patronage (million trips)	5.03	3.59

Taizhou Argos

During the period under review, Taizhou Argos will continue 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 2006	Jan-Jun 2005
Routes operated	22	22
Number of employees	459	480
Fleet size (<i>buses and taxis</i>)	549	540
Total mileage ('000 km)	2,912	2,932
Total patronage (<i>million trips</i>)	7.8	8.42

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at the 30 June, 2006, 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, 2006 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:

- Under Part XV of the SFO, Mr. Yeung Wai Hung is personally interested in 2,000 shares in Sinoman International Limited and 150 shares in Metro Line Tours Limited
- 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 2006, 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 2006 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 2006 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 2006, 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	Note	Number of Shares	Percentage of issued share capital
Sino Market Enterprises Limited	1	126,000,000	70%
Sinoman International Limited	1	126,000,000	70%
Twilight Enterprises Limited	2	126,000,000	70%
Kenworth Enterprises Limited	3	126,000,000	70%
Chiu Gee Chai	4	126,000,000	70%

As at 30 June 2006 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:

- These 126,000,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as to 61.03 per cent. by Sinoman International Limited and as to 34.97 per cent. by Kenworth Enterprises Limited.
- Sinoman International Limited is beneficially owned as to 80 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.
- The issued share capital of Kenworth Enterprises Limited is beneficially owned by Mr. Wong Wah Sang, an executive Director and chairman of the Company, as to 22.23 per cent., Mr. Wong Man Fung, Anthony as to 11.11 per cent., Mr. Wong Man Che, Edward as to 11.11 per cent., Mr. Wong Man Ka, Stephen as to 11.11 per cent., Ms. Wong Man Hing, Alice, the wife of Mr. Kwan Yan Ming, as to 11.11 per cent., Mr. Wong Man Chiu, Ronnie, an executive Director, as to 11.11 per cent., Mr. Wong Man Kon, John as to 11.11 per cent. and Mr. Wong Man Kong, Peter as to 11.11 per cent., Mr. Wong Wah Sang is the father of the other shareholders mentioned above.
- By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
- By virtue of Part XV of the SFO, each of Sino Market Enterprises Limited, Sinoman International Limited, Kenworth 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 2006.

CORPORATE GOVERNANCE

During the six months ended 30 June 2006, the Board has compliance 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 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. 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 2006.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 June 2006, the Company has compliance 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 and 15 per cent by 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.

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

Hong Kong, 8 August 2006

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 director are Messr. Sung Wai Tak, Herman, Cheung Man Yau, Timothy and Wong Lit Chor, Alexis.